

Faculty of Engineering
University of Antioquia

COST OVERRUNS IN BRAZIL 2014
AN APOLOGY TO THE POOR PLANNING

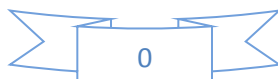
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April 3rd / 2014

Medellin



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INTRODUCTION

The importance that frames the World Cup for a nation goes beyond presenting it as a sporting event since this directly involves the political and economic strengths which are reflected in their organization, for Brazil was not easy to keep a clear idea as to what has been the main works for the next World Cup which translates into delays and cost overruns that must be mitigated with public funds. With the intention of understanding what factors intervened in the gaps of time and costs during the development of the works which will result in the World Cup next month of June, we realized the task of investigating thoroughly the different versions that are handled by the Organizing Committee and Government in each of the venues. This research is done with an emphasis from the application of industrial engineering in the aspect of process management and execution of financial dealing disclosure rules that as much transparency in the award of contracts to the firms contractors and driving a serious Protocol to grant licenses for building stadiums, airports and other complementary works such as access roads Hotels and tourist structure modernization.

The motivation for this research is based know which image that is left to the world with the realization of this kind of mass audience and major part of a Latin American country and more specifically one South American events that although it has an outstanding economy its social problems are not very different from those of the rest of countries in the region, therefore highlights the need for efficiency in the destination of public funds already than Brazil passes through major problems of inequality. The development of research we start from the hypothesis of ruptures, misunderstandings and lawsuits by the Organizing Committee of the event which carries a bad design of the project in general, so far no official version that supports this hypothesis has not been filtered.

Research questions are answered to which the reader is undergoing to perform a brief reading of the text, questions such as do costs had planned prior to the manufacturing of maximum soccer event?, really can are high costs proposed by the Brazilian Government?, how is the host country on security issues in citizens and tourists? Why were so many disorders of social nature in protest to the federal Government of Brazil for the exorbitant sum of money that went? Among others. There were opinions from netizens and people who have wondered on the street his opinion about costs in the event of the World Cup making a comparison with our country.

GENERAL OBJECTIVES

Understand the social situation facing Brazil to define the priorities that the Government has at the time of allocating public resources.

Try to clarify the delivery of construction licenses specifying if these were given through public tenders or if there were pressures and illegalities to designate the juicy contracts.

Confirm the statements made by the Brazilian media claim that the working conditions are not suitable, also the increase in the rates and abuse by FIFA with the value of the tickets especially Stadium Rio de Janeiro's Maracanã as a main venue for the event.

SPECIFIC OBJECTIVES

Get to know the main causes that led to the breach at the time of delivery of the works to host the next World Cup in Brazil.

Identify the responsibilities that evaded the Organizing Committee designated by FIFA and the Brazilian Government led by Dilma Rousseff.

Find the determinants that motivated much of the population to discontent and which led to marches and roadblocks in the main cities of Brazil.

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WORLD CUP

Soccer or also known by many as football or soccer, is of British origin, this was perfected in Brazil and Argentina. But there is not only this event, also there are other competitions such as the women's World Cup of soccer, the World Cup of soccer u-20 and the World Cup of soccer u-17, all three are organized by FIFA (Federation Internationale de Football Association). This event is held every 4 years, taking except for the years 1942 to 1946 which had to be suspended because of the second world war. World Cup involves 32 teams from all continents, in long approximately one month.

This is the most eye-catching event by viewers along with the Olympic Games. (Olympic Games).

(Deportes terra, 2014)



Brazil has about 200 million people, which we may assume that more than 70% is admirer of football, something they acquire from childhood. A survey was conducted to 1,500 men and women between 18 and 55 years of age, in Mexico, Brazil, Colombia, Chile, Brazil and other countries qualified for the next World Cup. In addition, these studies indicate that for every 10 Latin American 8 are football fans. In Brazil, 18% of respondents proclaimed "passionate supporters" of your selection and club, followed by Argentina with 16%, and Colombia with 14%. (telesurTV, March 2014)

Brazil is the only country that has participated in all editions of the World Cup which is held since 1930 followed by Germany with two shares less, is also the most times champion with 5 cups, followed by Italy with 4, Germany 3, Argentina and Uruguay with 2, France, England and Spain with 1 World Cup. the 2014 World Cup will be the 20th which will be held in the history of the World Cup.

COSTS OF THE CHAINS OF HOTELS IN BRAZIL

According to the website of sports of Argentina Fox Sports, the Government's headquarters for the next global football (Brazil) is concerned by some hotels from the FIFA list intended to raise costs excessively during the event of the World Cup of soccer.



