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Touche**



SOLUTIONS

Canadian Soccer Association

*Economic Feasibility Study for Canada
Hosting the FIFA 2010 World Cup*

June 27, 2000

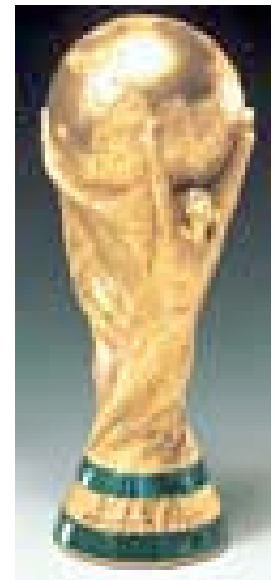


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EXECUTIVE SUMMARY

In January 2000, Deloitte & Touche was engaged by the Canadian Soccer Association (CSA) to perform an Economic Feasibility Study for Canada hosting the 2010 Federation Internationale de Football Association (FIFA) World Cup. The Study included an analysis of the projected operating profit of the tournament, an initial estimate of the capital costs required to build new or upgrade existing stadia, and a description of the costs required to be guaranteed by Government. This report documents the findings from this Study.

Projected Operating Profit

The analysis shows a projected operating profit for hosting the tournament in 2010 of \$22.7 Million.

	\$Million
Net Revenue	\$ 556.3
Net Operating Costs	\$ 533.6
Net Operating Profit	\$ 22.7

Revenue is derived from the sale of tickets for sixty-four matches, played at ten venues across the country. The operating costs cover all activities necessary for the planning and staging of a successful tournament. In addition, the operating costs include a total of \$100 Million for investment in the development of soccer in Canada. Of this amount, \$30 Million will be spent in preparation for the tournament to develop world class training facilities in each of the ten host cities, leaving \$70 Million for future investment. All assumptions for both the revenue and operating estimates have been based upon the FIFA List of Requirements that are effective for the 2006 World Cup.

Capital Cost Requirements

Capital cost requirements have been prepared with assistance of PCL Construction Canada Inc. The estimated minimum capital cost requirement to allow Canada to place a competitive and valid bid is \$165.5 Million. This covers the upgrade and refurbishment of nine existing stadia and the construction of one new stadium to meet FIFA's requirements. It should be noted that \$165.5 Million represents the minimum amount from the single scenario developed in this report. In the event that FIFA regulations change or that host cities decide to, either incorporate additional upgrades to their stadium, or build new stadia, the capital investment required to host the tournament would be much higher. It is not feasible at this time to estimate this added capital investment.

From the west, the ten host cities assumed in this report are Vancouver, Edmonton, Calgary, Regina, Winnipeg, Hamilton, Toronto, Ottawa and Montreal, with the new stadium built in Halifax. If for some reason renovation at one of the existing stadia is ultimately deemed not viable, the next logical city in which to build a new facility would be Quebec City.

It is assumed that capital costs will be financed by some combination of public and private funding.



Costs to be Guaranteed by Government

FIFA requires that the Governments of all bidding nations make certain guarantees and declarations in support of the bid. At a high level, these concern items such as security, immigration and taxation. All FIFA required guarantees are documented in this report, but have not been costed. We are not aware of any unreasonable or unacceptable requirements.

Critical Success Factors

Critical success factors are the key dependencies on which the ultimate financial success of the tournament would be based, and include:

1. Cooperation and integration between all levels of Government across the country, working in unison with the Local Organizing Committee.
2. Sound and prudent financial management from the formation of appropriate financial policies and procedures, controlled by appropriately qualified staff.
3. The formation of an appropriately structured Local Organizing Committee to implement the tournament business plan.
4. The availability of financing on terms mutually beneficial to all stakeholders, is an inherent assumption in this study.
5. The formation of contractual relationships with appropriately qualified vendors to perform all capital projects.

Sensitivities and Risks

The breakeven stadium occupancy has been calculated as 88% of tickets available for sale, and the breakeven ticket price at \$114, excluding hospitality tickets. This is in contrast to budgeted numbers in this study of 96% and \$122.

The major financial risks presented in this report are centered on changes in the FIFA requirements regarding the costs for which a host nation is responsible, combined with the allowable revenues that it can claim. Significant changes to the existing FIFA requirements and regulations could have a material impact on the financial picture depicted in this study. In addition, from a capital perspective, changes to the regulations or any change in the assumptions used in this estimate could materially impact the capital requirements.

Tournament Legacy

From a soccer perspective, overhauling existing stadia, building a new stadium in Halifax, creating world class training facilities and setting up of a \$70 Million legacy fund to promote the growth and development of soccer in Canada will benefit the game for years to come.

The legacy of hosting the World Cup will also benefit Canada as a country, from the perspective of increased tourism and world exposure, and the overall economic impact of the tournament.

Conclusions

With a minimum outlay of \$165.5 Million, Canada can upgrade its stadia to meet FIFA's current requirements, allowing it to make a bid. From a financial perspective, Canada hosting the World Cup in 2010 could be economically viable based upon the available assumptions and information outlined in this report.



STUDY BACKGROUND

The FIFA World Cup has become the single biggest sporting event in the world. Held every four years, the tournament now commands global attention and the host country receives significant national and international media coverage. The sixty-four matches played at France 98 attracted two and a half million spectators across ten cities in France. In addition, the World Cup has become an attractive economic proposition. The increase in tourism, combined with the lasting legacy of improved sporting infrastructure, provide significant economic benefits to host countries. With this upside, it is little wonder that hosting the World Cup has become a very attractive, but intensely competitive proposition. With this in mind, the Canadian Soccer Association (CSA), in conjunction with Sport Canada, has started preliminary discussions on the possibility of Canada hosting the FIFA 2010 World Cup.

Although soccer is the most popular sport played in Canada, the country as a whole is relatively undeveloped in soccer terms compared to established soccer nations in the world. This particularly applies to the availability and quality of stadia, suitable for the hosting of World Cup soccer matches. As such, the critical first step in determining the possibility of hosting the 2010 tournament is to perform an Economic Feasibility Study for hosting the event. The core outputs of the study will show whether the projected operating revenues from the tournament will exceed the operating expenses, and will quantify the capital requirements from either public or private sources of capital for the development of new or upgrading of existing sports stadia in Canada.



STUDY SCOPE AND OBJECTIVES

The objective of this study is to conduct an Economic Feasibility Study for Canada hosting the FIFA World Cup in 2010. The Economic Feasibility Study includes the identification and quantification, as far as possible, of:

1. All projected operating cost and revenue sources.
2. The capital costs required to build, or to upgrade stadia to FIFA standards.
3. Other essential costs to be guaranteed by the Government of Canada such as immigration and security costs.

This study is the first step of an iterative process that provides initial input, rather than firm budgets, for the decision making process. As more information becomes available in the future, greater precision and detail will be possible. In addition, the natural extension to this study is the assessment of wider economic benefits to Canada, which is not in the scope of this study.

This study does not include quantification of the costs required for the bid process. These costs are entirely variable and are therefore scaleable to the level of effort and resources employed during the bid process. In the past, bidding nations have determined their budget and allocated resources accordingly.

