

## **FICCI calls for FDI and grant of industry status to sports sector; suggests definition of sports to specify private sector role**

**NEW DELHI, September 15, 2012.** The Federation of Indian Chambers of Commerce and Industry (FICCI) has recommended a two-step approach to give a boost to the sports sector in India. The proposal calls for giving industry status to the sector and a systematic involvement of the private sector in the sports domain.

In a representation to the Ministry of Youth Affairs and Sports, FICCI has stated that the first step would be to work on a definition of sports industry and once it has been agreed to, it should be incorporated with in all legal and commercial frameworks that entail sports.

The second step would be classification of sports and providing it with industry status.

Taking into account the global norms, and factoring in the unique nature of sports in India, a hybrid yet comprehensive definition for sports industry is proposed by the FICCI. This will help clarify industry's role in sports, and expand industry's role in every aspect of sports in India.

At present, there is no direct mention of the private sector as a stakeholder in any sports-specific regulation or law, including the Draft National Sports (Development) Bill 2011 ("Sports Bill") or the National Sports Development Code of India, 2011 ("Sports Code").

The definition proposed is:

*'Sports Industry means any sponsor, corporate entity, legal person, broadcaster, or any other individual or entity involved in promoting, developing, and/or investing, either directly or indirectly, in sports-related activities in India.'*

This definition will not include the Government of India, Ministry of Youth Affairs and Sports, Sports Association of India, National Sports Federations, an international or domestic sports federation or governing body, or any active sportsperson. This definition can and should be used in all legal or government led initiatives and documentation.

According to FICCI the following benefits would accrue to the Government by giving industry status to sports:

- The massive sports industry-led and centric potential for employment, (macroeconomic variables) GDP growth and export in sports-related services and products. This will expand and evolve as the industry evolves and grows.
  - Revenues will directly and indirectly accrue to the state and central governments through tax revenue and incentives.
  - The reverse flow of foreign exchange and investment presently witnessed by the sports domain will be stemmed and turned around to benefit India and the sports industry stakeholders. This

will especially be true once the sports industry is incentivized to innovate and invest in technology, and Foreign Direct Investment norms are allowed in a regulated but steady format.

- Although we are not able to calculate the contribution of sports in the GDP of country because of absence of any data and largely unorganized nature of the sector but its cross-sector linkages are significant, and there will be positive multiplier effects on the development of various sectors.
- Increase in the contribution of a particular sport to the gross domestic product of a country. For example, Cricket in India is by far the most lucrative sport, with revenue estimates across the various formats and forums extending to approximately Rs. 15000 crore annually, as per approximations and not official estimates. As Sports grow in India across a broad-based forum, each sport will be likely to contribute to the GDP in differing yet significant ways.

On the fiscal front, such a status will facilitate the following:

- Easier borrowings overseas, ability to raise domestic funds through institutional lending, tax-free bonds, tax concessions, etc.
- Enable the government to monitor charges levied for the use of the facilities and their maintenance to ensure that these are affordable by a majority of the population.
- Manufacturing base in India shall experience huge bounds. Will facilitate the provision of fiscal incentives, insurance norms and availability of credit.
- The subsidized investment opportunities will help boost the sector may be by development of sports promotion zones.

The other benefits that will flow from such a step are:

- Investment of private sector will be improved which is not happening to its potential at present.
- By improving the quality of technology and technical skill development within the sports sector, there should be a corresponding effect leading to creation/maintaining of infrastructure and better performances by Indian athletes and teams in international competitions.
- A self-sufficient and organized sports industry with business and revenue flows will help encourage innovation, professionalization of sports boost investment and improve market access for the sporting businesses.
- Once the sports industry matures, there will automatically be significant collateral benefits to the rest of the economy through inter-industry reliance and synergies. The synergies and revenue flows should also boost sectors that traditionally have a positive correlation with sports, namely sports medicine, sports education, sports tourism, and others.
  - Sports retailing is likely to boost the manufacturing industry.

FICCI has also underlined the need to formulate a FDI Policy for the sector in view of the following benefits that it will provide:

- Foreign Direct Investment (FDI) besides complementing and supplementing domestic investment brings state-of-art technology and best managerial practices, thereby providing better access to foreign technology to the domestic industry.
- Opening of sector for FDI and it will actually help to bridge investment gaps in sports sector.

- India giving a non-discriminatory treatment to Foreign Service providers in its bilateral agreement will provide an easier access to international markets for funding ventures in India.
- Present FDI restriction is not an entry ban, but it puts India in a defensive position in the WTO/FTAs while the foreign players are already present in India through other routes like government approved route or industrial licensing.

The way forward, suggested by FICCI is that the Chamber and the Ministry of Youth Affairs and Sports can commence fruitful discussions on the following topics:

- Streamlining and activating PPP models in sports infrastructure, events, and centers of excellence, educational institutions' sports capabilities, and other verticals.
- Incentivizing the recreational component of Sports development for Industry
  - Infrastructure/facilities.
  - Tax exemptions/credits.
  - Sports promotion zones and initiatives for manufacturing of sports goods domestically.
  - Role of the Public Sector companies in the promotion and development of recreational sports.
- Working towards a gradual move to collaboration between Industry and state/national sports federations beyond the ambit of mere sponsorship and funding.
- Creating a harmonious working environment and opportunities for recreational sports parallel to, and post the competitive/professional sports careers of most athletes.
- To promote self-sufficiency for federations through meaningful associations and partnerships with Industry. To build on the existing skills-development framework already proposed by FICCI.
- There is also a case to be made for broadening the scope of the private sector by inserting an additional responsibility- "*Private Sports Promotion Organizations*". Additionally, should consider the establishment of an Industry-led advisory committee/panel.

**Detailed Representation- <http://ficci.com/SEdocument/20206/sports-ficci-to-govt.pdf>**

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