5 FIFA's 'official' suppliers

Shadowy tenders and conflicts of interest at Match

Rob Rose

At the ceremony in May 2004 announcing that the 2010 World Cup would be held in South Africa, FIFA supremo Sepp Blatter gushed to a crowd including Nelson Mandela that 'the victor is football, the victor is Africa'.[1]

Had he wished to be accurate, however, Blatter would have lauded the real victor as FIFA and its cozy network of business associates, who have together sucked the marrow out of recent World Cups with far more success than the host countries.

The South African event perpetuates this trend. At the forefront of the queue of FIFA's business associates is a shadowy company called Match Event Services, which has been appointed as FIFA's exclusive official accommodation provider to the World Cup.

While the company officially warns accommodation providers to keep room rates low because tourists are 'sensitive to pricing', an investigation by the author has confirmed that tourists will have to pay Match 1000 per cent more than they would normally pay for accommodation in certain cases, such as for units at South Africa's Kruger National Park.

Match Event Services is owned entirely by a family-owned UK-registered company called Byrom PLC. The circumstances of its appointment remain cloudy: there was never any public tender for the multi-million rand contract, for example.

Riding on those coat-tails is the closely linked Match Hospitality, which has FIFA's official stamp of approval to provide exclusive hospitality packages to large companies seeking to impress clients at the South African event. Not only does Match Hospitality refuse to disclose its exact shareholding structure, but it has emerged that one of the four shareholders in the company is Infront Sports & Media, a company headed by Philippe Blatter – nephew and godson of the FIFA supremo.

These issues, which raise sharp conflicts of interest questions around how FIFA doles out lucrative contracts for the most-watched sports event globally, will be explored in this chapter, illustrating how Africa will be far from the victor that Blatter claimed it would be thanks to the World Cup.

WHO IS MATCH?

The two Match entities – Match Event Services AG and Match Hospitality – are theoretically separate entities, but they do share certain shareholders. Match Event Services AG was established in 2007 and is officially mandated to provide 'accommodation, ticketing and information technology for the World Cup'. Until 2008 it was a joint venture between a UK company, Byrom PLC, and Eurotech, which each held 50 per cent.[2] But in 2008, Byrom PLC bought out Eurotech for £92 000, effectively valuing its now-100 per cent share of Match Event Services AG at £184 000.[3]

While the sketchy details of its initial appointment by FIFA will be discussed later, its 'principals' – meaning the Byrom family – have been the official supplier of accommodation to six previous World Cups. They also provided the information technology services at four previous World Cups. For the 2006 World Cup, for example, Byrom PLC held 33 per cent of a German-registered company called Organising Committee Accommodation Bureau GmbH & Co., which was the official 'accommodation office' for the event. It also ran FIFA's ticket office.

After the German event, it seems, the Byrom family realised it needed a formalised approach to providing accommodation for FIFA events. So Match Event Services AG, (referred to hereafter as 'Match') based in Zug, Switzerland – in the same small town as FIFA – was established by Byrom PLC. Without any tender, it immediately landed the rights to be the official FIFA provider for accommodation, ticketing and information technology.

The second company is Match Hospitality. FIFA announced on 30 October 2007 that Match Hospitality had been picked as FIFA's 'hospitality rights holder following a public tender process'.[4] This gave Match Hospitality the right to sell 'hospitality packages' globally to large companies under the FIFA Hospitality Programme. Typically, a package includes suite tickets, catering and 'match day' service. Match Hospitality is 65 per cent owned by Byrom PLC, with Dentsu, Infront Sports & Media and Bidvest owning the balance.[5]

Quite how much each of the minority shareholders owns of Match Hospitality isn't clear, as they all cited 'confidentiality'. For example, Bidvest executive Colin Kretzmann, who is one of Match Hospitality's directors, refused to reveal how much Bidvest owned of the company, nor would he divulge how much was paid for its shares. 'I'm not in a position to disclose that … we're bound by confidentiality agreements between Match and FIFA,' he says.[6]

Bidvest and Match Hospitality are very closely linked, however, as Bidvest's 2008 annual report makes clear. Discussing its purchase of a small share in Match Hospitality, Bidvest says 'one immediate benefit will be to secure business in support of Match Event Services during the 2009 Confederations Cup'.[7]

Then there is the common shareholding as both companies are controlled by the Byrom family.

But let's start with Match Event Services, the more well-established of the two companies and the best-known 'public face' of the Byrom family.

SNAPPING UP THE CREAM OF THE ACCOMMODATION CROP

Part of Match's official mandate, according to FIFA, is to ensure accommodation is available to fans 'at fair prices and reasonable terms'. So, Match has been scooping up the choice accommodation in South Africa for the World Cup, which it will then sell to fans and FIFA officials for the event.

It has already signed up 80 per cent of the available rooms in South Africa's top hotel chains, including City Lodge, Southern Sun and Protea Hotels. Add to that its portfolio of guest houses and bed-and-breakfasts, and it is accurate to say that Match holds the choice accommodation cards for the event. In all, Match planned to put together a portfolio of 55 000 rooms – not the entire accommodation requirement for the event, but certainly the plum options – and by October 2009 had finalised contracts for 40 000.[8]

By doing this, Match is placed in a position to dictate the prices it will charge to visitors. This obviously was part of FIFA's plan, which was to ensure that greedy local accommodation providers did not fleece foreigners coming to South Africa, thereby devaluing the event.

This seems a noble enough motive, and Match itself speaks of this rationale.

In the documents which it provides to guest houses to contract their accommodation for the World Cup, Match says foreign tourists are 'sensitive to pricing', urging accommodation providers to keep prices low. In fact, Match's '2010 FIFA World Cup SMME (small, medium and micro enterprises) accommodation agreement' stipulates that these guest houses are allowed to charge the rate they 'customarily' levied in June 2007, plus a 16 per cent mark-up.[9]

'As an example, if the 2007 rate for a FIFA World Cup room was R1 000 per night, the net payable FIFA World Cup rate … will be R1 160 per night,' according to Match's contract.[10] The guest house sells the room to Match, which then on-sells it to tourists as the only company allowed to market itself as FIFA's 'official' accommodation provider.

