

Gonseth, Camille; Küttel, Philippe

Article

The treatment of international sports organisations in Swiss national accounts

Eurostat Review on National Accounts and Macroeconomic Indicators (EURONA)

Provided in Cooperation with:

Eurostat, Luxembourg

Suggested Citation: Gonseth, Camille; Küttel, Philippe (2022) : The treatment of international sports organisations in Swiss national accounts, Eurostat Review on National Accounts and Macroeconomic Indicators (EURONA), ISSN 1977-978X, Publications Office of the European Union, Luxembourg, pp. 27-45

This Version is available at:

<https://hdl.handle.net/10419/309845>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

2

The treatment of international sports organisations in Swiss national accounts

CAMILLE GONSETH AND PHILIPPE KÜTTEL (*)

Abstract: Switzerland is home to numerous international sports organisations and federations. They represent a major measurement challenge for statisticians in Switzerland because of their cyclical and increasingly important revenues generated by the staging of major sports events. By influencing Swiss GDP growth rates, they make official figures more difficult to interpret for domestic policy purposes. In Switzerland's decentralised statistical system, they also threatened to increase inconsistency between the national accounts and the balance of payments. To address this situation, the producers of these statistics worked together to provide a coordinated response to improve the quality and consistency of the data of these organisations in the different statistical domains and to provide new statistical information for short-term analyses. This work started in 2019 and is still ongoing. It has led to the establishment of a permanent working group between these institutions to discuss the treatment of international sports organisations and major sport events. In addition to monitoring their development, the next steps involve further deepening the understanding of their functioning and moving towards more international cooperation. The paper presents the economic model and examines the characteristics of the three most important organisations, namely FIFA, the IOC and UEFA. It then discusses the work carried out in the Swiss statistical system, which resulted in the implementation of a revised statistical treatment of their transactions in the benchmark revision of the Swiss national accounts in 2020. The paper concludes with a discussion of outstanding issues.

JEL: E01, F55, F60, Z20

Keywords: national accounts, international sports organisations, major sports events, globalisation, intellectual property products

(*) Federal Statistical Office of Switzerland.

1. Introduction

International sports associations (ISAs) are strongly represented in Switzerland. There are no less than 45 of them! These include the International Olympic Committee (IOC), sports associations directly linked to the Olympic movement, such as the Fédération internationale de football association (FIFA) and one other major football association which is the Union of European Football Associations (UEFA). This number rises to 67 if one considers a broader spectrum of sports organisations such as the World Anti-Doping Agency's (WADA) European office, the Court of Arbitration for Sport (CAS) or the International Centre for Sports Studies (CIES) (Rütter and Schmid (2013), Bousigue and Stricker (2015)).

Since the early 2000s, various studies have examined the economic weight of sport and ISAs on the Swiss economy (Rütter and Schmid (2013), Bousigue and Stricker (2015), Hoff et al. (2020), Stricker and Derchi (2021)). They point to their growing economic weight, especially that of the three main ISAs (FIFA, IOC and UEFA). For example, Derchi and Stricker (2021) reveal that between 2014 and 2019 international sports organisations generated a 57 % greater economic impact for Switzerland compared with the period 2008–2013.

At the level of the Swiss national accounts, interest in these associations is more recent. Their effect on business and macroeconomic statistics has begun to be felt more strongly with the continuing rise in license fee revenues (sales of broadcasting and marketing rights).

The development of these revenues is partly linked to the globalisation of sport and, in particular, football, especially in Asia. But the link with globalisation does not end there. Parallels can also be drawn between the functioning and statistical impact of ISAs and those of multinational enterprises (MNEs). In particular, the central role played by intangible assets can be mentioned. Therefore, ongoing discussions and work on globalisation and initiatives in this area shed light on the treatment of ISAs. Issues such as the exchange of micro-data between different statistical partners or the close contact with respondents are also very important in this context. For these reasons, the paper tries, as much as possible, to refer to this work and to show the similarities that may exist with the treatment of MNEs more generally.

That said, ISAs also differ from MNEs in a number of ways. For example, they have a fairly similar business model, which contrasts with the diversity found among MNEs even within the same economic sector. Moreover, the majority of their foreign subsidiaries are short-lived. They are created for the needs of the organisation of a competition and then liquidated once the competition is over. Above all, their revenues (and expenses) display a cyclical pattern that biases and complicates the interpretation of the economic indicators of the Swiss economy.

The paper focuses on FIFA, IOC and UEFA. It first presents their business model and examines their characteristics in detail. It then provides a brief overview of the measures taken in the Swiss statistical system to improve and coordinate their treatment. Finally, it describes the current statistical treatment of their transactions, which was fully implemented in the 2020 revision of the Swiss national accounts. This treatment raises some questions as well as a growing need for collaboration at both national and international levels.

2. Presentation of FIFA, IOC and UEFA

2.1. A shared business model

FIFA, IOC and UEFA are not-for-profit associations with the legal form of an association under Swiss law. Their statutes contain two main purposes: the management and promotion of sport and the organisation of sports competitions ⁽²⁾. Their business model can be explained quite simply in the light of these two objectives. They centralise broadcasting and commercial rights, which gives them the legitimacy to organise and market sports competitions ⁽³⁾. The organisation of these events generates income that is largely 'reinvested' in the sport. This in turn increases the level, attractiveness and coverage of sports competitions and thus the financial returns. There are two main types of financial flows associated with this model: (a) the revenue and expenses associated with the organisation of major sports events and (b) the 'transfers' to the member associations, federations and other bodies. These transfers may be of a lump sum nature or they may be associated with development programmes (infrastructure, promotion of youth and women's teams and competitions, and so on) or represent an explicit form of solidarity financing (for example, for those members most in need or who are geographically isolated). Some transfers are not addressed to the members of the association but to other organisations active in areas as diverse as the fight against doping (WADA), the resolution of legal disputes arising in the field of sport (CAS), or education (CIES). All these flows are recorded in the consolidated income statements of FIFA, IOC and UEFA ⁽⁴⁾.

The strategic objective of ISAs is to increase their revenues and the share of these revenues distributed to their members. This objective has a determining influence in explaining their choices both in terms of organising sports events and managing and selling the various rights.

