

Fiscal opportunities of a restructured sports sector

Football as pilot (1)

In today's world, the reality is that sports is a business. Perhaps this is why there is always that distinction between those who pursue a particular sporting activity as hobbies or means of relaxation from those who derive their livelihood from same platform. Thus, sports has evolved as a distinct economic sector and major revenue earner in countries where its capacity to deliver this contribution has been recognised, properly harnessed and sustained. Obviously, evidence of its capacity and continued potential is in the fact that today's sports is organised sports. Almost every single designated sporting activity has a body which regulates participation in that sport. The sports sector is also renowned for producing stars and superstars with larger than life images. It does not matter whether it is an individual or team sport, so many have transformed themselves and have emerged as global icons, citizens or celebrities simply by excelling in their chosen sports. What does this mean for Nigeria?

Presently it is difficult to measure the contribution of the sports sector to gross domestic product (GDP) as sports is not currently listed as one of the 46 activity sectors measured by statisticians in computing the nation's GDP. The non-recognition of sports as an activity sector may be an affirmation of the fact that sports in Nigeria is not yet a significant economic activity. However, we may opine that sports is covered under the "arts, entertainment & recreation" sector which contributed a parlous 0.20% to the rebased GDP in 2014, and 0.24% in 2016¹.

Today, football is one of the biggest sports with strong followership in many parts of the globe. Nigerians also follow football passionately whether local or international. What Nigeria should do with its football (and or the sports sector at large) is already demonstrated in the top 5

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leagues of Europe² on the one hand and what the United States of America and China are doing with soccer on the other hand. Accordingly, it becomes a no-brainer that Nigeria does not have to re-invent the wheel as there are ample opportunities to learn from and avoid the mistakes made by those countries in setting their football sector right. Thus, Nigeria can leverage best practices that have emerged in these countries and their experiences.

For instance, the radical change in German football began after a terrible show at the 2000 European championships co-hosted by Belgium and the Netherlands. The Germans exited without winning a game, or a goal in the bag. There needed to be a change, and so the process started. Antagonists of the success of the German football say the support of the government of Germany gave them an unfair advantage. Truthfully, but fairly, after all, not much can be done without the support of the government.

In preparation for the World Cup in 2006, Germany invested \$1.84 billion in new and renovated stadia, helping German clubs to set a record with 13.8 million spectators in the 2011/2012 season, according to the New York Times. The rewards became inevitable.

In the past decade, Euro 2004 aside, the German national team has shown consistency in

all competitions, and this was recently crowned with their convincing success at the 2014 FIFA world cup in Brazil.

Bundesliga continues to record positive development as revenues hit another all-time high for the twelfth year running at the end of the 2015-16 season. The 18 Bundesliga clubs exceeded the revenue threshold of €3 billion for the first time with combined revenues totaling €3.24 billion. This is €622 million more than the previous season, and represents an increase of almost a quarter (23.7%)³. With that, the Bundesliga remains the league recording the second highest revenue in Europe⁴. In the seasons ended 2014, 2015 and 2016, the Bundesliga paid €875 million, €980 million and €1.13 billion respectively in taxes and duties, according to the Bundesliga annual reports.

The Bundesliga has contributed significantly to job creation. Over 90,000 people have been provided with jobs either directly or indirectly, according to the latest report. These results are not solely attributable to the German Government. In a little more than a decade, Germany invested nearly \$1 billion in its youth programs, with academies run by professional teams and training centers overseen by the German Football Association, the Deutscher Fußball-Bund (DFB). The professional teams played an important role, an obvious reason why homegrown German players find it hard to play outside Germany.

These are important lessons for Nigeria to learn from. According to Bodo Menze, former administrative director of youth department at Schalke⁵, "we looked over the fence for inspiration, but with our own particular approach and emphasis".

The Deutsche Fußball Liga (DFL) examines each club's fitness to participate in the league according to a range of criteria covering:

- sporting,
- legal,
- staffing,
- administrative,
- infrastructural,
- security,
- media-technical, and
- above all, financial competence.

One of the outcomes of the 2013 general meeting of the league association is to change the licensing procedure as of the 2014/15 season. According to the Bundesliga Report 2014, "licensing will now be based on the so called consolidated statements – instead of the previously used separate financial statements – in line with the UEFA⁶ financial fair play assessment criteria".

With the huge figures thrown around, and like in every other profitable trade, football, with all its promises and prospects for Nigeria, is too big a business to be left in the hands of neophytes or those blinded by greed or corruption or political cronies at the expense of the Nigerian interest or commonwealth. The Bundesliga experience already illustrates the various elements of the restructuring that are required in Nigerian football to unlock the potential of the sector and release its fiscal opportunities to complement the diversification plans of the Nigerian government in the face of volatile crude oil prices.

Our plan in this series of articles which would feature for the next 4 weeks or thereabout, is to dilate on the requisites that will ensure that the Nigerian league becomes

more viable, marketable and attractive. This will enhance private investments and ensure that the league becomes self-sustaining and is delinked from politics or government funding ultimately.

¹ Deloitte analysis based on 2016 Statistical Bulletin issued by Central Bank of Nigeria

² English Premiership (UK), La Liga (Spain), Serie A (Italy), Bundesliga (Germany), and Ligue Un (France)

³ The 2017 Bundesliga Report – The Economic State of German Professional Football

⁴ Deloitte Annual Review of Football Finance, 2017

⁵ FC Schalke 04 is a professional club side in the German Bundesliga

⁶ Union of European Football Associations

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