But this deal did not sit well with some guest houses, who complained in 2008 of 'being bullied' into signing this punishing contract to allow them to 'officially' sell rooms during the World Cup period at rates they felt were artificially low. Months of tension between Match and the tourism industry bubbled over on 3 November 2008, when the CEO of SA Tourism, Moeketsi Mosola, was widely applauded at the National Tourism Conference for publicly taking on Match.

At the conference, Mosola said that Match was simply a tour operator, and 'when Match started to use its powerful position to bully the rest of the industry, we could not be seen as being part of these tactics when we are mandated to serve the entire industry'.[11] 'We said to Match that we want to work with you but we don't want to see a situation where companies collapse after 2010,' he said.[12] Mosola said Match was asking for rooms 'on unfavourable conditions' and presciently, he asked 'what is the point of the World Cup if there is no advantage for the industry?'[13]

SA Tourism withdrew from the Match advisory council in protest against its strong-arming of the smaller guest houses, and it required the intervention of tourism minister Marthinus van Schalkwyk to smooth over relations between the FIFA agency and the local tourism sector.[14] A few months later, Mosola quit SA Tourism. When contacted for this research report, Mosola said he did not want to revisit the episode.

This episode provides a number of telling insights. One particularly revealing aspect that emerged from the various interviews for this chapter is the huge sensitivity over Match both within government and from tourism agencies like SA Tourism. All appear to go out of their way to avoid ruffling any feathers – and angering FIFA – ahead of the event.

For example, when asked about the hefty profit margins that Match will be extracting from the 2010 World Cup, the Ministry of Tourism prepared a written response for the author saying the issue between Mosola and Match 'was already resolved last year'.[15] Ministry spokeswoman Ronel Bester said:

> The questions relating to Match, its shareholding and operational procedures should be taken up with Match and FIFA, as Match is a FIFA contractor and not a South African tour operator.[16]

Nonetheless, this fracas illustrates that the accommodation providers felt exploited by Match, FIFA's chosen agent. Rather than risk the wrath of FIFA – and very aware that the World Cup is here pretty much by Blatter's grace – the authorities have swept this dispute under the carpet.

Some guest houses, however, have chosen not to sign up with Match, but rather to market their accommodation 'unofficially' – a clear sign of their distaste for Match's terms. Wandie Ndala, who runs Wandie's Guest House in Soweto, says he opted against signing with Match 'because we've got our own website, and our rooms are full anyway'.[17] Ndala was equivocal on whether the fee that Match will take was worth it. 'It mustn't be a rip-off. It depends what (Match) does for that fee,' he says.

All of this could be dismissed as simply uppity guest house owners complaining about being prevented from overcharging tourists by FIFA's agent Match, who are scrupulously ensuring visitors get the best deal possible. Unfortunately, that isn't the case.

A 'REASONABLE MARK-UP'

It turns out that while Match is urging the South Africans to keep prices pegged to 2007 rates so as not to deter visiting fans, it seems this is so that it can keep the cream for itself. This is because the price at which Match is offering the rooms to visitors is at a 30 per cent mark-up on the price it pays the guest houses.

It describes this mark-up as a 'sales margin', and says in the contract 'as an example, if the net payable FIFA World Cup rate (that goes to the guest house owner) is R1 160, … the FIFA World Cup rate payable by the guest to Match for the applicable room night will be R1 657'.[18]

And it seems guest houses and small tourism businesses aren't the only ones for which this situation will apply. Hotel chains contacted by the author say Match has stipulated that the details of the hotel's contract remain 'confidential'.[19] However, these hotel chains did reveal that Match is also adding on a 30 per cent mark-up to these rooms.

What is apparent, however, is that as with government, the hotel chains are very guarded against making any public statements criticising Match. For example, Southern Sun MD Graham Wood chose his words carefully when he said that Match 'operates as any other tour operator, so they've got to make some money'.[20] A 30 per cent mark-up, he says, 'isn't anything unusual'.[21]

City Lodge CEO Clifford Ross said:

> We settled on rates that were market-related, not necessarily European market-related, because what we saw in France and Germany was clear price-gouging.[22]

If anything, it seems the hotel operators have resigned themselves to accepting lower margins in order to make the event successful. Protea Hotel CEO Arthur Gillis said 'anyone who thinks the World Cup is an opportunity to make money is deluding themselves. This is a marketing opportunity, and we should be averse to anyone profiteering from this.'[23]

However, Match does not seem as constrained by such noble motives, and this is nowhere more apparent than in the case of rates offered to visitors to South Africa to stay in the country's supposed national treasure, the Kruger National Park.

KRUGER PARK: A CASE STUDY OF PRICE GOUGING

A fascinating case study of how Match has been able to leverage its FIFA-sanctioned position to extract a giddying amount of cash from World Cup tourists can be seen in the case of the Kruger National Park.

As part of the 55 000 rooms Match hopes to offer, it has already nailed down 730 'units' at game parks across the country run by SA National Parks (SANParks). This is a savvy commercial step, given how many World Cup visitors are also keen to take in the 'African safari' experience when visiting South Africa. In practice, however, it seems Match has effectively hijacked the plum positions at South Africa's national game reserve.

Essentially, SANParks struck a deal with Match in early 2009, selling it all the available accommodation at the park's three most popular and accessible camps: Skukuza, Pretoriuskop and Berg-en-Dal. As SANParks admits, these are the camps 'close to the periphery and airports'[24] – the prime locations for tourists.

A press release at the time quoted SANParks tourism and marketing director Glenn Phillips as saying that 'if all goes according to plan, the value (of available accommodation) sold to Match per day is in the region of R1,4 million'.[25] For SANParks, this was to bring in R52,5 million, based on two people per unit and including dinner, bed, breakfast and activities.

