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# AUSTRALIAN OUTWARD FOREIGN AFFILIATES TRADE

EXPERIMENTAL  
RESULTS

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## CONTENTS

	<i>page</i>
Notes .....	2
Background .....	3
Analysis .....	4
List of tables .....	11

## ADDITIONAL INFORMATION

Explanatory Notes .....	22
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## INQUIRIES

- For further information about these and related statistics, contact Glenn L'Huillier on Canberra (02) 6252 6924 or the National Information and Referral Service on 1300 135 070.

## NOTES

- ABOUT THIS PUBLICATION** This publication presents the final results from the Survey of Outward Foreign Affiliates Trade (SOFAT), which was conducted by the ABS for the first time in respect of 2002-03<sup>1</sup>. The survey collected information on the number, industry, sales<sup>2</sup>, purchases, employment and wages and salaries of foreign affiliates<sup>3</sup> of Australian resident enterprises. Information on the type of goods and services traded, modes of supply and the country of the trading partner for exports and imports of goods and services by foreign affiliates was also collected. This information has been linked to information on the Australian parent to provide a comprehensive study of the activities of Australian multinational enterprises (MNEs).
- EXPERIMENTAL RESULTS** Results from SOFAT should be treated as experimental. Please refer to the Explanatory Notes for information on the methodology used to develop these estimates. The ABS invites feedback on these estimates and the methods used to compile them. Any comments should be provided to the contact person listed on the front of this publication.
- ROUNDING** Where figures have been rounded, discrepancies may occur between the sum of component items and the total.
- ESTIMATES OF GROSS VALUE ADDED** One of the initial objectives of SOFAT was to collect information on Gross Value Added (GVA). However, the information obtained in the survey proved unusable for the purpose of producing estimates. The ABS will continue to analyse the information with the intention of publishing the results of this analysis in a feature article in due course. This article will be made available on the International Trade theme page on the ABS website.

Dennis Trewin  
Australian Statistician

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1 The reference period for these data was nominally the 2002-03 financial year. Please refer to the Explanatory Notes for further details.

2 Sales revenue included both revenue from sales to external customers and revenue from sales to companies within the enterprise group. At an aggregate level, inter-company sales accounted for approximately \$5.8b or 4% of total sales revenue.

3 For the purpose of foreign affiliates trade statistics, foreign affiliates refers to those enterprises that are majority owned by the Australian resident enterprise group. Please refer to the Explanatory Notes for further details.

## BACKGROUND

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### BACKGROUND

The ABS is developing a range of statistics relating to the activities of Australian multinational enterprises (MNEs), also known as inward and outward foreign affiliates trade in services (FATS) statistics. The concepts and definitions for FATS statistics are articulated in the *Manual on Statistics of International Trade in Services (MSITS)*, published in 2002. Only a few countries collect these statistics at present, including the USA, Japan, Canada and a limited number of European countries.

The Survey of Outward Foreign Affiliates Trade (SOFAT) was designed to identify all Australian resident enterprise groups with affiliates abroad, regardless of ownership, and measure the economic activity of their foreign affiliates. The survey was designed to obtain the data required for the compilation of the full range of economic variables for outward FATS as defined in MSITS and the relevant globalisation indicators as recommended in the draft *Manual on Economic Globalisation Indicators (MEGI)*. In addition, the survey collected data about foreign affiliates trade in goods.

The ABS has compiled conventional economic indicators for foreign trade and foreign direct investment within the framework defined in the *Balance of Payments Manual*, (5th edition) for many years. While these statistics provide some structural information, the ABS has not regularly compiled statistics on the economic activity of MNEs. In recent years, the ABS has embarked on a series of case studies to synthesise activity data for MNEs from other related data sources. Early studies examined new capital expenditure by foreign-owned MNEs, the economic activity of foreign-owned MNEs in the mining and information technology industries, and research and development activities of foreign-owned MNEs in Australia.

The most recent study covered the economic activities of identified majority foreign-owned businesses in the Australian economy, covering employing private sector businesses in all industries except agriculture, forestry and fishing. That study provided a range of globalisation indicators consistent with the framework in MEGI. The study also provided some of the required indicators for inward FATS, specifically: number of businesses; employment; value added; gross fixed capital formation; gross operating surplus; and total assets. However, like the previous studies, it was unable to identify the activities of Australian-owned MNEs. The current study was also designed to provide information on these activities.

## ANALYSIS OF RESULTS

### KEY MEASURES

Key measures of Australian outward foreign affiliates trade include:

- Number of foreign affiliates.
- Employment by foreign affiliates.
- Wages and salaries of foreign affiliates.
- Sales of goods and services by foreign affiliates.
- Purchases of goods and services by foreign affiliates.

### KEY POINTS

Main findings for 2002-03 include:

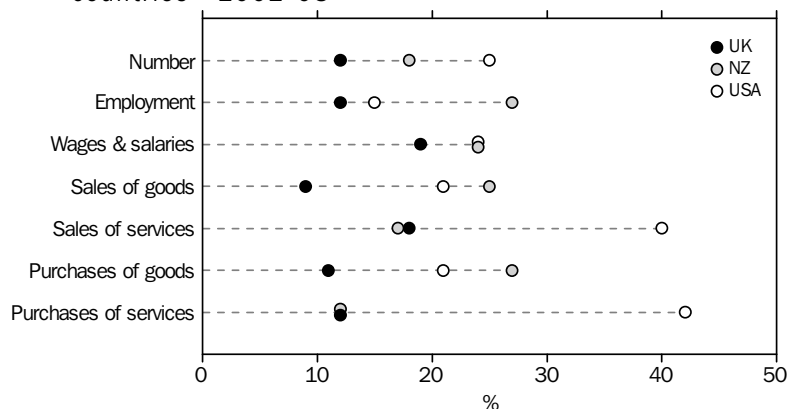
- Australian enterprise groups had 4,012 foreign affiliates employing 321,924 staff.
- Foreign affiliates of Australian resident enterprise groups generated \$142.3b in sales revenue for goods and services.
- Foreign affiliates of Australian-owned enterprise groups dominated, with more than an 80% contribution to all key measures.
- Foreign affiliates of foreign-owned Australian resident enterprise groups had a much greater focus in Asia-Pacific compared to Europe or the Americas, whereas trade activity of foreign affiliates of Australian-owned enterprise groups was more evenly spread across all regions.
- Manufacturing was the dominant industry of foreign affiliates, with sales revenue of \$36.7b (26% of total sales) and employing 120,368 staff (37% of total employment).
- Foreign affiliates domiciled in New Zealand, the United Kingdom and the United States of America predominated in all key measures; together they accounted for more than 50% for all key measures.
- Foreign affiliates were primarily established to service the markets where they were domiciled, with around 90% of sales of goods and services in the host country of the foreign affiliate.
- Foreign affiliates operated in similar industries to those of their Australian parent.

### ANALYSIS

#### KEY MEASURES, BY COUNTRY OF FOREIGN AFFILIATE

The United Kingdom, New Zealand and the United States of America dominated all key measures of Australian outward foreign affiliates trade (see table 1). These three countries combined accounted for more than 50% of each key measure. Graph 1 shows the percentage contribution by the United Kingdom, New Zealand and the United States of America for each key measure.

**1** KEY MEASURES OF FOREIGN AFFILIATES, by selected countries—2002-03



Source: Table 1.

## ANALYSIS OF RESULTS *continued*

### KEY MEASURES, BY COUNTRY OF FOREIGN AFFILIATE *continued*

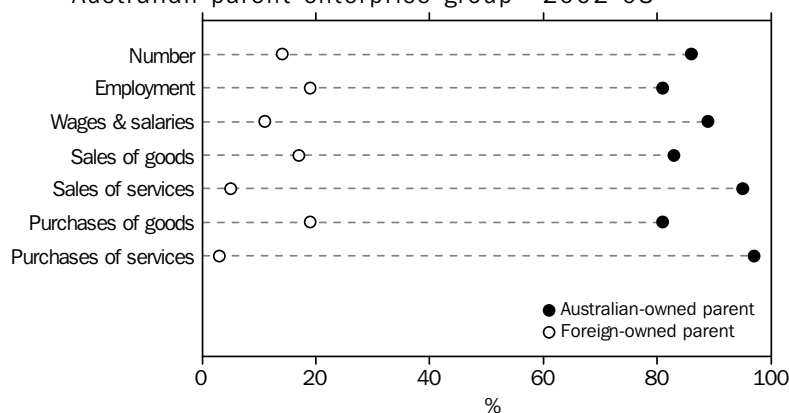
The United States of America accounted for 25% of all foreign affiliates, New Zealand 18% and the United Kingdom 12%. These three countries accounted for 55% of total sales of goods and 74% of total sales of services by foreign affiliates. For foreign affiliates domiciled in New Zealand, sales of goods was 1.8 times sales of services, while for the United Kingdom and the United States of America the reverse was the case, with sales of services 1.6 times sales of goods.

