
Aged Care in Australia: A Strategic Reference, 2003



Edited by

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1 INTRODUCTION & METHODOLOGY

1.1 WHAT DOES THIS REPORT COVER?

The primary audience for this report is managers involved with the highest levels of the strategic planning process and consultants who help their clients with this task. The user will not only benefit from the hundreds of hours that went into the methodology and its application, but also from its alternative perspective on strategic planning relating to aged care in Australia.

As the editor of this report, I am drawing on a methodology developed at INSEAD, an international business school (www.insead.edu). For any given industry or sector, including aged care, the methodology decomposes a country's strategic potential along four key dimensions: (1) latent demand, (2) micro-accessibility, (3) proxy operating pro-forma financials, and (4) macro-accessibility. A country may have very high latent demand, yet have low accessibility, making it a less attractive market than many smaller potential countries having higher levels of accessibility.

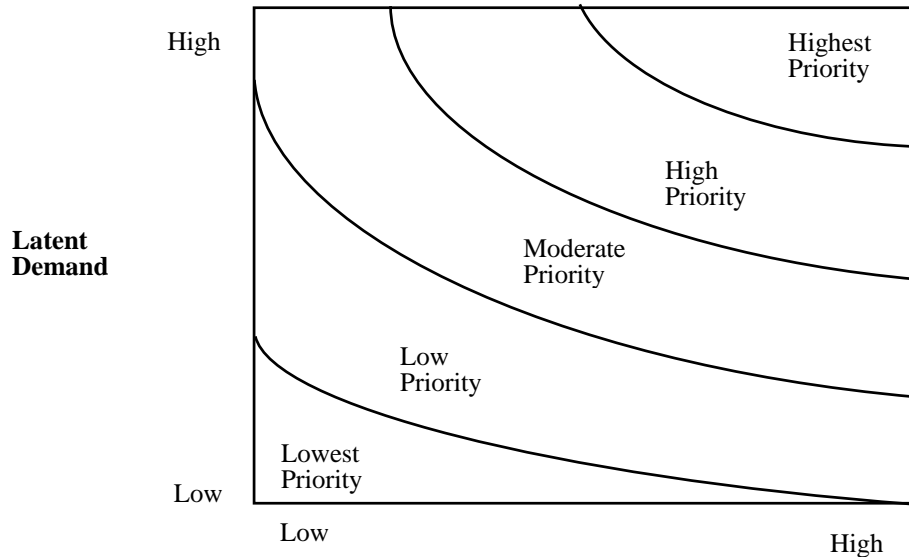
With this perspective, this report provides both a micro and a macro strategic profile of aged care in Australia. It does so by compiling published information that directly relates to latent demand and accessibility, either at the micro or macro level. The reader new to Australia can quickly understand where Australia fits into a firm's strategic perspective. In Chapter 2, the report investigates latent demand and micro-accessibility for aged care in Australia. In Chapters 3 and 4, the report covers proxy operating pro-forma financials and macro-accessibility in Australia. Macro-accessibility is a general evaluation of investment and business conditions in Australia.

1.2 HOW TO STRATEGICALLY EVALUATE AUSTRALIA

Perhaps the most efficient way of evaluating Australia is to consider key dimensions which themselves are composites of multiple factors. Composite portfolio approaches have long been used by strategic planners. The biggest challenge in this approach is to choose the appropriate factors that are the most relevant to international planning. The two measures of greatest relevance to aged care are "latent demand" and "market accessibility". The figure below summarizes the key dimensions and recommendations of such an approach. Using these two composites, one can prioritize all countries of the world. Countries of high latent demand and high relative accessibility (e.g. easier entry for one firm compared to other firms) are given highest priority. The figure below shows two different scenarios. Accessibility is defined as a firm's ease of entering or supplying from or to a market (the "supply side"), and latent demand is an indicator of the potential in serving from or to the market (the "demand side").

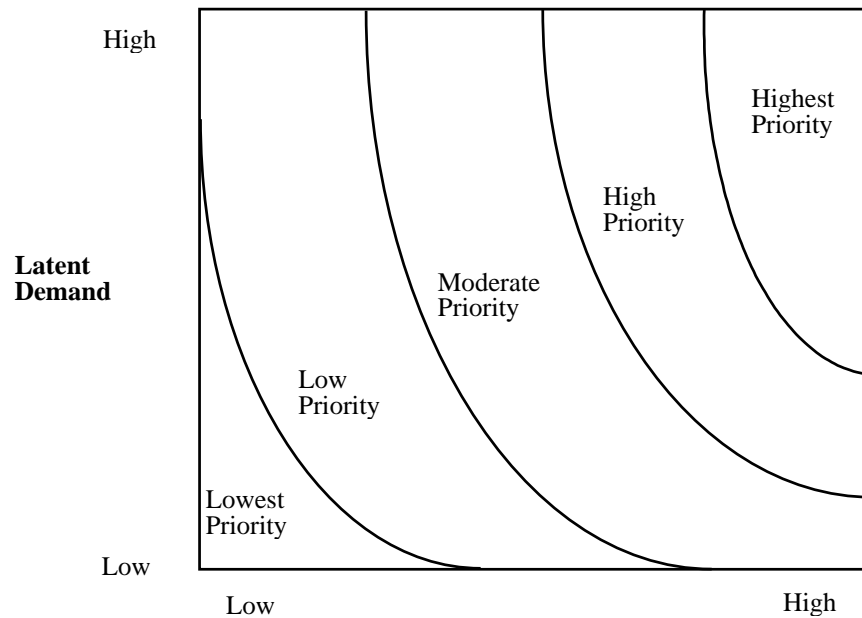
Framework for Prioritizing Countries

Demand/Market Potential Driven Firm



Relative Accessibility

Accessibility/Supply Averse Firm



Relative Accessibility

In the top figure, the firm is driven by market potential, whereas the bottom figure represents a firm that is driven by costs or by an aversion to difficult markets. This report treats the reader as coming from a “generic firm” approaching the global market – neither a market-driven nor a cost-driven company. Planners must therefore augment this report with their own company-specific factors that might change the priorities (e.g. a Canadian firm may have higher accessibility in Canada than a German firm).

1.3 LATENT DEMAND AND ACCESSIBILITY IN AUSTRALIA

This report provides a detailed overview of factors driving latent demand and accessibility for aged care in Australia. Latent demand is largely driven by economic fundamentals specific to aged care. This topic is discussed in Chapter 2 using work carried out in Australia on behalf of American firms and authored by the United States government (typically commercial attachés or similar persons in local offices of the U.S. Department of State). I have included a number of edits to clarify the information provided. Latent demand only represents half of the picture. Chapter 2 also deals with micro-accessibility for aged care in Australia. I use the term “micro” since the discussion is focused specifically on aged care.

Chapter 3 is also a stand-alone report that I have authored. It covers proxy pro-forma financial indicators of firms operating in Australia. I use the word “proxy” because the provided figures only cover a “what if” scenario, based on actual operating results for firms in Australia. The numbers are only indicative of an average firm whose primary activity is in Australia. It covers a vertical analysis of the maximum likelihood balance sheet, income statement, and financial ratios of firms operating in Australia. It does so for a particular Standard Industrial Classification (SIC) code. That code covers “skilled nursing care facilities”, as defined in Chapter 3. Again, while “skilled nursing care facilities” does not exactly equate to “aged care”, it nevertheless gives an indicator of how Australia compares to other countries for a proxy adjacent category along various dimensions.

Chapter 4 deals with macro-accessibility and covers factors that go beyond aged care. A country may at first sight appear to be attractive due to a high latent demand, but it is often less attractive when one considers at the macro level how easy it might be to serve that entire potential and/or general business risks. While accessibility will always vary from one company to another for a given country, the following domains are typically considered when evaluating macro-accessibility in Australia:

- Openness to Trade in Australia
- Openness to Direct Investment in Australia
- Local Marketing and Entry Strategy Alternatives
- Local Human Resources
- Local Risks

Across these domains, a number of not-so-obvious factors can affect accessibility and risk. These are covered in the Chapter 4, which is a general overview of investment and business conditions in Australia. Chapter 4 is also presented from the perspective of an American firm, though is equally applicable to most firms entering Australia. This chapter is also authored by local offices of the U.S. government, as is Chapter 2. Likewise, I have included a number of edits to clarify the provided information as it relates to the general strategic framework mentioned earlier.

2 AGED CARE IN AUSTRALIA

Australia's health and aged care sector is addressing the aging of the Australian population. Most Australians prefer to remain in their own homes as they grow older. The desire to remain living at home has been reflected in the shift in the balance of care and the amount of funding being provided to residential and community care. As the wealth of older Australians increases, there will be increased demand for a greater range of products and services related to health and aged care, and an increasing ability to make a contribution towards these costs, either directly or through private health insurance.

The exchange rate used in this report is USD1.00 = AUD1.69

2.1 LATENT DEMAND AND ACCESSIBILITY: BACKGROUND

Australia has a population of 19 million, with 13 percent of the population (or 2.4 million people) aged 65 years and over. (In this report, the term "older people", is used to refer to people aged 65 and over.)

In Australia:

- Almost 33 percent of all older people are aged between 65 and 69 years.
- Almost 25 percent of all older people are aged 80 years and over.
- 56 percent of older people are women, with women predominant in the higher age brackets (65 percent of those aged 80 and over are female).
- 92 percent of older Australians live in private dwellings and the rest live in nursing homes and aged care hostels. Of those living in private dwellings, 86 percent were living with families, while 10 percent lived alone.

Australia's health and aged care sector is addressing the aging of the Australian population. Most Australians prefer to remain in their own homes as they grow older. The desire to remain living at home has been reflected in the shift in the balance of care and the amount of funding being provided to residential and community care.

As the wealth of older Australians increases, there will be increased demand for a greater range of products and services related to health and aged care, and an increasing ability to make a contribution towards these costs, either directly or through private health insurance.

Most older Australians are neither frail nor in need of long-term care. Approximately 20 percent of people aged 70 years and over use Government-funded care services; approximately eight percent live in nursing homes and hostels; and approximately 12 percent receive community care services.

2.2 LATENT DEMAND: ASPECTS OF INTEREST

2.2.1 Market Profile

The demands of a sophisticated market have led to the development of considerable expertise in all aspects of health care in Australia. A wide range of products and services are available, including those that stem from advanced technologies. An emphasis on research has been vital to the growth of the health industry in Australia, resulting in many benefits to patients through innovative developments in treatment and products.

Australia has a worldwide reputation for excellence in patient care, and is at the leading edge of treatment in a number of areas including cardiac, plastic and reconstructive surgery, liver transplantation, cancer and rehabilitation. The standard of general surgery throughout the country is high, and an increasing number of patients, the majority from the Asia-Pacific region, are traveling to Australia to utilize the country's advanced health care services.

The Australian medical approach is based on the formulation of an individualized program for each patient. The distribution of the Australian population across a vast continent has led to the development of special skills in airborne critical care. The Australian Flying Doctor Service was the first of its kind in the world, and has many years of experience in providing medical services to remote areas and evacuation to hospitals in more populated areas of Australia.

Australia, like many other countries, is experiencing an aging of the population that will continue over several decades. According to the Federal Minister for Aging, Kevin Andrews, Australia is on the threshold of one of the most major demographic shifts in its history. The number of people in Australia aged over 65 is likely to swell from 2.4 million to 4.2 million in the next 20 years. The proportion of the population aged over 65 will increase from 12 percent in 2001, to approximately 18 percent in 2021.

Australians enjoy one of the highest life expectancies in the world - 81.9 years for females and 76.5 years for males. Over the past century, Australians have gained an extra 20 years of life, as the average life expectancy increased dramatically from around 55 for people born in 1901 to over 75 years for people born today.

A significant proportion of Australians are now aged 75 or older. As the growth in the older population outpaces the increase in the younger age brackets, an overall aging of the Australian population is projected to occur. The increased longevity of the Australian population is the result of improved living conditions and healthier lifestyles, as well as significant medical advances. Australia is recognized as one of the healthiest countries in the world, ranked second internationally in terms of life expectancy and disability-free years by the World Health Organization.

In 1991, 11 percent of the population was aged 65 and over (2.0 million) and this is projected to increase to 18 percent (4.2 million) by 2021. Along with the increase in absolute numbers and as a proportion of the total population, the older population is also changing in its internal age structure. In 1991, the proportion of older people who were aged 85 and over was 8 percent; in 2001, it was 11 percent. Between 1991-2001, the 85-and-over population increased more rapidly than any other group.

Women comprise almost 70 percent of people aged 85 years or more. The majority of older people in Australia live independently of any government support.

International Comparison of the Average Annual Growth Rate of the Population Aged 65 and Over

COUNTRY	2000-2020
Mexico	5.6
Korea	5.1
Turkey	4.1
Canada	3.4
Australia	3.2
New Zealand	2.9
U.S.	2.6
Japan	2.5
OECD Average	2.2
Norway	1.8
Sweden	1.8
U.K.	1.3

Source: *Older Australia at a Glance*, Australian Institute of Health and Welfare, 2002.

While life expectancy has been rising, fertility rates have been falling. Since the end of the baby boom in 1965, Australia's fertility rates have declined considerably and are expected to remain at low levels over a long period. The fertility rate in 1998 was 1.76 births per woman, the lowest rate on record for Australia.

The median age of Australia's population is projected to increase from 34.6 years in 1998 to 40.4 years in 2021 and 43.5 years in 2041. As a result of the combination of sustained low fertility rates and increasing longevity due to declining mortality rates, Australia's population is aging, which has important implications for Australia's health and welfare systems.

Caring for Older People

The Australian aged-care system provides a cohesive framework of community, residential and family care that makes available high-quality and cost-effective services appropriate to assessed need. It involves unique partnerships between government, private and non-profit enterprises, and between medical, health and welfare services.

2.2.2 Health and Long-Term Care Services in Australia

Medical Care

Institutional:

- Hospital Services

-
-
- Acute/General
 - Sub-Acute
 - Psychiatric
 - Day Surgery
 - Home Health
 - Outpatients (Hospital)
 - General Practitioner Visits
 - Community Nurse
 - Allied Health e.g. Occupational Therapy, Physiotherapy

Home Health:

- Outpatients (Hospital)
- General Practitioner Visits
- Community Nurse
- Allied Health e.g. Occupational Therapy, Physiotherapy

Sources of Funding:

- National Health Insurance (Medicare) Contributions
- Commonwealth Government
- Consumer Co-Payments
- Private Insurance

Long-Term Care

Institutional:

- Residential Aged Care
 - High Level
 - Low Level

Home Care:

- Extended aged care in the home
- Community aged care packages
- Community options/linkages

Sources of Funding:

- Commonwealth Government Aged and Community Care Program
- State and Local Government Aged and Community Care Contributions
- Resident Fees

Community Care

Institutional:

- Residential Aged Care
- Respite

Home Care:

- Food Services
- Home Care and Maintenance
- Linen and Laundry
- Shopping and Transport
- Respite Care
- Nursing Services
- Carer Support
- Aids for Disability Support
- Home Modifications

Sources of Funding:

- 60% Commonwealth Government
- 40% State and Local Governments
- Some Co-Payments (User Fees)

Source: A Comparison of Aged Care in Australia and Japan, Commonwealth of Australia 2001

2.2.3 The National Strategy for an Aging Australia

The Federal Government has developed a National Strategy for an Aging Australia to provide the framework in which Australia can move forward and address the aging issues that affect current and future older Australians. The Strategy focuses on:

- Independence and self provision;
- Attitude, lifestyle and community support;
- Healthy aging; and
- World-class health and aged care.

The Strategy is also based on the principles below that:

- The aging of the Australian population is a significant common element to be addressed by governments, business and the community;
- All Australians, regardless of age, should have access to appropriate employment, training, education, housing, transport, cultural and recreational opportunities;

- Older Australians should have access to care services that are appropriate to their diverse needs;
- Both public and private contributions are required to meet the needs and aspirations of older Australians; and
- A strong evidence base should assist the policy responses to population aging.

The Federal Government has stated that positive and informed attitudes to and by older Australians are fundamental to a successful aging nation. Artificial and real barriers to older people's participation in economic and social life need to be removed. This will require a different attitude about new social infrastructure such as housing design, location and availability, transport services, communications technology, which is "age friendly" for all members of Australian society.

2.2.4 Living Arrangements

Older people live in a variety of arrangements, mostly in private dwellings. Only eight percent of older people are estimated to live in non-private dwellings including retirement homes and residential aged care services. This follows a trend away from institutional care and towards community care. Older Australians tend to prefer to "age in place" rather than move. This is recognized in government policy. One of the specified objectives of the 1997 Commonwealth Government's *Aged Care Act* was the promotion of desirable living arrangements through "aging in place". This policy aims to link care and support services to the places where older people prefer to live, rather than disrupt their lives by moving them.

The majority of older people with a core activity restriction (that is, people who sometimes or always need assistance with activities of self-care, mobility and communication) lived in a private dwelling. Fifty-five percent of these older people lived with other people. The proportion living in cared accommodation, such as aged care homes and hospitals, increases if the disability results in a severe or profound core activity restriction, reflecting the high level of need for assistance.

2.2.5 Pensions

The Australian Government provides benefits to maintain the living standards of people as they move through their older years, including the Age Pension. The Age Pension targets those in financial need and is based on both income and assets.

The Government also provides support for the informal care of older people and informal care by older people through the Carer Payment and the Carer Allowance. The Carer Payment is an income-support benefit payable to people, regardless of their age, who are unable to engage in a substantial level of paid work because of their caring responsibilities. The Carer Payment is income- and assets-based. The Carer Allowance is paid to people caring for a person, in his or her own home, who requires extensive care due to a disability or severe medical condition. The Carer Allowance is US\$51 per fortnight and is not means tested.

2.2.6 Health Care System

The Australian health care system is designed to ensure universal access to an adequate health care at an affordable or no cost. It also seeks to provide choices through private sector involvement. The system is complex, comprising many types and providers of services and a range of funding and regulatory mechanisms.

The Australian health care system is a blend of public and private sector involvement. Health and aged care are shared responsibilities and both public and private sectors fund and provide health care, and all levels of government are involved. Private medical practitioners provide primary and specialist care in the community, and a mixed public (state-controlled) and private hospital system provides comprehensive acute services. This mix of responsibilities ensures access and choice for consumers and sustainability of the national health and aged care system.

The Australian Federal Government has taken a leadership role in national policy issues, with the states and territories responsible for the delivery and management of health services. In 2000-01, 47 percent of all health funding was provided by the Federal Government (US\$17 billion). The remainder was from state and territory local governments (US\$8 billion), and non-government sources such as health insurance providers and individuals (US\$10 billion)

Federal Government funding includes two universal national subsidy schemes:

- Medicare (partly funded by a 1.5 percent levy on taxable income), which subsidizes payment for private medical services; and
- The Pharmaceutical Benefits Scheme, which subsidizes a high proportion of private prescription medications.

In addition to these direct subsidies of health care, the Federal Government subsidizes private health insurance through a 30-percent rebate on premiums. The Federal Government and state and territory Governments also jointly fund universal public hospital services.

Many patients' first contact with the health care system is through a general medical practitioner (GP), which is covered at least in part by Medicare, depending on billing arrangements. Patients needing specialized care can be referred to medical specialist or other health service providers. Other costs, such as visits to the dentist, are generally paid by patients themselves, sometimes with the support of private health insurance.

Patients can access public hospitals through emergency departments, or after referral from a medical practitioner. Unless they choose private treatment, patients in public hospitals are not charged for their treatment, food or accommodation. Emergency department and outpatients services are free.

In addition, local governments provide public health services, community health services, and ambulance services. Public health services include activities to ensure food quality, immunization services, and other communicable disease control, public health education campaigns, environmental monitoring and control, and screening programs for diseases such as breast cancer.

Community health services include domiciliary nursing, general medical practitioners, dental services, community-based mental health care, community-based drug and alcohol treatment, and a range of related health services (for example, physiotherapy).

Public hospitals are administered by state and territory governments, but funded jointly by federal and state and territory governments. Private hospitals, which handle approximately 31 percent of hospital patients, are not funded directly by any level of government. Patients are either insured by private health insurance or make independent out-of-pocket payments or other insurance arrangements.

2.2.7 Australia's Aged and Community Care System

The Federal Government's subsidized aged and community care system focuses on assisting people to remain living in the community and recognizes the role of the family and other informal care arrangements. The two main forms of care are residential care (at both a high level and a low level of care) and community care.

Residential aged care is financed and regulated by the Federal Government and provided primarily by the non-government sector through both religious/charitable and private sector providers. The state governments, with funding from the Federal Government, operate a small number of aged care homes.

The Federal and State/Territory Governments fund and administer the Home and Community Care (HACC) Program which provide a range of home-based services for older people. Local governments are significant providers of HACC services in some states. The Federal Government also funds community care directly through such programs as Community Aged Care Packages and Extended Aged Care at Home.

Community Aged Care Packages are a key element in ensuring that at-home stays rather than residential aged care is a real option for those older Australians who choose to do so. Community Aged Care Packages provide support and personal care to people with more complex personal care needs in a person's own home. These packages offer an integrated package of services for frail older people, providing among other things, home help, laundry, shopping, and assistance with meals and bathing.

The Extended Aged Care at Home Program offers alternatives to residential care which reduce institutionalization of older people and responds to the wishes of those preferring to remain in their own homes. The packages may include personal care, specialist nursing care and 24-hour emergency assistance, support for people with cognitive weaknesses, and assistance with meals, home help and maintenance.

A challenge for the industry in the future is meeting the significant growth in the number of people that need aged care. According to an industry source, the biggest challenge ahead is addressing two issues: 1) the residential component, and 2) the service and care component of an aging population.

2.2.8 Latent Demand: Leading Segments

As Australians age, the need for health care and products will increase. By some industry estimates, if GDP remains roughly the same and standards of treatment are maintained, health care expenditures, simply as a result of the aging of the population, will increase from 8.5 percent of GDP to about 10.5 percent within five years.

Australians are seeking longer, pain-free lives, and there is a real opportunity for U.S. companies that produce palliative products and engage in medical research into new systems and approaches to preventive and curative health.

Continence

Managing continence issues is increasingly important for nursing homes and aged-care facilities, not only due to tighter operating budgets, but because continence maintenance has an impact on accreditation assessments. Urinary incontinence imposes a considerable drain on Australian healthcare resources. The estimated annual cost of the problem is approximately US\$420 million and is projected to rise to US\$710 million by 2018. Contributing to the cost of urinary incontinence are the time nurses spend managing continence programs and changing pads and linen (an estimated two hours a day on average), and the cost of acquiring, storing and disposing of pads.

Best prospects exist for those U.S. companies engaged in "continence technology", which aims to alleviate these pressures on hospitals and nursing homes, and increase patient dignity. Key issues in continence technology include waste disposal costs, transport and storage costs, and the environmental impact of disposal.

Colds and Flu

Colds and flu are some of the most common problems facing the elderly. Disinfectants play an important role in preventing the spread of diarrhea and gastroenteritis as well as other communicable illnesses. Best prospects exist for those U.S. companies that can address the issues of the spread of these illnesses.

Daily Living Aids

As Australia's elderly population increases, so too, does the demand for aids and equipment for daily living. Industry sources suggest that one of the greatest fears among Australians about growing old is the loss of independence and the increasing importance placed on comfort and well being. A high proportion of aids and equipment for daily living is imported, mainly from the U.S., the U.K., Denmark, Sweden and Taiwan.

Due to the aging of the population and the consequent increase in the incidence of disability, there are good prospects for the sale of aids and equipment for daily living. For example, motorized scooters, electric lifting devices and products that provide relief, comfort and independence.

The main disabling conditions reported by older people with a profound, severe or moderate handicap were arthritis, other musculoskeletal conditions, circulatory diseases, nervous system diseases, respiratory diseases, psychiatric conditions, disorders of the eyes and ears, intellectual/mental disorders, and head injury/stroke. The most common long-term conditions reported were arthritis, vision and hearing problems, and hypertension.

Falls are a serious health problems for older Australians. One in three Australians aged over 65 years will fall at least once a year.

The Australian Government is committed to improving the health status of older Australians to include enhanced preventative care and early detection of problems. Other contributors to the improved health status of older Australians will include providing quality services where people live, and increasing take up of key new technologies such as joint replacements, cataract surgery, and aids to living.

Dental Health

Dental health problems in older residents is another challenge for aged care staff. Research conducted by the Australian Institute of Health and Welfare (AIHW) indicates that residents in aged care facilities have three times more untreated decay and less than half the number of filled teeth than their contemporaries living in the community. Quality dental care has allowed elderly people to keep their teeth for longer, but this has meant that more people of advanced years require dental treatment.

Often these problems are not picked up until they are in residential care. However, by that time, other factors make treatment difficult. Some physical conditions make it difficult for the elderly to travel to a dentist or even sit in a dental chair. Conditions such as Alzheimer's can also make it difficult to treat a patient.

Medications and the natural process of aging are responsible for a common oral health problem, xerostomia (dry mouth syndrome). This is a leading cause of dental caries in the elderly.

Excellent prospects exist for U.S. companies involved in oral care for the elderly, and dealing with particular problems such as accessing residents' mouths, for example, breaking muscle spasms so that teeth and dentures can be cleaned.

Podiatry

The aging of the Australian population appears to be driving strong growth in the supply of podiatry services. Australians aged 80 years and over are the most likely to consult a podiatrist (3,771 per 100,000 population in 1999), followed by those aged 65-79 years (2,539 per 100,000), with most clients being female (69 percent).

Since foot conditions often develop with age, and are also associated with diabetes, the need for podiatry services is expected to increase as the population ages. Good prospects exist for U.S. companies that are involved in supplying products in this area.

Wound Care

Despite all the advances in wound care treatment and products over the last few years, patients in aged care facilities are still suffering unnecessarily from pressure wounds, skin tears and leg ulcers. Pressure wounds are still a major concern in Australia as the number of pressure wounds is still very high, especially since these are preventable wounds. Approximately US\$300 million is spent on managing patients (all patients and not just elderly patients) with pressure wounds.

Currently, there are a number of surfaces available to lessen the pressure of the patient's body against the mattress. These range from simple air mattresses, through static air or water mattresses that mold around the body, to dynamic air loss beds, where air pockets inflate and deflate sequentially up and down the body.

2.2.9 Latent Demand: Target Buyers

Main Causes of Death

The main causes of death for both women and men aged 65 and over are diseases of the circulatory system, cancers, and diseases of the respiratory system. These causes account for over 75 percent of all deaths among people in this age group. More specifically, death among older people is caused by coronary heart disease, stroke, breast cancer, prostate cancer, and emphysema.

Experts believe that eighty percent of health problems associated with older age could be prevented or postponed primarily through lifestyle changes. In response to this, the Federal Government has instituted several initiatives specifically focusing on the prevention of illness and disability in older Australians including:

- The provision of free influenza vaccines to all Australians in the older age group;
- Funding of annual voluntary health assessment for older Australians;
- Incentives for General Practitioners to enhance their role in screening and preventative strategies;
- Funding for an independent Alcohol Education and Rehabilitation Foundation that will focus on preventing alcohol and illicit substance abuse; and
- Initiatives to support the safe use of medications.

Burden of Disease

Dementia is the leading cause of non-fatal disease burden, followed by adult-onset hearing loss and stroke. Vision disorders, osteoarthritis and coronary heart disease also cause considerable disability burden.

Dementia, in particular, is a major health problem among older people. Approximately, 6.4 percent of Australia's older population suffer from dementia. Almost two-thirds of older people with dementia are estimated to be 80 years or over.