2.2. Four-year financial cycles

ISAs derive the majority of their revenues from the major sporting events that take place every four years (Winter Olympics, Summer Olympics, FIFA World Cup, UEFA EURO). It is for these competitions that the sale of the various rights is most lucrative.

In the period 2015–2018, from a total of USD 6 421 million, 83 % of FIFA's revenue was generated by the 2018 World Cup. In contrast, the organisation of annual events, such as the Club World Cup, generated only a small proportion of this. Among the sports associations, UEFA is an exception, as it organises annual club competitions (such as the Champions League and Europa League) which generate significant revenue.

In accordance with accounting recommendations, revenue is recognised in the year in which the major sporting event takes place. This primarily concerns revenue from broadcasting rights and ticketing rights and, to a lesser extent, hospitality and marketing rights. In the case

⁽²⁾ Annex 1 provides the current list of competitions and tournaments prepared and organised by these sports associations.

⁽³⁾ None of FIFA, the IOC or UEFA capitalise these rights. From an accounting point of view, this is because these associations have not purchased or traded these rights and the expenses for branding and marketing cannot be capitalised under IFRS.

⁽⁴⁾ Indeed, member associations are not subsidiaries of international sports associations. They are therefore not included in the scope of their consolidated accounts.

of hospitality rights, the amount of revenue may include a variable part based on profit share agreements, which is recognised only once the profit share for the major sporting event has been determined by the licensee. For the marketing rights, it can be noted that part of the income is recognised on a straight-line basis over the entire contractual cycle. This is because the sponsorship is not necessarily associated with a specific competition, but can take the form of a 'long-term strategic alliance' with the ISA.

This financial dependence on major sporting events explains why associations operate on four-year cycles where three of the four years of the cycle may be marked by negative operating results. Their non-profit status must therefore be understood in terms of this four-year cycle during which the redistribution of income is observed, in accordance with the statutory objectives.

For a given accounting period, the presentation of the consolidated results will differ somewhat from one sports association to another because they apply different accounting standards, work in different currencies and do not all have the same accounting period ⁽⁵⁾.

2.3. Type and development of revenues

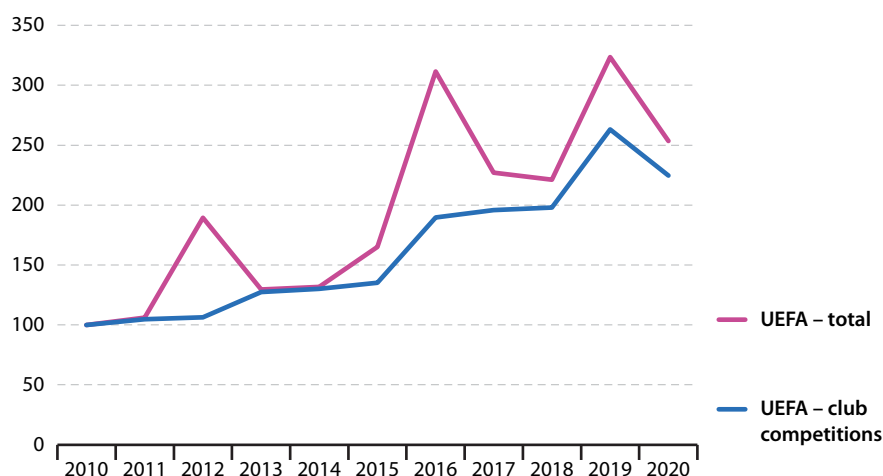
Revenue is mainly derived from the sale of various rights and therefore from the holding of intangible assets. Over a four-year cycle, the sale of television rights is the main source of revenue. Television broadcasting rights are mainly sold to television stations and other broadcasting institutions. These rights allow a television signal to be broadcasted for a given period of time in a particular territory. Next comes the sale of marketing rights, followed by revenue from hospitality and ticketing and finally revenue from other rights.

From year to year, the revenues tend to increase, especially the prices of broadcasting rights. Globalisation explains this phenomenon as well as the efforts of associations to promote, popularise and market sport ⁽⁶⁾. Other phenomena also contribute to this, such as the concentration within these associations of the rights associated with sports events, the creation of new competitions and tournaments, the increase in the number of participating teams and the shift from free-to-air to pay-television (TV) contracts. The following figure shows the development of broadcasting rights for UEFA since 2010.

⁽⁵⁾ Annex 2 provides details of these differences. In the absence of access to the statutory financial statements of legal units domiciled in Switzerland, the consolidated financial statements are generally the main source of information for the Swiss national accounts. Although they complicate the analysis because of the inclusion of foreign subsidiaries, they provide more detailed results than the statutory financial statements. Annex 2 provides details of these differences.

⁽⁶⁾ The emergence of Asia is particularly striking. In the 2015–2018 cycle, FIFA had 20 sponsors, seven of which were Chinese companies. Moreover, the Asian and North African territory generated the most substantial part of the revenue from TV broadcasting rights, exceeding the European territory for the very first time. On the IOC side, it was announced in January 2017 that the Chinese group Alibaba would become a Worldwide Olympic Partner. Alibaba has become the official partner for cloud and e-commerce services, as well as a founding partner of the Olympic chain.

Figure 1: Recent developments in broadcasting rights for UEFA, 2010–2020
(index, 2010 = 100)



Source: UEFA financial reports

Even if they benefit in the medium and long term from the increase in the number of competitions and participating teams (and therefore in the number of matches played), the development of hospitality rights and ticketing is nevertheless limited by the capacity of stadiums ⁽⁷⁾. Their smaller share of total revenues is also explained by the fact that national associations and clubs retain ticketing and hospitality revenues for some smaller competitions and/or given matches. In the case of the IOC, ticketing and hospitality rights are mainly held by the local Organising Committees for the Olympic Games (OCOG).

2.4. Use of revenues

FIFA, IOC and UEFA use the generated revenues for different purposes, following different programs and according to different criteria. This section provides a detailed description of these different uses. It is intended to give an accurate picture of how the revenues are used and thus provide the basic information needed to understand these flows.

