

The Use of Sport Satellite Accounts (SSA) for Policy Purposes

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Introduction and background

On 11 July 2007 the European Commission adopted the White Paper on Sport,¹ in which it announced the following:

"The Commission, in close cooperation with the Member States, will seek to develop a European statistical method for measuring the economic impact of sport as a basis for national statistical accounts for sport, which could lead in time to a European satellite account for sport."

This announcement was preceded by an initiative of the Austrian Presidency to develop a framework for a Sport Satellite Accounts and to establish an EU Working Group 'Sport and Economics'. The Working Group has so far held four meetings. At its meeting in October 2007 the Working Group reached consensus on the statistical definition of sport, referred to as 'the Vilnius definition of Sport'.

The implementation of Sport Satellite Accounts (SSA) is a costly and time-consuming project. However, the return on the necessary investment of resources is likely to be positive because of the useful insights and applications provided by Satellite Accounts. The present paper focuses on the use of SSA by local and national authorities, development agencies, sports federations etc. It illuminates the potential policy uses of SSA in order to structure the arguments for implementing such accounts.

First we will discuss the concept of a Satellite Account and its advantages from a methodological and statistical point of view. To some extent, these advantages could find their use in educational and scientific settings. Secondly we will probe into the policy use of Satellite Accounts by raising some questions that illustrate how SSA could be helpful to guide local, national or EU policies. In the summary we list the arguments discussed in this paper.

What is a Satellite Account?

A Satellite Account system is an extension of the System of National Accounts. The System of National Accounts (SNA), in turn, can be considered as the top of an information pyramid (De Haan, 2003), which consolidates the micro economic data of different industries into macro economic aggregates, such as Gross Domestic Product, National Income, and government deficit. National Accounts are essential for economic policy, for they not only form the basis of the most important

¹ Commission of the European Communities (2007)

economic indicators, but they are also a means to ensure international comparability, coherence and coordination.

A Satellite Account system is specifically aimed at subjects or themes or sectors of the economy which are not observable in the traditional System of National Accounts, because they do not correspond to a specific statistically delineated economic activity.² In other words: a Satellite Account System is a robust statistical framework for measuring the economic importance of a specific industry, e.g. the sports sector, in the national economy.

At European level, economic activities are measured within a specific statistical nomenclature called NACE. The sport sector as such is not a NACE category, but NACE category 92.6 "Sporting Activities" refers to a (small) part of the sport sector. This category includes sport facilities such as swimming pools and professional sport organisations. The EU Working Group 'Sport and Economics' has termed this category the '**statistical definition of sport**'. However, to limit the sport sector to this category is quite arbitrary from an economic point of view. Another, conceptually better, definition of the economic sport sector encompasses all industries which produce goods that are necessary to perform sport. Besides sport facilities, this classification includes, for example, manufacturing of sport shoes and tennis rackets. The latter definition is referred to as the '**narrow definition of sport**'. In addition, the so-called '**broad definition of sport**' includes not only the statistical definition and the narrow definition, but also relevant parts of the industries for which sport is an (important) input for their production processes, e.g. television broadcasting (SportsEconAustria, 2007).

These definitions, applied to the System of National Accounts, form the basis for SSA. By using the methodology of Satellite Accounts, the advantages of the core system of National Accounts are retained, while overburdening this system with too much detail is prevented (De Haan, 2003).

The advantages of Sport Satellite Accounts can be summarized as follows:

1. The SSA system is part of the information pyramid formed by the national accounts and therefore comparability and coherence with other economic sectors and indicators is ensured;
2. The SSA methodology serves as a coordination tool for national and international guidelines for economic data gathering;
3. SSA provide key economic indicators for the development of the sport sector such as the Gross National Sports Product, sports income formation in sports, sports productivity;
4. SSA allow for economic modelling and forecasting for the sport industry.

The coordination function of a European SSA effort is an important potential benefit. By standardization of data gathering, international comparisons can be carried out at substantially reduced costs. Furthermore, SSA may serve as a backbone and programming device for economic research in the sport sector in different countries, as it furthers contacts and exchange of methodologies between researchers. This may help to attain the European goals of the Lisbon strategy of a knowledge based economy. Although many countries have done research into certain aspects of the economy of sports, all feature uncharted territories, i.e. areas where there is no information available for a specific country (Ahlert 2005, Felderer c.s., 2006). A concerted European

² Technically, they do not correspond to a NACE code [NACE: Nomenclature statistique des Activités économiques dans la Communauté Européenne].

research effort will help to fill in the blank spots by drawing upon experiences and data from other countries.

Furthermore, SSA are a solid basis for additional policy relevant explorations which give insights into the contributions of sport to regional growth: the regional sport satellite accounts (cf. RuG/CBS 1999). Moreover, they could form the basis for (secondary) income accounts which illustrate the financial flows within the sport sector.

Besides these longer term benefits, SSA hold substantial potentials for aiding policy formulation, implementation and evaluation. We will now turn to these policy uses of Sport Satellite Accounts.

Policy uses of Sport Satellite Accounts (SSA)

SSA contribute to benchmark national economic policies directed towards sport, and they help answering economic questions related to sport policy. SSA also have a disciplinary effect: The economic impact of a specific subsector, such as professional sport, can never exceed the total share of sport in the economy. This helps policy makers to perform a ‘reality check’ on claims from specific sport interest groups.