Deloitte & Touche has prepared this report based upon all available information at this point in time. Readers of this report are cautioned that the analysis process involved numerous assumptions to arrive at end numbers. To the extent possible, all significant assumptions are highlighted throughout the report. Major factors that contributed to the assumptions include:

- No information from FIFA on the 2010 requirements, meaning that the 2006 requirements had to be carried forward; and
- A limited ability to seek openly external information due the existing confidentiality around this study.

Although every effort has been made to ensure the accuracy, validity and completeness of the information and conclusions presented in this report, Deloitte & Touche accepts no responsibility for any omissions or inaccuracies that may become apparent in the future, should further, more detailed studies be performed.



STUDY APPROACH

WORK STEPS

This study was commenced in January 2000 and utilized the following work steps.



During the **Planning** phase, a substantial amount of time was spent determining the parameters of the study, and determining the appropriate allocation of effort based upon limited time and resources.

The critical second step involved an **Information Trip to London** to meet with the organizers of England's bid for the 2006 World Cup. This provided a great deal of valuable information on the bid process, especially around the formation of the tournament operating budget.

The third step of the process involved undertaking local research and **Data Gathering** in order to obtain Canadian data to put into the budget framework received from England. The other critical piece to this phase was the initial assessment of the existing stadia in Canada to understand the extent to which they currently comply with FIFA's requirements.

In the fourth step, **Capital Cost Estimates** were developed with the assistance of PCL Constructors Canada Inc. These were based on a comparison of the existing infrastructure with an estimate of the minimum facilities required to meet FIFA's standards.

Our **Findings** from this entire process are presented in this report.

KEY WORKING ASSUMPTIONS

1. The number of stadia to be used in the tournament will be ten. The FIFA guidelines for World Cup 2006 state that the host nation must have between eight and twelve facilities. Ten venues have been selected because the trend appears to be moving towards the use of fewer venues so that more games can be played in each host city, thereby prolonging the cultural and economic impact of the tournament on each city.
2. The impact of a successful bid from Toronto for the 2008 Summer Olympic Games is not considered in this report. It is therefore assumed that there will not be a new Olympic stadium in Toronto. In the event of a successful bid, the new facility would become a cornerstone for the World Cup bid, which would change the need for some of the other infrastructure changes discussed in this report. In addition, a larger stadium would have a positive impact on the ticket revenue generated by the tournament. This study does not address the financial impact of this scenario. In the absence of a new stadium in Toronto, the main venue will be the Olympic Stadium in Montreal.



3. This study estimates projections for only one scenario, as outlined by the preceding assumptions in this section. In conjunction with the project sponsors, it was decided that the creation of more than one scenario would prove confusing for users of this study, and in all likelihood, would not provide any more useful information. In addition, it is too early to make predictions on the most likely outcomes.
4. The capital cost estimates developed in this report represent the minimum costs for Canada to meet the FIFA List of Requirements.
5. The FIFA guidelines for World Cup 2006 will still apply for World Cup 2010. This assumption is especially relevant for:
 - The required stadium capacities at each of the venues;
 - The revenue that the host nation is allowed by FIFA to retain; and
 - The operating costs for which the host nation is responsible.
6. The owners of the existing stadia across Canada will be willing to allow their facility to be used for the tournament. In addition, it is assumed that none of these facilities will have been previously upgraded, redeveloped or relocated. Although contact has been made with each of the venues during the study process, only a limited number of them have been told the real purpose behind this study on the grounds of confidentiality.
7. Value-in-kind operating costs are assumed to cover all telecommunications, information technology and uniform costs. These have not been estimated or included in the operating budget because there is assumed to be an equal and offsetting revenue stream.
8. The impact of inflation has not been considered. All revenues and costs are expressed in terms of current prices. It is assumed that the impact of inflation on both revenues and expenses would be the same, thereby eliminating the need for inflation factors.
9. Financing for the tournament is assumed to be freely available at prime plus two percent interest cost to the tournament. Financing will start in 2006 when the first expenditures are projected to occur and will accrue until the start of 2010 when it is assumed that all accumulated loans will be paid off by advance ticket sales revenue.
10. Capital cost requirements will not be the responsibility of the Organizing Committee and will be funded by some combination of public and private funding. The estimate for these costs is included in the Analysis of Capital Requirements section of this report.



TOURNAMENT OPERATING POTENTIAL

REVENUES

	\$Million
Ticket Revenue	\$ 556.3
TOTAL REVENUE	\$ 556.3

In accordance with current FIFA regulations, the sole source of revenue accruing to the host nation of the World Cup is ticket revenue. Ticket revenue, net of sales taxes has been estimated at \$556.3 Million. Sensitivity analysis on ticket revenue follows in a later section of this report. The detailed ticket model is contained in Appendix A of this report, but the key assumptions are outlined in this section.

VENUES

- The tournament will utilize ten venues, all of which will either meet or exceed FIFA's capacity and other requirements. A discussion of the capital expenditure implications for these venues will follow in the later section. The ten venues are:
 - BC Place – Vancouver
 - Commonwealth Stadium – Edmonton
 - McMahon Stadium – Calgary
 - Taylor Field – Regina
 - Winnipeg Stadium – Winnipeg
 - Ivor Wynne Stadium – Hamilton
 - Skydome – Toronto
 - Frank Clair Stadium – Ottawa
 - Olympic Stadium – Montreal
 - New Stadium – Halifax
- Ticket revenue is based upon a sixty-four-match tournament, which is based upon FIFA's regulations for World Cup 2006. Forty-eight opening round games will be followed by eight second round games, then quarter finals, semi-finals, third / fourth place play-off and the final itself.
- The opening match will be played at the Olympic Stadium in Montreal and the other venues will host a minimum of four opening round games.
- Two venues (Hamilton and Regina) will be dropped for the eight second round games and the four quarter finals will be played in Vancouver, Edmonton, Toronto and Montreal.
- Semi-finals will be played in Edmonton and Montreal and both the final and the third / fourth place play-off will be played in Montreal.



TICKETS AVAILABLE FOR SALE

In order to meet FIFA requirements, a proportion of tickets for each match has to be set aside for the media, the FIFA delegation and the Local Organizing Committee. The remaining tickets are available for sale. Based upon the match allocation detailed above, and after deducting other non-saleable tickets, the ticket model shows a total of just under three million tickets available for sale. Non-saleable tickets include both complementary tickets and a provision for stadium capacity reductions in order to meet FIFA's playing surface requirements.

Experience from recent World Cups has demonstrated that all matches, including those between the least attractive competing nations, will be sell-outs. This is largely attributable to the fact that 50% of all available tickets are automatically purchased by FIFA's marketing partner, ISL. However, on the grounds of prudence, the ticket model assumes only a 95% take-up rate for all first round and second round matches. A 100% sell-out is assumed from the quarter-finals onwards.

TICKET PRICES

Ticket prices have been developed based upon the experience at France 98 and also information received from England 2006. This model assumes that the ticket prices are the same for each venue across the country. Excluding hospitality tickets, the ticket model also assumes a four tiered pricing structure for all matches. All hospitality tickets form part of the ISL allocation and are bundled by them with entertainment packages and resold to the corporate sector at higher mark-ups. The host nation shares no part of the mark-up and therefore receives only the face value of the hospitality ticket.