But Match will levy huge premiums at the Kruger National Park (see table below) compared to what tourists would normally pay – a situation of which most foreign visitors will be blissfully unaware. For example, Match will charge as much as $4 276 per night night (R29 971) for the 16-person Joubert guest house at Pretoriuskop camp – nearly four times the R7 400 which would be charged if the guest house was fully occupied during any other time.[26]

Equally, a six-sleeper bungalow at Berg-en-Dal will cost guests R9,391 per night – nearly five times the R1 736 it would cost normally.[27] Even a four-person safari tent at Skukuza, which would normally cost R550, will cost visitors R5 382 per night during the World Cup, an almost tenfold mark-up.[28] While it would normally cost R700 per night for a bungalow at Berg-en-Dal, Match will charge $1 342 per night (R9 391). For some cottages, Match will charge up to $4 276 per night (R34 000).[29]

Table 1: Kruger Park prices

Camp and accommodation	Match price (including dinner, bed, breakfast and daily activity)	SANParks price (excluding food and activity)	Percentage increase by Match (in Rands)
Pretoriuskop			
four-person bungalow	$845 (R5 915)	R625 for two, R144 per person extra	548
six-person bungalow	$1 157 (R8 099)	R625 for two, R144 per person extra	574
four-person cottage	$1 012 (R7 084)	R1 255 for four	464
six-person cottage	$1 290–$1 443 (R9 030–R10 101)	R1 255 for four, R248 per person extra	477
five-person hut	$953 (R6 671)	R320 for two, R96 per person extra	997
six-person hut	$1 139 (R7 973)	R320 for two, R96 per person extra	1 033
P Joubert guest house for 16	$4 276 (R29 932)	R2 325 for first four, R426 per person extra	302
Skukuza			
Clarke cottage for four	£911 (R11 560)	R1 240 for four	832
Guest cottage for six	$1 342 (R9 394)	R1 240 for four, R248 per person extra	441
Safari tent for four	$769 (R5 382)	R330 for two, R96 per person extra	931
Berg-en-Dal			
Family cottage for six	$1 342 (R9 391)	R1 240 for four, R248 per person extra	441
Rhino guest house for eight	$2 129 (R14 905)	R2 325 for four, R426 per person extra	270

Source: *Compiled by author based on figures sourced from FIFA Accommodation Office*

Notes: 1) US$ amount converted at rate of R7/$1, as quoted by FIFA Accommodation Office

2) UK sterling converted at rate of R12,69/£1 on 3 September 2009

3) SAN Parks rates as on 3 September 2009

As one would expect, Match has not advertised these rates, which are only available 'on application' via email through its booking office. The author has confirmed these rates in numerous emails with the booking office, which was reluctant to reveal much more.

However, the whole scenario has incensed South Africans keen to visit the park during the World Cup period. One family, who traditionally visit the park during July, had their bookings at Skukuza cancelled and their R2 200 deposit returned. Instead, they were offered alternative accommodation at the most northern camp, Punda Maria, in Mozambique.[30] Ernest Smit, one of the family members, raged that 'it's unreasonable to expect us to drive that far. I'm sure many people are going to complain about this arrangement. We refuse to accept the situation.'[31]

Discussion forums on the SANParks website rippled with discontent. Asks one person who called himself 'Scipio': 'Who is Match, and who is on board, and who is going to get their pockets lined?' Someone identified only as 'Francoisd' worked out that tourists are paying above the bar, and asks rhetorically, 'I wonder if the soccer tourists know they are going to be paying a "little" more than usual.'[32]

This is really the point: tourists do not know this, nor, importantly, are they given the option. Instead, FIFA's sole-appointed accommodation agent will be making the bulk of the profit from this. And as a final insult, tourists eager to go to Kruger Park now cannot find accommodation over that period unless they go through Match.[33]

But Glenn Phillips denies that there is a monumental price increase, saying Match agreed to only add 30 per cent to the prices over the World Cup period.[34] 'The fees are slightly higher than normal, because it includes two meals a day and an activity (such as a game drive),' he says. In a later email to the author, Phillips says the fee also includes 'conservation fees', some transport, and a 'contingency fee to cover additional unforeseen expenses'.[35]

Whether this is sufficient justification is unclear, considering that an English breakfast at the respective restaurants at Berg-en-Dal, Pretoriuskop and Skukuza costs about R55 per person, and dinner for the full buffet ranges between R149 and R165 per person. A game drive at all three camps costs R160 per person for three hours.[36] And the daily conservation fee ranges from R40 per day for South African tourists to R160 per day for foreign tourists.[37] This shows that the dinner, breakfast, 'activity' and 'conservation fee' costs less than

R550 per person – hardly enough to justify hiking the prices so extravagantly. And the mark-up, it seems, will go to bolster Match's bottom line.

Again illustrating their sensitivity over the issue, SA's ministry of tourism deferred all questions on the discontent over Kruger to Match itself.[38] But it pointed out that Match will only cater for about 55 000 rooms, when the country is expecting 450 000 foreign visitors for the World Cup.

Rather obliquely, and without singling out any particular party, spokeswoman Ronel Bester said that overcharging is a serious concern of government. 'At every one of the five engagements with stakeholders in the tourism industry that Minister van Schalkwyk had over the course of the last six weeks, he reiterated that price-hiking could damage the reputation of our tourism industry.'[39]

FIFA'S HOSPITALITY TOWARDS MATCH

Match Hospitality – the other part of the business with the exclusive rights to offer 'hospitality packages' to soccer games – also looks set to make some serious money.

Unlike Match Event Services, which simply provides tickets and accommodation, the hospitality packages will see the company provide a full-service offer to large companies that want to impress their clients. In its brochures, Match Hospitality says 'for those who wish to watch the Matches in style, Match Hospitality will meet your every need with luxurious and creative hospitality offerings'.