Employment by foreign affiliates was similarly proportioned, with New Zealand accounting for 27%, followed by the United States of America (15%) and the United Kingdom (12%). Although New Zealand dominated employment, the United States of America generated the most wages and salaries, closely followed by New Zealand then the United Kingdom. Total remuneration per employee was similar for the United Kingdom and the United States of America and was substantially higher for these two countries than for New Zealand.

### KEY MEASURES, BY REGION OF FOREIGN AFFILIATE AND OWNERSHIP OF PARENT

When Australian resident enterprise groups with a commercial presence abroad were viewed from an ownership perspective, as shown in graph 2, foreign affiliates of Australian-owned enterprise groups dominated, with more than an 80% contribution to all key measures of Australian outward foreign affiliates trade activity.

**2** KEY MEASURES OF FOREIGN AFFILIATES, by ownership of Australian parent enterprise group—2002-03



Source: Table 2.

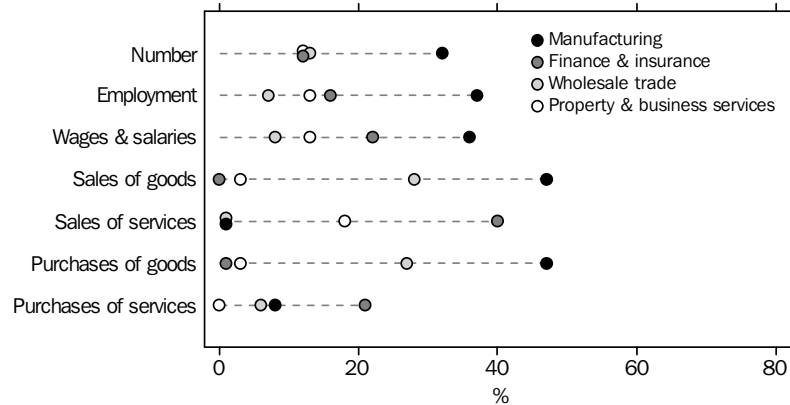
On a regional basis, foreign affiliates of Australian-owned enterprise groups that operated in Europe and the Americas contributed more than 90% to all key measures, while for Asia-Pacific, foreign affiliates of Australian-owned enterprise groups contributed significantly less for these key measures (about 70%). Foreign affiliates of foreign-owned Australian resident enterprise groups had a much greater focus in the Asia-Pacific region compared to Europe or the Americas, where they had only limited presence. This suggests that a proportion of foreign-owned Australian resident enterprise groups were established as regional headquarters for the Asia-Pacific region.

## ANALYSIS OF RESULTS *continued*

**KEY MEASURES, BY  
INDUSTRY OF FOREIGN  
AFFILIATE AND  
OWNERSHIP OF PARENT**

On an industry basis, as shown in table 3, foreign affiliates in manufacturing; finance and insurance; wholesale trade; and property and business services dominated. Graph 3 shows the percentage contribution by these four industries for each key measure.

**3** KEY MEASURES OF FOREIGN AFFILIATES, by selected industries—2002-03



Source: Table 3.

Foreign affiliates in manufacturing generated the most sales revenue, followed by finance and insurance; wholesale trade; and property and business services. Collectively these four industries accounted for 70% of total sales revenue. Manufacturing and finance and insurance were also the top two employing industries, followed by property and business services; and wholesale trade. Foreign affiliates in the manufacturing industry dominated purchases of goods, followed by wholesale trade and retail trade. These three industries accounted for 86% of goods purchased. Finance and insurance was the dominant industry for purchases of services, followed by manufacturing and wholesale trade.

Foreign affiliates of Australian-owned enterprise groups generated nearly 8 times the sales revenue of foreign affiliates of foreign-owned Australian resident enterprise groups, so it was not unexpected that the same four industries that drove total revenue also drove revenue for foreign affiliates of Australian-owned enterprise groups (table 3). Again, manufacturing and finance and insurance were the top contributors, followed by wholesale trade; and property and business services. Manufacturing and finance and insurance were also the largest employing industries.

Only five industries in which foreign affiliates of foreign-owned Australian resident enterprise groups operated generated more than one billion dollars in sales revenue, compared to seven industries for foreign affiliates of Australian-owned enterprise groups. Of these five industries, wholesale trade was the major contributor, followed by manufacturing; finance and insurance; mining; and construction. These five industries accounted for 89% of sales revenue generated by foreign affiliates of foreign-owned Australian resident enterprise groups; however, this was only 10% of total sales revenue of all foreign affiliates. Manufacturing was by far the largest employing industry, accounting for 39% of employment by foreign affiliates of foreign-owned Australian resident enterprise groups, followed by property and business services (16%), wholesale trade (13%) and construction (12%).

## ANALYSIS OF RESULTS *continued*

### KEY MEASURES, BY INDUSTRY AND OWNERSHIP OF AUSTRALIAN PARENT

Characteristics of foreign affiliates can also be viewed by looking at the industry of the parent Australian enterprise group, instead of the industry of the foreign affiliate. Table 5 shows the characteristics of foreign affiliates, classified by the industry and ownership of the parent Australian enterprise group and shows that a similar pattern emerges to that when analysed by the industry of the foreign affiliate (table 3). Manufacturing dominated most key measures, followed by finance and insurance, wholesale trade and property and business services. These four industries predominated for most key measures, regardless of ownership of the parent Australian enterprise group. Mining was also significant in terms of sales of goods and services and purchases of services.

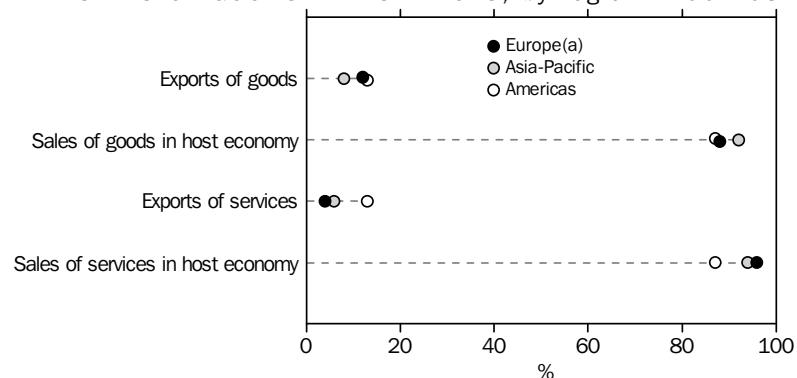
### INDUSTRY OF AUSTRALIAN PARENT, BY INDUSTRY OF FOREIGN AFFILIATE

Table 6 cross-classifies the industry of the foreign affiliate by the industry of the Australian resident enterprise group, in order to determine the correlation between the industry of the parent Australian resident enterprise group and the industry of its foreign affiliates. By looking at the diagonal (top left to bottom right of table 6) it is possible to observe the relationship between the industry of the foreign affiliate and the industry of the Australian enterprise group. More than half of the foreign affiliates were in the same industry as their Australian parent, except for construction and transport and storage. Relationships were also evident between certain industries; for example, manufacturing parents with wholesale trade affiliates and construction parents and property and business services foreign affiliates.

### SALES OF GOODS AND SERVICES BY FOREIGN AFFILIATES

Sales of goods and services by foreign affiliates can be disaggregated into exports and sales in the host country of the foreign affiliate (i.e. the country where the foreign affiliate was domiciled or predominately operated). Graph 4 shows that 90% of sales of goods and 91% of sales of services were in the host economy of the foreign affiliate, with only 10% of goods and 9% of services exported<sup>4</sup>. This suggests that foreign affiliates of Australian resident enterprise groups were established abroad primarily to service the markets where the foreign affiliate was domiciled.