The IOC's total revenue for the period 2013–2016 ('the 2013–2016 Olympiad'), amounted to USD 5.7 billion. Of this total, USD 5 billion, or approximately 90 %, was paid out by the IOC to support the staging of the Olympic Games and to promote the development of sports and the Olympic Movement worldwide. The remaining 10 % was used to cover the operating costs of running the Olympic Movement. More precisely, the IOC redistributes a share of the revenues generated by the television broadcasting and marketing rights to the OCOGs. Another share of revenues generated by these rights is distributed to the United States Olympic committee (USOC) ⁽⁸⁾. To determine, for each Olympic Games, the (equal) shares

⁽⁷⁾ For example, the UEFA EURO finals have seen the number of participating national teams increase from 8 in 1992 to 24 in 2016. In the context of COVID-19, these products should also suffer a sharp decline or even be virtually non-existent, as in the case of the Tokyo Olympic Games, which took place almost without spectators.

⁽⁸⁾ The special treatment given to the USOC is explained by the particular situation in the United States where a public law gives the USOC exclusive rights to the Olympic marks and emblems on the United States territory.

that belong respectively to the International Federations (IFs), the (205) National Olympic Committees (NOCs) and the IOC, revenues distributed to the OCOG and the USOC have to be subtracted, together with the Olympic Games-related expenditure from total revenues. For the Rio 2016 Summer Olympics, the latter residual corresponded to a total amount of USD 1 621 million, of which USD 540.3 million was for the IFs, USD 540.3 million for the NOCs and USD 540.3 million for the IOC. To promote Olympic values and sports and to support athletes, the IOC withdraws money from two funds related to the Olympic solidarity programme and the Olympic Movement fund. Distributions of the Olympic solidarity programme are directed towards NOCs and athletes' support. Distributions from the Olympic Movement fund serve for instance to grant resources to the World Anti-Doping Agency and to the International Council of Arbitration for Sport (ICAS).

For FIFA, information on the 2018 World Cup cycle (2015–2018) shows that around 80 % of the total revenue was distributed within football. Of this 80 %, half was used to finance the organisation of competitions and events and to pay participating member associations and football clubs ⁽⁹⁾. Among the costs recorded for the organisation of the 2018 FIFA World Cup Russia were the expenses for the financing of the Local Organising Committee (LOC) consisting of staff costs, rent, IT infrastructure, and so on. This committee was responsible for implementing all local operational aspects of its organisation ⁽¹⁰⁾. In addition, more than 25 % of the total revenue was allocated to various development and education programmes, the main one being the Forward 1.0 programme, while 16 % was added to reserves for future distribution in football. Launched in 2016, the USD 1 079 million Forward 1.0 programme provided direct financial support to member associations, confederations and regional/territorial associations for their projects, covering operational costs as well as travel and equipment grants. According to the explanations provided by FIFA in its financial reports, the Forward programme is a solidarity programme that also offers incentives (promotion of best practices). Solidarity is expressed in different ways. Part of the amounts are paid on a lump sum basis and therefore do not depend on the size and importance of the associations. Additional financial support is provided to associations in need. Finally, FIFA encourages associations and confederations that do not need their funds to transfer them to those that do. The Forward 1.0 programme has been replaced in 2019 by a version 2.0 which will run until 2022 with an increased budget of USD 1 746 million. Forward 2.0 was also used as part of a relief plan to help the football community affected by the COVID-19 pandemic.

In the case of UEFA, 80 % of all revenue was distributed to participating clubs and associations in the 2018/2019 financial year ⁽¹¹⁾. At club competition level, just over three-quarters of all revenue was distributed to participating clubs. In detail, the net revenue generated was distributed between the participating clubs and UEFA according to a new division agreed with the European Club Association in 2018 (93.5 % for the clubs compared with 6.5 % for UEFA). UEFA's share is used to support football and to cover its administrative and institutional costs. Net revenue is obtained by deducting competition-related costs, qualifying round payments and solidarity payments for non-participating clubs from the total gross revenue

⁽⁹⁾ As regards football clubs, they benefit from the 'Club Protection Programme', which compensates them if one of their players suffers an injury while playing with their national 'A' team in an international match. In addition, a portion of the World Cup revenue is shared with the players' clubs through the 'Club Benefits Programme' so that they too can benefit from the success of the competition. The amounts allocated are calculated on the basis of a lump sum per player per day.

⁽¹⁰⁾ Its staff reached 1 374, which is more than the number of FIFA employees.

⁽¹¹⁾ In previous years, this percentage was between 70 % and 75 %, and even 50 % in the 2015/2016 financial year including EURO 2016.

of club competitions. Both the qualifying round payments and the solidarity payments are calculated as a fixed share (3 % and 4 % respectively) of the total gross revenue ⁽¹²⁾. As far as national team football is concerned, the distribution of the total EURO 2016 revenue to the participating associations was 15.7 %. The distribution is split between participation bonuses and, depending on the sporting success of the teams, result bonuses. UEFA also contributes to the travel costs of the participating teams. Solidarity payments are made through the HatTrick programme ⁽¹³⁾. With the HatTrick IV programme (2016–2020), each member association received a one-off payment of EUR 3.5 million for investments in projects related to football infrastructure, development and training, and grassroots football, as well as up to EUR 1.9 million per season in the form of fixed solidarity payments and incentive payments. These fixed solidarity payments and annual incentive payments are intended to contribute to the operating costs of the associations and to encourage them to participate in junior, women's and futsal competitions. In total, EUR 610.5 million was made available to the member associations during the HatTrick IV cycle.

3. Work carried out

Following the growing impact of ISAs on Swiss statistics, it became increasingly important to adequately record the relevant flows. The 2020 revision of the national accounts made it possible to do so and to adapt, rather than completely revise, the treatment applied to them and also to recalculate the impact of the cycles before 2014. More details will be provided in subchapter 4.6. It can be stated here that the impressive and recent development of their income and expenses required a new analysis of their structure and activities carried out from Switzerland. To this end, exchanges and meetings with the associations took place. They were conducted jointly by staff from business statistics and national accounts, with the aim of ensuring the emergence of a consistent view of these associations and their flows within the Federal Statistical Office. With the growth of financial flows, the risk of inconsistency with the data published in the balance of payments also became greater. To prevent this, a working group of the Swiss National Bank (SNB), the State Secretariat for Economic Affairs (SECO) and the Federal Statistical Office (FSO) was set up to discuss financial flows and their treatment and presentation in the system of national accounts ⁽¹⁴⁾.