So, as the only company allowed to offer official hospitality packages under the FIFA banner for suites at the individual stadiums, Match Hospitality will offer a company a 'premium Match day ticket', a suite including 'high-end catering', a bar service, dedicated parking and transport to and from the games. Its Big Five Series for example, offers private suites to companies for all the important matches – the opening game, the semi-finals and final – as well as all games at the five largest stadiums. With each 36-game Big Five package being sold for \$1,5 million,[40] it is perhaps unsurprising that it had already sold R600 million worth of these packages by October 2009.

Its Final Round series allows customers to pick a group of games towards the end of the event: for example, suite hospitality for the two semi-finals and the final at Soccer City can be bought for \$15 000 per person.[41] These packages are already sold out.[42] Or buyers can follow the team of their choice, taking in seven matches for $17 500 per person.

According to FIFA, Match Hospitality paid $120 million for these 'rights',[43] outbidding other contenders. But considering the soaring sales of the Big Five packages alone, it looks set to recoup its cash and then some.

WORLD CUP PROFITS TO HEAD TO THE UK

So where does the money go from Match Event Services and Match Hospitality? Well, it turns out that not only will Match take the cream of the World Cup accommodation profit in an event that Sepp Blatter vowed would benefit the citizens of South Africa, but the cash won't stay in this country either.

Like any other company, Match will either declare the profit as dividends to its shareholders, or retain that profit to use elsewhere. By extension, Match's owners – and mainly Byrom PLC – will be the big beneficiaries of the amounts paid by fans for accommodation in South Africa. As discussed earlier, Byrom PLC now owns 100 per cent of Match Event Services, after buying out Eurotech last year. But who exactly is Byrom, and who owns it?

The author obtained Byrom PLC's financial accounts dating back to 1999, and its shareholders' register from the UK Companies House. This shows that the company was registered in Cheadle in Cheshire in the UK in 1991, and it currently has 50 000 shares that are controlled by nine people.[44] Seven are from the Mexican-born Byrom family – the 53-year-old managing director Jaime, his 56-year-old brother Enrique, plus Carol, Harry, Ivy, Robyn and Aracelli – and the other two are Byrom's marketing director, John Parker, and his wife, Ingrid Parker.[45] All the shareholders except Harry Byrom[46] are based in Cheshire in the UK, according to the addresses listed in the shareholders' register.[47]

What this illustrates – and it is something that FIFA and the exceedingly grateful South African hosts have been keen to play down – is that a large chunk of the accommodation and hospitality profit will not stay in South Africa at all. For many South Africans expecting to benefit from the ancillary activities around the World Cup, this will be a nasty shock.

Quite how much money is likely to flow out of South Africa has yet to be determined, as Byrom has diligently avoided this topic. In an initial telephonic interview, Jaime Byrom said he would be 'happy to give you the figures' of expected profit that Match will make from the World Cup.[48] But when asked a series of difficult questions, Byrom terminated the interview and asked instead for written questions.

In his written reply, he backed down from his earlier commitment to transparency.

Instead, Byrom now said the contract between FIFA and Match is 'confidential in nature' and

> therefore, it is not appropriate to discuss with you or explain in any detail the sales targets, profit margins and other commercial matters which you are enquiring about.[49]

Byrom said only that Match had 'met the targets' of the room rates it anticipated selling.[50]

FIFA also gives nothing away, saying that Match 'operates on a break-even basis to deliver the accommodation, IT and ticketing operations'.[51] When asked how much profit from the World Cup is estimated would remain in South Africa, FIFA said it couldn't say.[52] 'It is impossible to quantify how much profit will be made, as the economic impact of the FIFA World Cup goes beyond the mere staging of the event,' it said.[53]

The implication from what FIFA says is that Match – and Byrom – won't be making a bundle of profit from the World Cup. Yet the financials of Byrom PLC show this isn't exactly true.

MORE THAN R100 MILLION PROFIT POSSIBLE FOR BYROM IN 2010

Byrom's financials going back to 1999 clearly illustrate that in the year following a FIFA World Cup, there is a spike in its revenues and profits.

The 1999 accounts following the World Cup in France saw Byrom PLC's revenue climb 19 per cent to £6 662 190 and its pre-tax profit swell 63 per cent to £844 727. Here, Byrom reports that it 'made significant sales in relation to the football World Cup held in France'.

The 2003 accounts following the World Cup in Japan saw Byrom PLC's revenue surprisingly drop a marginal 6,8 per cent to £96 142 564, but its pre-tax profit grew a staggering 1 928 per cent to £3 570 564. In the notes, Byrom talks about how it 'operated as a service company to implement FIFA's ticketing policy and to undertake international ticket sales'. It adds that it also 'operated as a service company to implement FIFA's accommodation policy for the event'.[54]

The 2007 accounts following the World Cup in Germany saw Byrom PLC's revenue climb 146 per cent to £41 411 101, and its pre-tax profit grew 272 per cent to £3 061 042. All of this came from FIFA events, with the bulk from operating the Organising Committee Accommodation Office GmbH. It then paid a £1 million dividend to shareholders.

It should be remembered that Byrom owns a number of subsidiaries besides Match – such as logistics consultant Seamos Marketing – which provide services for a number of FIFA events such as the 2008 FIFA Under-20 Women's World Cup held in Chile. But it appears undeniable that the World Cup is indeed a real money-spinner for the company.

While Jaime Byrom won't provide any profit estimates, it seems reasonable to assume that Byrom PLC will be able to record pre-tax profit for the 2010 World Cup at least equalling that which it recorded after the 2006 German event – a healthy R36,5 million.[55]

Of course, it should be remembered that in 2006, Byrom PLC only owned 33 per cent of the Organising Committee Accommodation Bureau GmbH, which organised rooms for the German tournament, so only recorded a third of the profit. Now, having bought out the other 50 per cent of Match, Byrom PLC should see all the profit from the accommodation. Add in the gains from Match Hospitality, and it would seem reasonable to speculate that Byrom PLC could see more than R100 million in profit from the South African World Cup.