**4** SALES OF GOODS AND SERVICES, by region—2002-03



(a) Includes Africa.

Source: Table 8.

4 Mode of supply is the preferred classification for services transactions. However, due to the relatively small proportion of services transactions that were either mode 2 (consumption abroad) or mode 4 (presence of natural persons) it was necessary to combine modes 2 and 4 with mode 1 (cross border) to overcome data suppression due to ABS confidentiality restrictions. Please refer to the Explanatory Notes for further details.

## ANALYSIS OF RESULTS *continued*

### SALES OF GOODS AND SERVICES BY FOREIGN AFFILIATES *continued*

Foreign affiliates in Asia-Pacific accounted for 47% of total sales of goods, followed by the Americas with 32% and Europe with 22%, as shown in table 8. Total sales of services was split similarly, with foreign affiliates in the Americas accounting for 47%, Asia-Pacific 31% and Europe 22%.

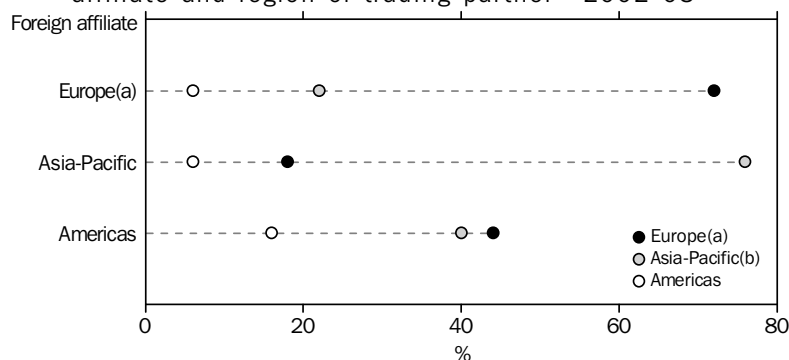
### PURCHASES OF GOODS AND SERVICES BY FOREIGN AFFILIATES

As previously mentioned, 90% of sales of goods and 91% of sales of services by foreign affiliates were in their host economies. Similar percentages occurred for purchases, with purchases of goods by foreign affiliates in their host economies accounting for 88% of total purchases of goods, and purchases of services accounting for 91% of total purchases of services, as shown in table 9. For all regions, sales in host countries exceeded purchases in host countries for both goods and services.

### EXPORTS AND IMPORTS BY FOREIGN AFFILIATES

Table 10 shows that foreign affiliates in both Europe and Asia-Pacific were net importers of goods and services, while in the Americas they were net exporters of goods and services. Foreign affiliates that were domiciled in Europe exported the majority of goods and services to other countries within the European region, as shown in graph 5. Similarly, foreign affiliates domiciled in Asia-Pacific exported goods and services within that region. In contrast, foreign affiliates domiciled in the Americas tended to export across all regions. Overall, 48% of exports of goods and services by foreign affiliates were to Asia-Pacific, 41% to Europe and 11% to the Americas.

**5** EXPORTS OF GOODS AND SERVICES, by region of foreign affiliate and region of trading partner—2002-03



(a) Includes Africa.  
 (b) Includes Australia.  
 Source: Table 10.

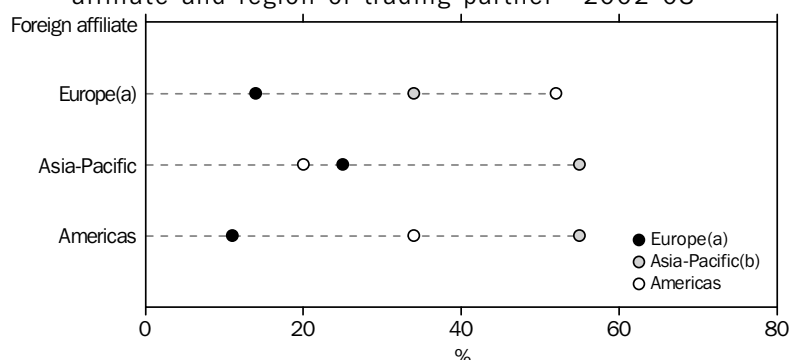
Unlike exports of goods and services by foreign affiliates, imports of goods and services were less focused within the region, with imports of goods and services spread across all regions as shown in graph 6. The majority of imports of goods and services, however, was still imported from Asia-Pacific (48%) and the Americas (33%), followed by Europe with 19%.



## ANALYSIS OF RESULTS *continued*

### EXPORTS AND IMPORTS BY FOREIGN AFFILIATES *continued*

**6** IMPORTS OF GOODS AND SERVICES, by region of foreign affiliate and region of trading partner—2002-03



(a) Includes Africa.  
(b) Includes Australia.  
Source: Table 10.

### COMMODITY AND SERVICE TYPE

The type of good transacted was spread across all SITC<sup>5</sup> divisions with miscellaneous manufactured articles<sup>6</sup> the largest category for both sales and purchases of goods (table 11). This was followed by manufactured goods classified chiefly by material; crude materials, inedible, except fuels; and chemicals and related products, n.e.s. for sales of goods, and manufactured goods classified chiefly by material; chemicals and related products, n.e.s.; and machinery and transport equipment for purchases of goods.

Service transactions, on the other hand, as shown in table 12, were a little more concentrated by type of service, with financial and insurance services the most prominent, accounting for 39% of sales of services. Financial and insurance services was also the most purchased service by foreign affiliates with 19%, followed by other business services with 17%.

### ULTIMATE BENEFICIAL OWNER

Table 13 provides a different view of foreign affiliate characteristics, by looking at selected characteristics from the perspective of the ultimate beneficial owner (UBO)<sup>7</sup> of the Australian enterprise group. Australia was the UBO of 63% of those Australian enterprise groups that had foreign affiliates that traded in goods and/or services, while 37% were foreign owned. Foreign affiliates of the Australian-owned enterprise groups generated 89% of total sales of goods and services and had 86% of the number of foreign affiliates. For sales of goods and services by foreign affiliates of foreign-owned Australian enterprise groups, the most significant countries in terms of UBO were the Netherlands, followed by France, Germany and the United States of America.

<sup>5</sup> Please refer to the Explanatory Notes for details on the SITC goods classification.

<sup>6</sup> 'Type of good' data are indicative only and should be treated with some caution. A number of reporting units were unable to supply details on the type of good transacted. In many of these cases, depending on the industry to which the foreign affiliate was classified, goods transacted were classified to a 'generic unknown' classification, i.e. miscellaneous manufactured articles.

<sup>7</sup> The ultimate beneficial owner is the overseas business that ultimately owns the Australian parent enterprise in the Australian enterprise group and is the top link in the chain of ownership. The immediate foreign parent of the Australian parent enterprise in the Australian enterprise group is the overseas business that has majority ownership (holds more than 50% of the ordinary shares or voting stock) of the Australian parent enterprise in the Australian enterprise group. The immediate foreign parent and the UBO may be the same business, if the immediate foreign parent is not majority owned by another business.