Disability Levels

In 1998, 54 percent of older people had at least one disability lasting at least six months. Fifty-two percent of this group needed at least some help with the activities of self-care, mobility, communication, or health care. In 1998, 707,600 older people had a profound or severe core activity restriction. The most common condition was arthritis (23 percent), followed by other musculoskeletal conditions (13 percent), circulatory conditions other than stroke (10 percent), dementia and Alzheimer's disease (9 percent), diseases of the eye (6 percent), stroke (6 percent), and respiratory conditions (5 percent).

Need for Assistance with Particular Activities among Older People by Age, 1998 (In Percent)

Activity	65-69 yrs	70-79 yrs	80+ yrs	Total
Core activities				
Self-Care	5.2	9.9	31.4	13.3
Mobility	6.7	13.8	42.1	18.1
Communication	1.1	3.5	17.3	5.9
Other activities				
Health care	10.4	20.3	46.8	23.4
Transport	8.8	18.7	37.5	20.0
Paperwork	3.2	7.7	30.7	11.6
Housework	10.0	17.7	28.4	17.8
Property maintenance	19.4	28.3	36.8	27.6
Meal preparation	2.3	5.8	12.5	6.3
No. of persons	681,900	1,075,300	514,100	2,271,200

Source: *Older Australia at a Glance*, Australian Institute of Health and Welfare, 2002.

Need for Assistance

The Survey of Disability, Aging and Carers conducted by the Australian Bureau of Statistics in 1998 noted that 42 percent of the 2.1 million people aged 65 and over living in households expressed a need for some form of assistance to help them stay at home. Like the Australian Institute of Health and Welfare study above, the most common area of need reported was property maintenance, followed by transport and housework. Approximately 15 percent needed some assistance with personal care such as health care, mobility, self-care and communication. A higher proportion of women than men aged 65 and older required assistance of all types.

Providers of Assistance

Informal care networks of friends and family provide most of the assistance received by older people in the community. Among those receiving assistance, 83 percent received help from informal providers, 59 percent received help from formal providers (including government organizations as well as private for-profit and private not-for-profit agencies); and 43 percent obtained assistance from both informal and formal sources. The highest levels of help from informal providers were for personal care activities. Over 90 percent of those receiving assistance in self-care, mobility and communication were being helped by informal providers. The lowest proportions receiving assistance from informal providers were in the area of health care.

Hospital Use

The average length of hospitalization for older people has declined in recent years from 9.8 days in 1996-97 for stays excluding same day separations to 9.2 days. These changes are the result of both government policy changes and changes in the technologies used in medical procedures.

In addition, patient care provided in the community with support from a hospital is becoming more common. Sub-acute care services are increasingly being provided in settings other than acute hospitals. Rehabilitation in the home is one example of this. At present, a number of states and territories are undertaking trials of new step-down care arrangements. Step-down facilities offer short-term convalescent support for people making the transition from hospital to home.

Major Diagnoses and Procedures

In 2000-01, the principal procedures carried out on older people who visited a hospital most commonly fell into the categories of: procedures on the urinary system (16 percent of all separations of patients aged 65 and over), procedures on the digestive system (14 percent), and procedures on the eye (6 percent). The most common procedure on the urinary system was haemodialysis; the most common procedure on the digestive system was fiber-optic colonoscopy, and fiber-optic colonoscopy with excision; and the majority of procedures on the eye were for treatment of cataracts.

General Practitioner Services

In 1999-00, almost 105 million non-hospital GP services were provided to Australians. Approximately 24 percent of these were provided to older people. Given that people aged 65 and over represent 12 percent of the total population, older people are clearly using the services of non-hospital GPs more frequently than younger people. Most of the older people seeking GP services did so in relation to recurring problems. The most common problem for men and women was hypertension. For women, osteoarthritis was the next most common problem, while for men, diabetes was the second most common problem.

Use of Pharmaceuticals

The level of use of medications increases with age. Approximately 86 percent of people aged 65 or over use medications, compared with 59 percent for the general population.

Top 10 Groups of Medications Prescribed for People Aged 65 and Over by Sex, April 2000-March 2001

Medication Group	Per 100 Encounters
Females:	
Antihypertensive	17.6
Simple analgesic	7.6
Non-steroidal anti-inflammatory drugs	7.3
Other cardiovascular system drugs	4.7
Diuretic	4.6
Sedative/hypnotics	4.1
Beta-blockers (for cardiovascular problems)	4.0
Immunization	3.9
Anti-depressant	3.7
Anti-ulcerant	3.6
Males:	
Antihypertensive	16.2
Non-steroidal anti-inflammatory drugs	6.6
Simple analgesic	6.4
Other cardiovascular system drugs	6.2
Hypoglycemic	4.7
Bronchodilator/spasm relaxant	4.0
Immunization	3.9
Beta-blockers (for cardiovascular problems)	3.8
Anti-ulcerant	3.7
Diuretic	3.6

Source: *Older Australia at a Glance*, Australian Institute of Health and Welfare, 2002.

Medicines that address the needs of the burgeoning older population, such as, products that provide temporary relief to osteoarthritis sufferers, provide good potential.

Respite Care

With the increasing trend towards home-based care and away from residential care, respite care has emerged as an important area of service provision. Respite care provides carers and care recipients with a break from usual care arrangements. Residential aged care services offer short-term care in a residential setting. Community-based respite care includes a range of services such as day care centers, in-home respite, activity programs and flexible residential respite in community-based facilities.

2.3 ACCESSIBILITY: KEY FACTORS

2.3.1 Therapeutic Goods Administration (TGA)

The *Therapeutic Goods Act, 1989* (the Act) provides for the establishment and maintenance of a national system of controls relating to the quality, safety and efficacy of therapeutic goods used in Australia. A "therapeutic good" is broadly defined as a good which is represented in any way to be, or is likely to be taken to be, for therapeutic use, unless specifically excluded or included under Section 7 of the Act.

For the purposes of evaluation and assessment, a therapeutic good is a product for use in humans that is used in, or in connection with:

- Preventing, diagnosing, curing or alleviating a disease, ailment, defect or injury;
- Influencing, inhibiting or modifying a physiological process;
- Testing the susceptibility of persons to a disease or ailment;
- Influencing, controlling or preventing conception;
- Testing for pregnancy; or
- Replacing or modifying parts of the anatomy.

Under this Act, any product for which therapeutic claims are made including drugs and devices, whether locally manufactured or imported, must be entered in the Australian Register of Therapeutic Goods (ARTG) before they can be supplied in Australia. This applies equally to complementary, prescription and other over-the-counter medicines. The ARTG is a computer data base of information about therapeutic goods for human use approved for supply in, or exported from, Australia. Therapeutic goods are included in the ARTG as either listed or registered goods.

Whoever imports, manufactures, exports or modifies the product for supply will be considered the 'Sponsor' for that product in Australia and will be responsible for its entry in the ARTG before it may be legally supplied. Applications for registration or listing in the ARTG must be lodged by the 'Sponsor', who must be an Australian entity.

The TGA carries out a range of assessment and monitoring activities to ensure therapeutic goods available in Australia meet an acceptable standard. Overall control of the supply of therapeutic goods is exercised through pre-market assessment, licensing of manufacturers, and post-market vigilance.

Products assessed by the TGA as having a higher level of risk (prescription medicines and some non-prescription medicines) are evaluated for quality, safety and efficacy. Once approved for marketing in Australia, these products are included in the ARTG as 'registered' products and are identified by an *AUST R* number.

Products assessed as being lower risk (many non-prescription medicines including most complementary medicines) are assessed for quality and safety. Once approved for marketing in Australia, these products are included in the ARTG as 'listed' products and are identified by an *AUST L* number.

Australian manufacturers of therapeutic goods must be licensed and their manufacturing processes must comply with principles of good manufacturing practice (GMP). For therapeutic goods manufactured overseas, evidence must be provided to demonstrate that the manufacturer conforms to the same standards of GMP to be met by a manufacturer in Australia. Evidence of an adequate standard of GMP is a prerequisite to entry of goods in the ARTG.

In addition, the Therapeutic Goods Act, Regulations and Orders set out the requirements for the inclusion of therapeutic goods in the ARTG including the advertising, labeling, product appearance, and appeal guidelines.

Good Manufacturing Practice (GMP)

The Therapeutic Goods Act 1989 requires that all local and imported therapeutic goods fulfill good manufacturing practice (GMP) standards. The Australian `Sponsor' applying for registration or listing of a therapeutic good must provide evidence of GMP compliance at the overseas site(s) of manufacture.

The Australian `Sponsor' can either supply "an acceptable form of evidence" or agree to pay the costs of an Australian auditor if a GMP audit is considered necessary. A condition of registration/listing of new products is that the Australian `Sponsor' agrees to pay the cost of GMP audit for the overseas manufacturer(s) where this is considered to be necessary, for example, in the event that suitable evidence of GMP compliance has not been supplied. U.S. FDA evaluation is not necessarily "an acceptable form of evidence" of compliance.

Australia has made an attempt to ensure that unnecessary or excessive regulation is avoided in order to ensure that Australia is in accord with the highest international standards, and thereby protect its international reputation as a country that manufactures, uses and exports high-quality medical devices. A new harmonized system came into effect on October 5, 2002. The new regulatory system for medical devices is internationally accepted best practice, and is based on the guidelines of the Global Harmonization Task Force (GHTF) and the European Community (EC) requirements.

Further information can be obtained from the TGA's website at: www.health.gov.au/tga

As a general rule for products in this sector, devices that are either powered or sterile such as powered wheelchairs, hearing aids, air-powered pressure care products and sterile continence aids are regulated. Manual wheelchairs, eating and drinking aids, clothing and dressing aids, and non-sterile continence aids are not regulated.

2.4 USEFUL CONTACTS

Australian Commonwealth Government Department of Health and Aged Care

GPO Box 9848
Canberra City ACT 2606
Tel: 61 2 6289 1555
Fax: 61 2 6281 6946
Website: www.health.gov.au

Therapeutic Goods Administration (TGA)

Narrabundah Lane
Symonston ACT 2609
Tel: 61 2 6232 8444
Fax: 61 2 6232 8241
Email: tga-information-officer@health.gov.au
Website: www.health.gov.au/tga

3 FINANCIAL INDICATORS: SKILLED NURSING CARE FACILITIES

3.1 OVERVIEW

Is Australia competitive? With the globalization of markets, the increased mobility of corporate assets, and the need for productive human resources, this question has become all the more complex to answer. The financial indicators section was prepared to tackle this question by focusing on certain fundamentals: financial performance and labor productivity. Rather than focus on the economy as a whole, the analysis presented here considers only one sector: skilled nursing care facilities.

We are essentially interested in the degree to which firms operating in Australia have fundamentally different financial structures and performance compared to firms located elsewhere. With respect to this view of competitiveness, if one were to invest or operate in Australia, how would the firm's asset structure likely vary compared to a firm operating in some other country in Oceania or average location in the world? In Australia, do firms typically hold more cash and other short term assets, or do they concentrate their assets in physical plant and equipment? On the liability side, do firms operating in Australia have a higher percent of payables compared to other firms operating in Oceania, or do they hold a higher concentration of long term debt? The structure of the income statement is also telling. Do firms operating in Australia have relatively higher costs of goods sold, operating costs, or income taxes compared to firms located elsewhere in the region or the world in general? Are returns on equity higher in Australia? Are profit margins greater? Are inventories held longer? The financial indicators section was designed to answer these and similar questions that naturally affect one's decision to invest or operate in Australia. Again, we are particularly interested in skilled nursing care facilities, and not the economy as a whole.

In many instances, people make all the difference. In addition to financial competitiveness, we consider the extent to which labor deployment and productivity in Australia differs from regional and global benchmarks. In this case, we are interested in the amount of labor required to operate a typical business in Australia and the likely returns on this human investment. What is the typical ratio of short-term and long-term assets to employee (employed in skilled nursing care facilities operations)? What are typical capital-labor ratios? How different are these ratios to those in Oceania in general and the world as a whole? What are the average sales and net profits per employee in Australia compared to regional benchmarks?

The goal of this section is to assist managers in gauging the competitive performance of Australia at the global level for skilled nursing care facilities. With the globalization of markets, greater foreign competition, and the reduction of entry barriers, it becomes all the more important to benchmark Australia against other countries on a worldwide basis. Doing so, however, is not an obvious task.

This report generates international benchmarks and measures gaps that might be revealed from such an exercise. First, data is collected from companies across all regions of the world. For each of these firms, data are standardized into comparable categories (assets, liabilities, income and ratios), by country, region and on a worldwide basis. From there, we eliminate all currency effects by standardizing within each category. Global benchmarks are then compared to those estimated for skilled nursing care facilities in Australia.

Though we heavily rely on historical performance, the figures reported are not historical but are forecasts and projections for the coming fiscal year.

3.1.1 Financial Returns and Gaps in Australia

The approach used in this report to evaluate operating performance for skilled nursing care facilities in Australia is called "vertical analysis." For those unfamiliar with this type of analysis, frequently taught in graduate schools of

business, the reader is recommended Jae K. Shim and Joel G. Siegel's recent book titled *Financial Management*.¹ In their discussion of financial statement analysis and ratios, Skim and Siegel (p. 42-43), describe common-size statement (vertical analysis) as follows:

A common-size statement is one that shows each item in percentage terms. Preparation of common-size statements is known as *vertical analysis*, in which a material financial statement item is used as a base value and all other accounts on the financial statement are compared to it. In the balance sheet, for example, total assets equal 100 percent, and each individual asset is stated as a percentage of total assets. Similarly, total liabilities and stockholders' equity are assigned a value of 100 percent and each liability or equity account is then stated as a percentage of total liabilities and stockholders' equity, respectively. ... For the income statement, a value of 100 percent is assigned to net sales, and all other revenues and expense accounts are related to it. It is possible to see at a glance how each dollar of sales is distributed among various costs, expenses, and profits.

The authors suggest that vertical analyses involve industry-based comparisons. Such a comparison "allows you to answer the question, 'How does a business fare in the industry?' You must compare the company's ratios to... industry norms." (p. 43-44) This approach is extended to country competitiveness (in this case Australia) for a particular sector (in this case skilled nursing care facilities). This involves calculating country, regional and global norms. This introduction will describe the seven-stage methodology used to perform this analysis. Each stage should be seen as a working assumption behind the numbers presented in later chapters.

Stage 1. Industry Classification. This stage begins by classifying the company into an industry. For this, we have relied on a combination of the North American Industry Classification System (NAICS pronounced "Nakes"), a relatively new system for classifying business establishments, and the older Standard Industrial Classification (SIC) system. Adopted in 1997, NAICS codes are the new industry classification codes used by statistical agencies of the United States. NAICS was developed jointly by the U.S., Canada, and Mexico to provide comparability in statistics about business activity across North America. After 60 years of service, the outdated SIC system was retired on October 1, 2000, leaving only the NAICS codes for official use. The NAICS classification system adds some 350 new industries and represents a revision to over 60% of the previous SIC industries. Despite its official retirement, the SIC system is still commonly used (and often reported in firm's financial statements).

For most companies in the world, classification within either the new NAICS or older SIC systems is a rather straight forward exercise. For some, however, it can be problematic. This is true for several reasons. The first being that the SIC or NAICS classification systems are rather broad for many product and industry categories (a firm's products or services may be only a minor aspect of the classification's definition). The second is that some firms' activities span multiple codes. Finally, it is possible that a firm is classified by one source using its SIC code, and by another using its NAICS code, and by a third using both. Furthermore, some sources do not report either code, but instead use qualitative statements of the firm's activities. Nevertheless, if one wishes to pursue a vertical analysis, some classification needs to take place which selects a peer group. In making this classification, one can rely on a number of sources. In some countries, firms must "self" classify in official periodic reports (e.g. annual reports, 10Ks, etc.) to public authorities (such as the Securities and Exchange Commission). These reports are then open for public scrutiny (e.g. EDGAR filings). In other cases, commercial data vendors or private research firms provide SIC/NAICS codes for specific companies. These include:

- Bloomberg - www.bloomberg.com
- Datastream (Thomson Financial) - www.datastream.com
- **Dun & Bradstreet** - www.dnb.com
- **Hoovers** - www.hoovers.com
- HarrisInfoSource - www.HarrisInfo.com
- InfoUSA - www.infousa.com

¹ Skim and Siegel (2000), *Financial Management* published by Barron's Educational Series, Inc. (BARON'S BUSINESS LIBRARY Series), ISBN: 0-7641-1402-6.

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- Investext (Thomson Financial) - www.investext.com
 - Kompass International Neuenschwander SA. – www.kompass.com
 - Moody's Investors Service - www.moody.com
 - Primark (Thomson Financial) - www.primark.com
 - Profound (The Dialog Corporation – A Thomson Company) - www.profound.com
 - Reuters - www.reuters.com
 - **Standard & Poor's - www.standardandpoors.com**

It is interesting to note that commercial vendors often report different qualitative descriptions and industrial classifications from one to another. These descriptions and classifications may also be different from those reported by the firm itself. Anyone hoping to perform a benchmarking study, therefore, has to make a judgment call across these various sources in order to determine a reasonable classification. In this report, we have decided a meta-analytic process, by combining various sources (including linking a classification's keywords to qualitative descriptions of the firm's product line). In cases of inconsistency, the most recent or globally comparable available is chosen. Again, the overall goal is to classify firms, which either produce similar products, offer similar services, or are in the same stage of the value chain for a particular industrial classification. In the case of this report, the SIC code selected is: 8051 which is defined as "skilled nursing care facilities". This classification should be seen as a working assumption. In order to obtain a more detailed discussion of this classification, the reader is referred to the Web sites developed by the U.S. Census Bureau: <http://www.census.gov/epcd/www/naics.html>. Basic definitions and descriptions are provided at: <http://www.census.gov/epcd/www/drnaics.htm#q1>. A full correspondence table between SIC and NAICS codes, and detailed definitions are given at <http://www.census.gov/epcd/www/naicstab.htm>.

Stage 2. Firm-level Data Collection. A global search was conducted across over 20,000 companies in over 40 major economies, including Australia, for those that report financials (balance sheet and income statements) and that are involved in skilled nursing care facilities. It should be noted that the public-domain financials can be either historic or projections. It should also be noted that even historic figures can be modified in the future and often represent "estimates" of performance.

Stage 3. Standardization. Once collected, public domain financial figures of firms identified in Stage 2 are standardized into comparable categories (assets, liabilities, and income). Again, these are limited to firms involved in some aspect of skilled nursing care facilities (i.e. are members of the value chain). From there, we eliminate all currency effects by standardizing within each category (creating ratios). In order to maintain comparability over time and across countries, vertical analysis is used. In the case of a firm's assets, we treat the total assets as equaling 100, irrespective of the value of the local currency. All other assets are then calculated as a percent of total assets. In this way, the structure of the firm's assets can be easily interpreted and compared with international benchmarks. For liabilities, total liabilities and equity are indexed to equal to 100. For the income statement, total revenue is indexed to equal 100, and all other figures are calculated as a percent of these figures.

Stage 4. Filtering. Not all the firms selected in Stage 2 or the ratios calculated in Stage 3 are used for the country, regional or global benchmarks, as a number of companies are purposely dropped from the analysis. This is justified by the "outlier" phenomenon that plagues such analysis. The problem lies in that any given company in the benchmarking pool may be facing some exceptional event or may be organized in an exceptional way so as to make its ratios vastly different from the norm. By including such firms, the global benchmarks can be overly skewed. In many countries, firms are organized into holding groups. These groups nominally have very few employees (e.g. 4 to 25 employees), but have extremely large assets, liabilities, or revenues. As such, the inclusion or exclusion of firms having this form of management can affect the ratios and benchmarks reported. Likewise, some firms have no net sales, no assets, no liabilities, or ratios. Others have ratios that appear implausible for a normal or viable company. In order to not allow these firms to affect the global benchmarks, only those firms with reasonable financials have been chosen. Finally, in some countries, detailed financials are not available or are not comparable to either the company in question or the global norm (e.g. various forms of depreciation). In this case, only those which

exist and are comparable are reported. The details, therefore, that comprise a given ratio or set of ratios may not be reported. This may lead to the addition of several ratios, not summing to the whole.

Stage 5. Calculation of Global Norms. Once the filtering process has eliminated outliers, a final list of companies included is compiled. Based on this list, the ratios discussed in Stage 3 are calculated for every firm, and then averaged to create country, regional and global benchmarks. The world average is calculated using each country's population as a weight.

Stage 6. Projection of Deviations. The goal of this report is not only to estimate raw ratios or averages, but also to present the difference between Australia and projected global averages for that same ratio. Furthermore, it can be insightful to know the location of each ratio within the distribution of the countries represented in Stage 5. These deviations, in fact, can be seen as projections or likely scenarios for the future. This is often true for two reasons. First, while a company's financials change from year to year, its ratios are often stable. This is especially true for the country, regional and global benchmarks which represent averages across companies. From a purely Bayesian sense, the difference between the company's recent ratios and the benchmarks are a reasonable prior for future deviations. This is true, even if the entire industry is hit by an external or exogenous shock, such as an oil crisis or economic slowdown. In other words, we assume that the structure of the variance in the industry's financials remains stable. Second, many of the data are based on preliminary reports that might be changed in future filings. As forecasts, therefore, the numbers derived from these are also forecasts of past and future performance (with associated uncertainties). The calculation of the difference between a country's ratios and the global benchmarks is meant to yield roughly approximate forecasts, or "useful measures". In general, more developed countries have more reliable source data. For many, ratios are econometrically extrapolated using models that use country characteristics (e.g. income per capita) as independent variables (i.e. countries having similar economic structures are assumed to have similar operating ratios). Again, the forecasts are based on the assumption of relative stability. This assumption has proven extremely robust in previous applications of this methodology (i.e. today's weather is a good predictor of tomorrow's weather, but not the weather three years from now). The results reported should be viewed as those for a "proto-typical" firm operating in Australia whose primary activity is skilled nursing care facilities.

Stage 7. Projection of Ranks and Percentiles. Based on the calculation of deviations, relative ranks and percentiles are calculated across the firms used in the benchmarks. The percentile estimates the percent of a representative sample of countries in the world having values of the ratio lower than Australia. It is important to note that a percentile being high (or low) does not mean good (or bad) past, present or future financial performance. The reader must draw this conclusion on their own. The estimates provided were created to provide managerial insight, and not a recommendation with respect to particular investments within any country.

We graphically report, for each part of the financial statement, the larger structural differences between Australia and the regional and global benchmarks, and provide a summary table of ranks and percentiles. These are estimates for firm which would be involved in skilled nursing care facilities. A deviation from the global norm need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or perhaps signal a country's relative strength or weakness for the coming fiscal year.

3.1.2 Labor Productivity Gaps in Australia

In the case of labor productivity measures, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a "per employee basis". Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country's human resource ratios, the resulting figures are benchmarked across regional and global averages. The seven stage approach given above is used in a similar manner.

We then report, for each part of the financial statement, the larger labor productivity gaps that Australia has vis-à-vis the worldwide average (for skilled nursing care facilities). Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm's relative incentive to invest locally. All figures are projections, so due caution is required.

3.1.3 Limitations and Extensions

Shim and Siegal (p. 60) stress that “while ratio analysis is an effective tool for assessing a company's financial condition,” operating Australia or any other country, “its limitations must be recognized.” They find that (p. 59) “no single ratio or group of ratios is adequate for assessing all aspects of a company's financial condition” operating in a particular country. The authors note the following limitations associated with ratio analyses which apply to the global benchmarking and vertical analysis presented here (p.60):

- Accounting standards or policies may limit useful comparisons across companies
- Management accounting practices across companies and countries may not be performed in the same style
- Ratios are static and do not reveal future trends
- Ratios do not indicate the quality of the components used to calculate the ratios (i.e. ratios have ambiguous interpretations)
- Reported ratios may not reflect real values
- Companies may be highly diversified, limiting the comparability of their ratios to others
- Industry averages or norms are approximate; finer industry definitions may be required for certain interpretations or comparisons
- Financial statements and resulting ratios often mean different things to different people depending on their points of view or motivations.

Again, all figures reported here are estimates, so due caution is required. The above caveats, and the fact that statements made in this report are forward-looking, requires that this point be emphasized. A number of intervening factors can have material effect on the ratios and variances forecasted. These include changes in a company's management style, exchange rate volatility, changes in accounting standards, the lack of oversight or comparability in accounting standards, changes in economic conditions, changes in competition, changes in the global economy, changes in source data quality, and similar factors.

3.2 FINANCIAL RETURNS IN AUSTRALIA: ASSET STRUCTURE RATIOS

3.2.1 Overview

In this chapter we consider the asset structure of companies involved in skilled nursing care facilities operating in Australia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of assets is then presented for companies operating in Australia and the average global benchmarks (total assets = 100 percent). For ratios where there are large deviations between Australia and the benchmarks, graphics are provided (sometimes referred to as a financial “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis asset ratios are highlighted across countries in the comparison group.

3.2.2 Assets – Definitions of Terms

The following definitions are provided for those less familiar with the asset-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of assets, only definitions covering certain terms used in this chapter’s tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Accumulated Depreciation - Buildings.** Accumulated depreciation is commonly understood as a contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of a fixed asset. Buildings are fixed assets which represent the acquisition and improvement costs of permanent structures owned or held by the company. Such structures typically include office buildings, storage quarters, or other facilities and also associated items such as loading docks, heating and air-conditioning equipment, refrigeration equipment, and all other property permanently attached to or forming an integral part of the structure. However, it generally does not include furniture, fixtures, or other equipment which are not an integral part of the building.
- **Accumulated Depreciation – Property, Plant & Equipment Under Capitalized Leases.** Accumulated depreciation of property, plant and equipment under capitalized leases is commonly understood as a contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of property, plant and equipment under capitalized lease obligations.
- **Accumulated Depreciation -Machinery & Equipment.** Accumulated depreciation of machinery and equipment is commonly understood to be contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of machinery and equipment.
- **Buildings.** Buildings are defined as fixed assets which represent the acquisition and improvement costs of permanent structures owned or held by the company. Such structures include office buildings, storage quarters, or other facilities and also associated items such as loading docks, heating and air-conditioning equipment, refrigeration equipment, and all other property permanently attached to or forming an integral part of the structure. However, it does not include furniture, fixtures, or other equipment which are not an integral part of the building.
- **Cash.** Cash is typically defined as money on hand, on deposit with chartered bank, or held in the form of eligible securities.