A summary of ticket prices (net of sales taxes) is shown below.

	Hospitality	Tier 1	Tier 2	Tier 3	Tier 4
Opening Match	\$2,000	\$350	\$275	\$180	\$90
1st Round	\$500	\$125	\$85	\$60	\$35
2nd Round	\$750	\$155	\$105	\$80	\$45
Quarter-Final	\$1,000	\$200	\$140	\$100	\$60
Semi-Final	\$2,000	\$350	\$275	\$180	\$90
3rd / 4th Place	\$2,000	\$350	\$275	\$180	\$90
Final	\$3,000	\$600	\$450	\$300	\$120

Although these ticket prices may appear high, it should be noted that FIFA has recently announced prices that are approximately double these for World Cup 2002 in Japan and Korea.

The precise detail on the number of tickets allocated to each tier is shown in Appendix A. However, it should be noted that:

- 41% of tournament revenue is projected from the hospitality tickets, although hospitality tickets comprise only 8% of total tickets available for sale;
- 78% of tickets fall into the Tier 1 and Tier 2 range; and
- 5% of tickets available for sale have been priced at the lowest price point. This is consistent with previous World Cups and will ensure that families can afford to attend matches.



OTHER REVENUES

FIFA maintains tight control of television, marketing and sponsorship revenues and has very strict regulations in place. Our understanding from England 2006 is that there may be some circumstances in which the Local Organizing Committee of the host nation is able to benefit from local sponsorship rights. In addition to potential marketing revenues, the LOC may also receive a hosting grant from FIFA to assist with staging the tournament. For the 2002 World Cup in Japan and Korea, this grant amounts to \$200 Million U.S. dollars. In the absence of FIFA's rules and regulations for 2010, it is not possible to determine whether the hosting grant will exist in 2010.

On the grounds of prudence, this analysis does not include any other sources of projected revenue.

OPERATING COSTS

Projected Net Operating Costs total \$533.6 Million. Sensitivity analysis on operating costs follows in a later section of this report. The summary of operating costs is shown in the table below. A discussion on each of the line items in terms of major assumptions, data sources and methodology will follow.

	\$Million
Finance, Legal & Insurance	\$ 6.8
Ground Hire Fees	\$ 38.9
Venue Expenses	\$ 38.3
Doping Control	\$ 0.4
Training Pitches	\$ 47.9
Media & Accreditation	\$ 61.6
Transportation	\$ 19.4
Ticketing Operations	\$ 44.5
Special Events	\$ 15.0
FIFA Secretariat	\$ 13.0
LOC Operations	\$ 13.0
Human Resources	\$ 43.9
Hotel Security	\$ 8.0
Advertising, Marketing & PR	\$ 31.4
Protocol	\$ 4.7
Value in Kind Costs	NIL
Special Items for 2010	\$ 10.7
Legacy	\$ 70.0
Payback Bid Sponsors	\$10.0
	\$ 477.5
Contingencies	\$ 47.8
Interest	\$8.3
Total Operating Costs	\$ 533.6



FINANCE, LEGAL & INSURANCE

Description

This covers the finance, legal, and insurance activities associated with the preparation and running of the tournament. The finance costs include the cost of arranging and organizing financing for the tournament at different times during the preparation stage, as well as auditor's fees, an accounting system, and bank charges. Insurance costs include the insurance coverage required prior to the event and the coverage required by FIFA in order to run the tournament. The legal fees include general legal fees as well as specific costs for commercial contracts (hotels, sponsors, etc.), venue contracts, and local authority contracts.

Key Assumptions and Data Sources

The budgets for the legal, insurance and finance costs are based on the Euro '96 tournament costs scaled up for a sixty-four match tournament and increased to reflect the increased duration, complexity, and prestige of the tournament. This reflects an assumption that the legal, finance and insurance policies will be similar for the 2010 World Cup. This assumption was based on the England 2006 Tentative Budget document that made a similar assumption, and the Euro '96 Final Account document.

GROUND HIRE FEES

Description

These costs cover the cost of the rental and use of the stadiums where the sixty-four matches of the tournament are to be played.

Key Assumptions and Data Sources

The fees for renting the grounds are based on a percentage of the net revenue calculations for the tournament. It was assumed that the cost would be 7% of the net ticket revenue.

The Euro '96 Final Account disclosed a percentage of approximately 9%. After consultation with the CSA it was agreed to reduce this percentage to 7% because the tournament revenues are going to be so much higher than Euro 96.

VENUE EXPENSES

Description

The Venue Expenses include a number of cost sources. The first is the 'dressing' of the venues, which is the removal of commercial messages around the stadium, painting and landscaping around the stadium, preparing and placing FIFA logos and signage and other activities such as managing the flags in the stadium prior to matches. Another major area is the cost of match day police officers, both inside the stadium and the security areas around the venue, and ushers inside the stadium. Finally, the costs of the event staff who work on site before, during, and after the matches are included.



Key Assumptions and Data Sources

The cost of the venue dressing was assumed to be similar to the Euro '96 venue dressing cost scaled up to a tournament with two more venues and further increased 40% to reflect the prestige and longer duration of the tournament. The other costs, (ushers, police, event staff) are based on discussions with the CSA.

The cost of match security is the biggest component of this category at approximately \$16.6 Million. The key driver of this cost is the number of police officers assumed to be on duty for each match. Although, the experience of USA 94 suggests that the required police presence is relatively low for North American based matches, we have taken a more conservative approach.

The forthcoming European Football Championships in Belgium and Holland are anticipating up to 2,000 police officers at every game. Based on this information, the following table shows the number of officers projected at each game for each round of the tournament.

	Police Officers
Opening Match	1,600
1st Round	800
2nd Round	800
Quarter-Finals	1,000
Semi-Finals	1,400
3rd / 4th Place	1,400
Final	1,600

DOPING CONTROL

Description

These costs include the running of an International Olympic Committee approved doping facility and running doping control facilities at all the venues.

Key Assumptions and Data Sources

Based upon the FIFA List of Requirements, FIFA pays for all the cost of running the main and subsidiary doping control sites during the tournament. Canada currently has an IOC approved facility in Montreal. The costs associated with this area are for any set-up costs involved in renovating the facilities at the main laboratory and the venues to meet FIFA's special requirements and the added activity.

TRAINING PITCHES

Description

The training pitch costs include the laying of new pitches at thirty proposed sites, the rental of the pitches during the tournament, the 'dressing' of the grounds, the site security, and additional facilities for the media during the tournament.

In addition, as part of the legacy of World Cup 2010, this category of operating costs includes an amount of \$30 Million for the development of a world class training facility in each of the ten proposed host cities. This will include both a grass pitch and an artificial pitch, together with the appropriate infrastructure to support the facility.



Key Assumptions and Data Sources

The assumptions for all the costs in this area were based upon discussions with the CSA. It is assumed that each of the training sites requires that a new pitch be laid for the tournament at an estimated cost of \$100,000 per pitch. Further, the cost to rent each pitch will be \$100,000, and training pitch 'dressing' will cost \$25,000 per pitch. The requirements for security at the training pitches were also taken from discussion with the CSA and are based upon projections for Euro 2000. It is assumed that each venue will require the presence of 20 police officers for each day that it is being used. The additional facilities at each venue were assumed to cost \$1,000 per pitch for each day the pitch is required.

