



By: Tomorrow's Affairs Staff

World Cup - financial perpetuum mobile



The demand for organising the World Cup still exceeds one offer every four years, which should mean that this business is still profitable. Qatar took advantage of its chance, which it had been building for 12 years, and calculated the balance of the huge football festival, by far the most expensive and most watched sporting event in the world. The next World Cup in 2024 will be organised by an entire continent - North America. Football will be played in the USA, Canada and Mexico, with the participation of as many as 48 teams, unlike Qatar, where 32 teams competed.

There is still a year and a half of waiting until FIFA decides who will host the 2030 World Cup, when the centenary of the first championship, held in Uruguay, will be marked. Asia and North America, as the organisers of the previous two World Cups, have dropped out of the competition, while Spain and Portugal, as well as Argentina and Uruguay have put forward serious candidatures.

One of the candidates from Africa will be involved in this round, perhaps Egypt, or the joint candidacy of Algeria and Tunisia; possibly also Morocco, which is enjoying a substantial football boom after winning 4th place at the Cup in Qatar. The race for prestige is an important motive, but winning the organisation of the World Cup has long gone beyond symbolism and emotion. The race is about a huge financial cake and about a long-term profitable investment, which makes a big difference in the performance of each organiser - before and after the World Cup.

FIFA always wins

With all the dilemmas about whether organising the World Cup is profitable or not, there is one sure winner, which is FIFA. Its profit from Qatar is a record 7.5 billion dollars, 1.1 billion more than the previous event held in Russia in 2018, and even four times higher than the profits made in Japan and South Korea in 2002. FIFA's income growth is also unquestionable for the next four years, because of the World Cup in North America.

The world football organisation expects a profit of as much as 11 billion dollars: that is, 50% more than in the record Qatar World Cup. It should be borne in mind that FIFA gives rather conservative estimates of its expected profit, which was also the case in Qatar, where the final profit was about 1 billion more than expected, as well as in Russia four years ago. You have to trust FIFA's estimate that it will earn much more than before in the USA, Canada and America, because it determines the rules of this business.

FIFA is the only provider of the requested "goods", although it shares a large part of its monopoly income both with the organiser of the World Cup and with participants, but also with other members around the world. The World Cup has long seemed like a financial perpetuum mobile. The host is making money, but is the host making enough? Are things different when you set aside wealthy FIFA and turn to the calculations of its World Cup hosts?

The expected profit of Qatar from the organisation of the recently finished World Cup is about 17 billion dollars. It is difficult to determine the total costs for Qatar as a result of organising the World Cup, but they have certainly exceeded the direct earnings of about 17 billion dollars during the championship, and many times over. According to a recent analysis by Professor Dario Silic from the Swiss School of Business and Management, Qatar has invested about 229 billion dollars in the infrastructure necessary for such a large event. New stadiums (about 6.5 billion) were built, but also transport corridors, investments in airports and accommodation facilities, then the Doha metro (36 billion USD), several thousand kilometres of roads, a new port, and infrastructure for gas and oil.

The World Cup is, therefore, a huge investment driver, because the big question is whether even a rich country, such as Qatar, would invest this much money in such a short period of time in facilities that remain for permanent use and potentially bring profit in the long term. Qatar's ambition is certainly to

make money in the long term as a consequence of the "publicity" it gained by organising the World Cup.

The government in Doha expects a huge increase in tourist visits, and aims for 6 million guests per year by 2030, which is three times more than in 2019, the last year before the COVID 19 pandemic. Huge investments in infrastructure and hotels were calculated precisely to achieve this goal. Also, the overall effect of the organisation of the World Cup on Qatar's economy will be very positive in the short term, because its growth this year is expected to be more than 4%, through football, and according to this year's World Bank report, Qatar will be the fastest growing economy in the Gulf in the next two years.

Why are the US cities competing to host?

Qatar's experience can be a source of encouragement for the organisers of the next World Cup in North America. But in four years' time, we will face a somewhat different economic and financial strategy. First of all, we will not have megalomaniacal investments in infrastructure, as we have seen in Qatar, given that the future hosts will rely on what they already have. This is especially true for stadiums in 11 cities in the USA, where football will be played in 2026, and already existing arenas for American football, which will still have to be modified to some extent, for example by putting real grass on the field.

Most of the World Cup will take place in the USA. In Mexico, games will be played in three cities, and in Canada, in two cities (Toronto and Vancouver). The costs of the organisation will therefore probably be much lower than in Qatar, but higher traffic is expected, primarily due to the 50% greater number of participants. Professor Silic, based on his analysis, is explicit when saying that the organisation of the World Cup does not bring profit. "The short answer is no. Obviously, the World Cup certainly is a money-spinner. On a short term basis, considering that most cash

flows will finish in FIFA bank accounts, it doesn't make financial sense to host a football World Cup". Where, then, does the huge interest in winning the organisation of the World Cup come from?

Not only among the countries and their joint bids to host, but also among the cities within the US that competed before FIFA to host some games? "One would look at it and say, 'It can't be that complicated to do four, five, six matches in a stadium that already exists'. It's far more complicated. It was a very proud moment for me – but also some disappointment for the cities that did not make it because of all the energy they put into it", said John Kristick, who in 2010 led the USA's unsuccessful bid to host the World Cup in 2022, and then the new bid for 2026, which was successful.

Fans - an important profit generator

One of the important financial motives for organising the World Cup is the fans. In the structure of their expenses, a larger part (about 60%) is for the economy of the city where they will stay and follow the matches - about 40% for accommodation and about 20% for food, socialising, transport, and souvenirs. The remaining fan budget will be taken by FIFA (about 15% for tickets) and international and domestic air transport (25%).

The blog dedicated to international fans World Cup Guide, which analyses the costs of the last five World Cups, calculated that for a ten-day stay in Qatar the budget was about 6,000 USD. If it is taken into account that 1 to 1.2 million foreign guests stayed in Qatar during the World Cup, profit from the fans reached 6-7 billion USD. That potential financial resource was certainly in the minds of American, Canadian and Mexican cities when they raced to get permission from FIFA to host at least a few matches at the 2026 World Cup.

Each of the cities also counts on the support of public funds, both local and state. Toronto, for

example, expects the governments of Ontario and Canada to cover as much as two-thirds of the total costs of about 300 million dollars, which will be the cost of the preparation for five games in this city in 2026. Of course, there are also the city's investments in sports infrastructure, transportation, traffic management, local policing and emergency services. Despite strict financial analyses, the World Cup is still a profitable business. The demand for it does not decrease. It is constantly growing.

The indirect financial effects for each organiser are undoubtedly large and long-term. Five billion viewers worldwide, according to FIFA chief Gianni Infantino, is an audience that no other sporting event, including the Olympics, can even come close to securing. Few figures can express the profit from the "warm" emotions that the World Cup stirs every four years. One of the winners in the race to host the 2026 soccer games, Dallas Sports Commission CEO Monica Paul, describes how important it is to host the world's best soccer: "I've been here 14 years in December, and I still go out and tell people who I am and what I do. And people will come up to me afterward and tell me in 1994 when Dallas hosted the World Cup what street corner they were on, what they were doing, what was happening in their lives, how there were signs in Spanish and English and the impact that had on people. The sky's the limit in terms of what hosting a World Cup final could be for us."