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- **Current Assets.** Current assets are generally defined to be resources which are available, or can readily be made available, to meet the cost of operations or to pay current liabilities.
 - **Deferred Charges.** Deferred charges are generally understood to represent the amount which has been paid for services already received by the company but has not been charged to operations.
 - **Finished Goods.** Finished goods generally comprise the ready-for-sale inventory.
 - **Intangible Other Assets.** Intangible assets are generally understood to be nonphysical assets such as legal rights (patents and trademarks) recorded at their historical cost then reduced by systematic amortization.
 - **Investments in Unconsolidated Subsidiaries.** Investments in unconsolidated subsidiaries are typically defined as investments for the purpose of generating revenue in subsidiaries whose financial statements are not combined with the company's.
 - **land.** Land is generally considered to be a fixed asset. If land is purchased, its capitalized value typically includes the purchase price plus costs such as legal fees, filling and excavation costs which are incurred to put the land in condition for its intended use. If land is acquired by gift, its capitalized value typically reflects its appraised value at the time of acquisition. Land typically does not include depletable resources.
 - **long Term Receivables.** Long-term receivables are commonly defined as amounts due within a period exceeding one year from private persons, businesses, agencies, funds, or governmental units which are expected to be collected in the form of moneys, goods, and/or services.
 - **Machinery & Equipment.** Machinery and equipment is commonly defined as a fixed asset classification which typically includes tangible property (other than land, buildings, and improvements other than buildings) with a life of more than one year. Such assets typically include office equipment, furniture, machine tools, and motor vehicles. Equipment may be attached to a structure for purposes of securing the item, but unless it is permanently attached to an integral part of the building or structure, it will generally be classified as equipment and not buildings. Equipment is generally defined as tangible property other than land, buildings, or improvements other than buildings, which is used in operations. Examples include machinery, tools, trucks, cars, furniture, and furnishings.
 - **Prepaid Expenses.** Prepaid expenses are typically defined as those supplies and/or services (not inventory) acquired or purchased but not consumed or used at the end of the accounting period.
 - **Property Plant & Equipment Under Capitalized Leases.** Property plant & equipment under capitalized leases generally consists of the gross book value (rather than the more commonly-used measures of fixed capital stocks in current or real value), of all commercial buildings, associated land and equipment used therein that are owned by the company and that are either used or operated by the company or leased or rented to others (under capitalized leases).
 - **Property Plant and Equipment - Gross.** Gross property, plant and equipment generally consists of the gross book value (rather than the more commonly-used measures of fixed capital stocks in current or real value), of all commercial buildings, associated land and equipment used therein that are owned by the company and that are either used or operated by the company or leased or rented to others.
 - **Property Plant and Equipment - Net.** Net PP&E equals the original cost of property, plant, and equipment (PP&E), less accumulated depreciation, depletion and amortization (DD&A).
 - **Raw Materials.** Raw materials are materials which will be converted by a manufacturer into a finished product.

- **Receivables (Net).** Net receivables are defined as the net amount due to the company from private persons, businesses, agencies, funds, or governmental units which is expected to be collected in the form of moneys, goods, and/or services.
- **Short Term Investments.** Short-term investments are investments which can be typically liquidated in less than one year.
- **Tangible Other Assets.** Other tangible assets are commonly understood to be something substantial or real that is capable of being given an actual or approximate value (market or estimated), not classified elsewhere.
- **Total Assets.** Total assets are defined as the financial representation of economic resources, the beneficial interest in which is legally or equitably secured to a particular organization as a result of a past transaction or event.
- **Total Inventories.** Total inventories are defined as the total amount of goods on hand.
- **Work in Process.** Work in progress includes goods which have been started but are not yet ready for sale.

3.2.3 Asset Structure: Outlook

Using the methodology described in the introduction, the following table summarizes asset structure benchmarks for firms involved in skilled nursing care facilities in Australia. To allow comparable benchmarking, a common index of Total Assets = 100 is used. All figures are current-year projections for companies operating in Australia based on latest financial results available.

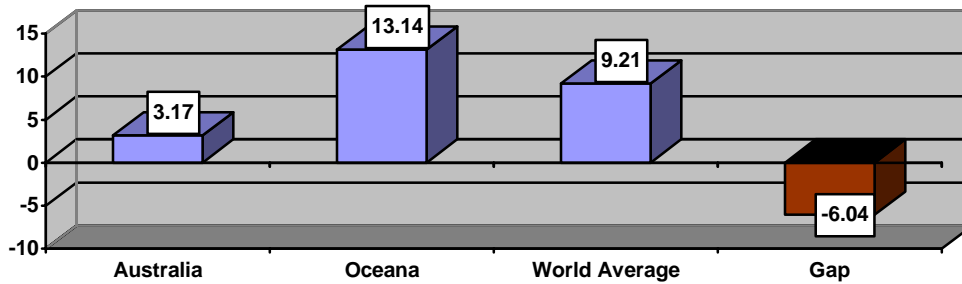
Asset Structure	Australia	Oceania	World Avg.
Cash & Short Term Investments	3.17	13.14	9.21
Cash	2.43	5.26	6.26
Short Term Investments	0.85	8.62	1.58
Receivables (Net)	7.71	11.36	16.50
Total Inventories	1.71	2.02	4.84
Raw Materials	1.00	2.06	0.93
Work in Process	0.11	0.25	0.27
Finished Goods	2.01	1.35	2.01
Prepaid Expenses	0.52	0.85	1.39
Other Current Assets	2.37	0.87	1.05
Current Assets - Total	15.41	27.52	32.90
Long Term Receivables	0.08	1.03	0.25
Investments in Unconsolidated Subsidiaries	5.71	2.71	0.72
Other Investments	0.39	0.51	2.94
Property Plant and Equipment - Net	35.55	39.11	41.29
Property Plant and Equipment - Gross	45.11	59.46	59.01
Land	5.31	7.17	2.88
Buildings	23.92	28.94	19.19
Machinery & Equipment	15.88	14.13	17.75
Other Property Plant & Equipment	7.33	11.52	10.45
Property Plant & Equipment Under Capitalized Leases	4.06	10.40	1.86
Accumulated Depreciation - Total	9.56	21.71	18.87
Accumulated Depreciation - Buildings	0.31	5.45	4.05
Accumulated Depreciation -Machinery & Equipment	7.78	7.62	7.38
Accumulated Depreciation - Other Prop & Equip	0.50	4.98	3.04
Accumulated Depreciation - PP&E Under Capitalized Leases	1.29	2.70	0.75
Other Assets	42.85	8.77	6.67
Deferred Charges	0.24	2.96	1.74
Tangible Other Assets	0.66	1.24	0.32
Intangible Other Assets	41.95	5.99	4.44
Total Assets	100.00	100.00	100.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

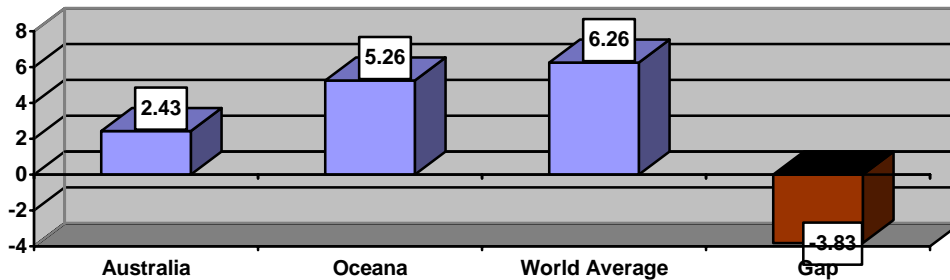
3.2.4 Large Variances: Assets

The following graphics summarize for skilled nursing care facilities the large asset structure gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

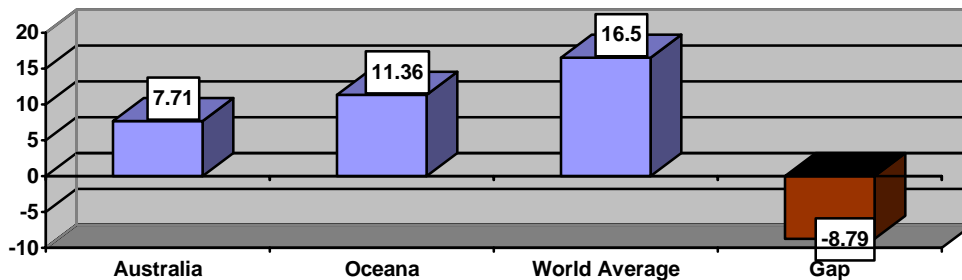
Gap: Cash & Short Term Investments



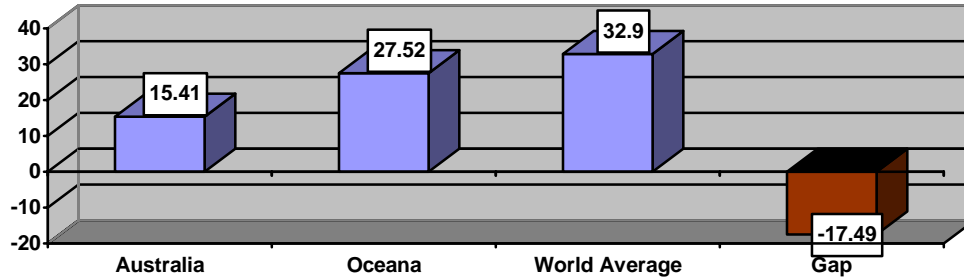
Gap: Cash



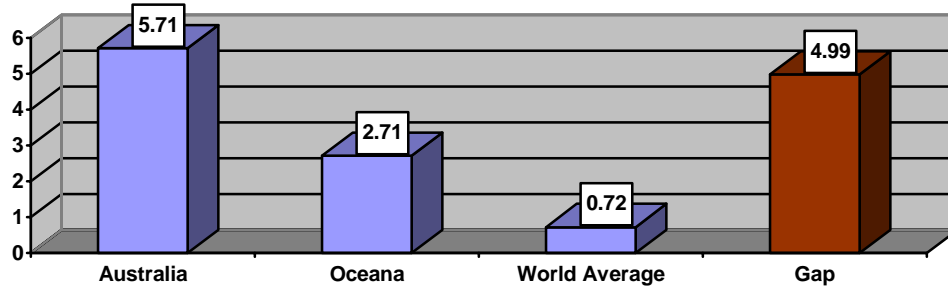
Gap: Receivables (Net)



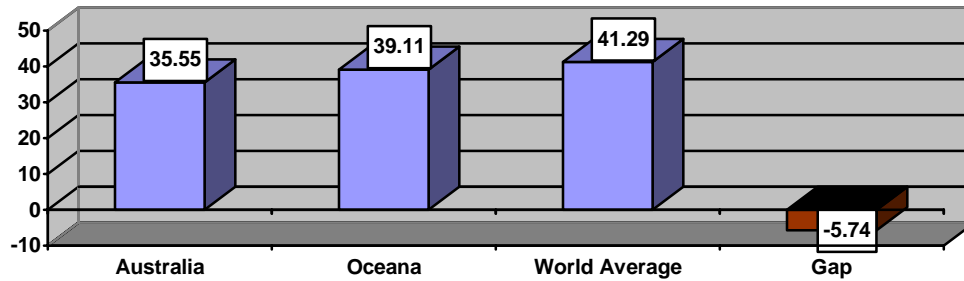
Gap: Current Assets - Total



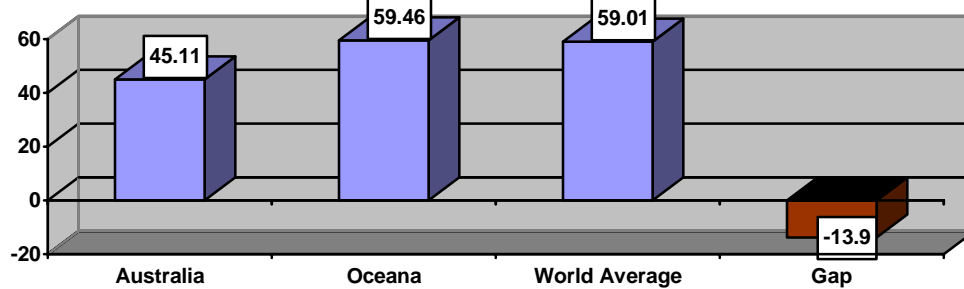
Gap: Investments in Unconsolidated Subsidiaries

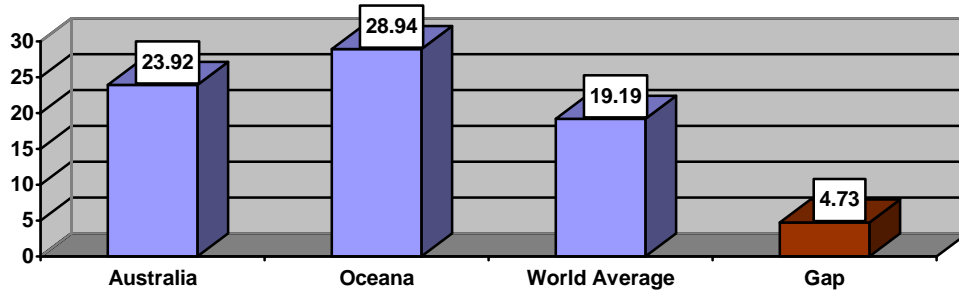
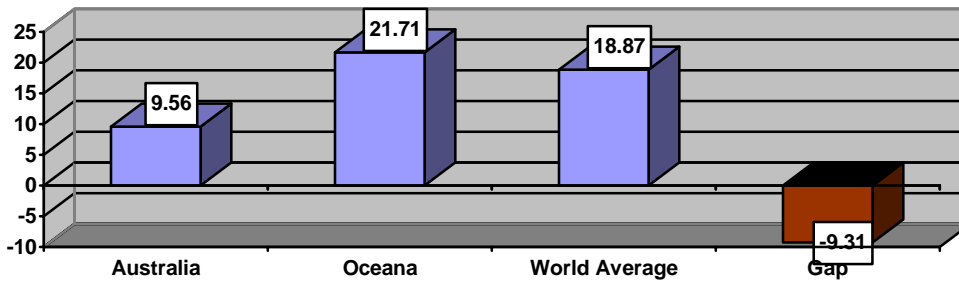
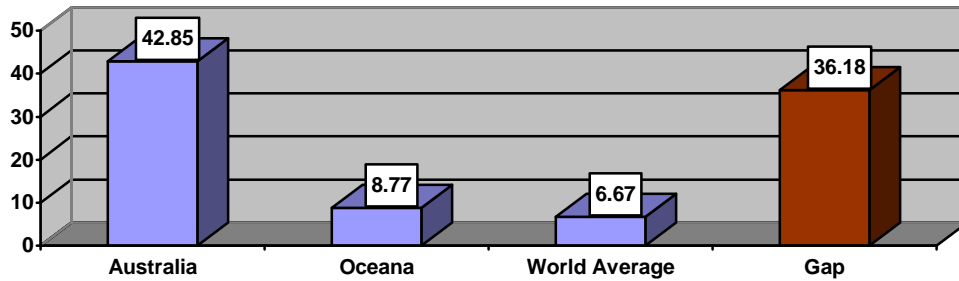
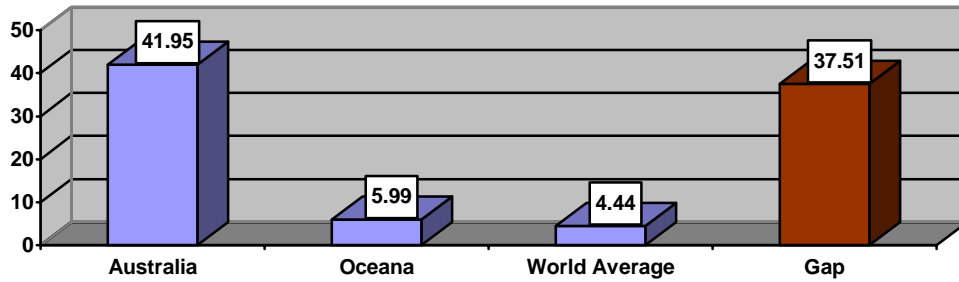


Gap: Property Plant and Equipment - Net



Gap: Property Plant and Equipment - Gross



Gap: Buildings**Gap: Accumulated Depreciation - Total****Gap: Other Assets****Gap: Intangible Other Assets**

3.2.5 Key Percentiles and Rankings

We now consider the distribution of asset ratios for skilled nursing care facilities using ranks and percentiles. What percent of countries have a value lower or higher than Australia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of asset structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical asset ratios are highlighted in additional tables.

Asset Structure	Australia	Rank of Total	Percentile
Cash & Short Term Investments	3.17	41 of 53	22.64
Cash	2.43	31 of 43	27.91
Short Term Investments	0.85	16 of 31	48.39
Receivables (Net)	7.71	46 of 53	13.21
Total Inventories	1.71	36 of 53	32.08
Raw Materials	1.00	16 of 19	15.79
Work in Process	0.11	17 of 19	10.53
Finished Goods	2.01	8 of 31	74.19
Prepaid Expenses	0.52	22 of 24	8.33
Other Current Assets	2.37	9 of 48	81.25
Current Assets - Total	15.41	45 of 53	15.09
Long Term Receivables	0.08	20 of 33	39.39
Investments in Unconsolidated Subsidiaries	5.71	5 of 40	87.50
Other Investments	0.39	21 of 26	19.23
Property Plant and Equipment - Net	35.55	24 of 53	54.72
Property Plant and Equipment - Gross	45.11	35 of 52	32.69
Land	5.31	12 of 33	63.64
Buildings	23.92	19 of 40	52.50
Machinery & Equipment	15.88	15 of 44	65.91
Other Property Plant & Equipment	7.33	23 of 44	47.73
Property Plant & Equipment Under Capitalized Leases	4.06	14 of 21	33.33
Accumulated Depreciation - Total	9.56	35 of 52	32.69
Accumulated Depreciation - Buildings	0.31	35 of 38	7.89
Accumulated Depreciation -Machinery & Equipment	7.78	21 of 42	50.00
Accumulated Depreciation - Other Prop & Equip	0.50	37 of 41	9.76
Accumulated Depreciation - P P & E Under Capitalized Leases	1.29	13 of 21	38.10
Other Assets	42.85	6 of 53	88.68
Deferred Charges	0.24	24 of 25	4.00
Tangible Other Assets	0.66	9 of 14	35.71
Intangible Other Assets	41.95	4 of 43	90.70
Total Assets	100.00		

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cash & Short Term Investments

Countries	Value (total assets = 100)	Rank	Percentile	Region
New Zealand	49.92	1	98.11	Oceania
Hong Kong	48.91	2	96.23	Asia
Spain	44.22	3	94.34	Europe
Singapore	26.85	4	92.45	Asia
Israel	25.00	5	90.57	the Middle East
Ireland	24.79	6	88.68	Europe
Japan	23.28	7	86.79	Asia
Finland	22.52	8	84.91	Europe
Taiwan	20.66	10	81.13	Asia
Peru	20.09	11	79.25	Latin America
Portugal	18.59	12	77.36	Europe
China	17.09	13	75.47	Asia
Pakistan	16.81	14	73.58	the Middle East
France	13.08	16	69.81	Europe
Austria	12.94	17	67.92	Europe
Belgium	12.30	18	66.04	Europe
Philippines	12.06	19	64.15	Asia
Italy	11.89	20	62.26	Europe
Netherlands	11.75	21	60.38	Europe
USA	11.71	22	58.49	North America
Norway	11.47	23	56.60	Europe
Indonesia	9.54	25	52.83	Asia
Thailand	9.46	26	50.94	Asia
Malaysia	9.38	27	49.06	Asia
Switzerland	8.66	29	45.28	Europe
Luxembourg	7.49	31	41.51	Europe
Canada	5.44	33	37.74	North America
Germany	4.89	34	35.85	Europe
South Africa	4.87	35	33.96	Africa
Brazil	4.41	36	32.08	Latin America
India	4.26	37	30.19	Asia
the United Kingdom	3.87	38	28.30	Europe
Sweden	3.82	39	26.42	Europe
Denmark	3.72	40	24.53	Europe
Australia	3.17	41	22.64	Oceania
Greece	2.40	42	20.75	Europe
Czech Republic	2.13	43	18.87	Europe
Argentina	1.99	44	16.98	Latin America
South Korea	1.94	45	15.09	Asia
Russian Federation	1.75	47	11.32	Europe
Hungary	1.57	48	9.43	Europe
Poland	1.29	49	7.55	Europe
Turkey	1.07	50	5.66	the Middle East
Mexico	1.07	51	3.77	Latin America
Chile	0.29	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cash & Short Term Investments (Skilled Nursing Care Facilities)

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
New Zealand	49.92	1	96.00
Guam	47.92	2	92.00
Northern Mariana Isl.	23.76	3	88.00
Wallis and Futuna	21.04	4	84.00
Vanuatu	16.61	5	80.00
Pitcairn Islands	14.03	6	76.00
Niue	14.03	7	72.00
Cocos (Keeling) Islands	14.03	8	68.00
Micronesia Federation	13.75	9	64.00
Western Samoa	12.63	10	60.00
Norfolk Island	11.73	11	56.00
Nauru	11.61	12	52.00
Tokelau	11.22	13	48.00
Solomon Islands	10.94	14	44.00
Kiribati	10.27	15	40.00
Fiji	9.27	16	36.00
Tuvalu	7.80	17	32.00
Marshall Islands	7.32	18	28.00
Tonga	7.32	19	24.00
Christmas Island	4.84	20	20.00
Australia	3.17	21	16.00
French Polynesia	2.05	22	12.00
New Caledonia	1.75	23	8.00
American Samoa	1.29	24	4.00
Cook Island	0.25	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Receivables (Net)

Countries	Value (total assets = 100)	Rank	Percentile	Region
Norway	25.45	1	98.11	Europe
China	25.33	2	96.23	Asia
Pakistan	24.90	3	94.34	the Middle East
Japan	24.22	4	92.45	Asia
Finland	23.44	5	90.57	Europe
South Africa	22.48	6	88.68	Africa
Sweden	21.69	7	86.79	Europe
USA	21.29	8	84.91	North America
Denmark	21.07	9	83.02	Europe
Chile	20.86	10	81.13	Latin America
France	20.64	11	79.25	Europe
Austria	20.41	12	77.36	Europe
Brazil	20.37	13	75.47	Latin America
Belgium	19.41	14	73.58	Europe
Switzerland	19.22	15	71.70	Europe
Greece	18.83	16	69.81	Europe
Italy	18.75	17	67.92	Europe
Netherlands	18.54	18	66.04	Europe
New Zealand	17.39	19	64.15	Oceania
Hong Kong	17.04	20	62.26	Asia
Czech Republic	16.76	21	60.38	Europe
Luxembourg	16.62	22	58.49	Europe
India	16.34	23	56.60	Asia
Argentina	15.61	25	52.83	Latin America
Peru	15.47	26	50.94	Latin America
Spain	15.40	27	49.06	Europe
South Korea	15.26	28	47.17	Asia
Russian Federation	13.75	30	43.40	Europe
Israel	13.49	31	41.51	the Middle East
Ireland	13.38	32	39.62	Europe
Canada	12.74	33	37.74	North America
Hungary	12.35	34	35.85	Europe
Taiwan	11.15	36	32.08	Asia
Poland	10.10	37	30.19	Europe
Portugal	10.03	38	28.30	Europe
Germany	9.61	39	26.42	Europe
Philippines	9.29	40	24.53	Asia
Singapore	8.83	41	22.64	Asia
Turkey	8.43	42	20.75	the Middle East
Mexico	8.40	43	18.87	Latin America
Australia	7.71	46	13.21	Oceania
Malaysia	7.57	47	11.32	Asia
Indonesia	7.35	48	9.43	Asia
the United Kingdom	6.97	49	7.55	Europe
Thailand	4.86	52	1.89	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Receivables (Net)
(Skilled Nursing Care Facilities)

Countries in Oceana	Value (total assets = 100)	Rank	Percentile
Norfolk Island	18.50	1	96.00
Nauru	18.31	2	92.00
Cook Island	18.00	3	88.00
New Zealand	17.39	4	84.00
Guam	16.69	5	80.00
Wallis and Futuna	16.20	6	76.00
French Polynesia	16.13	7	72.00
New Caledonia	13.78	8	68.00
Northern Mariana Isl.	12.82	9	64.00
Vanuatu	12.79	10	60.00
Cocos (Keeling) Islands	10.80	11	56.00
Pitcairn Islands	10.80	12	52.00
Niue	10.80	13	48.00
Micronesia Federation	10.59	14	44.00
American Samoa	10.15	15	40.00
Western Samoa	9.72	16	36.00
Christmas Island	9.52	17	32.00
Tokelau	8.64	18	28.00
Solomon Islands	8.43	19	24.00
Kiribati	7.91	20	20.00
Australia	7.71	21	16.00
Tuvalu	6.01	22	12.00
Fiji	4.76	23	8.00
Tonga	3.76	24	4.00
Marshall Islands	3.76	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Total Inventories

Countries	Value (total assets = 100)	Rank	Percentile	Region
China	10.91	1	98.11	Asia
Pakistan	10.73	2	96.23	the Middle East
South Africa	7.03	3	94.34	Africa
Brazil	6.37	4	92.45	Latin America
India	5.02	5	90.57	Asia
Sweden	4.71	6	88.68	Europe
Denmark	4.58	7	86.79	Europe
Norway	3.74	8	84.91	Europe
New Zealand	3.61	9	83.02	Oceania
Hong Kong	3.54	10	81.13	Asia
Canada	3.49	11	79.25	North America
Spain	3.20	13	75.47	Europe
Peru	3.09	14	73.58	Latin America
Israel	2.94	15	71.70	the Middle East
Ireland	2.91	16	69.81	Europe
Switzerland	2.82	17	67.92	Europe
the United Kingdom	2.57	18	66.04	Europe
Japan	2.49	19	64.15	Asia
Luxembourg	2.44	20	62.26	Europe
Taiwan	2.43	21	60.38	Asia
Finland	2.41	22	58.49	Europe
Portugal	2.18	24	54.72	Europe
USA	2.15	25	52.83	North America
France	2.07	26	50.94	Europe
Austria	2.05	27	49.06	Europe
Thailand	2.03	28	47.17	Asia
Germany	2.02	29	45.28	Europe
Belgium	1.95	30	43.40	Europe
Greece	1.89	31	41.51	Europe
Italy	1.88	32	39.62	Europe
Philippines	1.86	33	37.74	Asia
Netherlands	1.86	34	35.85	Europe
Chile	1.80	35	33.96	Latin America
Australia	1.71	36	32.08	Oceania
Czech Republic	1.68	38	28.30	Europe
Argentina	1.57	40	24.53	Latin America
South Korea	1.53	41	22.64	Asia
Indonesia	1.47	42	20.75	Asia
Russian Federation	1.38	45	15.09	Europe
Hungary	1.24	46	13.21	Europe
Malaysia	1.18	47	11.32	Asia
Poland	1.01	49	7.55	Europe
Singapore	0.85	50	5.66	Asia
Turkey	0.85	51	3.77	the Middle East
Mexico	0.84	52	1.89	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Total Inventories
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
New Zealand	3.61	1	96.00
Guam	3.47	2	92.00
Wallis and Futuna	3.24	3	88.00
Northern Mariana Isl.	2.79	4	84.00
Vanuatu	2.56	5	80.00
Niue	2.16	6	76.00
Pitcairn Islands	2.16	7	72.00
Cocos (Keeling) Islands	2.16	8	68.00
Micronesia Federation	2.12	9	64.00
Christmas Island	2.00	10	60.00
Fiji	1.99	11	56.00
Western Samoa	1.94	12	52.00
Norfolk Island	1.85	13	48.00
Nauru	1.83	14	44.00
Tokelau	1.73	15	40.00
Australia	1.71	16	36.00
Solomon Islands	1.69	17	32.00
French Polynesia	1.62	18	28.00
Kiribati	1.58	19	24.00
Marshall Islands	1.57	20	20.00
Tonga	1.57	21	16.00
Cook Island	1.56	22	12.00
New Caledonia	1.38	23	8.00
Tuvalu	1.20	24	4.00
American Samoa	1.02	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Current Assets - Total