## LIST OF TABLES

page

### TABLES

<b>1</b>	Characteristics of foreign affiliates, by selected country, 2002-03 . . . . .	12
<b>2</b>	Characteristics of foreign affiliates, by region of foreign affiliate and ownership of parent, 2002-03 . . . . .	13
<b>3</b>	Characteristics of foreign affiliates, by industry of foreign affiliate and ownership of parent, 2002-03 . . . . .	14
<b>4</b>	Characteristics of foreign affiliates, by industry and region of foreign affiliate, 2002-03 . . . . .	15
<b>5</b>	Characteristics of foreign affiliates, by industry and ownership of parent Australian enterprise group, 2002-03 . . . . .	16
<b>6</b>	Number of foreign affiliates, by industry of Australian parent and industry of foreign affiliate, 2002-03 . . . . .	17
<b>7</b>	ANZSIC reference table . . . . .	17
<b>8</b>	Sales of goods and services by foreign affiliates, by region, 2002-03 . . . . .	18
<b>9</b>	Purchases of goods and services by foreign affiliates, by region, 2002-03 . . . . .	18
<b>10</b>	Exports and imports of goods and services by foreign affiliates, by region of foreign affiliate and region of trading partner, 2002-03 . . . . .	19
<b>11</b>	Goods transactions by foreign affiliates, by type of good, 2002-03 . . . . .	20
<b>12</b>	Services transactions by foreign affiliates, by type of service, 2002-03 . . . . .	20
<b>13</b>	Selected characteristics, by country of ultimate beneficial owner of parent Australian enterprise group, 2002-03 . . . . .	21

## CHARACTERISTICS OF FOREIGN AFFILIATES, by selected country—2002–03

<i>Country of foreign affiliate</i>	<i>Number of foreign affiliates</i>	<i>Employment by foreign affiliates</i>	<i>Wages and salaries of foreign affiliates</i>	<i>Sales of goods by foreign affiliates</i>	<i>Sales of services by foreign affiliates</i>	<i>Purchases of goods by foreign affiliates</i>	<i>Purchases of services by foreign affiliates</i>
	no.	no.	\$m	\$m	\$m	\$m	\$m
EUROPE (a)							
France	46	2 701	193	1 041	152	660	79
Germany	67	3 472	272	1 434	492	917	640
Italy	33	1 489	116	590	85	487	308
Netherlands	59	2 815	215	1 500	453	930	788
South Africa	30	1 808	76	100	461	96	59
Spain	29	1 709	92	622	21	468	4
United Kingdom	473	38 621	2 613	7 092	11 426	5 827	4 678
Other	239	12 313	721	4 391	1 373	2 825	584
<b>Total</b>	<b>976</b>	<b>64 928</b>	<b>4 297</b>	<b>16 771</b>	<b>14 464</b>	<b>12 211</b>	<b>7 140</b>
ASIA-PACIFIC							
China, People's Republic of	97	8 866	142	2 539	1 456	1 310	778
Fiji	46	7 212	104	420	303	352	203
Hong Kong (SAR of China)	111	5 900	280	919	1 797	524	1 423
Indonesia	83	24 330	408	2 962	1 440	1 953	833
Japan	31	821	89	1 358	451	838	613
Malaysia	134	10 016	137	1 215	206	680	97
New Zealand	718	86 763	3 355	19 228	10 784	14 008	4 983
Papua New Guinea	77	16 306	191	1 032	294	578	214
Philippines	44	2 070	33	234	108	162	88
Singapore	149	5 459	442	2 164	2 451	1 510	1 911
Taiwan	23	758	24	42	84	55	59
Thailand	57	5 527	61	475	196	340	125
Viet Nam	16	1 046	12	260	36	206	56
Other	122	11 165	238	3 054	447	1 535	985
<b>Total</b>	<b>1 708</b>	<b>186 239</b>	<b>5 515</b>	<b>35 902</b>	<b>20 053</b>	<b>24 051</b>	<b>12 369</b>
AMERICAS							
Brazil	39	2 689	56	794	778	480	870
Canada	80	6 948	477	3 762	1 288	1 729	1 112
Chile	27	1 879	52	551	112	286	126
Mexico	25	1 671	52	465	204	376	194
United States of America	1 006	48 894	3 363	16 161	26 117	10 551	16 954
Other	151	8 676	189	2 633	2 266	1 302	1 853
<b>Total</b>	<b>1 328</b>	<b>70 757</b>	<b>4 190</b>	<b>24 366</b>	<b>30 765</b>	<b>14 724</b>	<b>21 109</b>
TOTAL							
<b>Total</b>	<b>4 012</b>	<b>321 924</b>	<b>14 002</b>	<b>77 039</b>	<b>65 282</b>	<b>50 987</b>	<b>40 618</b>

(a) Includes Africa. Refer to the Explanatory Notes for further details.

## CHARACTERISTICS OF FOREIGN AFFILIATES, by region of foreign affiliate and ownership of parent—2002–03

<i>Region of foreign affiliate</i>	<i>Number of foreign affiliates</i>	<i>Employment by foreign affiliates</i>	<i>Wages and salaries of foreign affiliates</i>	<i>Sales of goods by foreign affiliates</i>	<i>Sales of services by foreign affiliates</i>	<i>Purchases of goods by foreign affiliates</i>	<i>Purchases of services by foreign affiliates</i>
	no.	no.	\$m	\$m	\$m	\$m	\$m
.....							
AUSTRALIAN-OWNED PARENT							
Europe(a)	940	63 182	4 164	15 856	14 460	11 366	7 084
Asia-Pacific	1 234	131 391	4 285	26 169	16 675	16 582	11 358
Americas	1 276	65 531	4 028	22 233	30 680	13 551	20 898
<b>Total</b>	<b>3 450</b>	<b>260 104</b>	<b>12 477</b>	<b>64 258</b>	<b>61 815</b>	<b>41 499</b>	<b>39 340</b>
.....							
FOREIGN-OWNED PARENT							
Europe(a)	36	1 746	134	915	4	845	56
Asia-Pacific	474	54 848	1 231	9 733	3 379	7 470	1 011
Americas	52	5 226	161	2 133	85	1 173	211
<b>Total</b>	<b>562</b>	<b>61 820</b>	<b>1 525</b>	<b>12 780</b>	<b>3 467</b>	<b>9 488</b>	<b>1 277</b>
.....							
TOTAL							
Europe(a)	976	64 928	4 297	16 771	14 464	12 211	7 140
Asia-Pacific	1 708	186 239	5 515	35 902	20 053	24 051	12 369
Americas	1 328	70 757	4 190	24 366	30 765	14 724	21 109
<b>Total</b>	<b>4 012</b>	<b>321 924</b>	<b>14 002</b>	<b>77 039</b>	<b>65 282</b>	<b>50 987</b>	<b>40 618</b>
.....							

(a) Includes Africa. Refer to the Explanatory Notes for further details.

CHARACTERISTICS OF FOREIGN AFFILIATES, by industry of foreign affiliate and ownership of parent—2002–03

<i>Industry of foreign affiliate</i>	<i>Number of foreign affiliates</i>	<i>Employment by foreign affiliates</i>	<i>Wages and salaries of foreign affiliates</i>	<i>Sales of goods by foreign affiliates</i>	<i>Sales of services by foreign affiliates</i>	<i>Sales of goods and services by foreign affiliates</i>	<i>Purchases of goods by foreign affiliates</i>	<i>Purchases of services by foreign affiliates</i>
<i>no.</i>	<i>no.</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
.....								
AUSTRALIAN-OWNED PARENT								
Mining	112	7 346	279	np	np	3 473	np	806
Manufacturing	1 116	96 209	4 405	32 215	727	32 942	21 977	2 853
Construction	26	3 321	132	np	np	537	272	np
Wholesale trade	386	15 275	911	np	np	17 214	9 630	np
Retail trade	92	19 481	437	np	np	8 926	5 743	76
Transport and storage	87	6 421	252	np	np	1 131	442	340
Finance and insurance	381	49 548	2 895	np	np	23 969	np	8 170
Property and business services	409	30 351	1 747	1 969	11 772	13 741	1 140	np
Health and community services	48	4 683	122	—	327	327	81	np
Other(a)(b)	793	27 469	1 296	30 075	48 989	23 814	2 216	27 096
<b>Total</b>	<b>3 450</b>	<b>260 104</b>	<b>12 477</b>	<b>64 258</b>	<b>61 815</b>	<b>126 073</b>	<b>41 499</b>	<b>39 340</b>
.....								
FOREIGN-OWNED PARENT								
Mining	18	5 684	74	np	np	1 698	np	16
Manufacturing	165	24 159	612	3 741	11	3 752	1 858	401
Construction	50	7 681	238	np	np	1 692	1 237	np
Wholesale trade	134	8 311	235	np	np	4 973	4 279	np
Retail trade	27	2 740	74	763	17	781	577	40
Transport and storage	15	1 060	34	np	np	214	53	125
Finance and insurance	82	1 859	133	np	np	2 280	np	392
Property and business services	57	9 927	113	350	298	647	342	112
Health and community services	—	—	—	—	—	—	—	—
Other(a)(b)	14	399	13	7 926	3 142	209	1 142	191
<b>Total</b>	<b>562</b>	<b>61 820</b>	<b>1 525</b>	<b>12 780</b>	<b>3 467</b>	<b>16 247</b>	<b>9 488</b>	<b>1 277</b>
.....								
TOTAL								
Mining	130	13 030	353	4 936	235	5 171	2 199	821
Manufacturing	1 281	120 368	5 017	35 956	738	36 694	23 835	3 255
Construction	76	11 002	370	np	np	2 230	1 509	182
Wholesale trade	520	23 586	1 146	21 784	404	22 188	13 909	2 359
Retail trade	119	22 221	511	np	np	9 706	6 320	116
Transport and storage	102	7 481	286	np	np	1 345	495	465
Finance and insurance	463	51 407	3 028	232	26 017	26 250	671	8 562
Property and business services	466	40 278	1 859	2 319	12 069	14 388	1 482	np
Health and community services	48	4 683	122	—	327	327	81	np
Other(a)(b)	807	27 868	1 309	11 812	25 491	24 023	487	24 857
<b>Total</b>	<b>4 012</b>	<b>321 924</b>	<b>14 002</b>	<b>77 039</b>	<b>65 282</b>	<b>142 321</b>	<b>50 987</b>	<b>40 618</b>

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes: Agriculture, forestry and fishing; Electricity, gas and water supply; Accommodation, cafes and restaurants; Communication services; Education; Cultural and recreational services; and Personal and other services.