The following paragraphs give some highlights of this work by addressing the contact with associations and the cooperation with the SNB.

⁽¹²⁾ Solidarity payments are distributed through national associations to non-participating clubs for the development of their youth sector. A share of 80 % of these payments shall be distributed to national associations and/or leagues with at least one club participating in the group stage of the Champions League and 20 % to those without clubs participating in the group stage of the Champions League.

⁽¹³⁾ This programme was launched in 2004.

⁽¹⁴⁾ In Switzerland, the SECO is responsible for the quarterly national accounts and for providing economic forecasts and trends. The SNB is responsible for the balance of payments.

3.1. Meeting with international sports associations

In order to determine whether and how the treatment of ISAs should be adapted, it was necessary to carry out in-depth work to understand the structure and activities of the three largest ISAs, namely FIFA, IOC and UEFA. To do this, their financial accounts were scrutinised and meetings were held with each of these associations in the first half of 2019. The main purpose of these meetings was to gain a better understanding of their structure and activities in Switzerland and to obtain additional information that was not included in the financial reports. They also allowed the associations to be made aware of the impact they have on macroeconomic statistics and the development of GDP. They were interested and surprised by the extent of their impact on economic developments ⁽¹⁵⁾. This was an important step in motivating them to collaborate and provide good quality information. In the future, specific meetings are envisaged to address topics such as the way future sports events are organised, their financial impact, changes in financial reporting and the implementation of new accounting standards (for example, with regard to the 'IFRS 16 – Leases' standard).

3.2. Cooperation with the Swiss National Bank

A central element of the revision was the search for greater consistency between national accounts and balance of payments data. Consistency checks were first carried out at an aggregate level in order to compare the data from the FSO (production, intermediate consumption) with the data from the balance of payments (imports and exports of services). The comparisons showed that the data used in the balance of payments and the national accounts were not consistent. The problems were more related to the expenditure side than related to the revenue side. The reasons for this included the use of different data sources. While the SNB uses survey data to compile the current account, the FSO mainly uses information from consolidated financial reports. As a result of these analyses, the SNB has adapted the survey guidelines sent to ISAs concerning the treatment of distributions and solidarity payments made to member associations, regional associations and confederations based abroad. In addition, with the endorsement of the three major international sports associations, it provided the FSO with the current account survey data concerning them ⁽¹⁶⁾. This made it possible to compare data at the level of each association, allowing for more detailed checks on their consistency, similar to what is done in a large case unit (LCU) for large multinationals.

⁽¹⁵⁾ The interest of associations in knowing their economic impact was in itself not surprising, given that FIFA and the IOC had each already commissioned studies to quantify the impact of ISAs on the Swiss economy (Rütter and Schmid (2013), Bousigue and Stricker (2015), Stricker and Derchi (2021)).

⁽¹⁶⁾ Currently, the exchange of micro-data between the SNB and the FSO is made difficult by the legal framework. The implementation of a revised legal framework could change this in the medium term.

4. Treatment adopted in the Swiss national accounts

This section details the treatment of the ISAs currently applied in the Swiss national accounts. Based on this treatment, it then compares the impact in terms of gross value added of different major sporting events. Finally, it describes the adjustments developed in the framework of the annual and quarterly national accounts.

4.1. Residency

The very first thing to mention is that FIFA, IOC and UEFA have a strong physical presence in Switzerland. At the end of 2018, they employed around 1 900 full-time equivalents.

The key question is whether the ISAs are international organisations, in other words whether the places they occupy in Switzerland constitute territorial enclaves over which they have jurisdiction (BPM6, paragraph 4.7; International Monetary Fund (2014)).

The current status of these associations is the result of a long process that began with the establishment of the IOC in Lausanne over 100 years ago. Over the years, their status has evolved according to the demands made by ISAs and the handling of the issue by the authorities in the Swiss political context of federalism and direct democracy. The analysis of the current situation shows contradictory signals. In particular, the following points should be highlighted.

- Legally, ISAs are not-for-profit associations subject to Swiss private law.
- They are constituted and organised according to the Swiss Civil Code.
- Anyone who wishes to do business through an association in Switzerland must register it with the trade register. Therefore, they are registered in the trade register, which means that their accounts are subject to the Swiss Code of Obligations.
- When they are deemed to pursue public purposes, ISAs are exempt from the federal corporate income tax ⁽¹⁷⁾.
- Depending on the canton, they may be completely exempt from direct taxes. In the Canton of Vaud, where the IOC and UEFA are located, the IFs and the ISAs, provided they are affiliated with the IOC, are fully exempt from income and capital taxes. On the contrary, FIFA, which is based in the Canton of Zurich, is taxed according to the ordinary taxation rules applying to associations. It is subject to direct federal tax as well as cantonal and municipal taxes ⁽¹⁸⁾.
- Only ISAs as such are exempt ⁽¹⁹⁾; natural persons (employees, committee members, officials, and so on) are not.
- At the federal level, the exemption is limited to the corporate income tax: other federal taxes and levies (for example, VAT) are not affected.
- ISAs are not eligible for the privileges, diplomatic immunities and facilities given to international governmental organisations (IGOs).

⁽¹⁷⁾ The federal direct tax on associations amounts to 4.25 %. It is already a reduced rate compared with the rate applied to capital firms, which is equal to 8.5 %. There is no capital tax at the federal level in Switzerland. It was abolished for all legal structures as of 1 January 1998.

⁽¹⁸⁾ The canton of Zurich levies a profit tax of 4 % on associations.

⁽¹⁹⁾ Note that the exemption does not apply to all legal units of one ISA's group. Especially, Swiss subsidiaries providing services to the ISAs are taxed according to the relevant tax legislation.

Taken together, we consider that these elements rather show that ISAs should not be treated as international organisations. However, as the exemption from the federal corporate income tax demonstrates, ISAs have currently a status of public interest organisation, which may still evolve. So we must remain vigilant and assess the situation again in case of changes.