Countries	Value (total assets = 100)	Rank	Percentile	Region
New Zealand	70.92	1	98.11	Oceania
Hong Kong	69.49	2	96.23	Asia
Spain	62.83	3	94.34	Europe
China	53.33	4	92.45	Asia
Pakistan	52.44	5	90.57	the Middle East
Japan	52.31	6	88.68	Asia
Finland	50.62	7	86.79	Europe
Norway	46.96	8	84.91	Europe
Israel	44.13	9	83.02	the Middle East
Ireland	43.76	10	81.13	Europe
France	39.56	12	77.36	Europe
Peru	39.38	13	75.47	Latin America
Austria	39.13	14	73.58	Europe
USA	38.79	15	71.70	North America
Belgium	37.20	16	69.81	Europe
Singapore	36.92	17	67.92	Asia
Taiwan	36.47	18	66.04	Asia
Italy	35.94	19	64.15	Europe
Netherlands	35.54	20	62.26	Europe
Switzerland	35.46	21	60.38	Europe
South Africa	34.93	22	58.49	Africa
Sweden	33.18	23	56.60	Europe
India	32.95	24	54.72	Asia
Portugal	32.82	25	52.83	Europe
Denmark	32.24	26	50.94	Europe
Brazil	31.65	27	49.06	Latin America
Luxembourg	30.67	28	47.17	Europe
Chile	23.91	30	43.40	Latin America
Canada	23.71	31	41.51	North America
Philippines	23.65	32	39.62	Asia
Greece	23.37	33	37.74	Europe
Czech Republic	20.81	34	35.85	Europe
Germany	20.06	36	32.08	Europe
Malaysia	19.83	37	30.19	Asia
Argentina	19.38	38	28.30	Latin America
South Korea	18.94	39	26.42	Asia
Indonesia	18.70	40	24.53	Asia
Thailand	17.44	42	20.75	Asia
Russian Federation	17.07	44	16.98	Europe
Australia	15.41	45	15.09	Oceania
Hungary	15.33	46	13.21	Europe
the United Kingdom	14.88	47	11.32	Europe
Poland	12.54	50	5.66	Europe
Turkey	10.46	51	3.77	the Middle East
Mexico	10.43	52	1.89	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Current Assets - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
New Zealand	70.92	1	96.00
Guam	68.08	2	92.00
Northern Mariana Isl.	41.94	3	88.00
Wallis and Futuna	41.25	4	84.00
Norfolk Island	35.46	5	80.00
Nauru	35.09	6	76.00
Vanuatu	32.56	7	72.00
Pitcairn Islands	27.50	8	68.00
Niue	27.50	9	64.00
Cocos (Keeling) Islands	27.50	10	60.00
Micronesia Federation	26.95	11	56.00
Western Samoa	24.75	12	52.00
Tokelau	22.00	13	48.00
Solomon Islands	21.45	14	44.00
Cook Island	20.62	15	40.00
Kiribati	20.13	16	36.00
French Polynesia	20.03	17	32.00
Christmas Island	19.86	18	28.00
New Caledonia	17.10	19	24.00
Fiji	17.10	20	20.00
Australia	15.41	21	16.00
Tuvalu	15.29	22	12.00
Marshall Islands	13.50	23	8.00
Tonga	13.50	24	4.00
American Samoa	12.60	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Property Plant and Equipment - Net

Countries	Value (total assets = 100)	Rank	Percentile	Region
the United Kingdom	74.86	1	98.11	Europe
Chile	73.83	2	96.23	Latin America
Thailand	72.23	3	94.34	Asia
Germany	60.66	4	92.45	Europe
Greece	60.43	6	88.68	Europe
South Africa	59.72	7	86.79	Africa
Brazil	54.11	9	83.02	Latin America
Czech Republic	53.80	10	81.13	Europe
Peru	53.50	11	79.25	Latin America
India	52.74	12	77.36	Asia
Argentina	50.11	13	75.47	Latin America
South Korea	48.97	14	73.58	Asia
Singapore	47.76	15	71.70	Asia
Malaysia	45.95	16	69.81	Asia
Russian Federation	44.13	18	66.04	Europe
China	41.95	19	64.15	Asia
Pakistan	41.25	20	62.26	the Middle East
Canada	41.10	21	60.38	North America
Hungary	39.65	22	58.49	Europe
Australia	35.55	24	54.72	Oceania
Poland	32.43	25	52.83	Europe
Philippines	32.13	26	50.94	Asia
Japan	31.95	27	49.06	Asia
France	31.47	28	47.17	Europe
Austria	31.13	29	45.28	Europe
Finland	30.91	30	43.40	Europe
Belgium	29.60	31	41.51	Europe
Sweden	29.26	32	39.62	Europe
USA	28.69	33	37.74	North America
New Zealand	28.65	34	35.85	Oceania
Italy	28.59	35	33.96	Europe
Denmark	28.43	36	32.08	Europe
Netherlands	28.27	37	30.19	Europe
Hong Kong	28.07	38	28.30	Asia
Turkey	27.05	40	24.53	the Middle East
Mexico	26.97	41	22.64	Latin America
Indonesia	25.41	42	20.75	Asia
Spain	25.38	43	18.87	Europe
Norway	15.28	47	11.32	Europe
Switzerland	11.54	48	9.43	Europe
Luxembourg	9.98	49	7.55	Europe
Israel	5.52	50	5.66	the Middle East
Ireland	5.47	51	3.77	Europe
Taiwan	4.56	52	1.89	Asia
Portugal	4.11	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Property Plant and Equipment - Net
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
Fiji	70.82	1	96.00
Cook Island	63.70	2	92.00
Christmas Island	60.07	3	88.00
Wallis and Futuna	56.04	4	84.00
Marshall Islands	55.91	5	80.00
Tonga	55.91	6	76.00
French Polynesia	51.78	7	72.00
Vanuatu	44.24	8	68.00
New Caledonia	44.22	9	64.00
Cocos (Keeling) Islands	37.36	10	60.00
Niue	37.36	11	56.00
Pitcairn Islands	37.36	12	52.00
Micronesia Federation	36.61	13	48.00
Australia	35.55	14	44.00
Western Samoa	33.63	15	40.00
American Samoa	32.57	16	36.00
Tokelau	29.89	17	32.00
Solomon Islands	29.14	18	28.00
New Zealand	28.65	19	24.00
Norfolk Island	28.21	20	20.00
Nauru	27.92	21	16.00
Guam	27.50	22	12.00
Kiribati	27.35	23	8.00
Tuvalu	20.77	24	4.00
Northern Mariana Isl.	5.25	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accumulated Depreciation - Total

Countries	Value (total assets = 100)	Rank	Percentile	Region
Japan	44.77	1	98.08	Asia
Finland	43.32	2	96.15	Europe
Thailand	42.85	4	92.31	Asia
Peru	41.17	5	90.38	Latin America
Norway	34.93	7	86.54	Europe
Germany	29.97	9	82.69	Europe
South Africa	29.30	10	80.77	Africa
Brazil	26.55	11	78.85	Latin America
Switzerland	26.38	12	76.92	Europe
Sweden	25.93	13	75.00	Europe
Denmark	25.20	14	73.08	Europe
Philippines	24.73	15	71.15	Asia
China	23.45	16	69.23	Asia
Pakistan	23.06	17	67.31	the Middle East
Luxembourg	22.81	18	65.38	Europe
France	21.57	19	63.46	Europe
Austria	21.33	20	61.54	Europe
Belgium	20.29	22	57.69	Europe
Canada	19.98	23	55.77	North America
Singapore	19.74	24	53.85	Asia
Italy	19.60	25	51.92	Europe
Indonesia	19.55	26	50.00	Asia
Netherlands	19.38	27	48.08	Europe
India	19.19	28	46.15	Asia
Malaysia	15.18	30	42.31	Asia
USA	15.18	31	40.38	North America
the United Kingdom	12.44	33	36.54	Europe
Greece	9.59	34	34.62	Europe
Australia	9.56	35	32.69	Oceania
Czech Republic	8.54	36	30.77	Europe
Argentina	7.95	37	28.85	Latin America
South Korea	7.77	38	26.92	Asia
Russian Federation	7.00	40	23.08	Europe
Hungary	6.29	41	21.15	Europe
New Zealand	6.26	42	19.23	Oceania
Hong Kong	6.14	43	17.31	Asia
Spain	5.55	44	15.38	Europe
Poland	5.14	45	13.46	Europe
Turkey	4.29	46	11.54	the Middle East
Mexico	4.28	47	9.62	Latin America
Israel	2.45	49	5.77	the Middle East
Ireland	2.43	50	3.85	Europe
Taiwan	2.02	51	1.92	Asia
Portugal	1.82	52	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accumulated Depreciation - Total (Skilled Nursing Care Facilities)

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
Wallis and Futuna	43.13	1	95.83
Fiji	42.01	2	91.67
Vanuatu	34.04	3	87.50
Marshall Islands	33.17	4	83.33
Tonga	33.17	5	79.17
Christmas Island	29.67	6	75.00
Niue	28.75	7	70.83
Pitcairn Islands	28.75	8	66.67
Cocos (Keeling) Islands	28.75	9	62.50
Micronesia Federation	28.18	10	58.33
Western Samoa	25.88	11	54.17
Tokelau	23.00	12	50.00
Solomon Islands	22.43	13	45.83
Kiribati	21.05	14	41.67
Norfolk Island	19.33	15	37.50
Nauru	19.13	16	33.33
Tuvalu	15.99	17	29.17
Australia	9.56	18	25.00
French Polynesia	8.21	19	20.83
New Caledonia	7.02	20	16.67
New Zealand	6.26	21	12.50
Guam	6.01	22	8.33
American Samoa	5.17	23	4.17
Northern Mariana Isl.	2.32	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Intangible Other Assets

Countries	Value (total assets = 100)	Rank	Percentile	Region
Norway	68.10	1	97.67	Europe
Switzerland	51.41	2	95.35	Europe
Luxembourg	44.46	3	93.02	Europe
Australia	41.95	4	90.70	Oceania
Sweden	33.11	5	88.37	Europe
Denmark	32.17	6	86.05	Europe
USA	26.80	7	83.72	North America
France	25.73	8	81.40	Europe
Austria	25.45	9	79.07	Europe
Israel	24.76	10	76.74	the Middle East
Ireland	24.56	11	74.42	Europe
Belgium	24.20	12	72.09	Europe
Italy	23.38	13	69.77	Europe
Netherlands	23.12	14	67.44	Europe
Taiwan	20.46	15	65.12	Asia
Canada	19.03	16	62.79	North America
Portugal	18.42	17	60.47	Europe
Germany	17.70	18	58.14	Europe
Malaysia	16.91	19	55.81	Asia
the United Kingdom	9.16	20	53.49	Europe
Greece	8.79	21	51.16	Europe
Czech Republic	7.83	22	48.84	Europe
Argentina	7.29	23	46.51	Latin America
South Korea	7.13	24	44.19	Asia
Japan	6.67	25	41.86	Asia
Finland	6.45	27	37.21	Europe
Russian Federation	6.42	28	34.88	Europe
Hungary	5.77	29	32.56	Europe
Poland	4.72	30	30.23	Europe
Turkey	3.94	31	27.91	the Middle East
Mexico	3.93	32	25.58	Latin America
China	2.52	34	20.93	Asia
Pakistan	2.48	35	18.60	the Middle East
South Africa	1.86	36	16.28	Africa
Brazil	1.69	37	13.95	Latin America
New Zealand	0.98	38	11.63	Oceania
Hong Kong	0.96	39	9.30	Asia
Spain	0.86	40	6.98	Europe
Singapore	0.71	41	4.65	Asia
India	0.48	42	2.33	Asia
Chile	0.24	43	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Intangible Other Assets
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total assets = 100)	Rank	Percentile
Australia	41.95	1	90.91
Northern Mariana Isl.	23.53	2	81.82
Norfolk Island	23.06	3	72.73
Nauru	22.83	4	63.64
Christmas Island	17.53	5	54.55
French Polynesia	7.54	6	45.45
New Caledonia	6.43	7	36.36
American Samoa	4.74	8	27.27
New Zealand	0.98	9	18.18
Guam	0.94	10	9.09
Cook Island	0.21	11	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.3 FINANCIAL RETURNS IN AUSTRALIA: LIABILITY STRUCTURE RATIOS

3.3.1 Overview

In this chapter we consider the liability structure of firms operating in Australia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of liabilities and shareholder equity is then presented for the proto-typical firm operating in Australia and the average global benchmarks (sometimes referred to as a financial “gap” analysis). The figure reflect firms involved in skilled nursing care facilities in Australia. For ratios where there are large deviations between Australia and the benchmarks, graphics are provided (total liabilities and equity = 100 percent). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis liability ratios are highlighted.

3.3.2 Liabilities and Equity – Definitions of Terms

The following definitions are provided for those less familiar with the liability-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of liabilities and equity, only definitions covering certain terms used in this chapter’s tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Accounts Payable.** Accounts payable are defined as amounts owed on open account to private persons or organizations for goods or services received.
- **Accrued Payroll.** Accrued payroll is defined as the cost of payroll that has been incurred but has not yet been paid. Payroll is typically defined as comprising records detailing the salaries, wages, allowances and deductions for each employee for a specific period of time.
- **Capital Surplus.** Capital surplus is commonly defined as an amount of equity which is directly contributed capital in excess of the par value.
- **Capitalized Lease Obligations.** A capitalized lease obligation is commonly defined as an ownership arrangement in which the item under lease is typically a long-term asset. Capital leases are generally recorded as assets with liability at the current value of the lease payment.
- **Common Equity.** Common equity is defined to equal the company's net worth. It typically comprises capital stock, capital surplus, retained earnings, and, in some cases, net worth reserves. Common equity is the portion of total net worth belonging to the common stockholders. Synonyms which are often used for common equity are “common stock” and “net worth”.
- **Common Stock.** Common stock is defined as the securities which represent the company's ownership interest. Common stockholders typically assume greater risk than preferred stockholders; although common stockholders maintain greater control and generally greater dividends and capital appreciation. Common stock can be used interchangeably with the term capital stock when the company has no preferred stock.
- **Current Liabilities - Total.** Total current liabilities are defined as the total amount of obligations which would require the use of current assets or other current liabilities to pay.

-
- **Current Portion of Long Term Debt.** The current proportion of long term debt is typically defined as debt which is payable in more than one year.
 - **Deferred Income.** Deferred income is commonly defined as the amount for services rendered that has not yet been received.
 - **Deferred Taxes.** Deferred taxes are compulsory charges from a previous accounting period which are yet unpaid.
 - **Deferred Taxes - Credit.** Deferred tax credits are defined as credits against compulsory charges from a previous accounting period which are yet unpaid.
 - **Dividends Payable.** Dividends payable typically include the declared dividend dollar amount that a company is obligated to pay. The dividend payment eliminates dividends payable and reduces cash.
 - **Income Taxes Payable.** Income taxes payable are understood to mean taxes which are levied by state, federal, and local governments on the company's reported accounting profit. Income taxes payable are those which are due in the current accounting period.
 - **Long Term Debt.** Long-term debt is defined to be due in a period exceeding one year or one operating cycle, whichever is longer. Long-term debt can have an extended repayment period such as a many-year mortgage on land and buildings, or debt that's intended to be permanent such as bonds issued to investors.
 - **Long Term Debt Excluding Capitalized Leases.** Long term debt excluding capitalized leases is defined as debt which is typically due in a period exceeding one year or one operating cycle, whichever is longer, less capitalized leases (see Long Term Debt for exceptions). Capital leases are generally recorded as assets with liability at the current value of the lease payment.
 - **Minority Interest.** Minority interest is the proportional share of the minority ownership's interest (less than 50 percent) in the earnings or losses.
 - **Retained Earnings.** Retained earnings is an equity account reflecting the accumulated earnings of proprietary funds.
 - **Shareholders Equity.** Shareholders equity is commonly defined to be the amount of total equity reserved for common and preferred shareholders.
 - **Short Term Debt.** Short term debt is generally defined as debt payable within one year.
 - **Total Liabilities.** Total liabilities are generally defined to include all the claims against a corporation. Liabilities include accounts and wages and salaries payable, dividends declared payable, accrued taxes payable, fixed or long-term liabilities such as mortgage bonds, debentures, and bank loans.

3.3.3 Liability Structure: Outlook

Using the methodology described in the introduction, the following table summarizes liability and equity structure benchmarks for firms involved in skilled nursing care facilities in Australia. To allow comparable benchmarking, a common index of Total Liabilities & Shareholders Equity = 100 is used. All figures are current-year projections for companies operating in Australia based on latest financial results available.

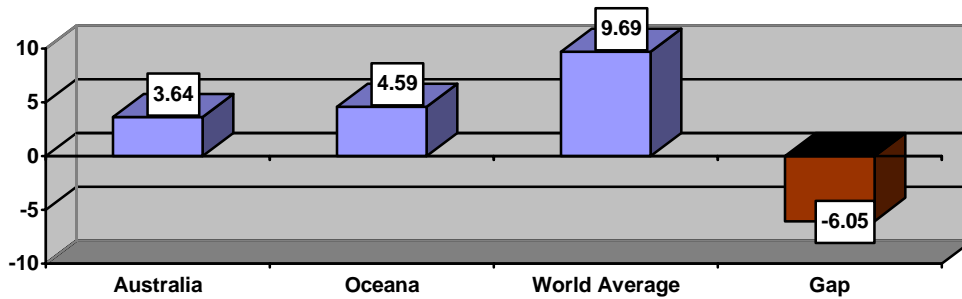
Liability Structure	Australia	Oceania	World Avg.
Accounts Payable	3.64	4.59	9.69
Short Term Debt & Current Portion of Long Term Debt	2.09	3.56	5.20
Accrued Payroll	2.10	4.63	0.48
Income Taxes Payable	1.04	1.73	1.73
Dividends Payable	1.76	1.15	0.72
Other Current Liabilities	4.44	5.55	3.41
Current Liabilities - Total	14.50	14.70	20.75
Long Term Debt	23.09	8.86	13.36
Long Term Debt Excluding Capitalized Leases	21.43	7.99	12.98
Capitalized Lease Obligations	1.65	0.86	0.39
Provision For Risks and Charges	1.12	0.89	0.51
Deferred Income	0.16	0.28	0.02
Deferred Taxes	-0.39	0.30	2.04
Deferred Taxes - Credit	1.41	1.41	2.44
Deferred Taxes - Debit	1.89	1.22	0.42
Other Liabilities	0.38	1.02	0.45
Total Liabilities	38.83	25.23	36.87
Minority Interest	1.03	0.77	3.35
Common Equity	60.14	50.27	44.11
Common Stock	52.68	13.57	7.98
Capital Surplus	11.90	20.82	16.38
Revaluation Reserves	1.36	0.86	0.80
Other Appropriated Reserves	2.74	6.06	6.99
Unappropriated Reserves	0.04	12.62	4.21
Retained Earnings	3.69	4.25	5.02
Unrealized Foreign Exchange Gain/Loss	-0.14	-0.93	-0.07
Total Liabilities & Shareholders Equity	100.00	100.00	100.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

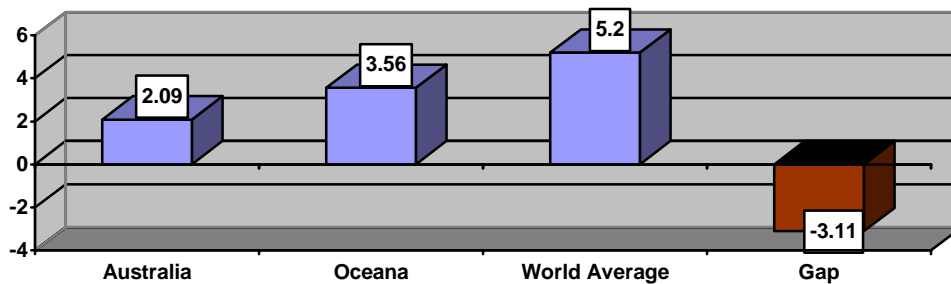
3.3.4 Large Variances: Liabilities

The following graphics summarize for skilled nursing care facilities the large liability structure gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

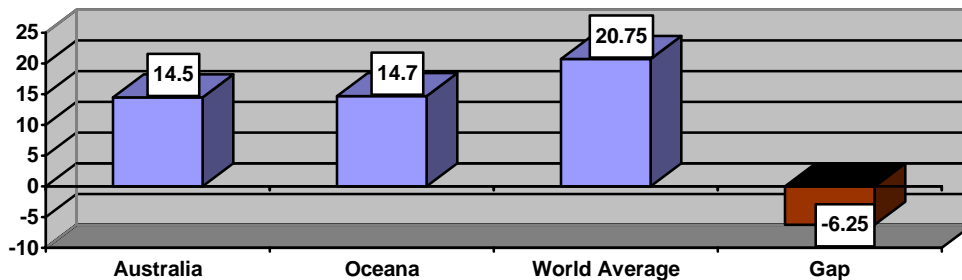
Gap: Accounts Payable



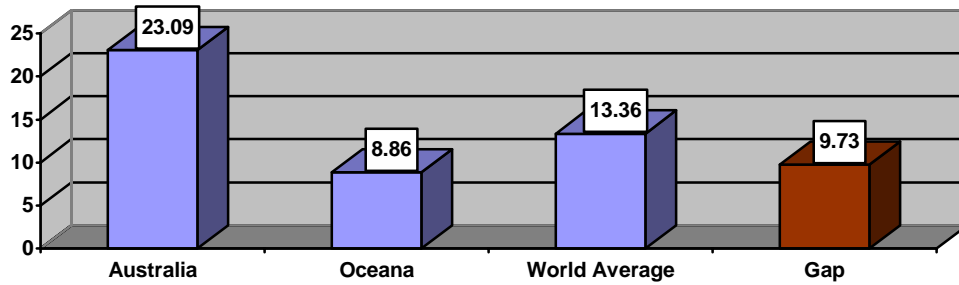
Gap: Short Term Debt & Current Portion of Long Term Debt



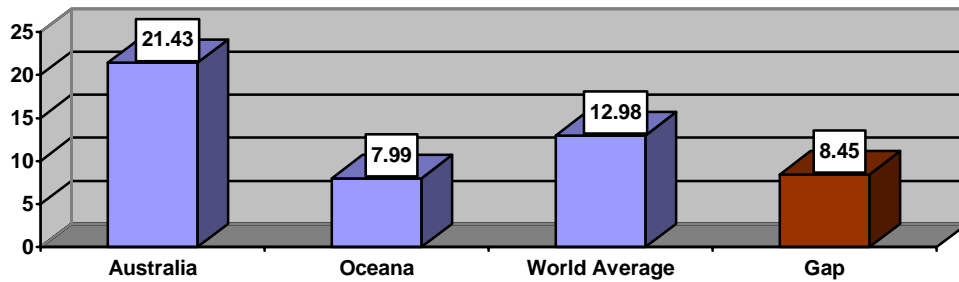
Gap: Current Liabilities - Total



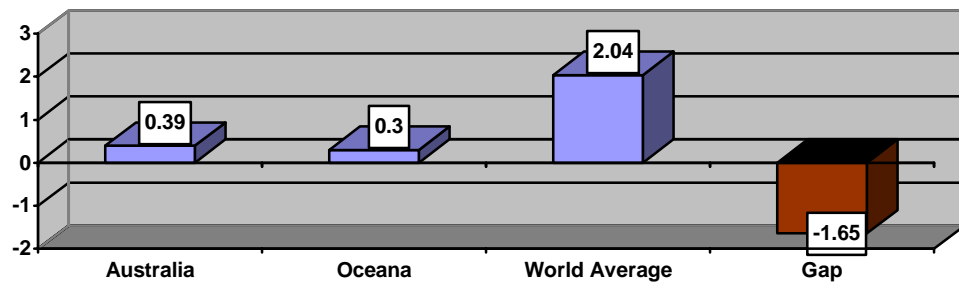
Gap: Long Term Debt



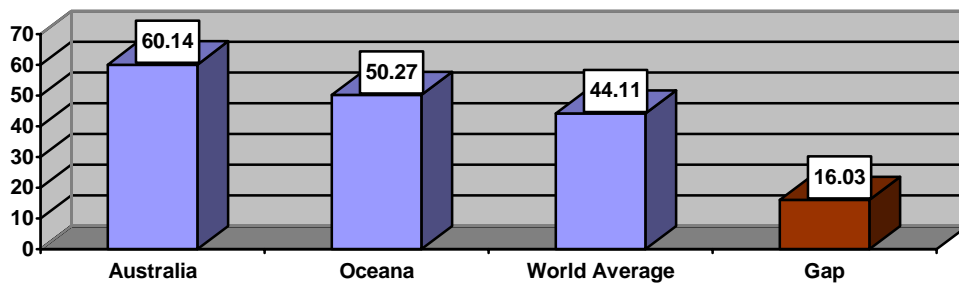
Gap: Long Term Debt Excluding Capitalized Leases



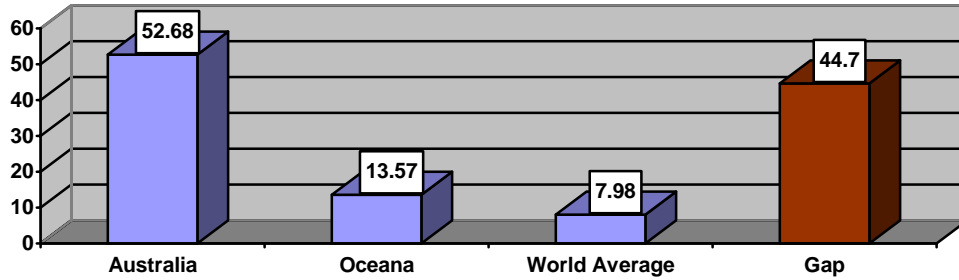
Gap: Deferred Taxes



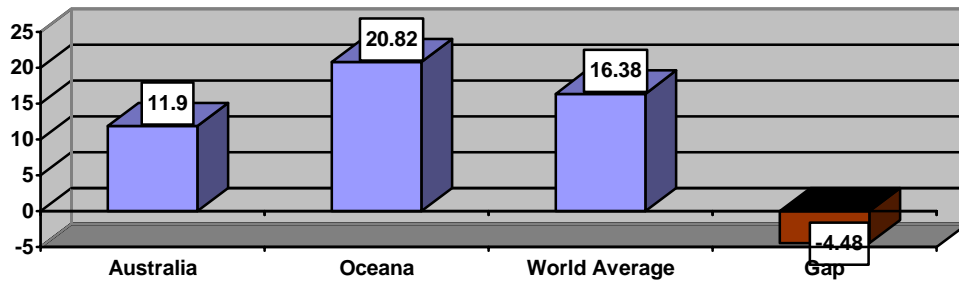
Gap: Common Equity



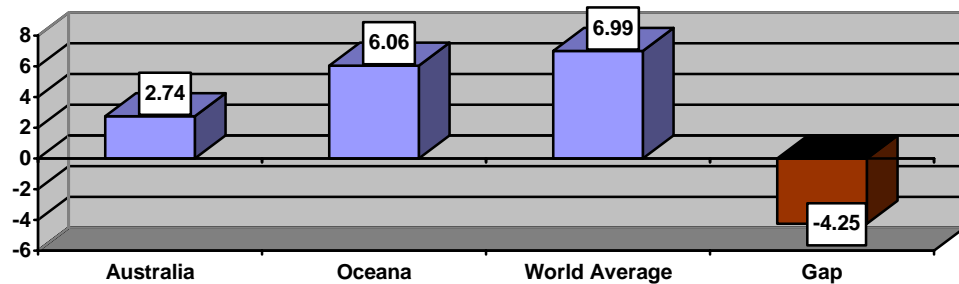
Gap: Common Stock



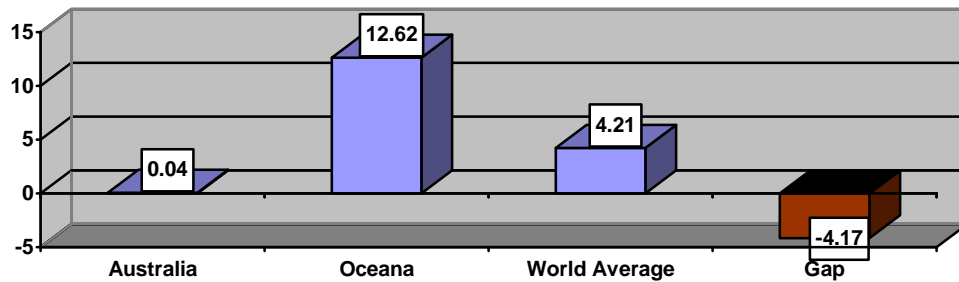
Gap: Capital Surplus



Gap: Other Appropriated Reserves



Gap: Unappropriated Reserves



3.3.5 Key Percentiles and Rankings

We now consider the distribution of liability ratios for skilled nursing care facilities using ranks and percentiles. What percent of countries have a value lower or higher than Australia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of liability. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical liability ratios are highlighted in additional tables.