MEDIA & ACCREDITATION

Description

This is the cost to provide media and accreditation services meeting the requirements listed by FIFA. It is assumed that the media accreditation services will be outsourced to a third party expert who will provide these services. The budget for the running of the International Broadcast Centre and the Main Media Centre and the coordination of media activities are also included in this budget. Security and catering costs for the media at the International Broadcast Centre, Main Media Centre, and at the venues are included in this budget

Key Assumptions and Data Sources

The basis of the costs is from the guidelines of the FIFA List of Requirements. The costs were determined by scaling up the Euro '96 Final Account for a more prestigious and larger tournament, as well as using information from interviews with the CFO of France '98 around the International Broadcast Centre and Main Media Centre. The security and catering costs were budgeted separately.

TRANSPORTATION

Description

The transportation costs are based on the requirements by FIFA of the Organizing Association. These costs include all the travel costs for the visiting teams while they are in the country during the tournament. The costs for the FIFA delegation includes transportation to special events, allowing for day trips, and some trips by FIFA delegates to each match. The referee delegation is included for both their air travel and other travel needs at the subsidiary venues. Transportation for the media is included to both the training pitches and for match days.

Key Assumptions and Data Sources

A detailed model was developed for each of the main groups that looked at the transportation requirements on a day-by-day basis over the duration of a thirty-eight day tournament. Costs were staggered accordingly to reflect differences in the arrival and departure of teams and include all of the requirements listed by FIFA. Air travel costs for the teams between venues represent the biggest component of the overall costs. A total of eighty-eight charter flights were assumed.

The transportation costs are based on quotes from transportation rental companies and assumed to be competitive.



TICKETING OPERATIONS

Description

The ticketing operations costs include all the costs for designing, printing, selling, distributing, and running the ticket sales operation for the tournament.

Key Assumptions and Data Sources

Based on the Final Account for Euro '96 and the England 2006 Bid Tentative Budget document, the ticketing operations are assumed to be 8% of the net ticket revenue. This is also based on the FIFA directive that "handling charges of any kind debited to the purchaser of tickets by the Organizing Association or any ticket sales organization retained by the Organizing Association shall not exceed 10% of the value of the ticket".

SPECIAL EVENTS

Description

There are several special events that the Organizing Association is required to host or contribute to hosting for the tournament. These events include the following: the Closing Ceremony for the preceding 2006 World Cup, a Preliminary and Final Draw, a Test Tournament, a FIFA Congress, a Banquet, the Opening Ceremony for 2010, the Closing Ceremony for 2010, and a FIFA Workshop for the finalist teams and referees.

Key Assumptions and Data Sources

The costs for these events are based on discussions with the CSA, and the similar events from the Final Account for the Euro '96 tournament scaled up to reflect the size and prestige of the World Cup. It is assumed that the Test Tournament will be a self-financing tournament that will form a separate budget.

FIFA SECRETARIAT

Description

This is the cost for providing the office and event administration facilities required by the FIFA and referee delegations for the running of the tournament. This includes the cost for conference rooms, meeting rooms, and offices at the subsidiary venues as well as at the main site in Montreal.

Key Assumptions and Data Sources

FIFA will reimburse the Organizing Association for the costs associated with the facilities for the referee delegation. Also, it is assumed that all the telecommunications equipment will be provided as Value-in-Kind from an official World Cup sponsor.

Costs for this category were estimated from consultation with a major Toronto-based hotel and from the FIFA List of Requirements for the FIFA Secretariat describing the number of offices and meeting rooms required.



LOCAL ORGANIZING COMMITTEE OPERATIONS

Description

This is the cost for providing the office and event administration facilities required by the Local Organizing Committee for the smooth running of the tournament. This includes the cost for the office accommodation, office services, hotel headquarters, conference rooms, meeting rooms, and offices at the subsidiary venues as well as at the main site.

Key Assumptions and Data Sources

The costs are based on information from the Euro '96 Final Account scaled up for a 64-match tournament with ten venues instead of eight and further increased because of the added complexity, duration, and prestige of the tournament. It is assumed that all the telecommunications equipment will be provided as Value-in-Kind from an official World Cup sponsor.

HUMAN RESOURCES

Description

The human resource budget covers all human resource costs required for the planning, preparation and staging of the tournament.

Key Assumptions and Data Sources

All human resources costs, including staff and medical expenses, are assumed to start in 2006, when the first dedicated staff member is hired, until the end of 2010, when the last person is finished. Estimates are based on the Human Resources budget from the England 2006 World Cup bid.

HOTEL SECURITY

Description

Hotel security includes the cost for security guards and police officers required at each team or official hotel before and during the tournament, twenty-four hours a day.

Key Assumptions and Data Sources

The costs and number of guards and police officers is based on discussions with the CSA.

ADVERTISING, MARKETING & PUBLIC RELATIONS

Description

This section involves all the advertising, marketing and public relations activities surrounding the World Cup 2010. This includes advertising on television, radio, at other tournaments, and advertising for the launch of the tournament. This section also includes the development and maintenance of an official website, and all the official publications to be printed. Furthermore, it includes all the marketing costs for ticket pricing research, marketing during tournament launches and other marketing costs.



Key Assumptions and Data Sources

Most of these costs are based on the Final Account from Euro '96 scaled up to reflect an appropriate amount for the World Cup 2010. Additional costs for the television advertising, the website and the advertising at other tournaments are based on discussions with the CSA.

PROTOCOL

Description

Protocol includes all the activities, gifts and promotions provided for VIP's over the course of the tournament. This would include day trips, evening activities and other VIP entertainment.

Key Assumptions and Data Sources

These costs are based on the Euro '96 Final Account scaled up for a 64-match tournament, and for a tournament with a higher profile and prestige.

VALUE-IN-KIND COSTS

Description

Value-in-Kind costs represent those cost areas that the Local Organizing Committee will obtain free-of-charge, through corporate sponsorship. The main Value-in-Kind costs will include all the telecommunications expenses for the running of the tournament. This includes all the phones, faxes, and any other office equipment required by the Organizing Association, FIFA delegation, referee delegation, the media while at the venues, and for the International Broadcast Centre and Main Media Centre. Also included in Value-in-Kind costs are the costs of volunteer uniforms, which will be provided by a sponsor of the tournament.

Key Assumptions and Data Sources

Value-in-Kind costs have not been quantified because an offsetting revenue stream creates a net zero impact to the bottom line. This treatment is consistent with the England 2006 budget.

SPECIAL ITEMS FOR 2010

Description

The special items include two components. The first part is running community events prior to the start of the tournament in each community where the tournament will be held. The other part is to develop a series of cultural programs at each venue to run during the duration of the tournament. These provide an opportunity for tourists to learn more about Canadian culture, history, and society.

Key Assumptions and Data Sources

Costs are based on discussions with the CSA. These costs can be as high as a host nation desires.



LEGACY

Description

A key financial success factor for a World Cup is the ability to provide a lasting financial legacy for the benefit of soccer development in the host country.