4.2. Classification

Having decided that some ISAs are not international organisations, the question of their classification arises. As stated in the previous section, ISAs are not-for-profit associations under Swiss law. In Switzerland, an association may also be a company managed in accordance with commercial practices, but for the greater good. According to the Swiss Civil Code, its business purpose must not be for profit. However, non-profit does not mean that the association has to forego profits altogether. In the case of profits, the association has the obligation to spend them in order to achieve its purpose.

The Swiss national accounts currently consider FIFA, IOC and UEFA as market producers on the basis of the 50 % criterion (covering at least the majority of production costs by sales revenue). These units are therefore classified in the non-financial corporate sector (S.11) and within sports activities and amusement and recreation activities (NACE Division 93).

As mentioned in the introduction, Switzerland is home to a large number of ISAs outside of FIFA, IOC and UEFA. The financing of these ISAs is highly dependent on the revenue distributions made by FIFA, IOC and UEFA. The outcome of the market test for these associations will thus depend on whether the revenues distributed by FIFA, IOC and UEFA are treated as purchases of services or as transfers. At present, we consider a large part of these flows as being used to pay for services. This is the case, for example, of the amounts allocated to the IFs and NOCs by the IOC since they are considered to play an important role in the organisation and promotion of the Olympic Games. The IFs have the responsibility to organise the events for the sports included in the Olympic Games programme whereas the NOCs prepare their Olympic teams and manage their delegations during the Olympic Games. For this reason, these associations are also treated as market producers which are classified in NACE Division 93.

4.3. Treatment of income

We have seen that there are four main types of income: from broadcasting rights, from marketing rights, from hospitality/accommodation rights and ticket sales, and from licensing rights. The current treatment in the Swiss national accounts is as follows.

- Revenues from broadcasting rights are considered to be an output of associations that is fully exported. The export of services is classified under 'charges for the use of intellectual property n.i.e.' according to the classification established for the balance of payments. With respect to the time of recording of these flows, we follow the international recommendations that specify that amounts paid, even if they extend over several years prior to the event, should be recorded as charges for use of intellectual property in the period when the event actually takes place (BPM6-CG 12.129; International Monetary Fund (2014)).

- Marketing rights are non-produced non-financial assets. Their use should result in a transaction in the primary income account. However, payments may also contain a service component that in general cannot be distinguished from property income. If this is the case, the total payments of this type are by default recorded under 'franchise and trademark licence fees (charges for the use of intellectual property n.i.e.)' (BPM6-CG 12.124; International Monetary Fund (2014) and MSITS, § 3.219; United Nations (2012)). At present, we have no information to make a possible split between services and income for the international transactions related to the rights to use marketing assets. Together with the fact that the sponsors are large MNEs based abroad, this explains why the payment flows generated by these sponsorship contracts are considered exports of license fees from a national accounts perspective.
- Revenue from hospitality rights and ticket sales is considered to be an output of the associations and an export of services. Revenue from the sale of hospitality rights is recorded under 'charges for the use of intellectual property n.i.e.' while direct ticket sales are recorded under 'other personal, cultural, and recreational services'. However, there are situations where the sale of tickets and hospitality is done through a subsidiary in the host country. In these cases, no output nor export is recorded in the Swiss national accounts.
- We apply the same treatment to the income from licensing rights as we do to other fees; in other words, we consider it to be output of the ISAs that is fully exported ('charges for the use of intellectual property n.i.e.').

4.4. Treatment of expenses

We have seen that there are three main types of expenses of these associations: operational costs related to competitions, distribution to participating associations and teams, and solidarity payments. The current treatment in the Swiss national accounts is as follows.

- Operational costs related to competitions are mainly treated as intermediate consumption ⁽²⁰⁾. As competitions are mostly held abroad, they are also recorded as imports of services.
- Distributions to participating associations and teams and distributions to teams releasing players are considered a purchase of services in the context of events where the association plays the role of organiser. These amounts should also be included in intermediate consumption and imports of services.
- Although the total amount of solidarity payments depends on the income generated, it does not seem appropriate to consider them as a kind of dividend distribution. One of the reasons for this is that they are earmarked for specific purposes (infrastructure, organisation of competitions, aid to associations lacking resources, and so on). Even if the use of the funds is defined beforehand, no direct provision of services is requested from the national associations. Therefore, they are not to be considered as purchases of services and should not be considered as intermediate consumption. These amounts are treated as current transfers (D.75) and also included in the secondary income account of the balance of payments.

⁽²⁰⁾ One exception is insurance premiums, where only the portion related to the service should be included in intermediate consumption.

Participation distributions or solidarity payments for units located in Switzerland should obviously not be included in the balance of payments data. These amounts should be excluded as far as possible, even if they are usually relatively small. For example, during the 2018 World Cup, in which the Swiss national 'A' team participated, the amounts paid to the Swiss Football Association (SFA) amounted to USD 13.5 million (out of a total of USD 448 million paid to the 32 participating member associations) ⁽²¹⁾. In addition to the participation in the 2018 World Cup, a total of USD 3.75 million has been allocated by FIFA to the SFA for the years 2016 to 2018 as part of the Forward program (out of a total of USD 873 million allocated to member associations).

In the case of IOC payments, the situation is different. A significant part of these payments concern entities based in Switzerland. In fact, the IOC allocates part of the income to the IFs, many of which have their headquarters in Switzerland, and to the National Olympic Committees. For the latter, the distribution of the allocated amounts is carried out by the Olympic Solidarity, which is an autonomous entity of the IOC. As a result, it is slightly more difficult to identify the flows paid abroad. In addition, the IOC distributes part of the Olympic revenues to recognised international organisations, some of which, such as ICAS, are also located in Switzerland.

4.5. Impact of major sporting events

Table 1 shows the total revenue generated as well as the costs treated as intermediate consumption as a share of total revenue for the 2018 FIFA World Cup, the UEFA EURO 2016 and the 2013–2016 Olympiad ⁽²²⁾.