Everything began with complaints from consumer advocates and the publications of the major portals not only of the host country, but also by other international newspapers, and was there when the Brazilian Government took letters on the issue. The consumer advocates promulgated that tourists are special consumers because they are out of the country or city, and similarly these tourists is they must receive a welcome and give them a proper quality and helpful service.

The Board Embratur study 65 hotels in the country, of which 22 hotels raised their prices above 200%, 6 hotels providing at least 300% higher costs. The highest value is a hotel in the city of Salvador with a 583%, compared to the \$75 that claimed in July 2013 which in total will charge \$509 per night lodging during the event. With respect to the high costs of hotels in Brazil, the Government of the country announced that they would not have tolerance with these hotels.

Brazil is a country that aspires to receive approximately a 600 thousand foreigners and it is believed that all 12 cities venues of the World Cup there will be a mobilization of 3 million tourists.

(Fox Sports, August 2013)

BRAZIL, THE WORLD'S MOST EXPENSIVE SOCCER HISTORY

According to the website ESPN Deportes in Argentina, the newspaper "O Estado de São Paulo" would have reported that the cost of the stadiums for the World Cup Brazil 2014 rose about 3,712 million dollars, a value tripled the initial budget submitted to FIFA in 2007.

The high speed train project was postponed, so that Rio de Janeiro 2016 is not ready for the realization of the Olympic Games. (ESPN Deportes, January 2014)

For its part the newspaper, "El Colombiano", Colombia; It is reported that Brazil predicts invest about 9.420 million dollars in the works to make the event of the World Cup, slightly more than double what was spent by the World Cup of South Africa 2010

(World's most expensive, excluding the Brazil 2014), according to figures published by the newspaper Folha de Sao Paulo. The above figure refers only to 59 projects, among them works by transport and 12 stadiums; but just as the figure does not include security, science technology, sports facilities and air bases.



The Brazilian Minister of sports, Orlando Silva, with respect to the cost of the implementation of the world said the questioning by the newspaper Folha de Sao Paulo "I think that that value is much greater. I am convinced that it is more than that." (El Colombiano, February 2010)

Some media considered that Brazil could allocate \$14,000 million at the World Cup, a far cry from the US\$ 3.3 billion that the Government has taken so far. US \$275 million that they were worth the stadiums, approximately surge impossible to explain. (La República, August 2013)

COSTS OF THE LAST 3 WORLD CUP OF FIFA

KOREA SOUTH AND JAPAN (2002):

He set a record of US\$ 4.5 billion; the world managed to Captivate 2.7 millions of people as spectators of the event, the stadiums built in Japan currently require costs between 2 and 6 billion dollars annually for their livelihoods, which are paid by cooperators.

This world's largest category was the first to be held in Asia, and also the first to be held in two countries at the same time, although Japan ran with the highest percentage use 3 billion and Korea with 1.5 billion.

GERMANY (2006)

It was "only" US\$ 1.8 billion; the world managed to Captivate 3.35 million people as spectators, had little investment because its stable economy approved him to allocate 1.8 billion dollars in marketing and advertising. This investment did not affect at all your economy and the organizing committee picked up 900 million dollars, and of what they invested did in remodeling and infrastructures.

SOUTH AFRICA (2010)

The most expensive World Cup done up to the present day with \$6 billion. This country is the main economy of the African continent, for this world attended 3.17 million people as spectators 5 stadiums that were built; but only managed to pick up 3500 million dollars. The positive side of all this is that with the improved infrastructure attracted investors.

BRAZIL (2014)

What will be their final stop?, is sure that the show this in Brazilian lands. Until today have been used \$ 12 billion; and if we include the Olympic Games in Rio de Janeiro, Brazil would be investing \$ 30 billion. Brazil awaits having more than 4 million people as spectators and make the world's most remembered by all.

(DATAiFX, Gol Caracol, 2014)

COMPLEMENTARY AND TEMPORARY WORKS

According to ESPN Deportes in Argentina, the Ministry of sport of Brazil, I check the complement of complementary works, which budget went from 14,500 billion to \$ 13 billion; with the ideal cut and save \$ 1.5 billion.

Five of the works were to improve urban mobility, such as the monorail and modern bus system, favoring cities with more tourism of Brazil. Instead, the airport Salgado Filho, Porto Alegre, reform will be not taken into account within the timeframe of complementary infrastructure of the world.