Key Assumptions and Data Sources

This budget includes an amount of \$70 Million for the legacy and is based upon discussions with the CSA. In addition to that amount, \$30 Million will be spent prior to the tournament on the development of world class training facilities in each of the ten host cities. The remaining \$70 Million will be utilized to support the new training facilities on a go-forward basis, and to invest in soccer development in Canada.

PAYBACK BID SPONSORS

Description

This idea is taken from the England 2006 bid. It is proposing to payback all the sponsors of their bid should they win the right to host the tournament, and make a suitable profit. If England wins the right to host 2006, many potential sponsors will be looking for this step to be taken in future bids. It will also make it easier to raise sponsorship funds for a Canadian bid.

Key Assumptions and Data Sources

World Cup bids can be as large, or small, as a bidding country desires. After reviewing the cost of the England 2006 bid, the Toronto 2008 Olympic bid and other information provided by the CSA on other bid costs, a preliminary budget of \$10 Million was determined for Canada's 2010 bid.

CONTINGENCIES

A ten-percent contingency reserve has been included for the operating costs to cover unknown or misstated items.

INTEREST

It has been assumed that the tournament will have to arrange financing for all operating costs, including contingencies, incurred between 2006 and the end of 2009. It is assumed that advance ticket sales will ensure that financing is not required in 2010. Interest has been calculated at a rate of 9.5% during this period and all expenditure is assumed to accrue evenly over the course of the year.



REVENUE & OPERATING COST DISTRIBUTION

It is anticipated that revenue and operating cost streams will not commence until 2006, with the vast majority not materializing until 2009 and 2010. The chart below shows the estimate for the years in question.

	2006	2007	2008	2009	2010	2011
Revenue					\$556.3m	
% of Total					100%	
Costs	\$5.9m	\$8.6m	\$10.4m	\$76.4m	\$345.6m	\$86.7m
% of Total	1.1%	1.6%	1.9%	14.3%	64.8%	16.2%

This distribution is based upon the following assumptions:

- the figures are not inflation adjusted;
- all cost numbers include the contingency;
- the legacy and the payback of the bid sponsors is assumed to occur in 2011; and
- all revenue is assumed to occur in 2010, as it is not possible to determine the amount of advance sales that would occur before that time.



ANALYSIS OF CAPITAL REQUIREMENTS

SUMMARY

Aside from team, VIP and spectator safety, perhaps the most important attribute of a successful bid for the World Cup, is the host nation's ability to provide exceptional facilities with all the required supporting modern infrastructure. As such, a major component of this study was the assessment of existing sports stadia within Canada, and a quantification of potential upgrade and building costs to meet FIFA requirements.

In the available time period and with the existing level of resources, it is estimated that the minimum level of capital expenditure required for Canada to host a successful World Cup would be \$165.5 Million. This is based upon the upgrade of nine existing facilities and the development of a new stadium in Halifax. It should be noted that one of the criteria that FIFA employs when looking at a bid, is consideration of the extent to which match venues are spread across a whole country. Recently FIFA has shown preference for geographically diverse bids that will bring the tournament to as many locations as possible. **The construction of a new stadium in Halifax would ensure that all regions of Canada are represented in the World Cup.**

Summary Capital Expenditure by Venue

	\$ Million
Vancouver – BC Place	\$ 4.0
Edmonton – Commonwealth Stadium	\$ 6.8
Calgary – McMahon Stadium	\$ 18.4
Regina – Taylor Field	\$ 17.6
Winnipeg – Winnipeg Stadium	\$ 10.4
Hamilton – Ivor Wynne Stadium	\$ 18.2
Toronto – Skydome	\$ 3.3
Ottawa – Frank Clair Stadium	\$ 17.6
Montreal – Olympic Stadium	\$ 15.1
Halifax – New Stadium	\$ 54.2
Total	\$ 165.5

If for some reason renovation at one of the existing stadia is ultimately deemed not viable, the next logical city in which to build a new facility would be Quebec City.

Appendix B provides the original submission received from PCL, including a listing of qualifications and exclusions.

The next section provides a high level view of the approach undertaken.



APPROACH

Under Deloitte & Touche's guidance, the CSA engaged PCL Constructors Canada Inc. (PCL) to assist with the process of estimating the required capital costs. By way of reference, it should be noted that PCL has prepared all of the capital estimates for the Toronto 2008 Olympic Bid.

Based upon FIFA's requirements, an inventory of the existing stadia was performed that considered the key areas of capacity, roofing, pitch type and size and general facilities. On that basis, stadium shortfalls were determined which formed the basis of PCL's costings.

The following points are critical for the user of this report to consider:

- With a few exceptions, the majority of the current stadium operators are unaware as to the true purpose of this study. As such, the level of available information was limited. In addition, it is not known what the existing plans are, if any, for each location by 2010.
- Site by site visits have not been performed, with the exception of Hamilton and Montreal.

VENUE ANALYSIS

The tables overleaf show the cost drivers at each of the prospective locations. At a high level, there are seven drivers of capital costs:

- **New Pitch** – this covers the cost of removing the existing pitch and installing a world class grass soccer pitch at each venue. It is assumed that all grass pitches will be retained with the exception of the dome stadia. Each new pitch will cost in the region of \$1.3 Million.
- **Scoreboard** – this covers the cost of removing the existing scoreboard and structure and installing best in class “jumbotrons” at each venue that does not already possess one – approximate cost \$6 Million a piece.
- **Temporary Seating** – this covers the cost of installing temporary seating to bring capacity up to required levels. The table shows the number of required temporary seats by venue.
- **Permanent Seating** – this covers the cost of removing the existing bench seating and installing new bucket seats at those venues which currently possess areas of benches. The table shows the number of new seats required.
- **Temporary Roofing** – this covers the cost of installing a temporary fabric roof over a portion of the seats to meet FIFA's requirements of having all VIP, FIFA and media positions covered.
- **Upgrades / Maintenance** – each existing venue requires upgrade and maintenance to its existing facilities.
- **New Construction** – this is only applicable to the development of the new stadium in Halifax.



Cost Area	Vancouver	Edmonton	Calgary	Regina	Winnipeg
New Pitch	YES	YES	YES	YES	YES
Scoreboard	NO	NO	YES	YES	NO
Temporary Seating	0	7,000	13,000	29,000	23,000
Permanent Seating	0	12,000	31,700	0	14,400
Temporary Roofing	NO	YES	YES	YES	NO
Upgrades/ Maintenance	YES	YES	YES	YES	YES
New Construction	NO	NO	NO	NO	NO
Total Cost (000's)	\$ 4,023	\$ 6,793	\$ 18,402	\$ 17,570	\$ 10,363

Cost Area	Hamilton	Toronto	Ottawa	Montreal	Halifax
New Pitch	YES	YES	YES	YES	YES
Scoreboard	YES	NO	YES	YES	YES
Temporary Seating	18,000	0	23,000	15,000	25,000
Permanent Seating	19,000	0	7,900	0	20,000
Temporary Roofing	YES	NO	NO	NO	NO
Upgrades/ Maintenance	YES	YES	YES	YES	NO
New Construction	NO	NO	NO	NO	YES
Total Cost (000's)	\$ 18,181	\$ 3,279	\$ 17,604	\$ 15,136	\$ 54,160

Appendix B shows PCL's detailed submission on a venue by venue basis.