Table 1: FIFA World Cup 2018, UEFA EURO 2016 and the 2013–2016 Olympiad – key figures to understand their impact on Swiss national accounts

	Total revenue – output (million)	Costs treated as intermediate consumption as a share of total revenue (%)
FIFA – World Cup 2018	USD 5 357	34.0
UEFA – EURO 2016	EUR 1 916	44.2
IOC – 2013-2016 Olympiad	USD 5 662	77.4

Source: FIFA, IOC and UEFA financial reports

⁽²¹⁾ They include a prize money of USD 12 million and a lump sum of USD 1.5 million to cover the preparation costs of the participating teams.

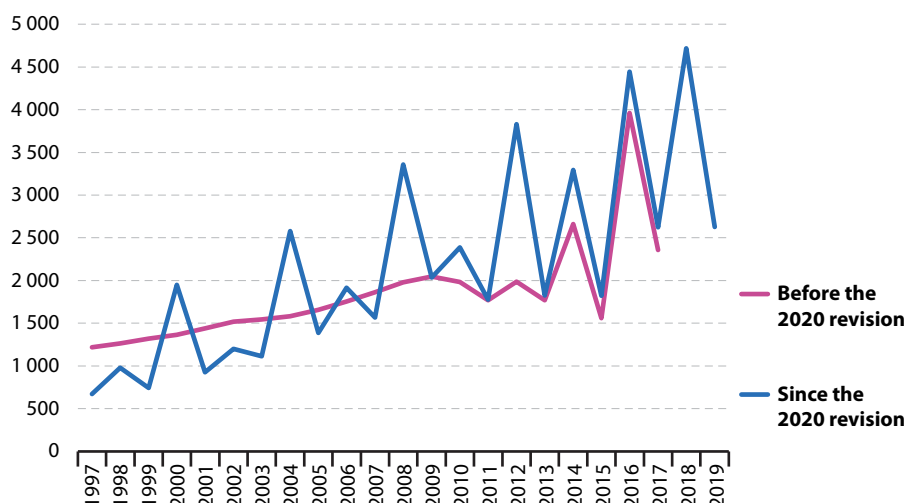
⁽²²⁾ The 2013–2016 Olympiad covers the Olympic Winter Games Sochi 2014 and the Olympic Summer Games Rio 2016.

As can be seen from Table 1, the impact of the events on the Swiss GDP is not the same. Compared with EURO 2016, the 2018 World Cup has had a stronger impact since the revenues generated are higher and the costs treated as intermediate consumption (expressed as a share of total revenue) are lower. Despite roughly similar revenues, the GDP impact of the 2018 World Cup is also larger than that of the 2013–2016 Olympiad (which is additionally spread over 2014 and 2016), due to a lower share of intermediate consumption.

4.6. Revision and adaptation of the annual and quarterly national accounts

Until 2014, ISAs had received little attention from the Swiss national accounts and their functioning was still poorly understood. The data received from the value added survey for NACE Division 93 'sports, recreational and leisure activities' were smoothed to avoid strong cyclical fluctuations. From 2014 onwards, however, when the combined impact of the Winter Olympics and the football World Cup was felt, it was decided to stop this smoothing and to represent the cycles as they appeared in the raw data. The 2020 revision of the Swiss national accounts allowed the same procedure to be applied to the entire series. In this revision, the value of output, intermediate consumption and gross value added were first recalculated for FIFA, IOC and UEFA on the basis of the financial reports until 2009. Backward calculations were then made for earlier years. As the following graph shows, the two-year cycles of the sports events are now clearly visible in the annual data of the system of national accounts.

Figure 2: Development of NACE Division 93 gross value added before and after the 2020 revision of the Swiss national accounts , 1997–2019
(CHF million, at current prices)



Source: Federal Statistical Office

FIFA's adoption in 2016 of the international accounting standard 'IFRS 15 – Revenue from contracts with customers', which defines how and when revenue should be recognised in IFRS-compliant reporting, explains the break observed for 2015 (the first year of FIFA's 2015–2018 cycle) and, in part, also the weaker impact of the years with a Football World Cup before 2018 in the revised series. Prior to 2015, FIFA reported its revenue proportionately over the four-year cycle. As a result, the time series contain a break which can be removed in the next major revision of the national accounts if appropriate information is available ⁽²³⁾.

The renegotiation cycles of the contracts for the rights of the various competitions overlap. As they are renegotiated upwards, they mainly show their effect through the increasing trend of the curve but can occasionally also amplify the effect observed over an even year ⁽²⁴⁾.

The development of the nominal gross value added of Division 93 'sports, recreation and leisure activities' shows considerable variations. For example, this development was +143.7 % in 2016, –40.9 % in 2017 and +79.9 % in 2018! Although Division 93 represents only about 0.5 % of GDP in nominal terms ⁽²⁵⁾, such high rates of change have a significant impact on the development of the aggregate.

In autumn 2017, the Staatssekretariat für Wirtschaft SECO (2017) assessed this effect in an analysis, the results of which are shown in the figure below ⁽²⁶⁾. It shows that entertainment activities (NACE Divisions 90–96) added 0.1 percentage points (p.p.) to real GDP growth in 2014, reduced it in 2015 by 0.2 p.p. and then increased it by 0.3 p.p. in 2016. The main lesson of the analysis is very clear: major sporting events interfere or even distort the picture of Switzerland's economic situation. Its modelling and forecasting also become more complicated.

In order to obtain more informative series on the economic situation, SECO has developed a 'sports event-adjusted' series which treats the value added resulting from major sports events separately and spreads it over five years ⁽²⁷⁾.

Productivity analyses are also greatly affected by the activities of ISAs. Productivity varies greatly because value added fluctuates much more than employment. It is true that employment within ISAs increases momentarily in connection with the organisation of major sports events, but in much more modest proportions than gross value added.

