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The Treatment of International Sports Organizations in the Swiss National Accounts

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Switzerland hosts many international sports organizations and federations. Among them, the IOC (International Olympic Committee), FIFA and UEFA figure prominently. They represent a significant measurement challenge for statisticians in Switzerland due to their large and cyclical revenues generated by the organization of large sports events. As these revenues are getting increasingly large over time, they eventually showed up in different statistics in 2016 (when the Summer Olympics in Rio and the UEFA European Championship in France took place) and made official figures more difficult to interpret for domestic policy purposes. Their impacts are even stronger for regional analyses as they are unevenly located in Switzerland. As a result, negative comments emerged first among the forecasting community. Several Swiss newspapers later brought up these criticisms to a larger audience. A few articles argued that these revenues render Swiss GDP growth rates misleading or even incorrect. Of course, these concerns are justified although they only question the computation of GDP and not the purposes for which GDP is used.

International sports organizations impact Swiss GDP growth rates and make current economic analysis more difficult. However, there are means to cope with these problems. It is possible to compute aggregates without sport events or to smooth their effects over several quarters/years. What seems to be more fundamentally compelling is the question of whether these international sports organizations should at all be included in the Swiss national accounts. In other words, are IOC, FIFA or UEFA Swiss residents? If they are then this raises the additional question as to whether the current treatment of their transactions in the national accounts is appropriate.

In addition to their physical presence on the Swiss territory with a significant number of employees (around 1'900 full-time equivalent jobs at the end of 2018), they are international non-governmental, non-profit organizations, generally having the form of an association according to Swiss law and registered in the commercial register. Accordingly, it seems natural to consider Switzerland as their “centre of predominant economic interest”.

During the first semester of 2019, the Swiss Federal Statistical Office (FSO) performed visits to IOC, FIFA and UEFA in order to gain further insights on their activities, business models and to initiate a new dynamic in the collaboration with these organizations. These visits were highly beneficial to the FSO but also, we believe, for the organizations themselves who showed great interest in being informed about their impacts on macroeconomic aggregates. What these visits demonstrate is that IOC, FIFA and UEFA all share essentially the same economic model. They concentrate IPPs (e.g., broadcasting and commercial rights) and generate revenues (royalties) by licensing them. Besides covering their operating costs, which only represent a small fraction of their total costs, these revenues serve to achieve two main goals. The first, most obvious one is that they use their financial resources to organize sport events. Their contribution takes various forms, which may include paying for the participating clubs and member associations, providing different services (e.g., broadcast operation) or financing the local organizing entity. There is a trend towards more insourcing but the organization for a given sport event may also depend occasionally on specific factors (such as where it is located). The contribution provided by international sports organizations is also a way to secure their income, as most of the revenues generated by IPPs are only recognized on the successful completion of the sport events. The second goal is to redistribute revenues in order to support general, philanthropic and sports promotion goals. This gives rise to large revenue distributions through different “programs” (e.g., Olympic Solidarity program, FIFA Forward program, UEFA’s HatTrick program).

International sports organizations present several features that make it difficult for statisticians to grasp the true nature of their trade/activity. To begin with, most of their activities take place abroad. Sports events are rarely located in Switzerland. Secondly, nearly all their revenues originate from the ownerships of IPPs (broadcasting and marketing rights) although they do not show up in the organizations’ financial statements. Television broadcasting rights revenues represent their single most important source of income. However, their recording (with their associated costs and revenue distributions) only happens once the sports event is over in accordance with accounting standards (generally IFRS for the situation at hand). Thus, the strong cyclical pattern of international sports organizations’ figures and the discrepancy that may arise between cash flows and accrual recordings of economic transactions. Indeed, the question (on both intra- and interannual scales) of when to record economic transactions is crucial with the different, and sometimes conflicting, views provided by statistical requirements, cash flows and accounting standards. When dealing with this issue, it is also worth keeping in mind that international sports organizations reflect, plan and assess their activities in terms of four-year cycles (IOC calls it “Olympiads”). Thirdly, due to their non-profit nature, revenue distributions play a central role. Since this is not a statistical concept, it is necessary to analyze them carefully and, when relevant, to distinguish them from the costs incurred in organizing the sport events. Finally, international sports organizations encompass several legal units and look sometimes similar to multinational enterprise groups with lasting interest in foreign enterprises. This means that statistically relevant information are not always easy to obtain as only consolidated financial data or VAT group data may be available.

Focusing on IOC, FIFA and UEFA, the paper will present their business models and discuss in detail their features. Then, the paper will present the statistical treatment of their transactions, which will be fully implemented in Swiss national accounts in 2020. This treatment raises different challenges and an increasing need for collaboration both at national and international levels.