There now follows some summary comments and assumptions as they pertain to each venue.

VANCOUVER – BC PLACE

- No significant work required.
- Major cost to install and then take out a grass pitch.
- Grass has been proven to grow already in stadium.
- Risk that pitch will not fit inside stadium is believed to be low.



EDMONTON – COMMONWEALTH STADIUM

- No significant work required due to current refurbishment for World Athletic Championships.
- Major cost is to install a new pitch.
- Some temporary capacity added to increase capacity for a semi-final.
- Some benches require replacement with bucket seats.
- Requires some temporary roofing.
- No risk that pitch will not fit due to existence of running track.



CALGARY – McMAHON STADIUM

- Requires both a new pitch and a jumbotron.
- Major cost driver is the replacement of benches with bucket seats.
- Some temporary seats required.
- Requires some temporary roofing.
- No risk that pitch will not fit due to existence of running track.



REGINA – TAYLOR FIELD

- Requires both a new pitch and a jumbotron.
- Significant extra temporary capacity required.
- Installation of temporary covered VIP/Media area.
- Requires some temporary roofing.
- Some risk that pitch will not fit inside stadium.



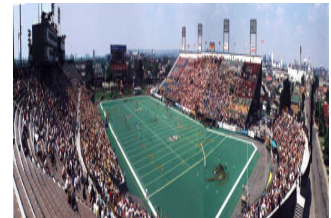
WINNIPEG – WINNIPEG STADIUM

- Major cost is to install a new pitch.
- Jumbotron already in existence.
- Significant extra temporary capacity required.
- Some benches require replacement with bucket seats.
- No temporary roofing required.
- No risk that pitch will not fit due to existence of running track.



HAMILTON – IVOR WYNNE STADIUM

- Requires both a new pitch and a jumbotron.
- Significant number of temporary seats required.
- Some benches require replacement with bucket seats.
- Requires some temporary roofing.
- Will require taking out some rows of seats in order to accommodate the pitch.
- Of all the venues this is currently the worst in terms of facilities and would be a good candidate for replacement with a brand new facility. From a cost perspective, it is reasonable to assume that it would be comparable to the \$54 Million estimate for the new stadium in Halifax.



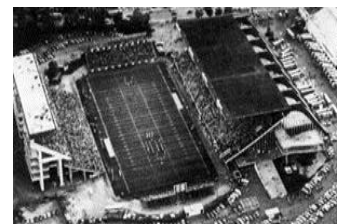
TORONTO – SKYDOME

- No significant work required.
- Major cost to install and then take out a grass pitch.
- Grass maintenance not an issue due to retractable roof.
- Risk that pitch will not fit inside stadium is believed to be high but cost of removing seats not thought to be high, based upon stadium structure.



OTTAWA – FRANK CLAIR STADIUM

- Requires both a new pitch and a jumbotron.
- Major cost driver is the installation of temporary seats.
- Some benches require replacement.
- Will require taking out some rows of seats in order to accommodate the pitch.



MONTREAL – OLYMPIC STADIUM

- Requires both a new pitch and a jumbotron with the pitch taken out afterwards.
- Some temporary seating required to increase capacity to become premier stadium.
- Ability to grow and maintain grass inside the stadium may be an issue.
- Risk that current capacity (including temporary seats) of 70,000 may not be high enough for final. May need to find ways of increasing capacity further.



HALIFAX – NEW STADIUM

- Core assumption is that base capacity will be 20,000 permanent seats.
- Additional 25,000 temporary seats.
- No temporary roofing required, as it will be built into new construction.
- New pitch and jumbotron are a prerequisite for a new stadium.

NOT YET BUILT



COSTS TO BE GUARANTEED BY GOVERNMENT

There are fourteen areas in which government costs and guarantees are required by FIFA in order for the bid to be considered. The purpose of this section of the report is to identify these costs, rather than quantify them, except where aspects are already covered in the operating cost budget. The source of this information is FIFA's existing requirements as detailed in their 2006 requirements.

1. Entry and Exit Visas

Visas shall be issued unconditionally to the entire FIFA delegation, the delegations from the finalist national associations, the official FIFA partners, the official Local Organizing Committee (LOC) suppliers, and the media representatives regardless of nationality, race and creed. This proviso shall also apply to foreign visitors to the 2006 FIFA World Cup.

2. Work Permits

If required by local law, work permits shall be guaranteed to the following groups of people:

- FIFA officials;
- Players and salaried staff accompanying the finalist teams;
- Representatives of official FIFA partners, official LOC suppliers, and official licensing partners;
- Media representatives including technical personnel; and
- Employees of FIFA's television and marketing partners.

3. Customs Duties and Taxes

The temporary import and subsequent export of the following goods shall be permitted free of customs duty and taxes:

- Personal belongings;
- Technical equipment for the players and officials;
- The entire technical equipment (such as recording and playback equipment, films, lighting) for foreign television companies;
- The technical equipment (such as telecommunication equipment, cameras, small computers) of other media representatives;
- The entire technical equipment required to produce the official World Cup film;
- Medical supplies and pharmaceuticals for the finalist teams;
- Food (with some exceptions);
- Other necessary technical equipment (such as photocopy machines, typewriters, telefaxes, telexes, telecommunications equipment, mobile phones);
- Technical equipment (such as footballs, nets, equipment for the teams) needed by FIFA and/or the Organizing Association;
- Equipment for official FIFA partners and official FIFA suppliers needed by FIFA and/or the Organizing Association and/or for advertising;
- Any office material required for the FIFA general secretariat; and
- official awards, trophies, gifts and flags.



4. Security

The Host country shall be responsible for security matters. From a cost standpoint, the Local Organizing Committee is responsible for match day security in, and close to, all stadia, and the security at training pitches, media centres and hotels. These costs are included in the operating budget. Therefore, the government must guarantee all other security such as airports, city centres, anti-terrorist activities etc.

General safety and personal protection are prime considerations in staging an international competition, especially at airports, inside and outside hotels, stadia, training grounds, and media centres. A guarantee of safety shall also apply to the FIFA delegation, media representatives and spectators before, during, and after matches and while travelling around the country.

FIFA will issue special guidelines for matters of general security, including safety of spectators, with the help of the Organizing Association and the relevant Government departments.

5. Bank and Foreign Exchange Operations

The Government shall – either directly or through its National Bank – issue a declaration guaranteeing the unrestricted import and export of all foreign currencies to and from the organizing country as well as the exchange and reconversion of these currencies into a hard currency (US dollars or Swiss Francs). The various currencies shall also be exchangeable in the host country at the conditions prevailing on the international foreign exchange market. Furthermore, the relevant Government departments shall provide written authorization for payments to be transferred abroad at the official rate.

6. Telecommunications

The Government shall guarantee the installation of a telecommunications network that will enable all kinds of telecommunication, including national and international data exchange by means of computer. For the purposes of this analysis, these costs are assumed to be Value-in-Kind.

7. International Broadcast Centre

The host country shall help the Organizing Association in setting up an International Broadcasting Centre (IBC), the cost of which is included the Media and Accreditation operating costs.