Liability Structure	Australia	Rank of Total	Percentile
Accounts Payable	3.64	39 of 52	25.00
Short Term Debt & Current Portion of Long Term Debt	2.09	41 of 50	18.00
Accrued Payroll	2.10	10 of 15	33.33
Income Taxes Payable	1.04	28 of 40	30.00
Dividends Payable	1.76	9 of 18	50.00
Other Current Liabilities	4.44	30 of 53	43.40
Current Liabilities - Total	14.50	38 of 53	28.30
Long Term Debt	23.09	15 of 42	64.29
Long Term Debt Excluding Capitalized Leases	21.43	11 of 42	73.81
Capitalized Lease Obligations	1.65	7 of 23	69.57
Provision For Risks and Charges	1.12	14 of 34	58.82
Deferred Income	0.16	5 of 7	28.57
Deferred Taxes	-0.39	25 of 30	16.67
Deferred Taxes - Credit	1.41	12 of 20	40.00
Deferred Taxes - Debit	1.89	9 of 25	64.00
Other Liabilities	0.38	24 of 29	17.24
Total Liabilities	38.83	26 of 53	50.94
Minority Interest	1.03	20 of 53	62.26
Common Equity	60.14	9 of 53	83.02
Common Stock	52.68	1 of 44	97.73
Capital Surplus	11.90	30 of 41	26.83
Revaluation Reserves	1.36	5 of 23	78.26
Other Appropriated Reserves	2.74	35 of 40	12.50
Unappropriated Reserves	0.04	19 of 20	5.00
Retained Earnings	3.69	27 of 52	48.08
Unrealized Foreign Exchange Gain/Loss	-0.14	12 of 20	40.00
Total Liabilities & Shareholders Equity	100.00		

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accounts Payable

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
China	22.32	1	98.08	Asia
Pakistan	21.94	2	96.15	the Middle East
Canada	14.92	3	94.23	North America
Norway	11.44	4	92.31	Europe
Japan	11.13	5	90.38	Asia
Greece	10.97	6	88.46	Europe
Finland	10.77	7	86.54	Europe
South Africa	10.21	8	84.62	Africa
Czech Republic	9.77	9	82.69	Europe
Brazil	9.25	10	80.77	Latin America
Argentina	9.10	11	78.85	Latin America
South Korea	8.89	12	76.92	Asia
Switzerland	8.64	13	75.00	Europe
Russian Federation	8.01	15	71.15	Europe
France	7.65	16	69.23	Europe
Austria	7.57	17	67.31	Europe
Luxembourg	7.47	18	65.38	Europe
Hungary	7.20	19	63.46	Europe
Belgium	7.20	20	61.54	Europe
Italy	6.96	22	57.69	Europe
Netherlands	6.88	23	55.77	Europe
Peru	6.82	24	53.85	Latin America
India	6.76	25	51.92	Asia
Sweden	6.32	26	50.00	Europe
Denmark	6.15	27	48.08	Europe
USA	6.07	28	46.15	North America
Poland	5.89	29	44.23	Europe
Singapore	5.17	30	42.31	Asia
Turkey	4.91	32	38.46	the Middle East
Mexico	4.90	33	36.54	Latin America
Malaysia	4.88	34	34.62	Asia
the United Kingdom	4.66	35	32.69	Europe
Thailand	4.18	37	28.85	Asia
Philippines	4.10	38	26.92	Asia
Australia	3.64	39	25.00	Oceania
Indonesia	3.24	42	19.23	Asia
Israel	3.08	43	17.31	the Middle East
Ireland	3.05	44	15.38	Europe
Germany	2.65	46	11.54	Europe
Taiwan	2.54	47	9.62	Asia
Portugal	2.29	49	5.77	Europe
New Zealand	1.84	50	3.85	Oceania
Hong Kong	1.80	51	1.92	Asia
Spain	1.63	52	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accounts Payable (Skilled Nursing Care Facilities)

Countries in Oceania	Value (total liabilities & equity = 100)	Rank	Percentile
French Polynesia	9.40	1	95.83
New Caledonia	8.03	2	91.67
Wallis and Futuna	7.15	3	87.50
Norfolk Island	6.86	4	83.33
Nauru	6.79	5	79.17
American Samoa	5.91	6	75.00
Vanuatu	5.64	7	70.83
Pitcairn Islands	4.76	8	66.67
Niue	4.76	9	62.50
Cocos (Keeling) Islands	4.76	10	58.33
Micronesia Federation	4.67	11	54.17
Western Samoa	4.29	12	50.00
Fiji	4.10	13	45.83
Tokelau	3.81	14	41.67
Solomon Islands	3.72	15	37.50
Australia	3.64	16	33.33
Kiribati	3.49	17	29.17
Marshall Islands	3.24	18	25.00
Tonga	3.24	19	20.83
Northern Mariana Isl.	2.92	20	16.67
Tuvalu	2.65	21	12.50
Christmas Island	2.63	22	8.33
New Zealand	1.84	23	4.17
Guam	1.77	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Current Liabilities - Total

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Japan	36.02	1	98.11	Asia
Finland	34.86	2	96.23	Europe
Israel	34.31	3	94.34	the Middle East
Ireland	34.03	4	92.45	Europe
China	33.50	5	90.57	Asia
Pakistan	32.94	6	88.68	the Middle East
France	31.37	7	86.79	Europe
Austria	31.03	8	84.91	Europe
Norway	30.33	9	83.02	Europe
Belgium	29.50	10	81.13	Europe
Italy	28.51	11	79.25	Europe
Taiwan	28.36	12	77.36	Asia
Netherlands	28.19	13	75.47	Europe
Greece	25.61	14	73.58	Europe
Portugal	25.52	15	71.70	Europe
Sweden	24.89	16	69.81	Europe
South Africa	24.60	17	67.92	Africa
Denmark	24.19	18	66.04	Europe
Switzerland	22.90	19	64.15	Europe
Czech Republic	22.80	20	62.26	Europe
Brazil	22.29	21	60.38	Latin America
Germany	22.09	22	58.49	Europe
Chile	22.02	23	56.60	Latin America
Argentina	21.24	24	54.72	Latin America
USA	20.84	25	52.83	North America
South Korea	20.76	26	50.94	Asia
Luxembourg	19.81	27	49.06	Europe
Singapore	19.29	28	47.17	Asia
India	19.05	30	43.40	Asia
Canada	18.78	31	41.51	North America
Russian Federation	18.70	32	39.62	Europe
Malaysia	18.42	33	37.74	Asia
the United Kingdom	17.83	34	35.85	Europe
Hungary	16.80	35	33.96	Europe
Thailand	14.69	37	30.19	Asia
Australia	14.50	38	28.30	Oceania
New Zealand	14.35	39	26.42	Oceania
Peru	14.26	40	24.53	Latin America
Hong Kong	14.06	41	22.64	Asia
Poland	13.74	42	20.75	Europe
Spain	12.71	43	18.87	Europe
Turkey	11.46	45	15.09	the Middle East
Mexico	11.43	46	13.21	Latin America
Philippines	8.56	49	7.55	Asia
Indonesia	6.77	51	3.77	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Current Liabilities - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total liabilities & equity = 100)	Rank	Percentile
Northern Mariana Isl.	32.61	1	96.00
Norfolk Island	28.12	2	92.00
Nauru	27.83	3	88.00
French Polynesia	21.95	4	84.00
Christmas Island	21.88	5	80.00
Cook Island	19.00	6	76.00
New Caledonia	18.74	7	72.00
Wallis and Futuna	14.94	8	68.00
Australia	14.50	9	64.00
Fiji	14.41	10	60.00
New Zealand	14.35	11	56.00
American Samoa	13.80	12	52.00
Guam	13.77	13	48.00
Vanuatu	11.79	14	44.00
Marshall Islands	11.37	15	40.00
Tonga	11.37	16	36.00
Cocos (Keeling) Islands	9.96	17	32.00
Pitcairn Islands	9.96	18	28.00
Niue	9.96	19	24.00
Micronesia Federation	9.76	20	20.00
Western Samoa	8.96	21	16.00
Tokelau	7.97	22	12.00
Solomon Islands	7.77	23	8.00
Kiribati	7.29	24	4.00
Tuvalu	5.54	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Long Term Debt

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Norway	41.57	1	97.62	Europe
Canada	35.40	2	95.24	North America
Germany	32.95	3	92.86	Europe
Switzerland	31.39	4	90.48	Europe
India	27.88	5	88.10	Asia
Luxembourg	27.14	6	85.71	Europe
France	26.55	7	83.33	Europe
Austria	26.26	8	80.95	Europe
the United Kingdom	25.03	9	78.57	Europe
Belgium	24.97	10	76.19	Europe
Greece	24.67	11	73.81	Europe
Italy	24.13	12	71.43	Europe
Netherlands	23.86	13	69.05	Europe
USA	23.43	14	66.67	North America
Australia	23.09	15	64.29	Oceania
Czech Republic	21.96	16	61.90	Europe
Israel	20.54	17	59.52	the Middle East
Argentina	20.46	18	57.14	Latin America
Ireland	20.37	19	54.76	Europe
South Korea	19.99	20	52.38	Asia
Malaysia	19.09	21	50.00	Asia
Sweden	18.12	23	45.24	Europe
Russian Federation	18.01	24	42.86	Europe
Denmark	17.61	25	40.48	Europe
Taiwan	16.98	26	38.10	Asia
Hungary	16.18	27	35.71	Europe
Thailand	15.84	28	33.33	Asia
Portugal	15.28	29	30.95	Europe
Poland	13.24	31	26.19	Europe
Turkey	11.04	32	23.81	the Middle East
Mexico	11.01	33	21.43	Latin America
Singapore	10.47	34	19.05	Asia
South Africa	8.09	36	14.29	Africa
Brazil	7.33	37	11.90	Latin America
Chile	7.31	38	9.52	Latin America
China	3.92	39	7.14	Asia
Pakistan	3.85	40	4.76	the Middle East
Japan	2.55	41	2.38	Asia
Finland	2.46	42	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Long Term Debt
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total liabilities & equity = 100)	Rank	Percentile
Christmas Island	32.62	1	91.67
Norfolk Island	23.80	2	83.33
Nauru	23.56	3	75.00
Australia	23.09	4	66.67
French Polynesia	21.14	5	58.33
Northern Mariana Isl.	19.52	6	50.00
New Caledonia	18.05	7	41.67
Fiji	15.53	8	33.33
American Samoa	13.29	9	25.00
Tonga	12.26	10	16.67
Marshall Islands	12.26	11	8.33
Cook Island	6.31	12	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Total Liabilities

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Norway	74.90	1	98.11	Europe
France	63.16	2	96.23	Europe
Austria	62.47	3	94.34	Europe
Canada	61.99	4	92.45	North America
Germany	61.87	5	90.57	Europe
Belgium	59.40	6	88.68	Europe
Italy	57.39	7	86.79	Europe
Netherlands	56.75	8	84.91	Europe
Switzerland	56.55	9	83.02	Europe
Israel	55.59	10	81.13	the Middle East
Ireland	55.13	11	79.25	Europe
India	54.69	12	77.36	Asia
Greece	50.34	13	75.47	Europe
Luxembourg	48.90	14	73.58	Europe
USA	48.01	15	71.70	North America
Sweden	47.99	16	69.81	Europe
Denmark	46.63	17	67.92	Europe
Taiwan	45.94	18	66.04	Asia
Czech Republic	44.82	19	64.15	Europe
the United Kingdom	44.54	20	62.26	Europe
Japan	42.68	21	60.38	Asia
Argentina	41.75	22	58.49	Latin America
Portugal	41.35	23	56.60	Europe
Finland	41.30	24	54.72	Europe
South Korea	40.80	25	52.83	Asia
Australia	38.83	26	50.94	Oceana
Malaysia	37.91	27	49.06	Asia
China	37.42	29	45.28	Asia
Pakistan	36.79	30	43.40	the Middle East
Russian Federation	36.76	31	41.51	Europe
Singapore	35.52	32	39.62	Asia
South Africa	33.72	33	37.74	Africa
Hungary	33.03	34	35.85	Europe
Thailand	30.79	35	33.96	Asia
Chile	30.73	36	32.08	Latin America
Brazil	30.55	37	30.19	Latin America
Poland	27.01	38	28.30	Europe
Turkey	22.53	40	24.53	the Middle East
Mexico	22.47	41	22.64	Latin America
Peru	17.13	44	16.98	Latin America
New Zealand	14.75	45	15.09	Oceana
Hong Kong	14.45	46	13.21	Asia
Spain	13.07	47	11.32	Europe
Philippines	10.29	49	7.55	Asia
Indonesia	8.14	51	3.77	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Total Liabilities
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (total liabilities & equity = 100)	Rank	Percentile
Christmas Island	61.26	1	96.00
Norfolk Island	56.62	2	92.00
Nauru	56.03	3	88.00
Northern Mariana Isl.	52.83	4	84.00
French Polynesia	43.13	5	80.00
Australia	38.83	6	76.00
New Caledonia	36.84	7	72.00
Fiji	30.18	8	68.00
American Samoa	27.13	9	64.00
Cook Island	26.52	10	60.00
Tonga	23.83	11	56.00
Marshall Islands	23.83	12	52.00
Wallis and Futuna	17.95	13	48.00
New Zealand	14.75	14	44.00
Vanuatu	14.17	15	40.00
Guam	14.16	16	36.00
Cocos (Keeling) Islands	11.96	17	32.00
Pitcairn Islands	11.96	18	28.00
Niue	11.96	19	24.00
Micronesia Federation	11.72	20	20.00
Western Samoa	10.77	21	16.00
Tokelau	9.57	22	12.00
Solomon Islands	9.33	23	8.00
Kiribati	8.76	24	4.00
Tuvalu	6.65	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Common Equity

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
New Zealand	83.48	1	98.11	Oceania
Hong Kong	81.80	2	96.23	Asia
Peru	77.95	4	92.45	Latin America
Spain	73.96	5	90.57	Europe
Chile	69.27	6	88.68	Latin America
Thailand	66.52	7	86.79	Asia
Singapore	64.33	8	84.91	Asia
Australia	60.14	9	83.02	Oceania
Malaysia	59.81	10	81.13	Asia
Japan	57.08	12	77.36	Asia
South Africa	56.94	13	75.47	Africa
Norway	55.25	15	71.70	Europe
Finland	55.23	16	69.81	Europe
the United Kingdom	55.09	17	67.92	Europe
China	52.81	18	66.04	Asia
Pakistan	51.93	19	64.15	the Middle East
Sweden	51.75	20	62.26	Europe
Brazil	51.59	21	60.38	Latin America
USA	50.91	22	58.49	North America
Denmark	50.28	23	56.60	Europe
Greece	48.34	24	54.72	Europe
Philippines	46.81	25	52.83	Asia
Israel	43.64	26	50.94	the Middle East
India	43.33	27	49.06	Asia
Ireland	43.28	28	47.17	Europe
Czech Republic	43.03	29	45.28	Europe
Switzerland	41.71	30	43.40	Europe
Argentina	40.08	31	41.51	Latin America
South Korea	39.17	33	37.74	Asia
Indonesia	37.02	34	35.85	Asia
Canada	36.39	35	33.96	North America
Luxembourg	36.07	36	32.08	Europe
Taiwan	36.07	37	30.19	Asia
France	35.90	39	26.42	Europe
Austria	35.51	40	24.53	Europe
Russian Federation	35.30	41	22.64	Europe
Belgium	33.77	43	18.87	Europe
Italy	32.62	44	16.98	Europe
Portugal	32.46	45	15.09	Europe
Netherlands	32.26	46	13.21	Europe
Hungary	31.71	47	11.32	Europe
Germany	29.15	48	9.43	Europe
Poland	25.94	50	5.66	Europe
Turkey	21.63	51	3.77	the Middle East
Mexico	21.57	52	1.89	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Common Equity
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total liabilities & equity = 100)	Rank	Percentile
New Zealand	83.48	1	96.00
Wallis and Futuna	81.65	2	92.00
Guam	80.14	3	88.00
Fiji	65.21	4	84.00
Vanuatu	64.45	5	80.00
Australia	60.14	6	76.00
Cook Island	59.76	7	72.00
Niue	54.44	8	68.00
Pitcairn Islands	54.44	9	64.00
Cocos (Keeling) Islands	54.44	10	60.00
Micronesia Federation	53.35	11	56.00
Tonga	51.48	12	52.00
Marshall Islands	51.48	13	48.00
Western Samoa	48.99	14	44.00
Tokelau	43.55	15	40.00
Solomon Islands	42.46	16	36.00
Northern Mariana Isl.	41.48	17	32.00
French Polynesia	41.42	18	28.00
Kiribati	39.85	19	24.00
New Caledonia	35.37	20	20.00
Norfolk Island	32.18	21	16.00
Nauru	31.85	22	12.00
Tuvalu	30.27	23	8.00
Christmas Island	28.86	24	4.00
American Samoa	26.05	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Retained Earnings

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
South Africa	46.28	1	98.08	Africa
Brazil	41.93	2	96.15	Latin America
Norway	40.51	3	94.23	Europe
Japan	36.27	4	92.31	Asia
Finland	35.10	5	90.38	Europe
Switzerland	30.59	6	88.46	Europe
Luxembourg	26.45	7	86.54	Europe
Sweden	25.03	8	84.62	Europe
Denmark	24.32	9	82.69	Europe
New Zealand	17.83	10	80.77	Oceania
Hong Kong	17.47	11	78.85	Asia
Singapore	17.00	12	76.92	Asia
USA	16.99	13	75.00	North America
Spain	15.80	14	73.08	Europe
Chile	13.83	15	71.15	Latin America
the United Kingdom	13.76	16	69.23	Europe
Canada	10.10	17	67.31	North America
Germany	6.81	18	65.38	Europe
Peru	5.33	20	61.54	Latin America
Israel	5.10	21	59.62	the Middle East
Ireland	5.06	22	57.69	Europe
Taiwan	4.22	23	55.77	Asia
Malaysia	3.93	25	51.92	Asia
Portugal	3.80	26	50.00	Europe
Australia	3.69	27	48.08	Oceania
Philippines	3.20	28	46.15	Asia
Indonesia	2.53	30	42.31	Asia
France	2.32	32	38.46	Europe
Austria	2.29	33	36.54	Europe
Belgium	2.18	34	34.62	Europe
Italy	2.11	35	32.69	Europe
Netherlands	2.08	36	30.77	Europe
China	1.89	37	28.85	Asia
Pakistan	1.86	38	26.92	the Middle East
Thailand	0.30	40	23.08	Asia
Greece	0.13	42	19.23	Europe
Czech Republic	0.12	43	17.31	Europe
Argentina	0.11	44	15.38	Latin America
South Korea	0.11	45	13.46	Asia
Russian Federation	0.10	47	9.62	Europe
Hungary	0.09	48	7.69	Europe
Poland	0.07	49	5.77	Europe
Turkey	0.06	50	3.85	the Middle East
Mexico	0.06	51	1.92	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Retained Earnings (Skilled Nursing Care Facilities)

Countries in Oceania	Value (total liabilities & equity = 100)	Rank	Percentile
New Zealand	17.83	1	96.00
Guam	17.12	2	92.00
Cook Island	11.93	3	88.00
Christmas Island	6.75	4	84.00
Wallis and Futuna	5.58	5	80.00
Northern Mariana Isl.	4.85	6	76.00
Vanuatu	4.40	7	72.00
Pitcairn Islands	3.72	8	68.00
Cocos (Keeling) Islands	3.72	9	64.00
Niue	3.72	10	60.00
Australia	3.69	11	56.00
Micronesia Federation	3.64	12	52.00
Western Samoa	3.35	13	48.00
Tokelau	2.98	14	44.00
Solomon Islands	2.90	15	40.00
Kiribati	2.72	16	36.00
Norfolk Island	2.08	17	32.00
Tuvalu	2.07	18	28.00
Nauru	2.06	19	24.00
Fiji	0.29	20	20.00
Marshall Islands	0.23	21	16.00
Tonga	0.23	22	12.00
French Polynesia	0.11	23	8.00
New Caledonia	0.10	24	4.00
American Samoa	0.07	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.4 FINANCIAL RETURNS IN AUSTRALIA: INCOME STRUCTURE RATIOS

3.4.1 Overview

In this chapter we consider the income structure of companies operating in Australia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of income is then presented for the proto-typical firm involved in skilled nursing care facilities operating in Australia and the average global benchmarks (total revenue = 100 percent). For ratios where there are large deviations between Australia and the benchmarks, graphics are provided. Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis income ratios are highlighted across countries in the comparison group.

3.4.2 Income Statements – Definitions of Terms

The following definitions are provided for those less familiar with the income-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of income, only definitions covering certain terms used in this chapter's tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Amortization.** Amortization generally refers to the depreciation, depletion, or charge-off to expense of intangible and tangible assets over a period of time. Amortization is commonly understood to be the taking as an expense (writing off) of the loss of value of an intangible asset such as a copyright, a patent, or a mailing list, in an accounting period.
- **Cost of Goods Sold (excluding depreciation).** For retail companies, cost of goods sold is generally defined as the equivalent of starting inventory plus purchases minus ending inventory. In manufacturing, cost of goods sold is defined to equal the starting inventory plus the cost of goods manufactured minus ending inventory. Most pure service firms do not generally have cost of goods sold.
- **Current Domestic Income Tax.** Current domestic income taxes are commonly defined as compulsory charges levied by the government where the company is located on current income.
- **Deferred Domestic Income Tax.** Deferred domestic income tax is defined as a compulsory charge from a previous accounting period which is yet unpaid to the government where the company is located on current income.
- **Depletion.** Depletion is commonly defined to be included as one of the elements of amortization, and is understood to be the portion of the carrying value (other than the portion associated with tangible assets) prorated in each accounting period for financial reporting purposes.
- **Depreciation.** Depreciation generally is defined as the expiration in the service life of fixed assets, other than depletable assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. Depreciation is commonly defined as the portion of the cost of a fixed asset charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.

-
- **Earnings Before Interest and Taxes (EBIT).** EBIT is a financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest and income taxes.
 - **Equity in Earnings.** Equity in earnings is defined as a company's proportional share (based on ownership) of the net earnings or losses of an unconsolidated company.
 - **Gross Income.** Gross income is commonly defined as all the money, goods, and property received by the company that must be included as taxable income.
 - **Income Taxes.** Income taxes are defined to include those taxes levied by state, federal, and local governments on the company's reported accounting profit. Income taxes generally include both deferred and paid taxes. They are generally determined after the interest expense has been deducted.
 - **Interest Capitalized.** Interest capitalized is generally added to a fixed asset instead of expensed. Capitalized interest can usually be found in footnotes or the face of the income statement.
 - **Interest Expense on Debt.** Interest expenses on debt are those which are spent on current debt and added to the net income so avoid underestimating interest coverage.
 - **Minority Interest.** Minority interest is the proportional share of the minority ownership's interest (less than 50 percent) in the earnings or losses.
 - **Net Income Available to Common.** Net income available to common is defined as the net income available to common stockholders.
 - **Net Income Before Preferred Dividends.** Net income before preferred dividends is generally calculated as the difference between total revenues and total expense prior to the granting of preferred dividends.
 - **Net Sales or Revenues.** Revenues or net sales are defined as payments made to and received by an entity. May take the form of taxes, user fees, fines, fees for service, and so on.
 - **Non-Operating Interest Income.** Non-operating interest income is generally understood to be any interest received (e.g., royalty, production payment, net profits interest) that does not involve the operation of the company.
 - **Operating Expenses.** Operating expenses are generally defined as those incurred in paying for the company's day-to-day activities.
 - **Operating Income.** Operating income is generally defined to equal operating revenues less operating expenses. It typically excludes items of other revenue and expense such as equity in earnings of unconsolidated companies, dividends, interest income and expense, income taxes, extraordinary items, and cumulative effect of accounting changes.
 - **Pretax Equity In Earnings.** Pretax equity in earnings is generally defined to equal a company's proportional share (based on ownership) of the gross earnings or losses of an unconsolidated company.
 - **Pretax Income.** Pretax income is generally defined as income before tax deductions.
 - **Selling, General & Administrative Expenses.** Selling, general and administrative expenses are expenses independent from cost of sales for the purpose of illustrating the amount of the company's selling and

administrative costs. Generally included in this figure are the costs of employees' salaries, commissions, and travel expenses; company payroll and office costs; and advertising and promotion.

3.4.3 Income Structure: Outlook

Using the methodology described in the introduction, the following table summarizes income structure benchmarks for firms involved in skilled nursing care facilities in Australia. To allow comparable benchmarking, a common index of Net Sales or Revenues = 100 is used. All figures are current-year projections for companies operating in Australia based on latest financial results available.