This clearly illustrates that the Byrom family has made plenty of profit thanks to FIFA's decision to award it the lucrative contracts. And barring a wholesale cancellation of the event, it should repeat this at the 2010 event. So how exactly did the Byrom family sew up this lucrative franchise? How is it that the family has repeatedly been appointed?

SHADY APPOINTMENTS

When it came to the appointment of Match as the 'official' accommodation provider, FIFA has confirmed there was no tender at all.

In a background document provided to the author, FIFA says 'the commissioning of Match Event Services was not a public tender but a regular service provider contract':[56]

> Due to their past experience in delivering these very complex FIFA World Cup solutions, FIFA felt Match Event Services was the ideal partner.[57]

So how has this past experience worked for FIFA? Controversially, it seems. Weeks before the 2002 Japan World Cup, the Japanese Organising Committee (JAWOC) set up an emergency task force to probe why 140 000 tickets due to Japanese residents hadn't been printed until the last minute by Byrom's company.[58] In response, Jaime Byrom apologised at the time 'for the inconvenience', and said 'we did not expect as many as 140 000 applications when the last lot of tickets went on sale in Japan towards the end of April'.[59]

The issue of how Byrom landed in such a plum position without any tender is a predictably touchy topic. In 2002, the UK *Telegraph* reported that Blatter 'has been criticised for reportedly awarding Byrom the ticketing contract without putting it out to tender'.[60] At the time, Byrom refused to discuss whether Match was the only company approached. 'All I will say is that you have to remember that there was not an industry out there that FIFA could go to for something like this,' he said.[61]

It must be remembered, however, that Match Event Services AG was only established in 2007, and before that Byrom PLC used other entities to service FIFA's accommodation and ticketing needs. The first mention of Match pops up in Byrom PLC's 2007 accounts. Here, Byrom PLC says:

> The group has secured a long-term agreement with FIFA to create and operate a joint venture company Match AG (Switzerland) with a Swiss-registered company Eurotech. Match AG is charged with the task of supplying the accommodation, ticketing and computer solution for the 2010 and 2014 FIFA World Cups.[62]

This is intriguing, not only because it describes the deal as 'long term', but it implies that FIFA was somehow involved in the creation of Match.

The author of this chapter tried repeatedly to ask Jaime Byrom about this, both telephonically and then in 28 detailed questions (see appendix), which he largely dodged. Instead Byrom sent a six-paragraph reply, saying 'I do not propose to go through each of your questions individually', refusing to provide details of the 'confidential' contract with FIFA but confirming that 'you have correctly identified the directors, shareholders and certain other financial information'. [63]

But after the author published a report on Match and Byrom in the *Sunday Times* discussing the accommodation mark-up and other issues, Byrom was quizzed during an interview on Radio 702 as to how Match was appointed without a proper tender process.[64] He was again evasive:

> [Match Event Services] is really a service company; it's not an enterprise you could categorise as entrepreneurial. It's basically delivering services on a cost-plus basis, and certainly as the company that has been servicing FIFA for the last seven World Cups, I think it's fair to say we've been the established service company for FIFA for quite a number of years.[65]

Not only does this fail to answer the question, but as the upheaval over the Japanese tickets in 2002 illustrates, this service hasn't exactly been impeccable either. Byrom largely dismissed the *Sunday Times* report, which he described as 'self-serving', saying 'I don't think it reflects the facts as [the author] found them when he made his round-robin inquiries of people in the industry'.[66]

When asked during the radio interview why he had been reluctant to provide specific details, he excused this by saying:

> It didn't take me very long to know that really, the story had already been written and there was no point in me wasting my time talking to this gentleman.[67]

This fits a pattern evident from the initial UK press reports. When pressed as to how Byrom's companies appear to hold the monopoly – and a profitable monopoly at that – over the prime accommodation options for the world's largest sports event, FIFA and Byrom deflect the question, as he did to the *Telegraph* in 2002.

But the importance of understanding FIFA's relationship with Match cannot be overstated, as the discussion about the International Sport & Leisure (ISL) corruption debacle below illustrates. But first, the equally large questions that loom over Match Hospitality's appointment need to be analysed.

THE CURIOUS CASE OF MATCH HOSPITALITY

FIFA announced on 30 October 2007 that Match Hospitality had been picked as FIFA's 'hospitality rights holder following a public tender process'.[68] At the time, FIFA General Secretary Jérôme Valcke gushed that the 'rights have been awarded to the best bidder, recognising the world's biggest hospitality rights property'.[69] FIFA later told the author that Match Hospitality paid $120 million for the contract, 'and the whole operation is managed … at their own financial risk'.[70]

But quite who the other bidders were in this supposedly 'transparent process' remains a closely guarded secret. FIFA is particularly sensitive to these sorts of questions, and like Byrom, refused to respond to detailed questions.[71] They included a request for details of the supposedly 'public tender' documents, questions about how Match Services was appointed by FIFA, and how FIFA handled the conflict of interest around Philippe Blatter (see appendix 2).

The FIFA South Africa media team responded:

> Having reviewed your questions below, it seems that your agenda on the story is set. However if you are truly interested in exploring FIFA's activities, its financial structures and its relationship with the various service providers, including Match Event Services, we are more than happy to set-up an interview with FIFA's secretary-general Jerome Valcke when he is next in South Africa.[72]

FIFA added that it would appreciate 'more time to answer such long enquiries'. The author responded that if the inability to reply was because of time pressure, FIFA could take longer over the query if it needed to do so.[73] FIFA then replied that Valcke wasn't available any more and so 'we stick to the general comment for the moment'.[74]

INFRONT: 'WE SEE NO CONFLICT OF INTEREST'

But there are conflicts of interest aplenty with Match, liberally spiced with dark accusations of nepotism. In part, this is because one of Match Hospitality's four shareholders is Infront Sports and Media AG – a company headed by Philippe Blatter, nephew of FIFA's Sepp Blatter. Philippe Blatter was appointed as president and CEO of Infront in December 2005, after an 11-year stint at management consulting firm McKinsey Sports Practice.