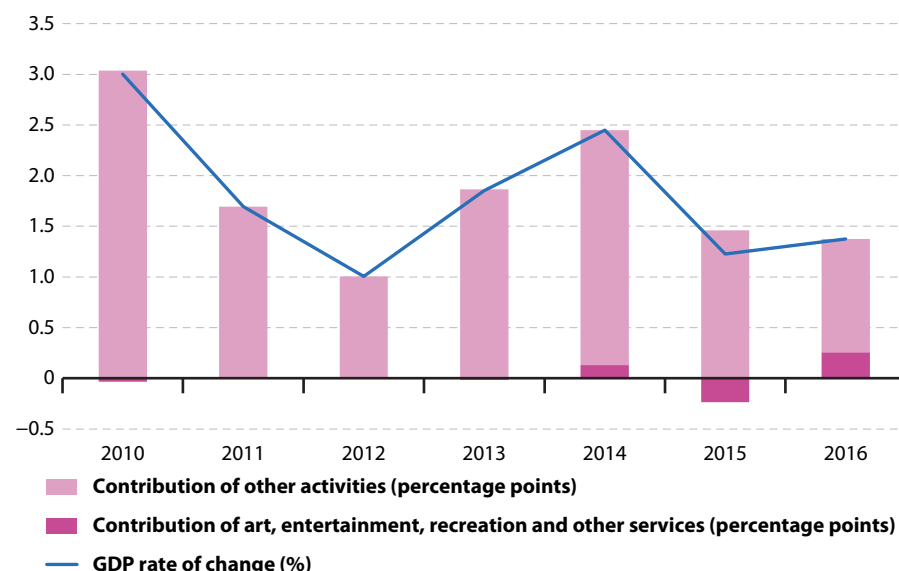
⁽²³⁾ The IOC adopted IFRS 15 in 2018 and applied it retroactively to 2017, the first year of its 2017–2020 cycle. However, the impact was virtually negligible, as the IOC previously recorded the entire broadcast rights in the year the Olympic Games were held.

⁽²⁴⁾ As was the case in 2016 for UEFA, where the holding of EURO 2016 coincided with the beginning of a new cycle of club competitions. This happens every 12 years by virtue of the fact that contracts for these club competitions are negotiated for a three-year cycle.

⁽²⁵⁾ In view of the fluctuations, this share varies greatly from year to year.

⁽²⁶⁾ To avoid confusion, it is worth recalling here that the data used in this analysis precede the 2020 revision of the national accounts.

⁽²⁷⁾ This correction procedure is analogous to the one recommended for the correction of working days at international level. 'Corrected' quarterly series have been published by SECO since mid-2018, but only for the time being for the production side: <https://www.seco.admin.ch/seco/en/home/wirtschaftslage---wirtschaftspolitik/Wirtschaftslage/bip-quartalsschaetzungen/-daten.html>.

Figure 3: Contribution of the entertainment activities to real GDP growth, 2010–2016

Source: Federal Statistical Office

5. Outstanding issues

At the conceptual level, the discussion among statistical authorities in Switzerland has focused on whether solidarity payments should be considered as transfers or as a form of intermediate consumption necessary for the organisation of sports competitions. In the Swiss national accounts, we have favoured treating the costs directly related to the organisation of sports events as intermediate consumption and solidarity payments as transfers. We consider these transfers, often of a lump sum nature and made possible by the ownership of intellectual property rights, as a core activity of ISAs. In the background, however, is the question of the nature and extent of the services that the member associations and federations of FIFA, IOC and UEFA provide for the organisation of major sports events. In the discussions, some of our partners argued that the solidarity payments are in fact an indirect remuneration for their services and that, without these payments, the major sports events could not take place.

On the other hand, the current choices could also be questioned by adopting a more restrictive view in defining the flows that should be considered as intermediate consumption. In fact, the arguments for treating certain flows as intermediate consumption remain rather vague. It is sometimes unclear what types of services are provided to the three major ISAs by sports federations, national associations and local organising committees and it is unclear how and when they are consumed or transformed by the former. Moreover, this vagueness could lead to somewhat arbitrary decisions, being a potential cause for the very different percentages (costs treated as intermediate consumption as a share of total revenue) displayed in Table 1 for the major sports events.

As described above, the rules for distributing the TV and marketing rights revenues of an Olympiad are not the same between the USOC and the 205 other NOCs. This is due to the fact that, the Amateur Sports Act, a public law passed in 1978, gives the USOC exclusive rights to the Olympic marks and emblems on the US territory. The USOC did not cede its rights to the IOC but clearly used them to negotiate a beneficial revenue-sharing agreement with the IOC. However, it also gives rise to a long-running dispute over the US share of Olympic television and sponsorship revenues. In 2012, USOC and the IOC eventually signed a long-term agreement that reduced the USOC's percentage share of TV and marketing revenues. It came into effect in 2020. The terms of the agreement have not been made public but it seems that it also covers issues related to ownership of Olympic rights and trademarks. All this information raises two questions. Firstly, is our current treatment of the revenues distributed to USOC adequate for the situation up to 2020 (in other words, treated entirely as an intermediate consumption as for the other NOCs)? Since 2020, has the situation changed sufficiently for the conceptually correct treatment of revenues distributed to the USOC to be different? These questions should be discussed with the IOC and our US colleagues.

Despite the efforts made, there is still work to be done to harmonise the treatment of flows between the system of national accounts and the balance of payments. The data sources used in the compilation of national accounts (consolidated annual accounts) and the SNB (quarterly survey data) may also be the cause of important differences (for example, scope of coverage, temporal distribution of flows, recording concept). These aspects will have to be analysed in depth and solutions found to further reduce inconsistencies.

Royalties from the licensing of television rights are typically paid in instalments. Conceptually, these payments should be recorded in the balance of payments under the other accounts receivable/payable position. We are in the process of checking whether the advances made in the framework of the television rights contracts are indeed recorded as such.

Given their non-profit status and tax advantages, gross value added of the major ISAs should be roughly equal, over a four-year cycle, to the sum of their personnel costs, depreciation, transfers and, if applicable, the surplus added to reserves for future distribution in football. For FIFA, for example, this represents an average annual gross value added of around USD 770 million over the 2015–2018 cycle. While their gross value added is significant, the main impact of these associations on the Swiss national accounts is less in terms of levels than in terms of rates of change. Like the negative net operating results presented in their profit and loss accounts, the calculation of gross value added of these units may result in negative values in some years and be followed in the next year by gross value added exceeding CHF 1 billion. This high variability is related to the distribution of income and expenses over a four-year cycle. Its magnitude depends on the amount of income generated by the major sports events and the amount of associated expenses processed as intermediate consumption. Even if all solidarity payments were treated as intermediate consumption, the problem would remain, albeit mitigated. The question of smoothing the calculation of gross value added to avoid the appearance of negative figures arises.