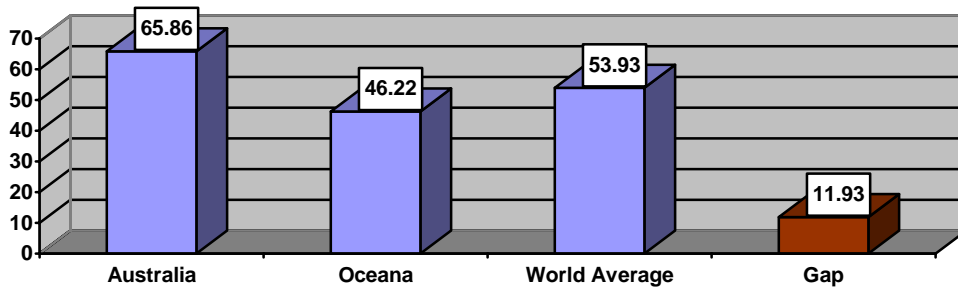
Income Structure	Australia	Oceana	World Avg.
Net Sales or Revenues	100.00	100.00	100.00
Cost of Goods Sold (Excluding Depreciation)	65.86	46.22	53.93
Depreciation, Depletion & Amortization	8.16	5.59	5.38
Gross Income	25.98	24.50	23.63
Selling, General & Administrative Expenses	2.59	17.50	13.23
Other Operating Expenses	90.32	76.47	67.94
Operating Expenses - Total	15.98	2.38	1.24
Operating Income	9.68	9.17	8.57
Extraordinary Charge - Pretax	0.60	0.43	0.55
Non-Operating Interest Income	1.11	0.91	0.25
Pretax Equity In Earnings	1.76	0.39	0.15
Other Income/Expense Net	3.12	2.90	1.54
Earnings Before Interest and Taxes (EBIT)	14.85	14.61	8.87
Interest Expense on Debt	3.91	2.12	2.24
Interest Capitalized	0.45	0.05	0.02
Pretax Income	11.38	11.39	7.80
Income Taxes	3.91	3.56	2.29
Current Domestic Income Tax	5.73	2.77	1.35
Deferred Domestic Income Tax	0.01	0.06	0.22
Minority Interest	0.32	0.02	0.38
Equity in Earnings	0.14	-0.59	-0.03
Net Income Before Extra Items/Prefer Dividends	7.29	7.55	5.06
Net Income Before Preferred Dividends	7.29	7.55	5.03
Net Income Available to Common	7.29	7.55	5.05

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

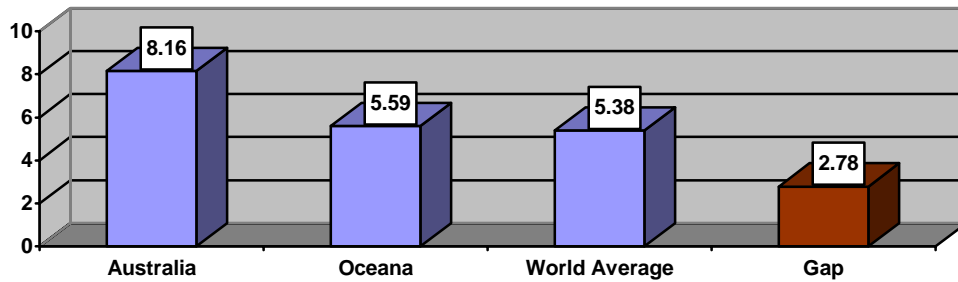
3.4.4 Large Variances: Income

The following graphics summarize for skilled nursing care facilities the large income structure gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

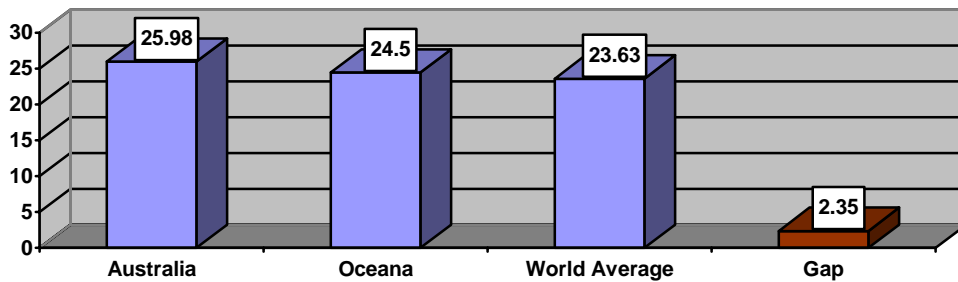
Gap: Cost of Goods Sold (Excluding Depreciation)



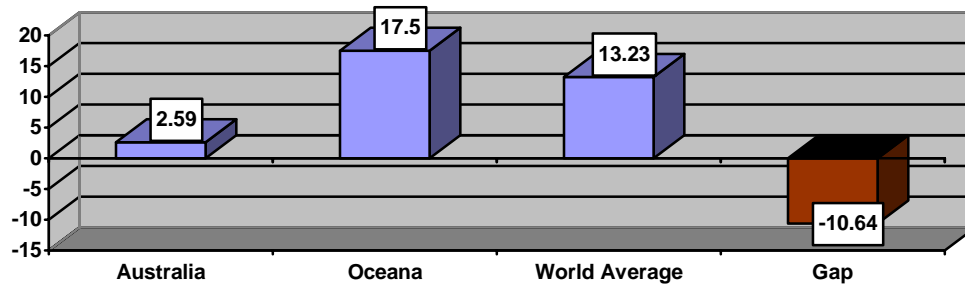
Gap: Depreciation, Depletion & Amortization



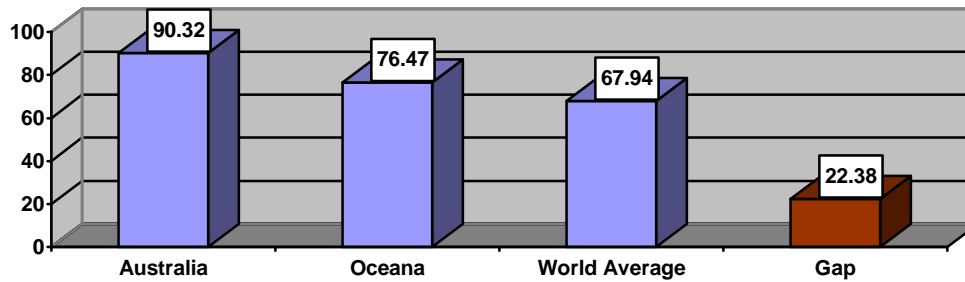
Gap: Gross Income



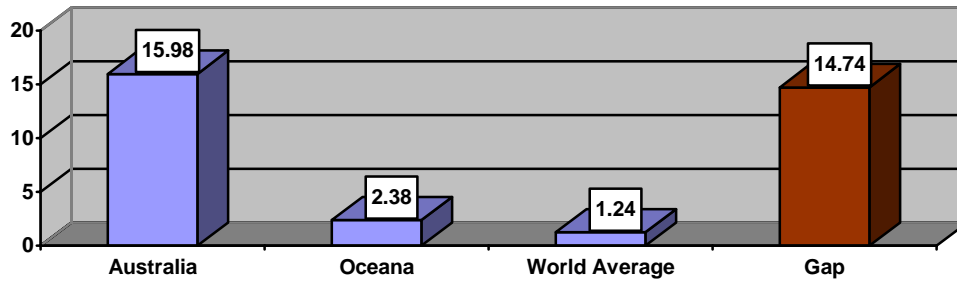
Gap: Selling, General & Administrative Expenses



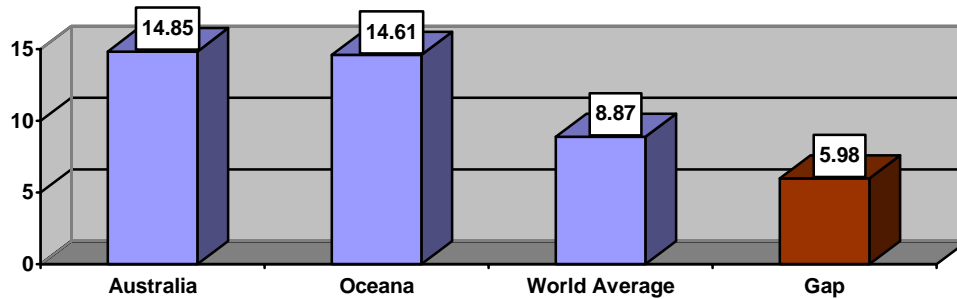
Gap: Other Operating Expenses

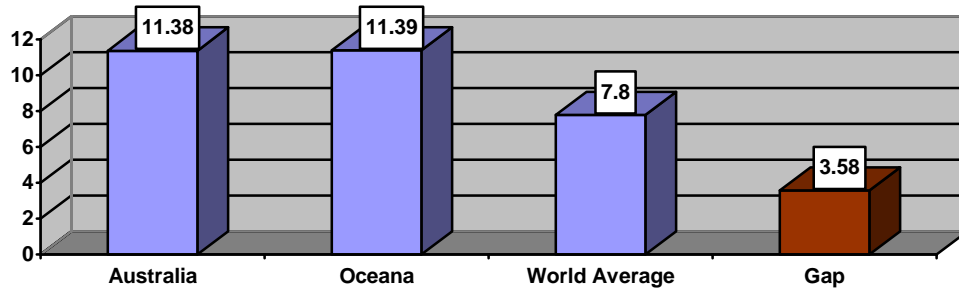
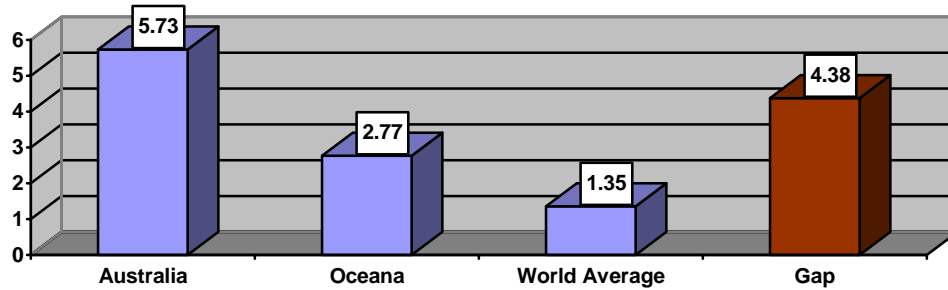
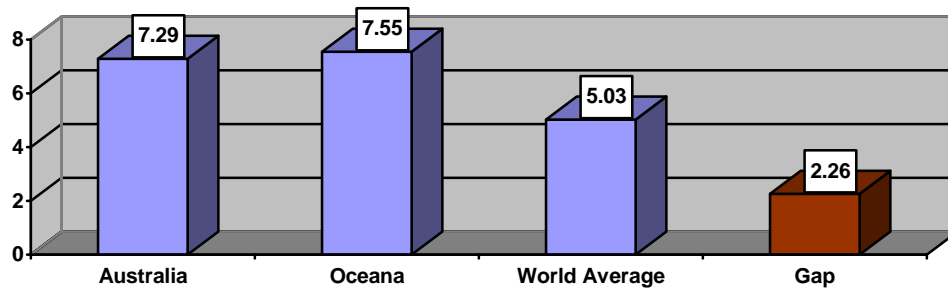
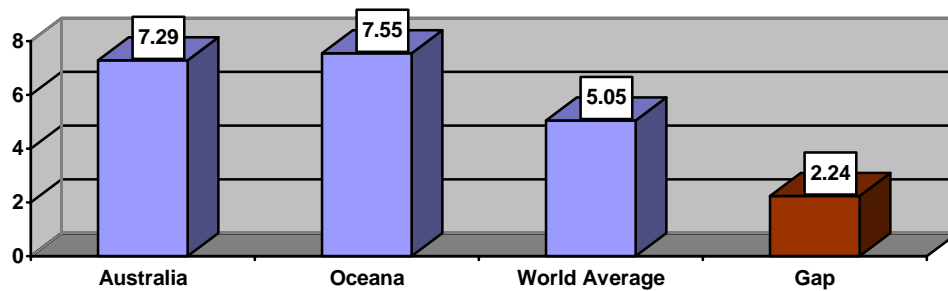


Gap: Operating Expenses - Total



Gap: Earnings Before Interest and Taxes (EBIT)



Gap: Pretax Income**Gap: Current Domestic Income Tax****Gap: Net Income Before Preferred Dividends****Gap: Net Income Available to Common**

3.4.5 Key Percentiles and Rankings

We now consider the distribution of income ratios for skilled nursing care facilities using ranks and percentiles. What percent of countries have a value lower or higher than Australia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of income structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical income ratios are highlighted in additional tables.

Income Structure	Australia	Rank of Total	Percentile
Net Sales or Revenues	100.00		
Cost of Goods Sold (Excluding Depreciation)	65.86	14 of 52	73.08
Depreciation, Depletion & Amortization	8.16	4 of 53	92.45
Gross Income	25.98	23 of 52	55.77
Selling, General & Administrative Expenses	2.59	38 of 38	0.00
Other Operating Expenses	90.32	14 of 44	68.18
Operating Expenses - Total	15.98	4 of 35	88.57
Operating Income	9.68	18 of 53	66.04
Extraordinary Charge - Pretax	0.60	25 of 37	32.43
Non-Operating Interest Income	1.11	6 of 44	86.36
Pretax Equity In Earnings	1.76	1 of 30	96.67
Other Income/Expense Net	3.12	13 of 53	75.47
Earnings Before Interest and Taxes (EBIT)	14.85	9 of 45	80.00
Interest Expense on Debt	3.91	4 of 45	91.11
Interest Capitalized	0.45	3 of 11	72.73
Pretax Income	11.38	12 of 53	77.36
Income Taxes	3.91	9 of 52	82.69
Current Domestic Income Tax	5.73	1 of 30	96.67
Deferred Domestic Income Tax	0.01	10 of 26	61.54
Minority Interest	0.32	11 of 33	66.67
Equity in Earnings	0.14	6 of 19	68.42
Net Income Before Extra Items/Prefer Dividends	7.29	12 of 53	77.36
Net Income Before Preferred Dividends	7.29	11 of 53	79.25
Net Income Available to Common	7.29	11 of 53	79.25

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cost of Goods Sold (Excluding Depreciation)

Countries	Value (total revenue = 100)	Rank	Percentile	Region
Malaysia	90.12	1	98.08	Asia
India	79.84	2	96.15	Asia
Norway	78.72	3	94.23	Europe
France	78.67	4	92.31	Europe
Austria	77.82	5	90.38	Europe
Sweden	77.70	6	88.46	Europe
Denmark	75.49	7	86.54	Europe
Canada	75.32	8	84.62	North America
Belgium	74.00	9	82.69	Europe
Italy	71.49	10	80.77	Europe
Netherlands	70.69	11	78.85	Europe
Germany	70.60	12	76.92	Europe
Greece	70.26	13	75.00	Europe
Australia	65.86	14	73.08	Oceania
South Africa	64.09	15	71.15	Africa
the United Kingdom	63.19	17	67.31	Europe
Thailand	62.86	18	65.38	Asia
Czech Republic	62.55	19	63.46	Europe
Japan	61.95	20	61.54	Asia
Peru	60.35	21	59.62	Latin America
Finland	59.94	22	57.69	Europe
Switzerland	59.43	23	55.77	Europe
Argentina	58.26	24	53.85	Latin America
Brazil	58.07	25	51.92	Latin America
South Korea	56.94	26	50.00	Asia
USA	56.59	27	48.08	North America
Singapore	53.94	28	46.15	Asia
Luxembourg	51.40	31	40.38	Europe
Russian Federation	51.31	32	38.46	Europe
China	50.47	33	36.54	Asia
Pakistan	49.62	34	34.62	the Middle East
Israel	46.13	35	32.69	the Middle East
Hungary	46.10	36	30.77	Europe
Ireland	45.75	37	28.85	Europe
Taiwan	38.12	39	25.00	Asia
Poland	37.70	40	23.08	Europe
Philippines	36.24	41	21.15	Asia
Portugal	34.31	42	19.23	Europe
Turkey	31.45	43	17.31	the Middle East
Mexico	31.36	44	15.38	Latin America
Indonesia	28.66	47	9.62	Asia
New Zealand	21.03	49	5.77	Oceania
Hong Kong	20.61	51	1.92	Asia
Spain	18.63	52	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Cost of Goods Sold (Excluding Depreciation)
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total revenue = 100)	Rank	Percentile
Norfolk Island	70.53	1	95.83
Christmas Island	69.90	2	91.67
Nauru	69.80	3	87.50
Australia	65.86	4	83.33
Wallis and Futuna	63.22	5	79.17
Fiji	61.63	6	75.00
French Polynesia	60.20	7	70.83
New Caledonia	51.41	8	66.67
Vanuatu	49.90	9	62.50
Tonga	48.65	10	58.33
Marshall Islands	48.65	11	54.17
Northern Mariana Isl.	43.84	12	50.00
Pitcairn Islands	42.14	13	45.83
Niue	42.14	14	41.67
Cocos (Keeling) Islands	42.14	15	37.50
Micronesia Federation	41.30	16	33.33
Western Samoa	37.93	17	29.17
American Samoa	37.86	18	25.00
Tokelau	33.72	19	20.83
Solomon Islands	32.87	20	16.67
Kiribati	30.85	21	12.50
Tuvalu	23.43	22	8.33
New Zealand	21.03	23	4.17
Guam	20.19	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Selling, General & Administrative Expenses

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	39.07	1	97.37	Oceania
Hong Kong	38.28	2	94.74	Asia
China	35.37	3	92.11	Asia
Pakistan	34.78	4	89.47	the Middle East
Spain	34.61	5	86.84	Europe
Israel	33.55	6	84.21	the Middle East
Ireland	33.27	7	81.58	Europe
Taiwan	27.73	8	78.95	Asia
Japan	27.00	9	76.32	Asia
USA	26.58	10	73.68	North America
Finland	26.12	11	71.05	Europe
Portugal	24.95	12	68.42	Europe
Thailand	19.18	13	65.79	Asia
Sweden	18.44	14	63.16	Europe
Denmark	17.92	15	60.53	Europe
the United Kingdom	17.84	16	57.89	Europe
Greece	14.93	18	52.63	Europe
France	13.61	19	50.00	Europe
Austria	13.47	20	47.37	Europe
Czech Republic	13.29	21	44.74	Europe
Belgium	12.80	22	42.11	Europe
Argentina	12.38	23	39.47	Latin America
Italy	12.37	24	36.84	Europe
Netherlands	12.23	25	34.21	Europe
Singapore	12.22	26	31.58	Asia
South Korea	12.10	27	28.95	Asia
Germany	12.01	28	26.32	Europe
South Africa	11.51	29	23.68	Africa
Russian Federation	10.90	31	18.42	Europe
Brazil	10.42	32	15.79	Latin America
Hungary	9.80	33	13.16	Europe
Poland	8.01	34	10.53	Europe
Turkey	6.68	35	7.89	the Middle East
Mexico	6.66	36	5.26	Latin America
Australia	2.59	38	0.00	Oceania

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Selling, General & Administrative Expenses
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (total revenue = 100)	Rank	Percentile
New Zealand	39.07	1	92.31
Guam	37.50	2	84.62
Northern Mariana Isl.	31.88	3	76.92
Fiji	18.80	4	69.23
Tonga	14.84	5	61.54
Marshall Islands	14.84	6	53.85
French Polynesia	12.79	7	46.15
Norfolk Island	12.20	8	38.46
Nauru	12.08	9	30.77
Christmas Island	11.90	10	23.08
New Caledonia	10.92	11	15.38
American Samoa	8.05	12	7.69
Australia	2.59	13	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Expenses - Total

Countries	Value (total revenue = 100)	Rank	Percentile	Region
Norway	28.62	1	97.14	Europe
Switzerland	21.61	2	94.29	Europe
Luxembourg	18.69	3	91.43	Europe
Australia	15.98	4	88.57	Oceania
Canada	12.00	5	85.71	North America
Germany	9.34	6	82.86	Europe
Singapore	7.98	7	80.00	Asia
USA	5.91	8	77.14	North America
South Africa	5.84	9	74.29	Africa
Brazil	5.30	10	71.43	Latin America
the United Kingdom	3.34	11	68.57	Europe
France	2.41	12	65.71	Europe
Austria	2.38	13	62.86	Europe
Belgium	2.26	14	60.00	Europe
Italy	2.19	15	57.14	Europe
Netherlands	2.16	16	54.29	Europe
China	0.86	17	51.43	Asia
Pakistan	0.84	18	48.57	the Middle East
New Zealand	0.67	19	45.71	Oceania
Hong Kong	0.65	20	42.86	Asia
India	0.64	21	40.00	Asia
Spain	0.59	22	37.14	Europe
Sweden	0.09	23	34.29	Europe
Denmark	0.08	24	31.43	Europe
Greece	0.08	25	28.57	Europe
Czech Republic	0.07	26	25.71	Europe
Argentina	0.06	27	22.86	Latin America
South Korea	0.06	28	20.00	Asia
Russian Federation	0.06	30	14.29	Europe
Hungary	0.05	31	11.43	Europe
Poland	0.04	32	8.57	Europe
Turkey	0.03	33	5.71	the Middle East
Mexico	0.03	34	2.86	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Operating Expenses - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total revenue = 100)	Rank	Percentile
Australia	15.98	1	88.89
Christmas Island	9.25	2	77.78
Norfolk Island	2.16	3	66.67
Nauru	2.13	4	55.56
New Zealand	0.67	5	44.44
Guam	0.64	6	33.33
French Polynesia	0.07	7	22.22
New Caledonia	0.06	8	11.11
American Samoa	0.04	9	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Income

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	35.78	1	98.11	Oceania
Hong Kong	35.06	2	96.23	Asia
Spain	31.69	3	94.34	Europe
Singapore	18.67	4	92.45	Asia
Norway	16.46	5	90.57	Europe
South Africa	15.24	6	88.68	Africa
Brazil	13.80	7	86.79	Latin America
the United Kingdom	13.41	8	84.91	Europe
Israel	12.98	9	83.02	the Middle East
Ireland	12.87	10	81.13	Europe
Switzerland	12.43	11	79.25	Europe
India	12.37	12	77.36	Asia
USA	12.22	13	75.47	North America
Luxembourg	10.75	14	73.58	Europe
Taiwan	10.73	15	71.70	Asia
Thailand	10.09	16	69.81	Asia
Australia	9.68	18	66.04	Oceania
Portugal	9.65	19	64.15	Europe
France	9.37	20	62.26	Europe
Peru	9.37	21	60.38	Latin America
Austria	9.27	22	58.49	Europe
Belgium	8.81	23	56.60	Europe
Italy	8.52	24	54.72	Europe
Netherlands	8.42	26	50.94	Europe
Canada	8.29	27	49.06	North America
Chile	8.15	28	47.17	Latin America
China	7.73	29	45.28	Asia
Pakistan	7.60	30	43.40	the Middle East
Greece	7.24	31	41.51	Europe
Japan	6.75	33	37.74	Asia
Finland	6.53	34	35.85	Europe
Czech Republic	6.44	35	33.96	Europe
Argentina	6.00	36	32.08	Latin America
South Korea	5.86	37	30.19	Asia
Philippines	5.63	38	28.30	Asia
Russian Federation	5.28	40	24.53	Europe
Sweden	5.20	41	22.64	Europe
Denmark	5.05	42	20.75	Europe
Hungary	4.75	44	16.98	Europe
Indonesia	4.45	45	15.09	Asia
Germany	4.29	46	13.21	Europe
Poland	3.88	48	9.43	Europe
Turkey	3.24	49	7.55	the Middle East
Mexico	3.23	50	5.66	Latin America
Malaysia	-0.58	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Income (Skilled Nursing Care Facilities)

Countries in Oceania	Value (total revenue = 100)	Rank	Percentile
New Zealand	35.78	1	96.00
Guam	34.34	2	92.00
Northern Mariana Isl.	12.33	3	88.00
Fiji	9.89	4	84.00
Wallis and Futuna	9.81	5	80.00
Australia	9.68	6	76.00
Norfolk Island	8.40	7	72.00
Nauru	8.31	8	68.00
Marshall Islands	7.81	9	64.00
Tonga	7.81	10	60.00
Vanuatu	7.74	11	56.00
Cook Island	7.03	12	52.00
Pitcairn Islands	6.54	13	48.00
Niue	6.54	14	44.00
Cocos (Keeling) Islands	6.54	15	40.00
Micronesia Federation	6.41	16	36.00
French Polynesia	6.20	17	32.00
Western Samoa	5.89	18	28.00
New Caledonia	5.30	19	24.00
Tokelau	5.23	20	20.00
Solomon Islands	5.10	21	16.00
Kiribati	4.79	22	12.00
Christmas Island	4.25	23	8.00
American Samoa	3.90	24	4.00
Tuvalu	3.64	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Earnings Before Interest and Taxes (EBIT)

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	43.21	1	97.78	Oceania
Hong Kong	42.34	2	95.56	Asia
Spain	38.28	3	93.33	Europe
Singapore	20.24	4	91.11	Asia
Israel	18.57	5	88.89	the Middle East
Ireland	18.42	6	86.67	Europe
South Africa	16.08	7	84.44	Africa
Taiwan	15.35	8	82.22	Asia
Australia	14.85	9	80.00	Oceania
Brazil	14.56	10	77.78	Latin America
the United Kingdom	14.13	11	75.56	Europe
Portugal	13.81	12	73.33	Europe
India	13.46	13	71.11	Asia
Norway	13.34	14	68.89	Europe
Thailand	12.59	15	66.67	Asia
USA	12.26	16	64.44	North America
Greece	10.67	17	62.22	Europe
France	10.32	19	57.78	Europe
Austria	10.21	20	55.56	Europe
Switzerland	10.07	21	53.33	Europe
Belgium	9.70	22	51.11	Europe
Czech Republic	9.50	23	48.89	Europe
Italy	9.38	24	46.67	Europe
Netherlands	9.27	25	44.44	Europe
Argentina	8.84	26	42.22	Latin America
Luxembourg	8.71	27	40.00	Europe
South Korea	8.64	28	37.78	Asia
China	8.62	29	35.56	Asia
Pakistan	8.48	30	33.33	the Middle East
Canada	8.46	31	31.11	North America
Germany	8.39	32	28.89	Europe
Malaysia	8.14	33	26.67	Asia
Russian Federation	7.79	35	22.22	Europe
Chile	7.08	36	20.00	Latin America
Hungary	7.00	37	17.78	Europe
Japan	6.39	38	15.56	Asia
Finland	6.18	39	13.33	Europe
Sweden	5.73	40	11.11	Europe
Poland	5.72	41	8.89	Europe
Denmark	5.57	42	6.67	Europe
Turkey	4.77	43	4.44	the Middle East
Mexico	4.76	44	2.22	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Earnings Before Interest and Taxes (EBIT)
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total revenue = 100)	Rank	Percentile
New Zealand	43.21	1	92.86
Guam	41.48	2	85.71
Northern Mariana Isl.	17.65	3	78.57
Australia	14.85	4	71.43
Fiji	12.34	5	64.29
Tonga	9.74	6	57.14
Marshall Islands	9.74	7	50.00
Norfolk Island	9.25	8	42.86
Nauru	9.15	9	35.71
French Polynesia	9.14	10	28.57
Christmas Island	8.30	11	21.43
New Caledonia	7.80	12	14.29
Cook Island	6.11	13	7.14
American Samoa	5.75	14	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Pretax Income

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	43.13	1	98.11	Oceania
Hong Kong	42.26	2	96.23	Asia
Spain	38.21	3	94.34	Europe
Singapore	17.61	4	92.45	Asia
Peru	15.01	6	88.68	Latin America
Israel	14.94	7	86.79	the Middle East
Ireland	14.82	8	84.91	Europe
South Africa	14.47	9	83.02	Africa
Brazil	13.11	10	81.13	Latin America
Taiwan	12.35	11	79.25	Asia
Australia	11.38	12	77.36	Oceania
Portugal	11.11	13	75.47	Europe
Norway	10.90	15	71.70	Europe
the United Kingdom	10.53	16	69.81	Europe
USA	10.06	17	67.92	North America
Thailand	9.82	18	66.04	Asia
Philippines	9.01	19	64.15	Asia
Greece	8.43	20	62.26	Europe
India	8.29	21	60.38	Asia
Switzerland	8.23	22	58.49	Europe
France	7.79	24	54.72	Europe
Austria	7.71	25	52.83	Europe
Czech Republic	7.51	27	49.06	Europe
Belgium	7.33	28	47.17	Europe
China	7.26	29	45.28	Asia
Pakistan	7.14	30	43.40	the Middle East
Indonesia	7.13	31	41.51	Asia
Luxembourg	7.12	32	39.62	Europe
Italy	7.08	33	37.74	Europe
Netherlands	7.00	34	35.85	Europe
Argentina	6.99	35	33.96	Latin America
South Korea	6.83	36	32.08	Asia
Japan	6.20	39	26.42	Asia
Russian Federation	6.16	40	24.53	Europe
Canada	6.03	41	22.64	North America
Finland	6.00	42	20.75	Europe
Chile	5.84	43	18.87	Latin America
Hungary	5.53	44	16.98	Europe
Malaysia	4.97	46	13.21	Asia
Poland	4.52	47	11.32	Europe
Turkey	3.77	48	9.43	the Middle East
Mexico	3.76	49	7.55	Latin America
Sweden	3.74	50	5.66	Europe
Denmark	3.63	51	3.77	Europe
Germany	3.60	52	1.89	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Pretax Income
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (total revenue = 100)	Rank	Percentile
New Zealand	43.13	1	96.00
Guam	41.40	2	92.00
Wallis and Futuna	15.72	3	88.00
Northern Mariana Isl.	14.20	4	84.00
Vanuatu	12.41	5	80.00
Australia	11.38	6	76.00
Niue	10.48	7	72.00
Pitcairn Islands	10.48	8	68.00
Cocos (Keeling) Islands	10.48	9	64.00
Micronesia Federation	10.27	10	60.00
Fiji	9.63	11	56.00
Western Samoa	9.43	12	52.00
Tokelau	8.39	13	48.00
Solomon Islands	8.18	14	44.00
Kiribati	7.67	15	40.00
Marshall Islands	7.60	16	36.00
Tonga	7.60	17	32.00
French Polynesia	7.22	18	28.00
Norfolk Island	6.98	19	24.00
Nauru	6.91	20	20.00
New Caledonia	6.17	21	16.00
Tuvalu	5.83	22	12.00
Cook Island	5.04	23	8.00
American Samoa	4.54	24	4.00
Christmas Island	3.57	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Income Taxes