In the official report issued by the Organizing Committee, 45 of the 53 projects are running which gave a part of peace of mind at the time. With reference to the stadiums, mentioned by the Ministry that there will be no changes in dates for the delivery of the works, but said that of the six scenarios that received the Confederations Cup last year, Maracanã was the more late with only 75 percent of its conclusion indicator which was frowned by FIFA. (ESPN Deportes, December 2012)

Support the press facilities, temporary structures include tent to receive guests, authorities and sponsors, put power, stores of official products, decoration and generators, among others. The costs of these works exceeded the 60 million dollars which slightly bothered the defenders of nation public resources since these works are only during the event and will not be as testimony of the investment which will be assumed entirely by the federal Government with money from the State.

Works in Porto Alegre and Sao Paulo were the responsibility of the football clubs respectively accordingly will run with private funds, thus it was as they had committed themselves with this agreement, and from there the problems arose because they didn't pay the temporary structures because they did not see them as their own, a notable failure of the Organizing Committee who once again showed its flaws, rude. (La Prensa, March 2014)

SECURITY AT THE WORLD CUP

The Ministry of Justice reported that Brazil was preparing a force of elite composed of 10,000 members of the national public security force to prevent the non-conformities, struggle and opposition protesters during the period of the event from the world of football, and in the same manner prevent the same thing happened during the Cup confederations.



But not only this training personnel of the security forces, but also are trained dogs that work for the safety of the people. All in order to improve security and that both citizens and foreigners feel safe in the tourism of the country hosting the World Cup; these animals are being trained to detect arms, illicit drugs and explosives, and all this process is expected to make it to make it at least 3 months prior to the opening of the maximum sporting event in football.

In June of the same year of the realization of the Cup confederations more than one million people came out to March in several cities in Brazil in protest of better public services and in both tournaments (World Cup and Confederations Cup) protest on million-dollar investments for two sporting events. According to the Ministry more than 100,000 troops have patrolled the 12 venues of the World Cup. (Teletica, January 2014)

RESULTS

Could be demonstrated with certainty that there were mismanagement by the Organization initial on the projection that was intended with the budget that is calculated, are neglected social issues of utmost importance that have to do with the inclusion of the population in some decisions that compete them directly, there was not a visible head that will lead all the subject of organization which triggered an enormous atmosphere of liberation from guilt because No one took them, i.e., the Government blamed the contractors and these to the Organizing Committee who in turn were fought for their omissions arguing that higher levels were not clear and that only limited to give orders and demand guarantees.

The FIFA World Cup Organizing Committee is appointed by the Executive Committee of this Federation as maximum authority of soccer worldwide and is responsible for structuring the event in accordance with the FIFA statutes. The Organizing Committee is empowered to appoint subcommittees which allows you to focus on a single topic and whose decisions should be taken as a whole, but in Brazil strongly criticized the centralism of the Committee showing them slow and tight in their internal decisions.

Cost overruns and delays in the majority of works showed that there was no harmony within the Committee, i.e., they were divided which was evident in their faces at the plenary meetings. The mistake initially was FIFA who predicted no such situations when making appointments.

Research shows cost overruns in all his works by bad designs and especially poor plantation, but the broader criticism is certainly the construction of the stadium in Manaus since this city does not have a football culture on a par with the cities of the South of Brazil for what would be the stadium without any utility becoming a white elephant, as often happens with many projects in Latin America.

CONCLUSIONS

- Host an event like the FIFA World Cup requires a lot more than money, although this is important is useless when there is poor planning and a direction is not defined clearly.
- The World Cup for Brazil is not already perceived as a privilege for its residents since the cost for execution tripled the budget before defined there emerged the inconvenience by defenders of the nation's public resources, it is as a result of the research that the majority of the Brazilian population does not feel as with the direction taken by the project of the world.
- There is no consistency between the Organizing Committee designated by FIFA and the Brazilian Government to set contingency plans that avoid the delay in the works as well as having failed in the methods of procurement that have been ideal had been avoided problems due to lack of hand work and strikes that paralyzed the works.
- Evidenced much discontent in the population of Rio de Janeiro not only because of the cost overrun in the remodeling of the Maracana stadium which will be the headquarters of the event, discontent is also the result of this because they admit that did not like the internal design and that they preferred that had formerly even more precise statements show the stadium as a bourgeois for their costs of entry work and ceased to be the stadium of the people There also failed the Organizing Committee not to take into account the perception of the people with regard to the changes and if they were to his liking.
- Were not respected agreements that had formerly been sealed is the case of the costs in the works that are taken by private agents as indicated in research at the *beira-rio* in Porto Alegre stadiums and *arena do corinthians* in Sao Paulo which belong to clubs in each city, in both cases refused to pay for the costs in temporary works which should be suitable by the Government with public ratifying money the negligence of the Organizing Committee and once again provided the village budget.
- In terms of the clarity in the allocation of the works construction firms, it was not possible to find relevant information that could lead us to diagnose illegal character in bidding irregularities.