(b) Includes confidential data.

CHARACTERISTICS OF FOREIGN AFFILIATES, by industry and region of foreign affiliate—2002–03

<i>Industry of foreign affiliate</i>	<i>Number of foreign affiliates</i>	<i>Employment by foreign affiliates</i>	<i>Wages and salaries of foreign affiliates</i>	<i>Sales of goods by foreign affiliates</i>	<i>Sales of services by foreign affiliates</i>	<i>Sales of goods and services by foreign affiliates</i>	<i>Purchases of goods by foreign affiliates</i>	<i>Purchases of services by foreign affiliates</i>
no.	no.	\$m	\$m	\$m	\$m	\$m	\$m	\$m
EUROPE (a)								
Mining	33	444	33	np	np	521	np	np
Manufacturing	459	26 343	1 817	np	np	11 448	8 055	np
Wholesale trade	124	4 677	338	3 785	26	3 811	2 267	np
Retail trade	9	764	np	np	np	1 079	np	np
Finance and insurance	105	20 814	1 309	—	9 880	9 880	np	1 842
Property and business services	138	8 005	499	np	np	2 872	185	np
Cultural and recreational services	39	1 052	np	np	np	643	np	np
Other(b) (c)	69	2 829	300	12 986	4 557	979	1 704	5 298
<b>Total</b>	<b>976</b>	<b>64 928</b>	<b>4 297</b>	<b>16 771</b>	<b>14 464</b>	<b>31 234</b>	<b>12 211</b>	<b>7 140</b>
ASIA-PACIFIC								
Mining	42	6 891	94	1 385	144	1 529	526	283
Manufacturing	395	64 827	1 442	np	np	10 042	5 748	1 005
Wholesale trade	301	13 687	428	14 349	337	14 685	9 265	np
Retail trade	102	20 671	388	np	np	8 010	5 269	104
Finance and insurance	291	27 855	1 340	np	np	12 490	278	5 477
Property and business services	238	23 713	904	593	2 829	3 422	943	1 342
Cultural and recreational services	83	2 940	70	np	np	637	44	np
Other(b) (c)	256	25 655	849	19 576	16 744	5 139	1 979	4 158
<b>Total</b>	<b>1 708</b>	<b>186 239</b>	<b>5 515</b>	<b>35 902</b>	<b>20 053</b>	<b>55 955</b>	<b>24 051</b>	<b>12 369</b>
AMERICAS								
Mining	55	5 695	226	np	np	3 120	np	np
Manufacturing	427	29 198	1 758	15 013	190	15 203	10 032	np
Wholesale trade	95	5 222	380	3 650	41	3 692	2 377	248
Retail trade	8	786	np	np	np	617	np	np
Finance and insurance	67	2 738	379	np	np	3 879	np	1 243
Property and business services	90	8 560	456	np	np	8 094	354	np
Cultural and recreational services	547	16 514	np	np	np	19 375	np	np
Other(b) (c)	39	2 044	991	5 703	30 534	1 151	1 962	19 618
<b>Total</b>	<b>1 328</b>	<b>70 757</b>	<b>4 190</b>	<b>24 366</b>	<b>30 765</b>	<b>55 131</b>	<b>14 724</b>	<b>21 109</b>
TOTAL								
Mining	130	13 030	353	4 936	235	5 171	2 199	821
Manufacturing	1 281	120 368	5 017	35 956	738	36 694	23 835	3 255
Wholesale trade	520	23 586	1 146	21 784	404	22 188	13 909	2 359
Retail trade	119	22 221	511	np	np	9 706	6 320	116
Finance and insurance	463	51 407	3 028	232	26 017	26 250	671	8 562
Property and business services	466	40 278	1 859	2 319	12 069	14 388	1 482	np
Cultural and recreational services	669	20 506	np	np	np	20 655	60	np
Other(b) (c)	364	30 528	2 087	11 812	25 818	7 270	2 510	25 504
<b>Total</b>	<b>4 012</b>	<b>321 924</b>	<b>14 002</b>	<b>77 039</b>	<b>65 282</b>	<b>142 321</b>	<b>50 987</b>	<b>40 618</b>

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes Africa. Refer to the Explanatory Notes for further details.

(b) Includes: Agriculture, forestry and fishing; Electricity, gas and water supply; Construction; Accommodation, cafes and restaurants; Transport and storage; Communication services; Education; Health and community services; and Personal and other services.

(c) Includes confidential data.

# CHARACTERISTICS OF FOREIGN AFFILIATES, by industry and ownership of parent

## Australian enterprise group—2002–03

Industry of parent Australian enterprise group	Number of Australian enterprise groups no.	Employment by Australian enterprise groups no.	Number of foreign affiliates no.	Employment by foreign affiliates no.	Wages and salaries of foreign affiliates \$m	Sales of goods by foreign affiliates \$m	Sales of services by foreign affiliates \$m	Sales of goods and services by foreign affiliates \$m	Purchases of goods by foreign affiliates \$m	Purchases of services by foreign affiliates \$m
AUSTRALIAN-OWNED PARENT										
Manufacturing	109	145 955	1 851	105 035	5 277	np	np	54 983	23 010	np
Wholesale trade	52	23 734	277	33 784	886	np	np	8 959	5 981	94
Retail trade	13	322 859	26	4 461	119	np	np	np	np	11
Transport and storage	14	60 374	166	14 123	702	np	np	2 796	np	501
Finance and insurance	24	132 197	388	47 380	2 639	np	np	23 610	565	7 663
Property and business services	99	43 575	257	11 381	1 025	578	2 436	3 014	971	1 283
Other(a)(b)	92	209 787	485	43 940	1 828	63 681	59 379	32 711	10 973	29 789
<b>Total</b>	<b>401</b>	<b>938 481</b>	<b>3 450</b>	<b>260 104</b>	<b>12 477</b>	<b>64 258</b>	<b>61 815</b>	<b>126 073</b>	<b>41 499</b>	<b>39 340</b>
FOREIGN-OWNED PARENT										
Manufacturing	74	61 885	246	25 141	554	3 789	18	3 807	2 292	423
Wholesale trade	74	33 497	82	8 265	329	np	np	5 551	4 305	121
Retail trade	6	7 324	10	946	41	np	np	np	138	8
Transport and storage	12	6 301	14	1 780	49	—	277	277	np	181
Finance and insurance	23	18 886	73	1 607	119	np	np	2 148	203	377
Property and business services	29	36 241	50	10 081	99	465	208	673	393	60
Other(a)(b)	22	29 702	87	14 000	333	8 526	2 965	3 792	2 156	107
<b>Total</b>	<b>240</b>	<b>193 836</b>	<b>562</b>	<b>61 820</b>	<b>1 525</b>	<b>12 780</b>	<b>3 467</b>	<b>16 247</b>	<b>9 488</b>	<b>1 277</b>
TOTAL										
Agriculture, forestry and fishing	8	7 916	19	1 415	43	np	np	411	np	np
Mining	40	47 286	163	14 461	409	15 119	321	15 440	np	3 246
Manufacturing	183	207 840	2 097	130 176	5 831	np	np	58 790	25 302	np
Electricity, gas and water supply	6	8 476	20	983	np	np	np	630	55	11
Construction	18	32 748	157	23 599	982	np	np	11 260	1 624	9 741
Wholesale trade	126	57 231	359	42 049	1 215	14 049	462	14 510	10 286	215
Retail trade	19	330 183	36	5 407	160	np	np	5 228	np	19
Transport and storage	26	66 675	180	15 903	751	np	np	3 073	1 014	682
Finance and insurance	47	151 083	461	48 987	2 758	307	25 451	25 758	768	8 040
Property and business services	128	79 816	307	21 462	1 125	1 043	2 644	3 687	1 364	1 343
Education	10	20 778	9	188	9	—	17	17	37	24
Health and community services	5	38 656	80	5 229	np	np	np	575	np	np
Cultural and recreational services	18	23 505	51	1 224	54	np	np	318	83	120
Other(c)(b)	8	60 124	73	10 841	666	46 521	36 388	2 624	10 454	17 177
<b>Total</b>	<b>641</b>	<b>1 132 317</b>	<b>4 012</b>	<b>321 924</b>	<b>14 002</b>	<b>77 039</b>	<b>65 282</b>	<b>142 321</b>	<b>50 987</b>	<b>40 618</b>