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	8.76	1	98.08	Oceania
Hong Kong	8.58	2	96.15	Asia
Spain	7.76	3	94.23	Europe
Peru	5.98	5	90.38	Latin America
South Africa	4.20	7	86.54	Africa
Singapore	3.97	8	84.62	Asia
Australia	3.91	9	82.69	Oceania
Brazil	3.80	10	80.77	Latin America
Israel	3.60	11	78.85	the Middle East
Philippines	3.59	12	76.92	Asia
Ireland	3.57	13	75.00	Europe
Japan	3.40	14	73.08	Asia
USA	3.37	15	71.15	North America
Finland	3.29	16	69.23	Europe
the United Kingdom	3.29	17	67.31	Europe
Taiwan	2.97	19	63.46	Asia
Canada	2.86	20	61.54	North America
Indonesia	2.84	21	59.62	Asia
Portugal	2.68	22	57.69	Europe
India	2.54	24	53.85	Asia
Thailand	2.47	25	51.92	Asia
Greece	2.37	26	50.00	Europe
France	2.24	27	48.08	Europe
Austria	2.22	28	46.15	Europe
Belgium	2.11	29	44.23	Europe
Czech Republic	2.11	30	42.31	Europe
Italy	2.04	33	36.54	Europe
Germany	2.03	34	34.62	Europe
Netherlands	2.01	35	32.69	Europe
Argentina	1.96	36	30.77	Latin America
Norway	1.94	37	28.85	Europe
South Korea	1.92	38	26.92	Asia
Russian Federation	1.73	40	23.08	Europe
China	1.58	41	21.15	Asia
Hungary	1.55	42	19.23	Europe
Pakistan	1.55	43	17.31	the Middle East
Switzerland	1.46	44	15.38	Europe
Poland	1.27	45	13.46	Europe
Luxembourg	1.27	46	11.54	Europe
Turkey	1.06	47	9.62	the Middle East
Mexico	1.06	48	7.69	Latin America
Malaysia	1.00	49	5.77	Asia
Sweden	0.44	51	1.92	Europe
Denmark	0.43	52	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Income Taxes
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (total revenue = 100)	Rank	Percentile
New Zealand	8.76	1	95.83
Guam	8.41	2	91.67
Wallis and Futuna	6.26	3	87.50
Vanuatu	4.94	4	83.33
Niue	4.17	5	79.17
Pitcairn Islands	4.17	6	75.00
Cocos (Keeling) Islands	4.17	7	70.83
Micronesia Federation	4.09	8	66.67
Australia	3.91	9	62.50
Western Samoa	3.76	10	58.33
Northern Mariana Isl.	3.42	11	54.17
Tokelau	3.34	12	50.00
Solomon Islands	3.26	13	45.83
Kiribati	3.06	14	41.67
Fiji	2.42	15	37.50
Tuvalu	2.32	16	33.33
French Polynesia	2.03	17	29.17
Christmas Island	2.01	18	25.00
Norfolk Island	2.01	19	20.83
Nauru	1.99	20	16.67
Marshall Islands	1.91	21	12.50
Tonga	1.91	22	8.33
New Caledonia	1.73	23	4.17
American Samoa	1.28	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.5 FINANCIAL RETURNS IN AUSTRALIA: PROFITABILITY RATIOS

3.5.1 Overview

In this chapter we consider additional financial ratios estimated for firms involved in skilled nursing care facilities operating in Australia benchmarked against global averages. The chapter begins by defining relevant terms. Estimates are then presented for the proto-typical firm operating in Australia compared to average global benchmarks. For ratios where there are large deviations between the average firm in Australia and the benchmarks, graphics are provided. Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key ratios are highlighted across countries in the comparison group.

3.5.2 Ratios – Definitions of Terms

The following definitions are provided for those less familiar with financial ratio analysis. As this chapter deals with the global benchmarking of ratios, only definitions covering certain terms used in this chapter's tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Accounts Receivables Days.** The number of days' receivable sales generally correlates to the amount of the accounts receivables to the average daily sales on account. Accounts receivables days is often determined by dividing the gross receivables by (net sales/365).
- **Cash Earnings Return On Equity (%).** Cash earnings return on equity generally measures the return of revenues to the shareholders. This ratio is generally calculated by dividing (net income before nonrecurring items minus preferred dividends) by the average common equity.
- **Cash Flow.** Cash flow is generally defined as being equal to the company's net income plus the charge-off amounts for depreciation, depletion, amortization, extraordinary charges to reserves. These are bookkeeping deductions which are not paid out as cash.
- **Current Ratio.** The current ratio is generally defined as a ratio of liquidity measuring the ability of a business to pay its current obligations when due. The current ratio is generally calculated by dividing total current assets by total current liabilities. Managers and lenders often want the current ratio to be 2.00 or greater. This ratio is often seen as an indication of short-term debt-paying ability. The higher the ratio, the more liquid the company.
- **Dividend Payout (% Earnings) - Total Dividends (%).** The dividend payout ratio is generally used to measure the amount of current earnings per common share which are paid out in dividends. This ratio is generally determined by dividing dividends per common share by diluted earnings per share.
- **Fixed Charge Coverage Ratio.** The fixed charge coverage ratio is generally seen as an indication of the company's ability to cover its fixed charges. This ratio is typically determined by dividing recurring earnings excluding interest expense, tax expense, equity earnings, and minority earnings plus interest from rentals by interest expense including capitalized interest and interest from rentals.
- **Gross Profit Margin (%).** The gross profit margin is typically defined to equal the difference, in percent, between net sales revenue and the cost of goods sold.

- **Inventories (# of Days) Held.** Inventory days held is generally determined by dividing the ending inventory by (the cost of goods held/365). The number of days held results in the average daily cost of goods held.
- **Inventory Turnover (%).** Inventory turnover is used as a measure of the balance of inventory. It generally compares the amount of inventory with the total sales for the year. The ratio can reflect both on the quality of the inventory and the efficiency of management. Typically, the higher the turnover rate, the greater the likelihood that profits would be larger and less working capital bound up in inventory.
- **Net Margin (%).** The net margin is the ratio of net income dollars generated by each dollar of sales.
- **Operating Profit Margin (%).** Operating profit margin percent is the ratio of operating profit to net sales. Operating profit (loss) is income or loss before taxes calculated by the difference between total revenues and total expense disregarding the effects of any extraordinary transactions.
- **Quick Ratio.** The quick ratio, also commonly known as the “acid test ratio”, is a refined current ratio and is often seen as a more conservative measure of liquidity. The quick ratio is generally determined by dividing cash and equivalents plus trade receivables by total current liabilities. The ratio shows the degree to which a company's current liabilities can be covered by the most liquid current assets. Financial management texts generally conclude that any value of less than 1 to 1 implies a reciprocal dependency on inventory or other current assets to liquidate short-term debt.
- **Reinvestment Rate - Total (%).** The reinvestment rate is typically defined as the rate at which an investor assumes interest payments made on a debt security can be reinvested over the life of that security.
- **Return on Assets (%).** Return on assets is generally used to measure a company's ability to use assets to create profit.
- **Return on Equity - Total (%).** The return on total equity ratio is often seen to reflect the profitability of the company's operations after income taxes. Return on equity is often considered to be a good measure of the company's profitability. Tax laws and tax loss carryovers can affect the net income and therefore can also affect the return on equity.
- **Return on Invested Capital (%).** The ratio of return on invested capital is typically defined as an evaluation of earnings performance without regard to the method of financing. This ratio measures the earnings on investment and is an indication of how well the company utilizes its asset base. Return on investment is a type of return on capital, therefore this ratio can be an indication of the company's ability to reward investors who provide long-term funds and to attract future investors.
- **Tax Rate (%).** The tax rate is typically defined as the average rate of domestic tax owed to government by the company.
- **Working Capital.** Net working capital equals the difference between total current assets and total current liabilities. Working capital often reflects a company's ability to expand volume and meet obligations. Since growth is usually one goal, the amount of working capital on this year's balance sheet should be greater than that of the previous year's. This is an efficiency, or turnover, ratio which benchmarks the rate at which current assets less current liabilities are used by the company in making sales. A low ratio can indicate a less profitable use of working capital in making sales. On the other hand, a very high ratio can indicate the company is wasting current assets which could be more efficiently deployed in production and in increasing sales and profits; or that the company may be undercapitalized, and thus vulnerable to liquidity problems in a period of weak business conditions.

3.5.3 Ratio Structure: Outlook

Using the methodology described in the introduction, the following table summarizes ratio structure benchmarks for firms involved in skilled nursing care facilities in Australia. All figures are current-year projections for companies operating in Australia based on latest financial results available.

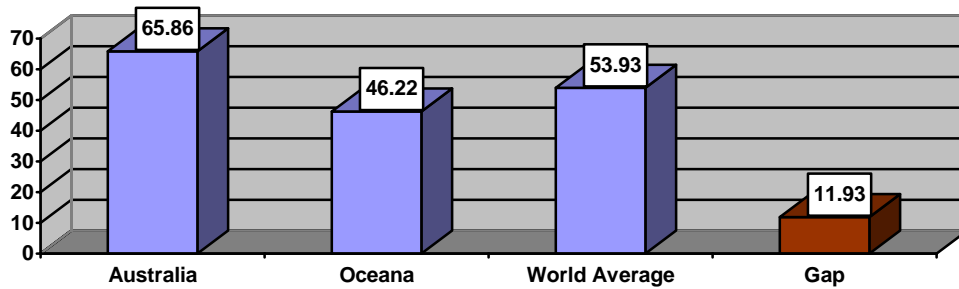
Ratios	Australia	Oceania	World Avg.
Profitability			
Return on Equity - Total (%)	8.41	7.04	7.48
Reinvestment Rate - Total (%)	4.39	3.87	4.52
Return on Assets (%)	5.66	5.15	5.47
Return on Invested Capital (%)	6.67	7.47	6.20
Cash Earnings Return On Equity (%)	18.33	14.78	17.22
Cash Flow % Sales	14.31	14.25	10.98
Cost Goods Sold / Sales (%)	65.86	46.22	53.93
Gross Profit Margin (%)	25.98	24.50	23.63
Selling, General & Administrative Expense/Net Sales (%)	2.59	17.43	12.86
Operating Profit Margin (%)	9.68	9.17	8.57
Operating Inc / Total Capital (%)	8.09	7.77	10.60
Pretax Margin (%)	11.38	11.39	7.80
Tax Rate (%)	39.21	24.86	25.02
Net Margin (%)	7.29	7.55	5.03
Total Asset Turnover (X) th USD	0.58	0.46	0.66
Asset Utilization			
Inventory Turnover (%)	47.80	17.68	14.16
Net Sales % Working Capital	-4.79	-87.29	-39.96
Capital Expenditure % Gross Fixed Assets	18.67	7.47	10.21
Capital Expenditure % Total Assets	8.23	4.33	6.98
Capital Expenditure % Total Sales	17.21	8.10	10.52
Accumulated Depreciation % Gross Fixed Assets	25.88	26.38	26.41
Leverage			
Total Debt % Total Capital	29.23	15.15	23.81
Long Term Debt % Total Capital	27.58	12.24	18.41
Equity % Total Capital	71.25	62.89	60.94
Fixed Charge Coverage Ratio	3.74	1120.61	103.47
Dividend Payout (% Earnings) - Total Dividends	47.40	16.02	20.67
Fixed Assets % Common Equity	63.11	70.29	85.80
Working Capital % Total Capital	0.54	15.37	16.72
Liquidity			
Quick Ratio	0.80	1.49	1.11
Current Ratio	1.28	1.68	1.43
Receivables % Total Current Assets	55.62	35.66	44.41
Inventories % Total Current Assets	9.45	6.38	11.81
Accounts Receivables Days	42.19	70.78	75.19
Inventories (# of Days) Held	11.28	29.94	37.90

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

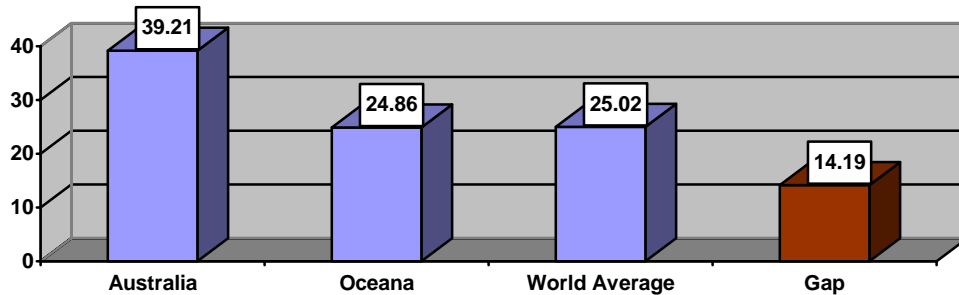
3.5.4 Large Variances: Ratios

The following graphics summarize for skilled nursing care facilities the large ratio structure gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

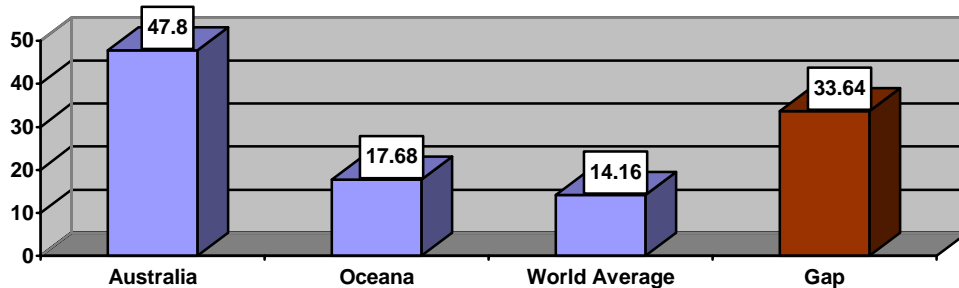
Gap: Cost Goods Sold / Sales (%)



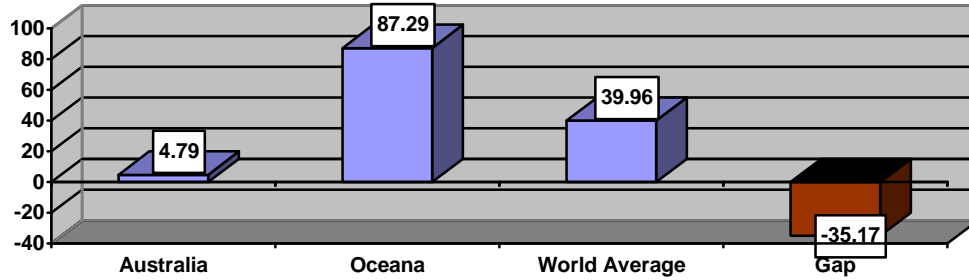
Gap: Tax Rate (%)



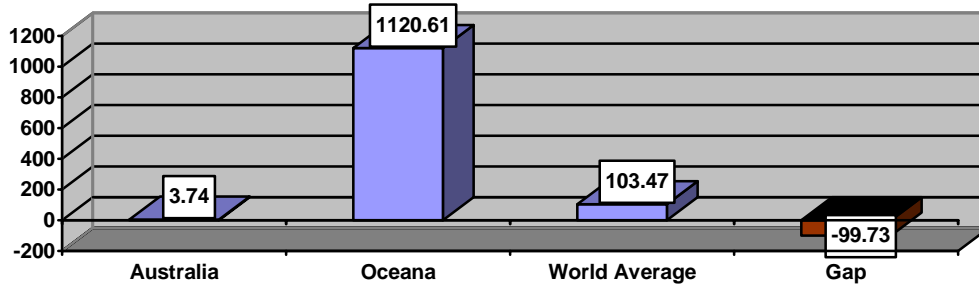
Gap: Inventory Turnover (%)



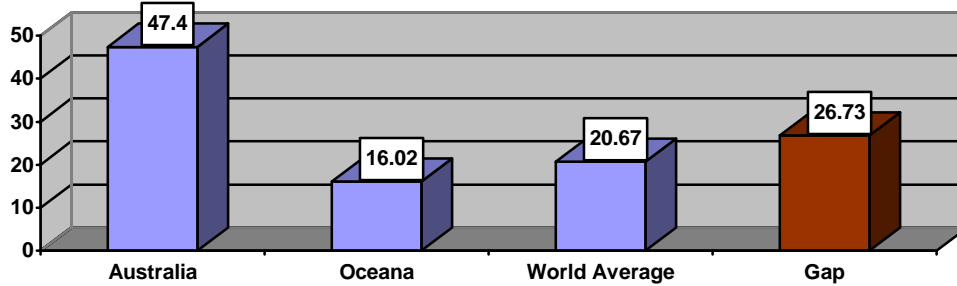
Gap: Net Sales % Working Capital



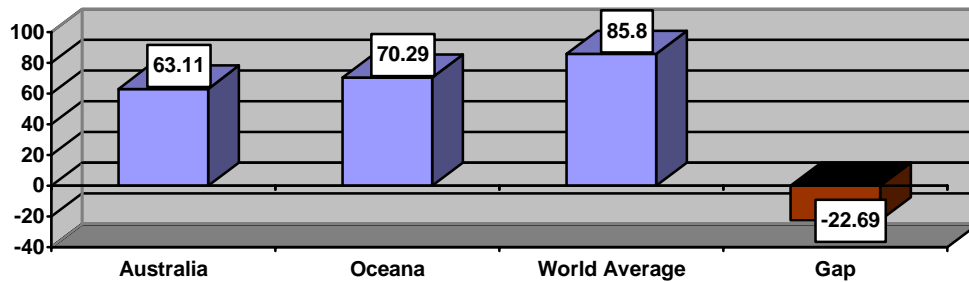
Gap: Fixed Charge Coverage Ratio



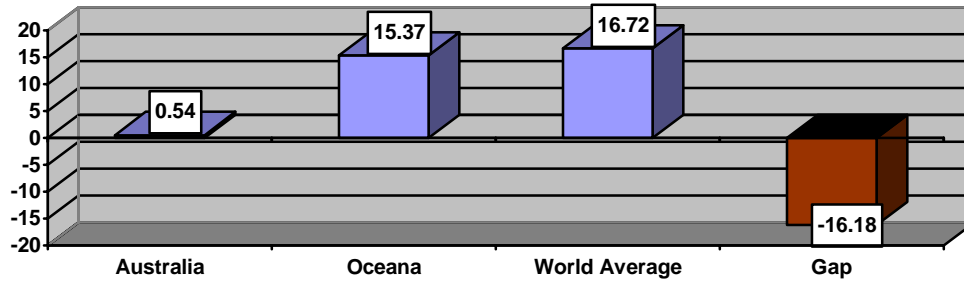
Gap: Dividend Payout (% Earnings) - Total Dividends



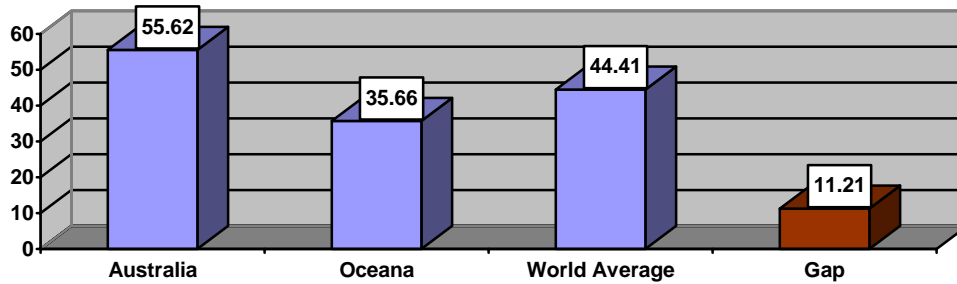
Gap: Fixed Assets % Common Equity



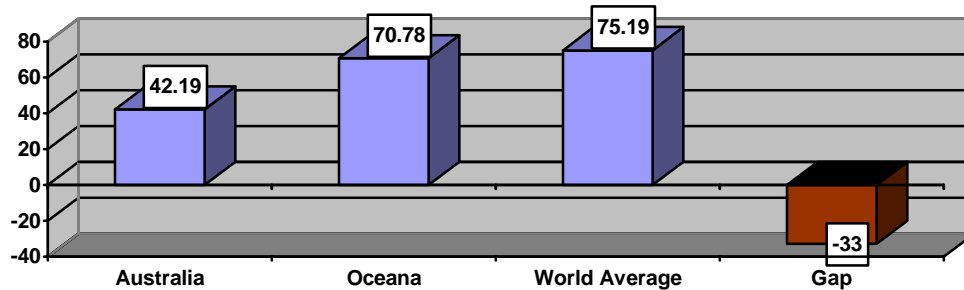
Gap: Working Capital % Total Capital



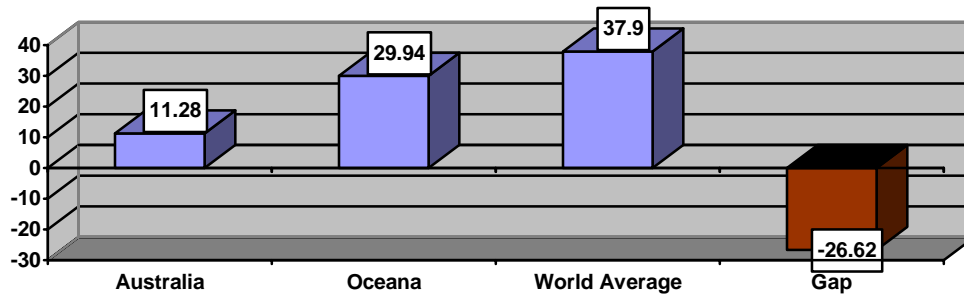
Gap: Receivables % Total Current Assets



Gap: Accounts Receivables Days



Gap: Inventories (# of Days) Held



3.5.5 Key Percentiles and Rankings

We now consider the distribution of financial ratios for skilled nursing care facilities using ranks and percentiles. What percent of countries have a value lower or higher than Australia (what is the ratio's rank or percentile)? The table below answers this question with respect to financial ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key financial ratios are highlighted in additional tables.