In response to questions from the author, Infront spokesman Jörg Polzer protested that his company was a 'minority shareholder' with a stake of less than 10 per cent in Match Hospitality.[75] But like the other investors, Infront said 'it has been agreed between the parties involved that the precise shareholding structure of the company is not disclosed'.[76] Again, no reason is given for this curious lack of transparency.

When asked how Infront handled the conflict of interest involved in FIFA deciding the Match Hospitality tender when its CEO was related to the head of FIFA, Polzer said 'we do not see this as a conflict of interest'.[77]

> The bidding process was entirely handled by the management of Match Hospitality AG [and] as a minority shareholder, we have not been involved in the negotiations with FIFA [or] the operational business.[78]

Polzer also said the insinuation that Philippe Blatter would personally benefit from Match Hospitality's profits was 'completely incorrect', as he is not a private shareholder in the company.

During the Radio 702 interview after the *Sunday Times* article, Jaime Byrom also put forward this view:

> What [the *Sunday Times*] did not share is that Infront is a small shareholder of Match Hospitality. The person in question, Philippe Blatter, is not really a shareholder of Infront, so how he managed to connect Match Hospitality to personal gain on behalf of the Blatter family, is just not correct.[79]

But this does not tell the whole story. Though Infront does not publish annual reports confirming its shareholders, it seems highly likely that Philippe Blatter is a shareholder – and so will benefit personally from Match Hospitality's activities.

This is because when it was formed in 2003, Infront said its shareholders were Robert Louis-Dreyfus (the former head of Adidas), JACOBS AG, Overlook Management BV, Martin Steinmeyer and the Infront management team. When Blatter joined in 2005, it would have been standard practice for him to be given shares in the company, to be consistent with other management personnel who had shares in the company.[80]

This suggests that far from Infront's denials, Sepp Blatter's nephew will most certainly benefit from the 2010 World Cup in numerous ways. This will not only be through Infront's profits thanks to the media rights, but also as a likely shareholder of Match Hospitality.

But this isn't the first time that questions have been raised over Philippe Blatter's commercial links to FIFA. When he was at McKinsey, the sports practice he headed also billed FIFA large amounts of money for consulting on various matters, from administrative organisation to planning FIFA congresses. At the time, McKinsey's monthly fees from FIFA ranged from 420 000 Swiss Francs to 760 000 Francs.[81]

In 2002, none other than FIFA General Secretary Michel Zen-Ruffinen blew the whistle on this apparent nepotism, claiming in a report to the organisation that Blatter steered $7 million worth of business to McKinsey precisely because Philippe Blatter headed the European sports practice.[82] Sepp Blatter retorted that all the business was bid out competitively – a standard response when he is questioned about related-party contracts. Nonetheless, Blatter's denials didn't exactly shake the conviction that FIFA is an institution well-steeped in the tradition of providing jobs for mates.

But the exact circumstances that led to Infront getting its tentacles into the commercial aspects of the FIFA World Cup remain hazy. Though Infront is only six years old, it has already made millions thanks to being appointed as FIFA's exclusive partner to sell broadcast rights for the 2002 and 2006 World Cups.

For this year's event in South Africa, Infront says its role has changed to 'valued service provider'[83] after it was announced on 13 February 2006 that it had been awarded the contract as 'host broadcaster'. Then on 17 March 2006, FIFA said a joint venture between Infront and Japanese advertising firm Dentsu had won the tender to sell the Asian broadcasting rights for the 2010 and 2014 events.[84] Sepp Blatter gushed that this deal gave FIFA 'the best of both worlds, [including maintaining] the continuity of its relationship with Infront'.[85]

But quite how Infront popped up as FIFA's exclusive distributor of broadcast and marketing rights is an intriguing story in itself, intricately linked to the most sordid episode in FIFA's history: the collapse of corruption-ridden International Sport and Leisure (ISL).

LESSONS ABOUT TRANSPARENCY IN SPORT FROM THE INTERNATIONAL SPORT AND LEISURE COLLAPSE

ISL held the marketing rights for the FIFA World Cup for nearly two decades. Set up in 1983 by FIFA 'to handle merchandising rights and the rights to stadium advertising',[86] it held something of a monopoly on those rights, as well as broadcasting rights for the Olympic Games and the Athletics World Championships.

In 1996, ISL won with a bid of $1,45 billion for 'complete marketing and sponsorship rights' to FIFA events, despite a larger $1,6 billion bid from Mark McCormack's International Management Group (IMG).[87]

The speculation was that FIFA's then-supremo, Brazilian Joao Havelange, opted for ISL primarily because, as a *quid pro quo*, ISL was meant to lobby for Havelange's supporter, Sepp Blatter, to be the next FIFA president.[88] Blatter was elected president in 1998.

But the next few years were less rosy for ISL. Poor handling of its cash flow meant that on 21 May 2001, it was declared bankrupt and was $300 million in debt.[89] FIFA itself lost around $30 million on ISL's collapse, according to Blatter.[90]

After ISL collapsed, the media rights were taken over by Kirchmedia. But when Kirchmedia also hit financial trouble in 2002, its Kirchsport arm separated from the company and took the rights to the 2002 and 2006 World Cup with it.[91] After a management buyout, Kirchsport was then rebranded as Infront Sports and Marketing – a shareholder in Match Hospitality.[92]

While Infront appears to be the spiritual reincarnation of ISL, the soap opera that followed ISL's collapse provided alarming insights into how sports rights are awarded.

In 2002, FIFA lodged a criminal complaint against ISL over $22 million which went 'missing'. This amount was meant to be FIFA's cut for ISL on-selling the TV rights to TV-Globo. Surprisingly, FIFA then tried to withdraw the complaint in 2004, but it was too late. Investigating magistrate Thomas Hildbrand said he'd found numerous incidents of financial crimes, so in 2007, six ISL officials went on trial for embezzling £45 million meant for FIFA, including former ISL chairman, Jean Marie Weber.