8. Media Centre

The host country shall help the Organizing Association in setting up a large media centre, ideally near the IBC, complying with the needs of television, the press and photographers on a suitable site. Similar working facilities (subsidiary press centres) shall be made available at the other venues. These costs are included in the Media and Accreditation operating costs.



9. Transport

The national transport network shall provide the means of transport necessary for the technical organization of the 2010 FIFA World Cup. In a bid submission, details shall be given in particular of:

- The airline network;
- The rail network; and
- The road network.

10. Pricing Policy

Hotel prices for the FIFA delegation, representatives of commercial affiliates and accredited media shall be frozen as of 1 January 2010. Guarantees shall also be given that FIFA will be charged only for the actual number of hotel room nights used.

11. Government Taxes and Duties

The host country shall not exact any kind of taxes, charges, duties or Government levies from FIFA or from the FIFA delegation or the team delegations.

12. Commissions on Tickets

Handling charges of any kind debited to the purchaser of tickets by the Organizing Association or any ticket sales organization retained by the Organization Association shall not exceed 10% of the face value of the ticket.

13. National Anthems and Flags

The host country shall guarantee that the national anthem of each competing team may be played before kick-off at every match and the respective national flags flown in the stadium.

14. Medical Care

The host country shall guarantee the availability of a comprehensive medical service (including 24-hour emergency treatment) for every participant accredited for the competition in each venue. An emergency service shall also be on stand-by especially on match days to treat anyone inside and outside the stadium. FIFA will issue special guidelines for medical care.



SENSITIVITY ANALYSIS

There are many factors that have an impact on the data presented in this report. As stated in the list of major assumptions, only one scenario has been presented on the grounds of simplicity. From a sensitivity perspective, the key questions are the extent to which the revenue model holds true, and whether material costs have been omitted. In this section, we do not seek to comment on the sensitivity around the capital cost estimates.

With respect to the ticket model, it has been calculated that the overall breakeven attendance, expressed, as a percentage of tickets available for sale, is 88%. Based upon previous World Cups, this is extremely unlikely, as matches are usually sell-outs. In addition, our research on ticket prices from prior World Cups and other major sporting events in North America suggests that these prices are attainable. It must be reiterated that FIFA's marketing partner, ISL, guarantees to purchase 50% of the available tickets.

From a pricing standpoint, the average ticket price for the entire tournament, including hospitality tickets, is \$188, and excluding hospitality, is \$122. Assuming that all hospitality tickets are saleable at the current prices, the average price for all remaining tickets, Tiers 1 through 4, could be as low as \$114, before the tournament hits the breakeven point. The key to understanding the sensitivity of pricing is to recognize that the prices outlined in this study are very conservative. FIFA has recently announced prices that are approximately double those in this study for World Cup 2002 in Japan and Korea.

With respect to operating costs, it is difficult to assess directly sensitivity. The current forecast projects an operating profit of \$22.7 Million. This includes a large contingency of \$47.8 Million on top of the legacy provision of \$70 Million and the \$30 Million investment in training facilities. Each of the cost items was developed on a conservative basis, so the impact of misstatements is not considered to be material. With respect to potential omissions, we believe that the solidity of the ticket model in conjunction with the above comments on costs would ensure that they could be adequately covered.



CRITICAL SUCCESS FACTORS

The financial outcomes projected in this report will only materialize if a number of things happen to support the bid process and tournament organization. This section of the report seeks to highlight those dependencies that are most critical in nature. This should be contrasted with the preliminary risk assessment that is the subject of the next section in which we attempt to identify the risks associated with the inherent assumptions in this analysis.

The following is a list of the major critical success factors, but should not be viewed as comprehensive:

1. The foundation of a financially successful tournament will be based upon cooperation and integration between all levels of Government across the country, working in unison with the Local Organizing Committee.
2. Profitability is a function of not only successful operations, but also sound and prudent financial management. The establishment of a rigorous set of financial policies and procedures, controlled by appropriately qualified staff who are accountable to manage tournament finances will be of utmost importance.
3. In addition to an appropriate finance function, the overall success will be driven by the extent to which the Local Organizing Committee can implement an effective organization structure to manage the tournament. The cornerstone of this will be the development of a very detailed project plan that maps out all of the required activities, with timelines and accountabilities.
4. The availability of financing on terms that are mutually beneficial to all stakeholders, is an inherent assumption in this report. In addition, all capital expenditure will be financed by some combination of the public and private sector. However, there are a number of additional scenarios that, in addition to the above, might see the CSA partnering with other bodies such as the Canadian Football League.
5. With respect to the capital requirements estimated in this report, it is critical that the Local Organizing Committee establishes contractual relationships with appropriately qualified vendors to perform more rigorous analysis, and ultimately deliver on-time and on-budget capital projects.



PRELIMINARY RISK ASSESSMENT

For the purposes of this report, the risk assessment has been split in two areas – financial risks, and risks associated with a successful bid. The latter of these is, in itself, a study on its own, so this should not be regarded as comprehensive.

FINANCIAL RISK

This study has been performed in a limited time period, with limited scope, and for the most part, has been performed in complete secrecy to avoid exposure to the media. Although exceptional assistance was received from the organizers of the England 2006, they did not provide us with their financial data. It should be noted though that the CSA has been promised full disclosure from England after the announcement of the successful bid is made on July 6, 2000.

In view of these circumstances, the projected revenues and expenses in this report are reasonable estimates based on the best data currently available. Below is a list of risk factors that would lead to a change in assumptions that may lead to a different financial result, the impact of which it is not possible to quantify at this time.

Risk	Impact
FIFA may change their regulations on the ownership of ticket revenue.	Decrease in the organizing nation's share of ticket revenue.
FIFA may increase the number of complimentary tickets, or there exist other unknown recipients of free tickets.	Decrease in ticket revenue.
FIFA may change the operating cost obligations for the host nation.	Increase in operating costs.
It may not be possible to obtain all of the Value-in-Kind services that have been assumed.	Increase in operating costs.
The incidence of inflation may have a greater impact on costs than revenues.	Decrease in profitability.
This analysis assumes favorable macroeconomic conditions in the build up to, and during the tournament.	Decrease in profitability.
FIFA may change the requirements around either the number of required stadia, or the required specifications of each stadia.	Increase in operating costs and increased capital expenditure.
Plans to close certain of the chosen venues prior to 2010 could exist. On the grounds of confidentiality, it has not been possible to approach each of the stadium operators.	Additional capital expenditure on new facilities.
Some levels of Government may not be completely cooperative or may be financially constrained.	Increase in capital expenditure and operating costs.



Risk	Impact
From the perspective of capital cost requirements at each of the stadia, it is possible that detailed on-site inspections will identify additional costs that are currently unforeseeable. This is especially true on the extent to which the playing surface required by FIFA will fit inside the stadium. If not, rows of seats would have to be eliminated at varying degrees of expense dependent upon construction.	Increase in capital expenditure.

BID RISK

This section seeks, at a high level, to present some of the risks and considerations of which stakeholders should be aware prior to launching an official bid for the 2010 World Cup. This list should not be viewed as comprehensive but should be positioned as input into future dialogue between the CSA and other stakeholders.