Since the Swiss national accounts do not apply a treatment or techniques that smooth the results of ISAs, it has been necessary to produce 'sports event-adjusted' series for the purposes of business cycle analysis. In another context, some studies (Rütter and Schmid (2013), Bousigue and Stricker (2015)) have moved away from national accounts concepts in order to

better estimate their impact on the Swiss economy. One of the options chosen was to exclude solidarity payments from gross value added by subtracting them from the gross output value. To the extent that ISAs distort the link of the usual macroeconomic indicators for the domestic economy, such an option could also be considered at the level of the Swiss national accounts as an alternative measure. However, the option of creating new indicators is not the preferred one at the international level, especially in the context of the treatment of MNEs.

We have no idea what impact our treatment has on bilateral asymmetries. The question arises as to whether and, if so, how the various financial flows of ISAs based in Switzerland are recorded abroad. Are the treatments consistent with those in the Swiss national accounts? What is the time of their recording? As a first step, cooperation with statistical offices of event hosting countries implying the sharing, exchange and reconciliation of data would probably benefit the compilation of consistent statistics to a considerable degree.

6. Conclusions

The treatment of ISAs has been the subject of extensive analysis and discussions in the context of the 2020 revision of the Swiss national accounts, culminating in a visit to these associations.

This work became necessary because of the increasing impact of these associations on Swiss macroeconomic statistics. With the emergence of a global market for the commercialisation of major sports events, their revenues from broadcasting and marketing rights have increased dramatically in recent decades. These revenues, which are cyclical by nature, influence the development of GDP and make it more difficult to understand the domestic economic situation. Since they take place abroad, the financial flows associated with these competitions are generally recorded in the balance of payments, which further raised the question of their consistency with the national accounts data.

At the conceptual level, the discussion with our partners on the treatment of distributions and solidarity payments made by FIFA, IOC and UEFA abroad is probably not yet complete.

Since 2018, SECO has been providing additional series for the production side that adjust for the impact of major sports events. Apart from that, there are currently no plans to provide supplementary analyses or tables on ISAs as part of the Swiss national accounts.

With the chosen treatment, part of the distorting effect of the activity of ISAs on the Swiss national accounts is similar to that of foreign MNEs. A significant amount of production, made possible by the holding of intangible assets, is recorded in Switzerland, while most of the income is distributed abroad. In this context, it is particularly striking, but perhaps not surprising, that some of the recommendations issued for the treatment of MNE and intra-MNE flows by the Globalization Task Team (GZTT) are also relevant for the recording of ISAs.

References

Bousigue A. and C. Stricker (2015), *The economic impact of international sports organisations in Switzerland 2008–2013*, mandated by the International Olympic Committee, the City of Lausanne and the Canton of Vaud, the International Academy of Sports Science and Technology (AISTS), Lausanne.

Hoff, O., T. Schwehr, P. Hellmüller, J. Clausen, and C. Nathani (2020), *Sport und Wirtschaft Schweiz – Wirtschaftliche Bedeutung des Sports in der Schweiz*, im Auftrag von Bundesamt für Sport BASPO, Rütter Soceco, Rüschlikon.

International Monetary Fund (2014), *Balance of Payments and International Investment Position Manual Sixth Edition (BPM6) Compilation guide*, Washington, DC.

Rütter, H. and C. Schmid (2013), *Wirtschaftliche Bedeutung internationaler Sportorganisationen in der Schweiz*, Revidierte Version im Auftrag von FIFA, Rütter Soceco, Rüschlikon.

Staatssekretariat für Wirtschaft SECO (2017), *Tendances conjoncturelles*, Autumn 2017, Secrétariat d'État à l'économie, Berne.

Stricker C. and G.-B. Derchi (2021), *The economic impact of international sports organisations in Switzerland 2014–2019*, mandated by the International Olympic Committee, the City of Lausanne and the Canton of Vaud, the International Academy of Sports Science and Technology (AISTS), Lausanne.

United Nations (2012), *Manual on Statistics of International Trade in Services 2010 (MSITS 2010)*, Department of Economic and Social Affairs, Statistics Division, Geneva.

Acknowledgements

A first version of this paper was presented at the 36th IARIW Virtual General Conference, 23–27 August, 2021, and benefited from the insightful comments of Sanjiv Mahajan, Head of Methods and Research Engagement, Office for National Statistics (United Kingdom). The paper also benefited from the comments of two anonymous reviewers. We would like to thank them for their valuable input.

Annex 1

Table 2: Current portfolio of competitions and tournaments

FIFA national teams	FIFA club teams	IOC	UEFA national teams	UEFA club teams
World Cup	Club World Cup	Summer Olympic Games	European Championship	Champions League
Women's World Cup	Blue Stars/FIFA Youth Cup	Winter Olympic Games	Women's European Championship	Women's Champions League
U-20 World Cup		Summer Youth Olympic Games	U-21 European Championship	Europa League
U-20 Women's World Cup		Winter Youth Olympic Games	U-19 European Championship	Europa Conference League
U-17 World Cup		Paralympic Games	U-19 Women's European Championship	Super Cup
U-17 Women's World Cup			U-17 European Championship	Youth League
Arab Cup			U-17 Women's European Championship	Regions' Cup
Olympic Football Tournament			Nations League	Futsal Champions League
Women's Olympic Football Tournament			CONMEBOL-UEFA Cup of Champions	
Youth Olympic Football Tournament			Futsal Championship	
Women's Youth Olympic Futsal Tournament			Women's Futsal Championship	
Futsal World Cup			U-19 Futsal Championship	
Beach Soccer World Cup				

Annex 2

Table 3: Key features of the consolidated financial statements of FIFA, IOC and UEFA

	Consolidated financial statements		
	Accounting period	Currency	Accounting standard
FIFA	Civil year	USD	IFRS for the accounts / IFRS 15 since financial year 2015 / IFRS for the budget since financial year 2017
IOC	Civil year	USD	IFRS
UEFA	From 2005/06: 01.07 to 30.06	EUR	Swiss Code of Obligations