The resulting criminal trial in July 2008 shattered many conceptions of FIFA and the supposedly clean business of sport. Not only did it uncover £66 million in alleged *schmiergeld* (kickbacks) that ISL paid to various sports officials – like the £89 000 allegedly paid to Paraguayan FIFA executive committee member Nicolas Leoz[93] – but it provided eye-opening insights into the way the sports marketing business works.

Former ISL CEO Christoph Malms testified that after joining ISL he discovered it was built on bribes: 'I was told the company would not have existed if it had not made such payments.'[94] Former ISL finance boss Hans-Juerg Schmid said, 'If we hadn't made the payments, the other parties wouldn't have signed the contracts'.[95]

In the end only three relatively minor convictions were obtained against the six officials, with most bribery charges being swept away after their defence lawyers produced a letter written by FIFA's former finance director Urs Linsi that showed FIFA knew the money was missing.[96] According to the *Telegraph*, the letter recorded that 'it was a higher-level decision within FIFA not to put too much pressure on ISL'.[97]

FIFA were badly scalded by the trial, which suggested that, contrary to its current practice of diligently avoiding illumination, it needed to be far more transparent if it wanted to shake off the reputation of a nepotistic and corrupt organisation.

Unfortunately, the trend has been in the opposite direction. For example, Blatter specifically fought against efforts to throw light on FIFA's dealing with ISL, shutting down an Independent Audit Committee probe into FIFA's finances in April 2002 on the pretext of leaks to the press.[98]

It was this sort of campaign against transparency that leads commentators to allege that FIFA is 'so mired in corruption that it cannot see anything wrong with its dealings, and [it] will stoop to any depths to prevent the true picture emerging'.[99]

SCRUTINY NEEDED OF FIFA'S ANCILLARY CONTRACTS

The ISL debacle shows that the devil lies in the web of ancillary contracts that FIFA controls, as these contracts provide the real conduit through which money flows to the Swiss organisation.

As Blatter says in FIFA's financial report, the football organisation makes most of its money by selling television and marketing rights for the World Cup.[100] This has worked out well for the organisation, even during non-World Cup years, as it has recorded a profit for every year since at least 2003. In 2008, despite a wider liquidity crunch in the financial world that saw global banks make record losses, FIFA made a $184 million profit.[101]

For the 2010 World Cup, revenue generated through 'sale of rights' between 2007 and 2010 amounted to $3,2 billion, according to documents provided to the author. This was made up of $2 billion for TV rights (63 per cent of the total), with $1 billion for the marketing rights, $120 million for the hospitality rights, and $80 million for licencing.[102] World Cup sponsors, like beer brand Budweiser and cellular firm MTN, also pay FIFA a fee but this is included in the marketing rights.

Unlike the 2006 event, where Infront handled the sale of broadcasting rights, FIFA has decided to largely do this task itself for the 2010 event. However, as mentioned earlier, a joint venture between Infront and Dentsu still has the exclusive FIFA contract to sell the broadcasting rights in Asia for the South African World Cup and the 2014 event.

It is the lucrative contracts for these rights signed with third parties that ought to be closely monitored by governance pundits for signs of conflicts of interest. After all, the revelations of how these rights were divvied up to ISL based upon apparent perverse incentives leaves an unfortunate cloud of suspicion over any deal struck with the likes of Infront and Match. When the companies themselves insist on keeping details secret – and when family members are involved – the need for full transparency is all the more pressing.

CONCLUSION

FIFA has many questions to answer, especially in light of the opaque way in which some contractors, like Match, are appointed to exclusive multi-million dollar contracts without any tender process being followed.

The questions are especially pointed in the case of Match Hospitality, given the conflict of interest entailed in having a nephew of the FIFA president heading one of the four shareholders awarded the exclusive contract. The veil of secrecy over Match Hospitality's shareholding and lack of transparency over the supposedly 'public tender' for these hospitality rights will only fuel suspicions of foul play, especially given the nasty revelations about the way rights are awarded that emerged in the 2008 ISL bribery trial.

Far greater scrutiny of FIFA's supplier contracts is long overdue. Of course, it is a tricky situation for the South African government: hosting the World Cup necessitated getting in bed with FIFA. Under the terms of its deal with FIFA, it had little leverage (or stomach) to ask the sort of questions about FIFA's suppliers that it would have done had this been anything other than a once-in-a-lifetime event for South Africa.

But for future global sports events for which South Africa bids, such as the Olympics, a little less naivety is necessary. Greater attention should be focused on examining the pre-contracted suppliers for conflicts of interest, to get a truer sense of the real economic gains for the country than was obtained for the 2010 World Cup.

After all, as this analysis makes clear, it is those suppliers, like Match, that will skim the cream off the 2010 World Cup and whisk these profits overseas to its shareholders. In some cases, as with the Kruger Park, the size of the profit margin appears almost unconscionable.

To this extent, the South African event will be far more a boon to Match and FIFA than it will be for the South Africans providing the hotel rooms and guest houses that will host the actual visitors for the 2010 World Cup.

APPENDIX 1

Questions posed to FIFA media department by email, 4 September 2009

1. FIFA talks about the 'public tender' that was won by Match Hospitality for the 2010 World Cup. If this was public, can I have the tender documents, so I can compare the winning bid to the losing bid? If not, how could this be described as a 'public tender'?

2. How was Match Services appointed by FIFA for the accommodation, ticketing etc? Was this also a public tender, and how do I get access to those tender documents?

3. When it came to Match Hospitality, to what extent did the fact that Philippe Blatter (Sepp Blatter's nephew) is the president and CEO of one of Match Hospitality's shareholders, Infront Sports & Media, influence your thinking? How did FIFA address this conflict of interest?