The arguments mentioned above are still quite abstract notions. To shed some light on the practical return of SSA some relevant policy question will be presented below. They give an idea about the type of questions which can be answered by installing a system of SSA. They are meant to be indicative rather than exhaustive.

Policy question 1: How to monitor the economic importance of sports?

The Gross National Product and employment are main indicators for the economic performance and economic policy of a country. In a similar way, the SSA framework provides all interest groups with the starting point of a set of major indicators for their core business: the size of the sport sector, individual shares of specific sport industries and associated possibilities for benchmarking, in time and between countries and industries.

Policy question 2: What is the economic impact of policy measures which may affect sport?

Different Member States are characterized by different fiscal and financial aid schemes and public policy approaches towards the sport sector. These approaches may express themselves, inter alia, in the ownership of sport stadiums for professional sports (the club versus the community), the use of sport stadiums for other purposes than sport, a privileged fiscal treatment of non-profit sport organisations or of donations to sport organisations, the regulation of the selling of media rights, or the regulation of the betting sector. These differences have their impact upon the economic importance of sport and the economic and financial relationships between the sport sector and other industries.

Satellite Accounts offer a framework for analyzing the economic relationships and, by comparing these between countries, help to identify the economic consequences of a ‘policy change’. An example might be a change in the ownership of football stadiums. What is the consequence if a

country in which sport stadiums are predominantly public property, opted to privatize these stadiums? What economic lessons can be learnt from countries in which the stadiums are privately owned? For these questions to be answered additional research is necessary in addition to the standard framework of SSA.

Policy question 3: Which sport industries have the biggest growth potential for national and regional economies?

There is no doubt that sport industries are a fast growing economic activity. The growth may differ from one sport industry to another, depending on international patterns of comparative advantage. In other words: national specialization in different types of sport-related industries is a common phenomenon. A famous example is the specialization of Northern Italian ski boot manufacturers. A combination of local demand, entrepreneurship and innovative relationships between manufacturers has led to a very specialized and highly innovative sport industry (Porter 1991). Similar patterns can be observed in Austria in ski-manufacturing and the increasing demand for artificial grass surfaces for sports, in which Dutch manufacturers have taken a lead.

SSA may help to identify these patterns by signalling the difference between countries. Where are the opportunities for technical cooperation between industries, research institutes and sport federations? What types of industries are related to sport? To which branch of industry do the fastest growing sport industries belong? Where does their growth stem from, from increasing domestic demand or foreign demand? In terms of policy formulation: Where are the opportunities for national specialization and niche-development?

On the regional level, a major issue is to identify regional and local 'growth engines' which might ensure economic growth in the longer term. However, information about the regional clustering of sport industries is scarce.

SSA themselves do not provide information at the regional level, but they can help to build 'regional satellite accounts' in which the comparative advantage of specific regions in terms of sport industries clustering can be visualized. Implementation of such an extension of the basic framework of SSA is of course entirely up to the local authorities.

Policy question 4: What is the size and development of the labour market in sport-related industries?

As the importance of sport in society is on the rise, many students are choosing sport management as their main subject. However, in many Member States there is no clear indication of the demand for sport managers in sport related industries, and therefore no employment prospects can be stated at this moment.

SSA help to gain insight into the total sport-related labour market, and thus provide educational institutes and policy makers with basic data for realistic forecasts. For these questions to be answered additional research is necessary in addition to the standard framework of SSA.

Policy question 5: What is the economic and social return on investments in sport facilities and events?

As many countries are in the process of bidding for major sport events, an important policy issue is the expected return on investments necessary to host the events. At this moment there is no standardized framework to address the complex decision on which event to host and where and on the level of investments required, compared to longer term returns. SSA build on input-output relationships for the sport sector. Such information is instrumental for determining the short and long term return and feasibility of an investment in a sport venue.

Policy question 6: What is the economic importance of a specific sport?

Not only from the economic policy but also from the sport policy point of view several strategically important issues are related to SSA. For many sports the economic importance is an unknown variable. SSA would provide fundamental material for such studies and make them better and less costly.

Some sports are experiencing a rapid growth in terms of participation. This rapid growth may not always be reflected in the attention the sport receives e.g. in planning procedures. As long as the economic potential of this growth cannot be visualized, the responsible sport federation is handicapped in its attempts to draw attention to the potential gains. SSA offer the opportunity to calculate the economic impact of an additional demand for a specific sport.

Policy question 7: How is sport financed?

SSA provide a good framework to investigate and benchmark financial flows towards and from the sport sector. Comparing the size of the flows between countries and in time provides policy makers with relevant information.

Issues that might be tackled in this respect are: Is it possible for sport organisations to learn from other member states, in terms of finding additional funding? What part of the sport sector is financed by sponsoring? What is the role of betting and gambling in financing the sport sector? Are certain flows jeopardized by national, European or international developments, and what are the consequences for the sport industries?

Summary

The implementation of Sport Satellite Accounts provides for benefits at several different levels:

- It stimulates methodological rigor, coherence and comparability;
- It serves as a 'reality check' on claims from specific sport interest groups;
- It facilitates benchmark studies between countries and industries;
- It helps Member States to focus their policies and to specialise on niche markets and industries with high potentials;
- It facilitates investment decisions and market analysis;
- It provides the framework for labour market analyses in a subject which experiences high growth among students;
- It raises the level of professionalism and economic argumentation for sport federations;

- It highlights the economic consequences of public decisions which may affect the sport sector;
- It helps policy makers at the regional level.

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