ABSENCE OF PROFESSIONAL SOCCER LEAGUE IN CANADA

Although, four professional soccer teams exist in Canada today, the absence of a national professional soccer league is a serious obstacle to the country's future prosperity as a soccer nation. It impedes not only the growth of the domestic game, but also the development of the national teams. In addition, FIFA would view a Canadian bid more favorably if a professional league existed. As such, the formation of a league as soon as possible is of vital importance.

IMPORTANCE OF TOP RANKING SUPPORT

During this study, it has become apparent that the bid process is increasingly becoming a very professional and highly competitive process. The level of resources and the number of influential bid supporters that bid organizers bring to the table is increasing. For example, in the forthcoming contest for the 2006 tournament, our understanding is that England is spending ten million pounds on its bid. In addition, Sir Bobby Charlton and Franz Beckenbauer, two of the most famous soccer players of all time, are the figureheads for the English and German bids respectively. In addition, Nelson Mandela has taken an active role in South Africa's bid. Bidding nations can not hope to succeed unless a professional bid is presented with support at the highest levels in Government and the sports / entertainment community.

FIFA EXECUTIVE COMMITTEE VOTING STRATEGY

The voting structure of the FIFA executive committee that determines the bid winners ensures that the entire bid process is very political in nature. With only twenty-four votes spread across six federations it is imperative that bidding nations are well positioned in, and have the full support of, their domestic federation. In addition, bidding nations must have a clear strategy in place to determine where their support resides, how to secure it, and how to find additional votes.



USA BID FOR 2010 WORLD CUP

Expanding upon the previous point, the US Soccer Federation has already announced its intention to bid for the 2010 World Cup. As both the USA and Canada reside in The Confederation of North, Central American & Caribbean Association Football (CONCACAF), Canada will have to out maneuver the USA in the bid process, as it is less likely that a Canadian bid could be successful without unanimous support from within CONCACAF.

WORLD CUP ROTATION

Although FIFA does not currently have a defined rotation for the World Cup between continents, the structure of World football is such that certain continents expect the tournament on a regular basis. For example, in the past, the tournament has taken place in Europe every eight years. Given that the 2006 World Cup will likely be awarded to either Europe or Africa, the loser of that contest will be extremely difficult to beat in 2010. In addition, by then, the tournament will not have taken place in South America since 1978. As such, countries that are contemplating a bid should have a thorough understanding of the competitive landscape. The decision to bid must be based on a pragmatic assessment of the situation.

QUALITY OF STADIA

Bidding countries must have a realistic understanding of the quality of its stadia and the extent to which this may impact FIFA's decision on awarding the tournament. From Canada's perspective, none of the existing stadia in the country are purpose built for soccer. In addition, as documented in the Analysis of Capital Requirements section of this report, a number of the proposed venues require extensive temporary facilities. Although nothing has come to our attention to indicate that FIFA would view this adversely, there is no doubt that the potential quality of Canada's stadia will likely always be inferior to those of competing nations.

The quality of the Olympic Stadium in Montreal, which is currently proposed to be the primary venue, is particularly important. The information that was provided to us by the stadium operators puts the maximum capacity for soccer games at 70,000. Although this exceeds FIFA's minimum requirements for the final, it would be the smallest stadium ever used for a final. Additional time and resources would need to be put into looking at ways to increase the capacity, by, for example, installing narrower seats.

There is no doubt that the presence of a new 100,000 seat Olympic Stadium in Toronto would have an enormously positive impact on the quality of a Canadian bid for the World Cup.



TOURNAMENT LEGACY

The World Cup is an outstanding international event that is rivaled only by the Olympics in terms of stature and prestige. This section will briefly highlight the impact of staging the tournament on the host nation.

FINANCIAL LEGACY

As detailed in the operating cost analysis in this report, it is currently planned that the budget will afford a \$70 Million legacy for investment in the development and promotion of soccer in Canada. \$30 million will be spent prior to the tournament to develop world class training facilities in each of the ten proposed host cities. The remaining money will be utilized to support these facilities on a go-forward basis.

This practice is consistent with prior World Cups. For example, after USA 1994, the US Soccer Foundation was established and has so far given out grants to forty-one states.

IMPROVED FACILITIES

This investment though is not the only tangible legacy from hosting the tournament, because the capital upgrades on the existing stadia and the building of the new stadium in Halifax will ensure that sports facilities in the country will be vastly improved. Beneficiaries will include the Canadian Football League as well as the Canadian national soccer teams, which will have a wider choice of quality venues in which to play international games.

INTERNATIONAL PRESTIGE

During the five weeks of the tournament, host nations become the focus of the world's attention. Canada would have a unique opportunity to present itself as a multi-cultured, safe and ethnically tolerant society. In addition, the proposed geographical spread of the tournament would ensure that all regions are fairly represented and allow the world to experience the diversity of different regions.

ECONOMIC IMPACT

Although out of scope from this report, brief mention should be made of the wider economic benefits that accrue to host countries. The level of economic activity that an event such as the World Cup generates is enormous. A large proportion of this activity will actually increase Gross Domestic Product because of the level of incremental foreign money that flows into the country. In addition, the incremental expenditure has a positive impact on employment. From a Government perspective, there is also a positive impact on sales tax revenue. This is mitigated to some extent as FIFA decrees that the competing teams and its delegation are tax exempt, in addition to sales tax refunds to overseas visitors to Canada. However, based upon the current projected revenue, and excluding the impact of the above factors, our estimate is that GST would total \$38.9 Million and PST \$32.6 Million.

In the event that it is decided to bid for the 2010 World Cup, we recommend that a complete Economic Impact Study be carried out as a next step to this report.



CONCLUSIONS

To reiterate, the objective of this study was to conduct an Economic Feasibility Study for Canada hosting the FIFA World Cup in 2010. The analysis included the identification and quantification, as far as possible, of:

1. All forecasted operating cost and revenue sources;
2. The capital costs required to build, or upgrade, stadia to FIFA standards; and
3. Other essential costs to be guaranteed by the Government of Canada such as immigration and security costs.

Based upon all available information at this point in time, our conclusions are as follows:

- Canada hosting the World Cup in 2010 should be a profitable venture with the necessary structure and organization in place. The current estimate is for an operating profit of \$22.7 Million. This estimate is believed to be conservative as it is likely that the eventual ticket prices will be higher than those assumed in this study.
- As a host candidate, Canada can achieve the necessary facilities and infrastructure to host the World Cup. The current estimate is for minimum capital expenditure of \$165.5 Million to meet FIFA's requirements.
- Review of the guarantees that FIFA requires from the Government does not reveal anything that would be unacceptable.

The impact of increased television rights combined with the marketing and sponsorship opportunities associated with the World Cup have only served to increase its popularity as a commercial event. Although these rights remain FIFA's exclusive domain, they only serve to reinforce the commercial opportunities for host nations.

In conclusion, this study has shown that from a financial standpoint, Canada hosting the World Cup in 2010 could be economically viable based upon the available information and the assumptions outlined in this report. In conjunction with the Government, the CSA must now take account of the other considerations presented in this report, before concluding on whether, and how, to proceed further with this project.



APPENDIX A – TICKET MODEL

APPENDIX B – PCL SUBMISSION