4. a) Were there any limitations on profits that Match could make from the World Cup in terms of the tenders? b) What sort of profit do you expect Match to make from the 2010 World Cup? c) I saw from FIFA's financials that $40 million was paid to it last year for hospitality rights. Was this from Match, and is this a yearly payment? d) What fee was paid to FIFA by Match Services in exchange for the accommodation and ticketing service that it gets to run?

5. What sort of profit do you expect to be made from the World Cup? FIFA has said the 'best yet', but will it be 10 per cent above Germany, 20 per cent?

6. How much of any profit will remain in South Africa? It seems a large chunk of any profit will be shipped back overseas, benefiting the likes of Byrom PLC (Match's largest shareholder)?

7. From my investigations, it seems Match will be adding on a steep mark-up for the accommodation (30 per cent for the guesthouses, and B&Bs, and more for accommodation at the hotels and things like the Kruger National Park). Does this concern FIFA, considering it has the potential to detract from the event altogether, and is presumably something FIFA wanted to avoid in the first place?

APPENDIX 2

Questions posed to Jaime Byrom by email, 31 August 2009

1. On the phone you mentioned that Match has sales targets for the 2010 World Cup which have been met – I think you mentioned $100 million in sales as a target already met. Is that correct?

2. What are the separate targets for Match Event Services, and Match Hospitality for the entire event? What do you hope to make in revenue for the event?

3. Additionally, you said this would not necessarily all be profit. What would be your costs that need to be taken into account? Would the actual room rate (which I assume that Match pays back to the hotel) be taken off this? Or is the $100 million after deducting the room rate?

4. What profit margin does Match anticipate earning from the entire FIFA 2010 World Cup?

5. Related to the above question, I notice that by March, $35 million of a $42 million facility which Byrom took out with Barclays to finance the World Cup had not been used. How much has it cost Match so far to prepare for the World Cup?

6. What will happen to the profit made from the World Cup? I assume all profit will be taken back to the shareholders of Match, and then Byrom? Is this correct?

7. What was the revenue and profit made from the 2009 Confederations Cup by Match?

Questions relating to South African subsidiaries

8. I have been told that Match Event Services Pty Ltd (registered in South Africa) is 100 per cent owned by Match Hospitality Pty Ltd. But is that right? If not, what is the right structure?

9. You are the only director common to both boards. What is the relationship between Match Event Services and Match Hospitality?

10. Match Event Services wanted to get 55 000 rooms for the World Cup. Have you met that target? If not, why?

11. The way I understand it, Match Event Services has 'reserved' up to 80 per cent of the rooms at top hotels, B&Bs and other accommodation providers, which it then sells at the right time in various allocations. The SA accommodation owner is paid his 2007 discounted rate plus 16 per cent by Match. Match will then add on a 30 per cent fee, and on-sell this to fans. Is this accurate? If so, do you not consider it quite a large margin, considering you have warned that overseas fans are 'sensitive to price'?

12. How else will Match Event Services Pty Ltd make money from the 2010 World Cup?

13. The way I understand it, Match Hospitality Pty Ltd will make money by adding in fees for selling the tickets plus Match-day hospitality. What have the sales been like on that?

14. For Match Hospitality, what is the expected profit margin on its expected sales?

15. You said the tour operator programme only began operating on 1 July, but is already doing well. The way I understand it, Match Event Services Pty Ltd accredits Participating Tour Operators (PTOs) who then sell packages. Is this right? And if so, what fee does Match earn from doing this, or what must the PTOs pay to be part of the official programme?

Fees for the Kruger Park

16. SANParks signed a deal with Match to buy property in three camps for R52,5 million, or R1,4 million per day. How does this work? Do you on-sell it to fans at the 30 oer cent extra? Does that mean, effectively, that if all the camps were booked out, you would make R18,2 million in revenue from this deal?

17. News reports suggest that there are a number of unhappy travellers who were looking to book at the Kruger Park over the World Cup but were unable to, partly because a large number of camps have been taken by Match. Have you heard of this, and is there any way you would be willing to accommodate this?

Corporate structure: Match Event Services

18. The way I understand it, Byrom PLC owns 100 per cent of Match Services AG now (after buying out Eurotech last year for £92 000, valuing the company at roughly £184 000). There are 50 000 shares in Byrom,

19. The contract awarded to Match Services by FIFA, how was this done? Is this public information, and how can I find out what the terms of this contract were? Was this a public process?

20. From what I can make out, there are 50 000 shares in Byrom, all controlled by nine people – you, Ingrid Parker, John Parker, Enrique Byrom, Carol Byrom, Harry Byrom, Ivy Byrom, Robyn Byrom and Aracelli Byrom. Is that correct? Are there any other shareholders?

21. What does Match Services pay to FIFA for the rights to accommodation, ticketing and computer solutions?

Corporate structure: Match Hospitality

22. Strangely, Match Hospitality wasn't initially listed under subsidiaries in your annual report, but later in the document, it said that Byrom owns 65 per cent of Match Hospitality AG. Is that correct, or has more been sold since then? What percentage do Dentsu, Infront Sports & Media, and Bidvest hold?

23. FIFA said that Match Hospitality was chosen out of two bidders in a public tender process. If this was public, where can I get details of who the other tendering party was?

24. FIFA's annual report shows that $40 million was paid to it last year in 'hospitality rights'. Is this an annual fee paid by Match?

25. One of the issues raised is the conflict of interest in that Sepp Blatter's nephew, Philippe Blatter, is the CEO and President of Infront Sports & Media. It seems, then, that the profits made by Match Hospitality, will be going to benefit the Blatter family. How has this conflict of interest been addressed, and how much of a concern was it to you, Byrom PLC?

Other general issues

26. People have already complained about being unable to secure a room for next year's event, as most of them are already booked up by Match. Have you heard these complaints, and how do you respond to them?

27. Match has been accused of being a bully, by SA Tourism last year, by trying to coerce people into signing your contracts. How are relations now with the SA tourism authorities?

28. What else is relevant to getting a handle on Match's position with regard to the World Cup, and the current state of play?

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