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes: Agriculture, forestry and fishing; Mining; Electricity, gas and water supply; Construction; Accommodation, cafes and restaurants; Communication services; Education; Health and community services; Cultural and recreational services; and Personal and other services.

(b) Includes confidential data.

(c) Includes: Accommodation, cafes and restaurants; Communication services; and Personal and other services.



## 6

## NUMBER OF FOREIGN AFFILIATES, by industry of Australian parent and industry of foreign affiliate—2002–03

Industry of parent Australian enterprise group (a)	INDUSTRY OF FOREIGN AFFILIATE (a)																
	Total	A	B	C	D	E	F	G	H	I	J	K	L	N	O	P	Q
no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.	no.
A	19	10	—	5	—	—	—	—	—	—	—	—	4	—	—	—	—
B	163	—	115	8	—	—	14	—	—	—	2	11	13	—	—	—	—
C	2 097	—	4	1 134	1	2	228	19	30	5	4	4	27	—	2	635	2
D	20	—	—	—	14	—	—	3	—	3	—	—	—	—	—	—	—
E	157	—	9	1	—	71	2	—	—	—	—	1	73	—	—	—	—
F	359	1	—	81	—	2	195	57	—	7	1	3	11	—	—	—	1
G	36	—	—	—	—	—	1	27	4	—	—	—	4	—	—	—	—
I	180	—	—	14	—	—	10	—	—	83	—	2	63	—	—	—	8
K	461	—	—	5	—	—	1	—	—	—	—	427	27	—	—	1	—
L	307	—	2	16	—	1	22	13	1	4	3	10	235	—	—	—	—
N	9	—	—	—	—	—	—	—	—	—	—	—	2	7	—	—	—
O	80	—	—	1	—	—	29	—	—	—	—	4	—	—	46	—	—
P	51	—	—	14	—	—	—	—	—	—	—	—	4	—	—	33	—
Other(b)	73	—	—	2	—	—	18	—	8	—	34	1	3	—	—	—	7
<b>Total</b>	<b>4 012</b>	<b>11</b>	<b>130</b>	<b>1 281</b>	<b>15</b>	<b>76</b>	<b>520</b>	<b>119</b>	<b>43</b>	<b>102</b>	<b>44</b>	<b>463</b>	<b>466</b>	<b>7</b>	<b>48</b>	<b>669</b>	<b>18</b>

— nil or rounded to zero (including null cells)

(a) Industries are represented by ANZSIC industry division codes. Refer to table 7 for more details.

(b) Includes: Accommodation, cafes and restaurants (H); Communication services (J) and Personal and other services (Q).

## 7

## ANZSIC REFERENCE TABLE

Industry	
A	Agriculture, forestry and fishing
B	Mining
C	Manufacturing
D	Electricity, gas and water supply
E	Construction
F	Wholesale trade
G	Retail trade
H	Accommodation, cafes and restaurants
I	Transport and storage
J	Communication services
K	Finance and insurance
L	Property and business services
N	Education
O	Health and community services
P	Cultural and recreational services
Q	Personal and other services

## SALES OF GOODS AND SERVICES BY FOREIGN AFFILIATES, by region—2002–03

<i>Region of foreign affiliate</i>	<i>Exports of goods by foreign affiliates (a)</i>	<i>Sales of goods in host economy by foreign affiliates (b)</i>	<i>Total sales of goods by foreign affiliates</i>	<i>Exports of services by foreign affiliates (c)</i>	<i>Sales of services in host economy by foreign affiliates (b)</i>	<i>Total sales of services by foreign affiliates</i>
	\$m	\$m	\$m	\$m	\$m	\$m
Europe(d)	1 983	14 788	16 771	561	13 903	14 464
Asia-Pacific	2 981	32 921	35 902	1 291	18 762	20 053
Americas	3 050	21 316	24 366	4 011	26 754	30 765
<b>Total</b>	<b>8 013</b>	<b>69 025</b>	<b>77 039</b>	<b>5 863</b>	<b>59 419</b>	<b>65 282</b>

(a) Equivalent to mode 1 (cross border). Refer to the Explanatory Notes for further details.

(b) Equivalent to mode 3 (commercial presence). Refer to the Explanatory Notes for further details.

(c) Equivalent to the sum of mode 1 (cross border) + mode 2 (consumption abroad) + mode 4 (presence of natural persons). Refer to the Explanatory Notes for further details.

(d) Includes Africa. Refer to the Explanatory Notes for further details.

## PURCHASES OF GOODS AND SERVICES BY FOREIGN AFFILIATES, by region—2002–03

<i>Region of foreign affiliate</i>	<i>Imports of goods by foreign affiliates (a)</i>	<i>Purchases of goods in host economy by foreign affiliates (b)</i>	<i>Total purchases of goods by foreign affiliates</i>	<i>Imports of services by foreign affiliates (c)</i>	<i>Purchases of services in host economy by foreign affiliates (b)</i>	<i>Total purchases of services by foreign affiliates</i>
	\$m	\$m	\$m	\$m	\$m	\$m
Europe(d)	1 550	10 661	12 211	1 479	5 661	7 140
Asia-Pacific	3 385	20 667	24 051	1 710	10 659	12 369
Americas	1 430	13 295	14 724	439	20 669	21 109
<b>Total</b>	<b>6 364</b>	<b>44 623</b>	<b>50 987</b>	<b>3 629</b>	<b>36 989</b>	<b>40 618</b>

(a) Equivalent to mode 1 (cross border). Refer to the Explanatory Notes for further details.

(b) Equivalent to mode 3 (commercial presence). Refer to the Explanatory Notes for further details.

(c) Equivalent to the sum of mode 1 (cross border) + mode 2 (consumption abroad) + mode 4 (presence of natural persons). Refer to the Explanatory Notes for further details.

(d) Includes Africa. Refer to the Explanatory Notes for further details.

## REGION OF TRADING PARTNER

	<i>Europe(a)</i>	<i>Asia-Pacific(b)</i>	<i>Americas</i>	<i>Total</i>
<i>Region of foreign affiliate</i>	\$m	\$m	\$m	\$m
EXPONENTS				
Europe(a)	1 826	555	162	2 544
Asia-Pacific	759	3 266	248	4 272
Americas	3 125	2 839	1 097	7 061
<b>Total</b>	<b>5 710</b>	<b>6 659</b>	<b>1 507</b>	<b>13 876</b>
IMPORTS				
Europe(a)	413	1 028	1 587	3 029
Asia-Pacific	1 283	2 778	1 034	5 095
Americas	212	1 020	637	1 869
<b>Total</b>	<b>1 909</b>	<b>4 826</b>	<b>3 258</b>	<b>9 993</b>

(a) Includes Africa. Refer to the Explanatory Notes for further details.

(b) Includes Australia.