WEBGRAFÍA

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(Deportes terra, 2014)

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(TelesurTV, March 2014)

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(DATAiFX , Gol Caracol, 2014) <http://www.golcaracol.com/copa-mundial-de-la-fifa-brasil-2014/brasil-2014-mundial-mas-car%C3%B3-la-historia-11538-nota>

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(Teletica, January 2014) <http://www.teletica.com/Deportes/37664-Tropas-de-elite-reforzaran-seguridad-del-Mundial-Brasil-2014.note.aspx>

ANNEXES

PEOPLE COMMENT ABOUT EXPENSES FOR THE WORLD

"That horror, that fortune, with so many social needs. It is one thing to know how to play football, as Brazilians do, but quite another is spending this wealth of resources in stadiums, parking lots and infrastructure associated with this type of passengers events. If the President says that attack poverty with obsession, you touch care for the corruption that is predicted in this type of expenses, is not going to be one of the phenomena of despair and frustration. We wish success to Brazil in this Championship and to Colombia, that hopefully can assist with your team, that now I doubt it. Sports Special greetings to the powerful DIM and the national seven to Itagui. Jaime Mejia Gutiérrez, Professor ESAP"

(Jimmy, a Netizen from El Colombiano, said Jan 2, 2011)
http://www.elcolombiano.com/BancoConocimiento/E/el_costo_del_mundial_de_brasil_2014_doblara_el_de_sudafrica/el_costo_del_mundial_de_brasil_2014_doblara_el_de_sudafrica.asp

"It is absurd for Brazil to organize a World Cup because there are problems such as health, education and housing, which are in terrible condition. In São Paulo there are dramatic situations yet, but in the Northeast" (said Daivis Souza)
<http://www.excelsior.com.mx/global/2014/01/25/940317>

"Cost overruns for the realization of the World Cup Brazil 2014 is not justifiable, because they are far above the budget and not even going to finish the works, nor are meeting the workers." Said a friend; Jhon Eder Mosquera Cáceres. ID. 1020448660

"With respect to the cost overruns for the World Cup I say that, while they are not because of corrupt entities, they are absolutely necessary, because even though I don't like football, I understand that stop the works by cost overruns, or reduce them would be catastrophic". Said a friend; Julian Gallo, ID. 1128436727

"In a matter of cost overruns think that Brazil has many economic problems as please make a world that they cannot afford" told a friend; Daniel Obando, ID 1020465122

INTERVIEWS: [OPINIONS ISSUED BY MAJOR SPORTS PORTALS]

"In Rio de Janeiro not depart from astonishment, because more than 400 million dollars were invested to affect our heritage and hurting the feelings". "Brazil is paying expensive delays in the works.

Just in 2010 began to reform the stadiums for the World Cup. There is great dissatisfaction by the series of failures in a country that breathes football." Jorge Luiz Rodrigues has (daily O Globo) journalist in an interview granted to Jaime Herrera Correa of the newspaper El colombiano in Medellin on May 19, 2013.



"Went to the organizers of the World Cup hand by delaying the work, since the same FIFA recognized several unnecessary things were done". "In the 2014 World Cup and the Confederations Cup in June Brazilians and visitors will attend the funeral of Maracanã, because builders killed his history and the glory that has given us". Says Lucio Castro journalist in Rio (ESPN) in an interview granted to Jaime Herrera Correa of the newspaper El colombiano in Medellín on May 19, 2013.

http://www.elcolombiano.com/BancoConocimiento/E/el_encanto_perdido_del_gran_maracana/el_encanto_perdido_del_gran_maracana.asp

"There are many examples of stadiums with 40,000 or 50,000 seats that cost less than half," he told Reuters Amir Somoggi, of the auditor BDO Brazil.

"If this [in reference to the protests] happen in 2014, perhaps we should ask if we did wrong to choose Brazil", said Joseph S. Blatter FIFA President in statements delivered to Business Week in August the 2013.

http://www.larepublica.co/globoeconomia/brasil-intenta-frenar-las-cr%C3%ADticas-por-el-sobrecosto-del-mundial_45996