# 11

## GOODS TRANSACTIONS BY FOREIGN AFFILIATES, by type of good—2002–03

Type of good (division of SITC)	Total sales of goods	Total purchases of goods
	\$m	\$m
Food and live animals	6 453	4 950
Beverages and tobacco	4 275	1 242
Crude materials, inedible, except fuels	12 720	161
Mineral fuels, lubricants and related materials	3 010	515
Chemicals and related products, n.e.s.	10 970	7 035
Manufactured goods classified chiefly by material	12 944	11 858
Machinery and transport equipment	7 029	5 397
Miscellaneous manufactured articles	17 055	18 608
Other(a)	2 584	1 221
<b>Total</b>	<b>77 039</b>	<b>50 987</b>

(a) Includes: Animal and vegetable oils, fats and waxes; and Commodities and transactions n.e.c..

# 12

## SERVICES TRANSACTIONS BY FOREIGN AFFILIATES, by type of service—2002–03

Service type	Total sales of services	Total purchases of services
	\$m	\$m
Transportation services	760	111
Travel services	np	2
Communication services	np	4
Financial and insurance services	25 398	7 680
Computer and information services	796	135
Royalties and license fees	105	12
Merchandising and other trade-related services	92	np
Operational leasing services	151	np
Legal, accounting, management consulting and public relations services	1 877	927
Advertising, market research and public opinion polling services	282	137
Architectural engineering and other technical services	1 119	149
Agricultural, mining and onsite processing services	664	67
Services between affiliated enterprises n.i.e.	np	7
Other business services	1 641	7 001
Other(a)(b)	32 398	24 386
<b>Total</b>	<b>65 282</b>	<b>40 618</b>

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes: Other travel services; Construction services; Research and development services; Audio-visual and related services; and Other personal, cultural and recreational services.

(b) Includes confidential data.

<i>Country of ultimate beneficial owner</i>	<i>Number of Australian enterprise groups</i>	<i>Number of foreign affiliates</i>	<i>Sales of goods and services</i>
	no.	no.	\$m
EUROPE (a)			
France	13	58	1 938
Germany	35	59	1 908
Netherlands	15	39	3 780
Switzerland	10	26	np
United Kingdom	36	91	758
Other(b) (c)	20	27	1 991
<b>Total</b>	<b>130</b>	<b>300</b>	<b>10 375</b>
ASIA-PACIFIC			
Australia	401	3 450	126 073
Japan	31	40	931
Other(d)	10	102	2 707
<b>Total</b>	<b>442</b>	<b>3 592</b>	<b>129 711</b>
AMERICAS			
Canada	4	11	np
United States of America	62	105	1 682
Other(e) (c)	3	4	553
<b>Total</b>	<b>69</b>	<b>120</b>	<b>2 235</b>
TOTAL			
<b>Total</b>	<b>641</b>	<b>4 012</b>	<b>142 321</b>

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes Africa. Refer to the Explanatory Notes for further details.

(b) Includes: Austria; Belgium, Denmark, Finland, Ireland, Italy, Norway, South Africa, Sweden and Europe unspecified.

(c) Includes confidential data.

(d) Includes: China, People's Republic of; Hong Kong (SAR of China); Malaysia; New Zealand; and Singapore.

(e) Includes: Bermuda and Cayman Islands.

## EXPLANATORY NOTES

### SCOPE AND COVERAGE

**1** The aim of SOFAT was to measure the economic activity of foreign affiliates of Australian resident enterprises. For the purpose of foreign affiliates trade statistics, foreign affiliates refers to enterprises that are majority owned by the Australian resident enterprise group (more than 50% of the ordinary shares or voting stock). This includes offshore subsidiaries, branches and majority-owned foreign joint ventures.

**2** The scope of the survey was foreign affiliates that traded in goods and/or services. The reporting unit was the Australian parent enterprise in the Australian enterprise group on behalf of all their foreign affiliates that traded in goods and/or services.

**3** The SOFAT survey frame was obtained by combining the survey frames from two related ABS surveys: the Survey of International Investment and the Survey of International Trade in Services, supplemented by additional units that were considered to be in scope.

### REFERENCE PERIOD

**4** Reporting units were asked to report for their most recent financial year for which financial accounts were available. The nominal reference period was the 2002-03 financial year, as the reference period for most respondents was 1 July 2002 to 30 June 2003. No adjustment was made for estimates to account for differing financial year reference periods; however, a pro-rata adjustment was made for non-twelve month periods where applicable.

### CLASSIFICATIONS INDUSTRY

**5** This publication presents industry statistics classified according to the *Australian and New Zealand Standard Industrial Classification* (ANZSIC), 1993, (cat. no. 1292.0). Each business unit was classified to an industry division based on the primary activity of the business unit, irrespective of any secondary activity. Industry data should be considered as indicative only and should be treated with caution. The industry of the Australian enterprise group was sourced from the ABS Business Register (ABSBR). On the ABSBR, the industry allocated to the enterprise group is the industry in which the enterprise group has most employees. On the other hand, the industry of the foreign affiliate was classified according to the activity from which the foreign affiliate derived its main income. This classification anomaly should be considered when interpreting these data.

### GEOGRAPHIC REGION

**6** Geographic regions have been aligned with the following *Standard Australian Classification of Countries* (SACC), (cat. no. 1269.0) groupings:

#### GEOGRAPHIC REGION

<i>SOFAT region</i>		<i>SACC Grouping</i>
Europe	2 3 4 9	North - West Europe Southern and Eastern Europe North Africa and Middle East Sub Saharan Africa
Asia-Pacific	1 5 6 7	Oceania and Antarctica South - East Asia North - East Asia Southern and Central Asia
Americas	8	Americas

**7** Africa was included with Europe due to the small number of foreign affiliates of Australian enterprise groups operating in Africa. If Africa had been included as a stand alone geographic region, then all data would have been suppressed due to the ABS confidentiality policy which does not permit the ABS to publish any data which allow the

## EXPLANATORY NOTES *continued*

- GEOGRAPHIC REGION** *continued* identification of any reporting unit. Also, many corporations included Africa with Europe in their geographical segment reporting (see subsequent text on segment reporting).
- 8** In some instances where company annual reports and financial statements have been used for data modelling, information on countries included in regions for geographic segment reporting could not be identified. The impact on estimates resulting from this missing information is considered marginal.
- GOODS** **9** Commodities were classified according to the *United Nations' Standard International Trade Classification* (SITC Rev3). This classification is used in international trade statistics and is the underlying scheme used in balance of payments publications. Each commodity was classified to a SITC division (2-digit level).
- SERVICES** **10** The services classification used in SOFAT was that used in Australia's balance of payments and follows the *Balance of Payments Manual* (Fifth Edition, IMF, Washington D.C. 1993) and the more extensive OECD-Eurostat Classification. Further information on services classifications is available in *Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods, 1998* (cat. no. 5331.0).
- MODE OF SUPPLY** **11** Mode of supply describes how services may be traded internationally and considers the location of both the supplier and consumer of the traded service. Under the General Agreement on Trade in Services (GATS), the four modes of supply form the basis on which World Trade Organisation (WTO) member countries' agreements for trade in services are negotiated.
- 12** The four modes of supply of services are:
- Cross border supply (mode 1) occurs when a service is delivered from a supplier abroad to a consumer in their country of residence without either supplier or consumer moving into the country of the other. When viewed from the country of operation of the foreign affiliate, cross border provision of services refers to those services provided to another country without either supplier or consumer moving into the country of the other (e.g. provision of computing or architectural services by the foreign affiliate to another country by phone or internet).
  - Consumption abroad (mode 2) occurs when a consumer resident in a country moves to another country to obtain a service. When viewed from the country of operation of the foreign affiliate, consumption abroad occurs when a consumer from another country visits the country of operation of the foreign affiliate to obtain a service from the foreign affiliate (e.g. training or educational courses) or equipment operated by the consumer is repaired in the country of operation of the foreign affiliate (e.g. repairs to aircraft or ships).
  - Commercial presence (mode 3) occurs when a commercial presence abroad is established (i.e. subsidiary, branch or joint venture) to supply services to the consumer in their country of residence. This includes cases such as an unincorporated site office carrying out a short-term construction project (construction services). When viewed from the country of operation of the foreign affiliate, domestic provision of services refers to those services provided by the foreign affiliate to residents within that country.
  - Presence of natural persons (mode 4) occurs when an individual moves to the country of the consumer in order to provide a service without becoming a resident of that country. When viewed from the country of operation of the foreign affiliate, a representative of an enterprise from another country is sent temporarily to the country of operation of the foreign affiliate to provide a service to the foreign affiliate (e.g. an intra-company temporary transfer from another country); or a self-employed individual travels to the country of operation of the foreign affiliate to provide a service to the foreign affiliate (e.g. private consultant); or an expatriate provides a service to the foreign affiliate.

## EXPLANATORY NOTES *continued*

### *MODE OF SUPPLY continued*

**13** While services data collected for SOFAT were classified by mode of supply, modes 2 and 4 were insignificant in value terms. Consequently, modes 2 and 4 were combined with mode 1 and classified as exports/imports.

**14** Mode of supply has been developed to be applied to trade in services only. For the purposes of SOFAT however, mode of supply was also used to classify trade in goods. Sales and purchases of goods by foreign affiliates in their host economy were classified as commercial presence (mode 3), while the export and import of goods by foreign affiliates were classified as cross border supply (mode 1). Modes 2 and 4 are not applicable to goods transactions.

### TREATMENT FOR NON-RESPONSE OR PARTIAL RESPONSE IMPUTATION

**15** To account for non-response, a sample of 100 reporting units was randomly selected from the non-responding portion of the population and intensively followed up to determine an in-scope rate. An implicit imputation strategy was used, such that, based on the responses of in-scope reporting units in this sample, the initial responding portion of the population was weighted up to reflect the contribution of the non-responding population. Reporting units that required a partial imputation for a particular variable received an overall trimmed mean for that variable, obtained by using the lower 90 percent (in value terms) of responses for that variable from the responding population.

**16** There were a small number of non-responding or partially responding in-scope reporting units that were excluded from this imputation process because they were deemed to be significant in terms of their overall contribution to the estimates. The primary reason for non-response or partial response for these key reporting units was that their established internal statutory and management reporting did not include some of the detail requested in the SOFAT survey form. To complete the form they would have needed to obtain the detail from their foreign affiliates directly and the reporting units indicated that at best this would be very onerous (the logistics of requesting and consolidating the data from foreign affiliates where, for example, they may have hundreds of foreign affiliates) and at worst highly improbable (although the reporting unit is the parent enterprise, many foreign affiliates operate autonomously and only report very high level key data to the Australian parent).

**17** Consequently, these reporting units were researched on a case by case basis and subsequent modelled estimates were based on information contained in their annual reports, financial statements or their own or related websites. These reporting units were sent a copy of the modelled estimates and asked to comment on the validity and reasonableness of the modelled estimates and to provide corrections to the estimates where they did not reflect their activity.

### NUMBER OF FOREIGN AFFILIATES ESTIMATES

**18** For non-responding reporting units, information on the country of operation, principal activity and number of foreign affiliates was sourced from information contained in their annual reports, financial statements or their own or related websites. Foreign affiliates that were explicitly dormant or did not have trade activity were excluded, while those foreign affiliates whose trade activity status was indeterminate were included in the estimates. Consequently, the number of foreign affiliates may be over-estimated.

### EMPLOYMENT ESTIMATES

**19** Employment data for both the Australian enterprise group and foreign affiliates at industry level are indicative and should be treated with some caution. Employment for the Australian enterprise group was sourced from the ABSBR. Details on many businesses on the register are sourced from Australian Taxation Office (ATO) administrative data. These businesses are listed individually on the register, therefore enterprise groups, i.e. the Australian parent company and its Australian subsidiaries and



## EXPLANATORY NOTES *continued*

### EMPLOYMENT ESTIMATES *continued*

branches, are not consolidated. Consequently, enterprise group employment may be understated.

**20** A number of reporting units were able to supply employment data for foreign affiliates at an aggregate level only. In these cases, employment estimates at industry and country levels were modelled. This modelling, in most cases, was a simple pro-ration based on the number of foreign affiliates with the same principal activity operating in a particular country.

### WAGES AND SALARIES ESTIMATES

**21** Where an aggregate value for wages and salaries could not be sourced from information contained in their annual reports, financial statements or their own or related websites, an annual estimate per employee was used. This estimate varied according to the country of operation of the foreign affiliate, with separate estimates for Western European countries and North America, developing European countries, Asia and Central and Latin America.

### SALES ESTIMATES

**22** Sales data were sourced from segment reporting notes contained in the accompanying notes to the financial statements. Statutory reporting requires corporations to provide information about business and geographical segments to be reported in their financial statements (AASB 1005). This standard allows geographical segments to be based on either: (a) the location of an entity's production or service facilities and other assets; or (b) the location of its markets and customers. For some reporting units it was difficult to distinguish between (a) and (b). In these cases, sales revenue was attributed to sales by foreign affiliates domiciled in these geographic segments. Consequently, estimates for revenue from sales of goods and services by foreign affiliates may differ from the true value.

**23** Sales were deemed to be in the host country of the foreign affiliate (i.e. domestic sales) if there was no supporting information to say otherwise. Inter-company sales, on the other hand, were usually treated as exports with a corresponding offset recorded against the purchasing country (import). If the export was to Australia, then no offset was recorded.

### PURCHASES ESTIMATES

**24** Purchases estimates were generally based on expenses data included in financial statements and their accompanying notes. For those reporting units where purchases could not adequately be estimated from expenses data, an aggregate purchases value was derived from aggregate sales and profit (loss) data. This aggregate purchases value was then pro-rated to exclude Australia and then subsequently pro-rated to each industry at country level for foreign affiliates.

### ABS CONFIDENTIALITY RESTRICTIONS

**25** The ABS is not permitted to publish any data which allows the identification of any reporting unit. For this reason, it was necessary to collapse certain industry divisions into a residual industry category (other) in the published tables.

**26** Data presented in this publication should be considered final. The extent of data presented was impacted by confidentiality restrictions. Consequently, any further cross-classifications or disaggregation of data will not be possible.

### FUTURE STUDIES

**27** An evaluation of all aspects of the survey design and survey results will commence later this year. Lessons learned from this initial survey will feed into future iterations of SOFAT. It is anticipated the survey will be conducted every 4 years.

### OTHER RELATED PUBLICATIONS

**28** Users may also wish to refer to the following publications which are available from ABS Bookshops and on the ABS website:

- *Globalisation and Foreign Investment* special article in *Australian Mining Industry, 1998-99* (cat. no. 8414.0)

## EXPLANATORY NOTES *continued*

### OTHER RELATED PUBLICATIONS *continued*

- *Economic Activity of Foreign-Owned Businesses in Australia, 2000-01* (cat. no. 5494.0)
- *Ownership Characteristics of Businesses Undertaking Capital Expenditure in Australia, 1998-99*, published in *Australian Economic Indicators, July 2001* (cat. no. 1350.0)
- *Foreign Ownership Characteristics of Information Technology Businesses*, published in *Australian Economic Indicators, March 2002* and *March 2003* (cat. no. 1350.0)
- *Foreign Ownership Characteristics of Businesses Undertaking Research and Development Activity in Australia*, published in *Australian Economic Indicators, August 2002* (cat. no. 1350.0)
- *Foreign Ownership Characteristics of Importers and Exporters, Australia, 2002-03* (cat. no. 5496.0.55.001)
- *Australian Outward Foreign Affiliates Trade, 2002-03, Experimental Results*, published in *International Trade in Goods and Services, Australia, May 2004* (cat. no. 5368.0)
- *Balance of Payments and International Investment Position, Australia* (cat. no. 5302.0) – issued quarterly
- *International Trade in Goods and Services, Australia*, (cat. no. 5368.0) – issued monthly
- *Manual on Economic Globalisation Indicators*, OECD, Paris, draft in progress, scheduled for publication in 2004
- *Manual on Statistics of International Trade in Services*, UN/OECD/IMF/UNCTAD/WTO, 2002

### FURTHER INFORMATION

**29** For further information about this publication, please contact Glenn L'Huillier on Canberra 02 6252 6924 or email <[glenn.lhuillier@abs.gov.au](mailto:glenn.lhuillier@abs.gov.au)>.



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- DIAL-A-STATISTIC* For the latest figures for National Accounts, Balance of Payments, Labour Force, Average Weekly Earnings, Estimated Resident Population and the Consumer Price Index call 1900 986 400 (call cost 77c per minute).

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