Ratios	Australia	Rank of Total	Percentile
Profitability			
Return on Equity - Total (%)	8.41	19 of 53	64.15
Reinvestment Rate - Total (%)	4.39	26 of 53	50.94
Return on Assets (%)	5.66	21 of 53	60.38
Return on Invested Capital (%)	6.67	21 of 45	53.33
Cash Earnings Return On Equity (%)	18.33	26 of 53	50.94
Cash Flow % Sales	14.31	15 of 53	71.70
Cost Goods Sold / Sales (%)	65.86	14 of 52	73.08
Gross Profit Margin (%)	25.98	23 of 52	55.77
Selling, General & Administrative Expense/Net Sales (%)	2.59	38 of 38	0.00
Operating Profit Margin (%)	9.68	18 of 53	66.04
Operating Inc / Total Capital (%)	8.09	31 of 53	41.51
Pretax Margin (%)	11.38	12 of 53	77.36
Tax Rate (%)	39.21	7 of 52	86.54
Net Margin (%)	7.29	11 of 53	79.25
Total Asset Turnover (X) th USD	0.58	28 of 53	47.17
Asset Utilization			
Inventory Turnover (%)	47.80	6 of 53	88.68
Net Sales % Working Capital	-4.79	39 of 53	26.42
Capital Expenditure % Gross Fixed Assets	18.67	3 of 52	94.23
Capital Expenditure % Total Assets	8.23	11 of 53	79.25
Capital Expenditure % Total Sales	17.21	10 of 53	81.13
Accumulated Depreciation % Gross Fixed Assets	25.88	29 of 52	44.23
Leverage			
Total Debt % Total Capital	29.23	24 of 50	52.00
Long Term Debt % Total Capital	27.58	18 of 42	57.14
Equity % Total Capital	71.25	18 of 53	66.04
Fixed Charge Coverage Ratio	3.74	32 of 45	28.89
Dividend Payout (% Earnings) - Total Dividends	47.40	5 of 35	85.71
Fixed Assets % Common Equity	63.11	30 of 53	43.40
Working Capital % Total Capital	0.54	40 of 53	24.53
Liquidity			
Quick Ratio	0.80	41 of 53	22.64
Current Ratio	1.28	32 of 53	39.62
Receivables % Total Current Assets	55.62	15 of 53	71.70
Inventories % Total Current Assets	9.45	13 of 53	75.47
Accounts Receivables Days	42.19	46 of 53	13.21
Inventories (# of Days) Held	11.28	46 of 53	13.21

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Gross Profit Margin (%)

Countries	Value	Rank	Percentile	Region
New Zealand	75.51	1	98.08	Oceania
Hong Kong	73.99	2	96.15	Asia
Spain	66.90	3	94.23	Europe
Israel	46.53	4	92.31	the Middle East
Ireland	46.14	5	90.38	Europe
Norway	45.08	6	88.46	Europe
China	43.96	7	86.54	Asia
Pakistan	43.22	8	84.62	the Middle East
Singapore	38.87	9	82.69	Asia
USA	38.74	10	80.77	North America
Taiwan	38.45	11	78.85	Asia
Portugal	34.61	12	76.92	Europe
Switzerland	34.04	13	75.00	Europe
Japan	32.87	14	73.08	Asia
South Africa	32.59	15	71.15	Africa
Finland	31.81	16	69.23	Europe
the United Kingdom	30.47	17	67.31	Europe
Brazil	29.52	18	65.38	Latin America
Luxembourg	29.44	19	63.46	Europe
Thailand	28.81	20	61.54	Asia
Peru	27.39	22	57.69	Latin America
Australia	25.98	23	55.77	Oceania
Germany	23.67	25	51.92	Europe
Greece	22.24	26	50.00	Europe
Canada	20.29	27	48.08	North America
Czech Republic	19.80	29	44.23	Europe
Argentina	18.45	30	42.31	Latin America
South Korea	18.03	31	40.38	Asia
Philippines	16.45	33	36.54	Asia
Russian Federation	16.24	34	34.62	Europe
France	14.94	35	32.69	Europe
Austria	14.78	36	30.77	Europe
Hungary	14.59	37	28.85	Europe
Sweden	14.50	38	26.92	Europe
Denmark	14.09	39	25.00	Europe
Belgium	14.05	40	23.08	Europe
Italy	13.57	42	19.23	Europe
Netherlands	13.42	43	17.31	Europe
India	13.01	44	15.38	Asia
Indonesia	13.00	45	13.46	Asia
Poland	11.94	47	9.62	Europe
Turkey	9.96	48	7.69	the Middle East
Mexico	9.93	49	5.77	Latin America
Malaysia	-0.58	52	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Gross Profit Margin (%)
(Skilled Nursing Care Facilities)

Countries in Oceania	Value	Rank	Percentile
New Zealand	75.51	1	95.83
Guam	72.49	2	91.67
Northern Mariana Isl.	44.22	3	87.50
Wallis and Futuna	28.69	4	83.33
Fiji	28.24	5	79.17
Australia	25.98	6	75.00
Christmas Island	23.43	7	70.83
Vanuatu	22.64	8	66.67
Marshall Islands	22.30	9	62.50
Tonga	22.30	10	58.33
Niue	19.12	11	54.17
Pitcairn Islands	19.12	12	50.00
Cocos (Keeling) Islands	19.12	13	45.83
French Polynesia	19.06	14	41.67
Micronesia Federation	18.74	15	37.50
Western Samoa	17.21	16	33.33
New Caledonia	16.28	17	29.17
Tokelau	15.30	18	25.00
Solomon Islands	14.92	19	20.83
Kiribati	14.00	20	16.67
Norfolk Island	13.39	21	12.50
Nauru	13.25	22	8.33
American Samoa	11.99	23	4.17
Tuvalu	10.63	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Pretax Margin (%)

Countries	Value	Rank	Percentile	Region
New Zealand	43.13	1	98.11	Oceania
Hong Kong	42.26	2	96.23	Asia
Spain	38.21	3	94.34	Europe
Singapore	17.61	4	92.45	Asia
Peru	15.01	6	88.68	Latin America
Israel	14.94	7	86.79	the Middle East
Ireland	14.82	8	84.91	Europe
South Africa	14.47	9	83.02	Africa
Brazil	13.11	10	81.13	Latin America
Taiwan	12.35	11	79.25	Asia
Australia	11.38	12	77.36	Oceania
Portugal	11.11	13	75.47	Europe
Norway	10.90	15	71.70	Europe
the United Kingdom	10.53	16	69.81	Europe
USA	10.06	17	67.92	North America
Thailand	9.82	18	66.04	Asia
Philippines	9.01	19	64.15	Asia
Greece	8.43	20	62.26	Europe
India	8.29	21	60.38	Asia
Switzerland	8.23	22	58.49	Europe
France	7.79	24	54.72	Europe
Austria	7.71	25	52.83	Europe
Czech Republic	7.51	27	49.06	Europe
Belgium	7.33	28	47.17	Europe
China	7.26	29	45.28	Asia
Pakistan	7.14	30	43.40	the Middle East
Indonesia	7.13	31	41.51	Asia
Luxembourg	7.12	32	39.62	Europe
Italy	7.08	33	37.74	Europe
Netherlands	7.00	34	35.85	Europe
Argentina	6.99	35	33.96	Latin America
South Korea	6.83	36	32.08	Asia
Japan	6.20	39	26.42	Asia
Russian Federation	6.16	40	24.53	Europe
Canada	6.03	41	22.64	North America
Finland	6.00	42	20.75	Europe
Chile	5.84	43	18.87	Latin America
Hungary	5.53	44	16.98	Europe
Malaysia	4.97	46	13.21	Asia
Poland	4.52	47	11.32	Europe
Turkey	3.77	48	9.43	the Middle East
Mexico	3.76	49	7.55	Latin America
Sweden	3.74	50	5.66	Europe
Denmark	3.63	51	3.77	Europe
Germany	3.60	52	1.89	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Pretax Margin (%)
(Skilled Nursing Care Facilities)

Countries in Oceania	Value	Rank	Percentile
New Zealand	43.13	1	96.00
Guam	41.40	2	92.00
Wallis and Futuna	15.72	3	88.00
Northern Mariana Isl.	14.20	4	84.00
Vanuatu	12.41	5	80.00
Australia	11.38	6	76.00
Niue	10.48	7	72.00
Pitcairn Islands	10.48	8	68.00
Cocos (Keeling) Islands	10.48	9	64.00
Micronesia Federation	10.27	10	60.00
Fiji	9.63	11	56.00
Western Samoa	9.43	12	52.00
Tokelau	8.39	13	48.00
Solomon Islands	8.18	14	44.00
Kiribati	7.67	15	40.00
Marshall Islands	7.60	16	36.00
Tonga	7.60	17	32.00
French Polynesia	7.22	18	28.00
Norfolk Island	6.98	19	24.00
Nauru	6.91	20	20.00
New Caledonia	6.17	21	16.00
Tuvalu	5.83	22	12.00
Cook Island	5.04	23	8.00
American Samoa	4.54	24	4.00
Christmas Island	3.57	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Quick Ratio

Countries	Value	Rank	Percentile	Region
New Zealand	4.69	1	98.11	Oceania
Hong Kong	4.60	2	96.23	Asia
Spain	4.16	3	94.34	Europe
Singapore	2.61	4	92.45	Asia
Peru	2.38	6	88.68	Latin America
USA	2.00	7	86.79	North America
Norway	1.61	9	83.02	Europe
Philippines	1.43	10	81.13	Asia
Japan	1.38	11	79.25	Asia
Finland	1.33	12	77.36	Europe
Thailand	1.30	13	75.47	Asia
China	1.27	14	73.58	Asia
Pakistan	1.24	15	71.70	the Middle East
France	1.24	16	69.81	Europe
Austria	1.23	17	67.92	Europe
Switzerland	1.22	18	66.04	Europe
South Africa	1.19	20	62.26	Africa
Belgium	1.17	21	60.38	Europe
Indonesia	1.13	22	58.49	Asia
Italy	1.13	23	56.60	Europe
Israel	1.12	24	54.72	the Middle East
Netherlands	1.11	25	52.83	Europe
Ireland	1.11	26	50.94	Europe
Sweden	1.10	27	49.06	Europe
India	1.08	29	45.28	Asia
Brazil	1.08	30	43.40	Latin America
Denmark	1.07	31	41.51	Europe
Luxembourg	1.05	33	37.74	Europe
Canada	1.00	34	35.85	North America
Chile	0.95	35	33.96	Latin America
Taiwan	0.93	36	32.08	Asia
Malaysia	0.92	37	30.19	Asia
Portugal	0.83	38	28.30	Europe
Greece	0.83	39	26.42	Europe
Australia	0.80	41	22.64	Oceania
Czech Republic	0.74	42	20.75	Europe
Germany	0.70	43	18.87	Europe
Argentina	0.69	44	16.98	Latin America
South Korea	0.67	45	15.09	Asia
Russian Federation	0.61	47	11.32	Europe
the United Kingdom	0.57	48	9.43	Europe
Hungary	0.54	49	7.55	Europe
Poland	0.44	50	5.66	Europe
Turkey	0.37	51	3.77	the Middle East
Mexico	0.37	52	1.89	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Quick Ratio (Skilled Nursing Care Facilities)

Countries in Oceania	Value	Rank	Percentile
New Zealand	4.69	1	96.00
Guam	4.51	2	92.00
Wallis and Futuna	2.49	3	88.00
Vanuatu	1.97	4	84.00
Pitcairn Islands	1.66	5	80.00
Niue	1.66	6	76.00
Cocos (Keeling) Islands	1.66	7	72.00
Micronesia Federation	1.63	8	68.00
Western Samoa	1.50	9	64.00
Tokelau	1.33	10	60.00
Solomon Islands	1.30	11	56.00
Fiji	1.27	12	52.00
Kiribati	1.22	13	48.00
Norfolk Island	1.11	14	44.00
Nauru	1.10	15	40.00
Northern Mariana Isl.	1.07	16	36.00
Marshall Islands	1.00	17	32.00
Tonga	1.00	18	28.00
Tuvalu	0.92	19	24.00
Cook Island	0.82	20	20.00
Australia	0.80	21	16.00
French Polynesia	0.71	22	12.00
Christmas Island	0.69	23	8.00
New Caledonia	0.61	24	4.00
American Samoa	0.45	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Current Ratio

Countries	Value	Rank	Percentile	Region
New Zealand	4.99	1	98.11	Oceania
Hong Kong	4.89	2	96.23	Asia
Spain	4.42	3	94.34	Europe
Singapore	2.68	5	90.57	Asia
Peru	2.64	6	88.68	Latin America
USA	2.35	7	86.79	North America
Norway	2.05	8	84.91	Europe
India	1.73	10	81.13	Asia
China	1.59	11	79.25	Asia
Philippines	1.58	12	77.36	Asia
Thailand	1.57	13	75.47	Asia
Pakistan	1.57	14	73.58	the Middle East
Switzerland	1.55	15	71.70	Europe
Japan	1.52	16	69.81	Asia
South Africa	1.49	17	67.92	Africa
Finland	1.47	18	66.04	Europe
Sweden	1.47	19	64.15	Europe
France	1.44	20	62.26	Europe
Denmark	1.43	21	60.38	Europe
Austria	1.43	22	58.49	Europe
Belgium	1.35	23	56.60	Europe
Brazil	1.35	24	54.72	Latin America
Luxembourg	1.34	26	50.94	Europe
Italy	1.31	28	47.17	Europe
Canada	1.31	29	45.28	North America
Netherlands	1.29	30	43.40	Europe
Israel	1.29	31	41.51	the Middle East
Australia	1.28	32	39.62	Oceania
Ireland	1.28	33	37.74	Europe
Indonesia	1.25	34	35.85	Asia
Malaysia	1.08	36	32.08	Asia
Chile	1.07	37	30.19	Latin America
Taiwan	1.06	38	28.30	Asia
Germany	1.03	39	26.42	Europe
Portugal	0.96	40	24.53	Europe
Greece	0.91	41	22.64	Europe
Czech Republic	0.81	43	18.87	Europe
Argentina	0.76	44	16.98	Latin America
the United Kingdom	0.75	45	15.09	Europe
South Korea	0.74	46	13.21	Asia
Russian Federation	0.67	48	9.43	Europe
Hungary	0.60	49	7.55	Europe
Poland	0.49	50	5.66	Europe
Turkey	0.41	51	3.77	the Middle East
Mexico	0.41	52	1.89	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Current Ratio
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value	Rank	Percentile
New Zealand	4.99	1	96.00
Guam	4.79	2	92.00
Wallis and Futuna	2.76	3	88.00
Vanuatu	2.18	4	84.00
Pitcairn Islands	1.84	5	80.00
Niue	1.84	6	76.00
Cocos (Keeling) Islands	1.84	7	72.00
Micronesia Federation	1.80	8	68.00
Western Samoa	1.66	9	64.00
Fiji	1.54	10	60.00
Tokelau	1.47	11	56.00
Solomon Islands	1.44	12	52.00
Kiribati	1.35	13	48.00
Norfolk Island	1.29	14	44.00
Australia	1.28	15	40.00
Nauru	1.28	16	36.00
Northern Mariana Isl.	1.22	17	32.00
Marshall Islands	1.22	18	28.00
Tonga	1.22	19	24.00
Tuvalu	1.02	20	20.00
Christmas Island	1.02	21	16.00
Cook Island	0.92	22	12.00
French Polynesia	0.78	23	8.00
New Caledonia	0.67	24	4.00
American Samoa	0.49	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Inventories % Total Current Assets

Countries	Value	Rank	Percentile	Region
China	20.47	1	98.11	Asia
Pakistan	20.12	2	96.23	the Middle East
South Africa	19.99	3	94.34	Africa
Brazil	18.11	4	92.45	Latin America
India	15.23	5	90.57	Asia
Sweden	14.94	6	88.68	Europe
Denmark	14.52	7	86.79	Europe
Thailand	13.96	8	84.91	Asia
Canada	12.94	9	83.02	North America
the United Kingdom	11.40	11	79.25	Europe
Norway	10.54	12	77.36	Europe
Australia	9.45	13	75.47	Oceania
Germany	8.33	14	73.58	Europe
Greece	8.09	15	71.70	Europe
Switzerland	7.96	16	69.81	Europe
Chile	7.74	18	66.04	Latin America
Peru	7.50	19	64.15	Latin America
Czech Republic	7.20	20	62.26	Europe
Luxembourg	6.88	21	60.38	Europe
Argentina	6.71	22	58.49	Latin America
Israel	6.65	23	56.60	the Middle East
Ireland	6.60	24	54.72	Europe
South Korea	6.56	25	52.83	Asia
New Zealand	6.43	26	50.94	Oceania
Hong Kong	6.31	27	49.06	Asia
Malaysia	5.96	29	45.28	Asia
USA	5.93	30	43.40	North America
Russian Federation	5.91	31	41.51	Europe
Spain	5.70	32	39.62	Europe
Taiwan	5.50	34	35.85	Asia
Hungary	5.31	35	33.96	Europe
Japan	5.31	36	32.08	Asia
Finland	5.14	37	30.19	Europe
France	5.09	38	28.30	Europe
Austria	5.03	39	26.42	Europe
Portugal	4.95	40	24.53	Europe
Belgium	4.78	41	22.64	Europe
Italy	4.62	42	20.75	Europe
Netherlands	4.57	43	18.87	Europe
Philippines	4.51	44	16.98	Asia
Poland	4.34	45	15.09	Europe
Turkey	3.62	47	11.32	the Middle East
Mexico	3.61	48	9.43	Latin America
Indonesia	3.56	49	7.55	Asia
Singapore	3.41	50	5.66	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Inventories % Total Current Assets (Skilled Nursing Care Facilities)

Countries in Oceania	Value	Rank	Percentile
Fiji	13.69	1	96.00
Marshall Islands	10.81	2	92.00
Tonga	10.81	3	88.00
Australia	9.45	4	84.00
Christmas Island	8.25	5	80.00
Wallis and Futuna	7.86	6	76.00
French Polynesia	6.93	7	72.00
Cook Island	6.68	8	68.00
New Zealand	6.43	9	64.00
Northern Mariana Isl.	6.32	10	60.00
Vanuatu	6.20	11	56.00
Guam	6.18	12	52.00
New Caledonia	5.92	13	48.00
Niue	5.24	14	44.00
Cocos (Keeling) Islands	5.24	15	40.00
Pitcairn Islands	5.24	16	36.00
Micronesia Federation	5.13	17	32.00
Western Samoa	4.71	18	28.00
Norfolk Island	4.56	19	24.00
Nauru	4.51	20	20.00
American Samoa	4.36	21	16.00
Tokelau	4.19	22	12.00
Solomon Islands	4.09	23	8.00
Kiribati	3.83	24	4.00
Tuvalu	2.91	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accounts Receivables Days

Countries	Value	Rank	Percentile	Region
New Zealand	212.36	1	98.11	Oceania
Hong Kong	208.09	2	96.23	Asia
Spain	188.13	3	94.34	Europe
Greece	157.87	4	92.45	Europe
Czech Republic	140.54	5	90.57	Europe
Argentina	130.91	6	88.68	Latin America
South Korea	127.93	7	86.79	Asia
Russian Federation	115.28	9	83.02	Europe
Hungary	103.58	10	81.13	Europe
China	103.57	11	79.25	Asia
Pakistan	101.83	12	77.36	the Middle East
Chile	87.23	13	75.47	Latin America
Norway	84.80	15	71.70	Europe
Poland	84.71	16	69.81	Europe
Peru	81.66	17	67.92	Latin America
France	78.24	18	66.04	Europe
Austria	77.39	19	64.15	Europe
Sweden	73.99	20	62.26	Europe
Belgium	73.58	21	60.38	Europe
India	73.51	22	58.49	Asia
Denmark	71.89	23	56.60	Europe
Italy	71.09	24	54.72	Europe
Turkey	70.66	25	52.83	the Middle East
Mexico	70.46	26	50.94	Latin America
Netherlands	70.30	27	49.06	Europe
Malaysia	65.68	28	47.17	Asia
Israel	64.33	30	43.40	the Middle East
Switzerland	64.03	31	41.51	Europe
Ireland	63.79	32	39.62	Europe
Japan	62.14	33	37.74	Asia
USA	62.14	34	35.85	North America
Finland	60.13	36	32.08	Europe
South Africa	58.64	37	30.19	Africa
Luxembourg	55.37	38	28.30	Europe
Canada	54.07	39	26.42	North America
Taiwan	53.16	40	24.53	Asia
Brazil	53.13	41	22.64	Latin America
Singapore	49.67	42	20.75	Asia
Philippines	49.04	43	18.87	Asia
Portugal	47.85	44	16.98	Europe
Germany	46.10	45	15.09	Europe
Australia	42.19	46	13.21	Oceania
Indonesia	38.78	48	9.43	Asia
the United Kingdom	32.85	50	5.66	Europe
Thailand	23.23	52	1.89	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Accounts Receivables Days
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value	Rank	Percentile
New Zealand	212.36	1	96.00
Guam	203.85	2	92.00
French Polynesia	135.27	3	88.00
New Caledonia	115.51	4	84.00
Wallis and Futuna	85.54	5	80.00
American Samoa	85.08	6	76.00
Cook Island	75.26	7	72.00
Norfolk Island	70.13	8	68.00
Nauru	69.41	9	64.00
Vanuatu	67.52	10	60.00
Northern Mariana Isl.	61.14	11	56.00
Cocos (Keeling) Islands	57.02	12	52.00
Niue	57.02	13	48.00
Pitcairn Islands	57.02	14	44.00
Micronesia Federation	55.88	15	40.00
Western Samoa	51.32	16	36.00
Christmas Island	45.65	17	32.00
Tokelau	45.62	18	28.00
Solomon Islands	44.48	19	24.00
Australia	42.19	20	20.00
Kiribati	41.74	21	16.00
Tuvalu	31.71	22	12.00
Fiji	22.78	23	8.00
Tonga	17.98	24	4.00
Marshall Islands	17.98	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Inventories (# of Days) Held

Countries	Value	Rank	Percentile	Region
New Zealand	189.41	1	98.11	Oceania
Hong Kong	185.60	2	96.23	Asia
Spain	167.80	3	94.34	Europe
China	88.41	4	92.45	Asia
Pakistan	86.93	5	90.57	the Middle East
Israel	39.67	6	88.68	the Middle East
Ireland	39.34	7	86.79	Europe
Taiwan	32.78	8	84.91	Asia
India	32.17	9	83.02	Asia
Portugal	29.50	10	81.13	Europe
Sweden	28.99	11	79.25	Europe
Canada	28.22	12	77.36	North America
Denmark	28.17	13	75.47	Europe
South Africa	27.44	15	71.70	Africa
Peru	26.80	16	69.81	Latin America
Brazil	24.86	17	67.92	Latin America
Greece	23.82	18	66.04	Europe
USA	21.50	19	64.15	North America
Czech Republic	21.20	20	62.26	Europe
Norway	20.84	21	60.38	Europe
Argentina	19.75	23	56.60	Latin America
the United Kingdom	19.61	24	54.72	Europe
South Korea	19.30	25	52.83	Asia
Russian Federation	17.39	27	49.06	Europe
Philippines	16.09	28	47.17	Asia
Switzerland	15.73	29	45.28	Europe
Thailand	15.64	30	43.40	Asia
Hungary	15.63	31	41.51	Europe
Luxembourg	13.61	33	37.74	Europe
Germany	12.96	35	33.96	Europe
France	12.84	36	32.08	Europe
Poland	12.78	37	30.19	Europe
Indonesia	12.73	38	28.30	Asia
Austria	12.70	39	26.42	Europe
Belgium	12.08	40	24.53	Europe
Italy	11.67	42	20.75	Europe
Japan	11.62	43	18.87	Asia
Singapore	11.61	44	16.98	Asia
Netherlands	11.54	45	15.09	Europe
Australia	11.28	46	13.21	Oceania
Finland	11.24	47	11.32	Europe
Turkey	10.66	48	9.43	the Middle East
Mexico	10.63	49	7.55	Latin America
Malaysia	9.45	51	3.77	Asia
Chile	8.10	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Inventories (# of Days) Held (Skilled Nursing Care Facilities)

Countries in Oceania	Value	Rank	Percentile
New Zealand	189.41	1	96.00
Guam	181.82	2	92.00
Northern Mariana Isl.	37.70	3	88.00
Wallis and Futuna	28.07	4	84.00
Vanuatu	22.16	5	80.00
French Polynesia	20.41	6	76.00
Niue	18.71	7	72.00
Pitcairn Islands	18.71	8	68.00
Cocos (Keeling) Islands	18.71	9	64.00
Micronesia Federation	18.34	10	60.00
New Caledonia	17.43	11	56.00
Western Samoa	16.84	12	52.00
Fiji	15.33	13	48.00
Tokelau	14.97	14	44.00
Solomon Islands	14.60	15	40.00
Kiribati	13.70	16	36.00
American Samoa	12.83	17	32.00
Christmas Island	12.83	18	28.00
Marshall Islands	12.10	19	24.00
Tonga	12.10	20	20.00
Norfolk Island	11.51	21	16.00
Nauru	11.39	22	12.00
Australia	11.28	23	8.00
Tuvalu	10.40	24	4.00
Cook Island	6.99	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.6 PRODUCTIVITY IN AUSTRALIA: ASSET-LABOR RATIOS

3.6.1 Overview

In this chapter, we consider numerous asset-labor ratios for skilled nursing care facilities in Australia benchmarked against global averages. Productivity and utilization ratios are presented for companies operating in Australia and the average global benchmarks for skilled nursing care facilities. For ratios where there are large deviations between Australia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain asset-labor ratios are highlighted across countries in the comparison group.

In the case of asset-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

We then report the larger asset-labor ratio gaps for skilled nursing care facilities that Australia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.

3.6.2 Asset to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for skilled nursing care facilities in Australia based on latest financial results available.

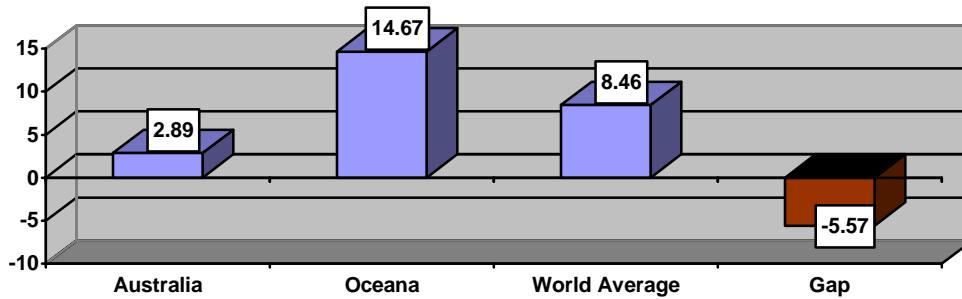
Labor-asset Ratios (\$k/employee)	Australia	Oceana	World Avg.
Cash & Short Term Investments	2.89	14.67	8.46
Cash	2.35	6.09	5.30
Short Term Investments	0.61	11.32	2.95
Receivables (Net)	7.38	11.49	11.86
Total Inventories	1.36	1.89	3.21
Raw Materials	0.88	2.51	0.86
Work in Process	0.08	0.23	0.24
Finished Goods	1.44	1.37	1.72
Prepaid Expenses	0.51	1.00	0.37
Other Current Assets	3.64	0.83	0.58
Current Assets - Total	15.72	29.04	24.34
Long Term Receivables	0.08	1.18	0.32
Investments in Unconsolidated Subsidiaries	6.09	1.99	0.55
Other Investments	0.42	0.41	0.83
Property Plant and Equipment - Net	30.61	31.81	27.14
Property Plant and Equipment - Gross	40.60	50.06	40.62
Land	5.69	4.40	1.65
Buildings	14.97	19.05	14.13
Machinery & Equipment	16.55	9.79	11.34
Other Property Plant & Equipment	7.52	7.67	5.65
Property Plant & Equipment Under Capitalized Leases	6.01	10.41	1.02
Accumulated Depreciation - Total	9.99	18.25	13.76
Accumulated Depreciation - Buildings	0.33	3.24	3.08
Accumulated Depreciation -Machinery & Equipment	7.77	4.37	4.15
Accumulated Depreciation - Other Prop & Equip	0.55	2.99	1.51
Accumulated Depreciation - PP&E Under Capitalized Leases	1.89	2.47	0.34
Other Assets	53.83	9.81	6.47
Deferred Charges	0.21	3.88	0.97
Tangible Other Assets	0.60	0.67	0.32
Intangible Other Assets	53.02	6.76	5.09
Total Assets	106.74	71.81	59.38

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

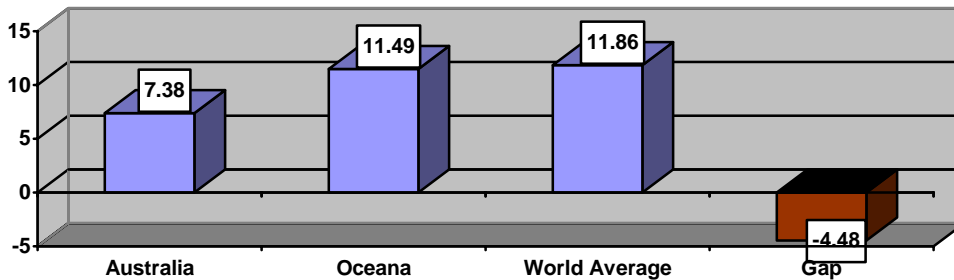
3.6.3 Asset to Labor: International Gaps

The following graphics summarize for skilled nursing care facilities the large labor-asset gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

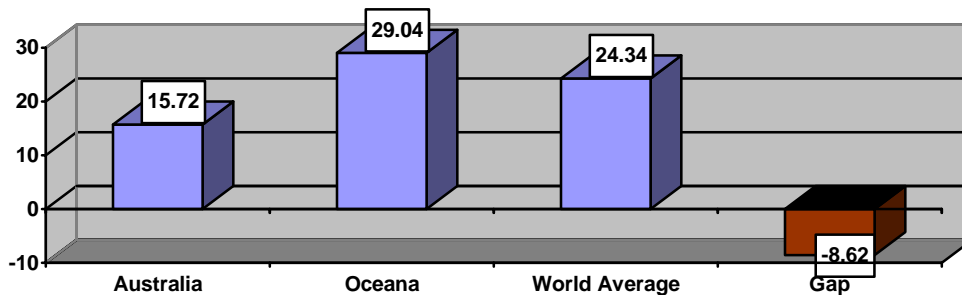
Gap: Cash & Short Term Investments (\$k/employee)



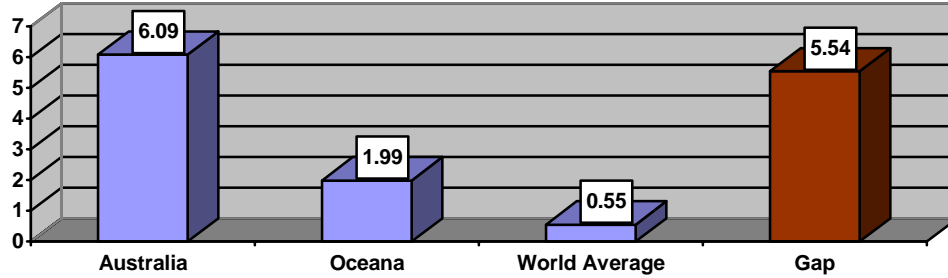
Gap: Receivables (Net) (\$k/employee)



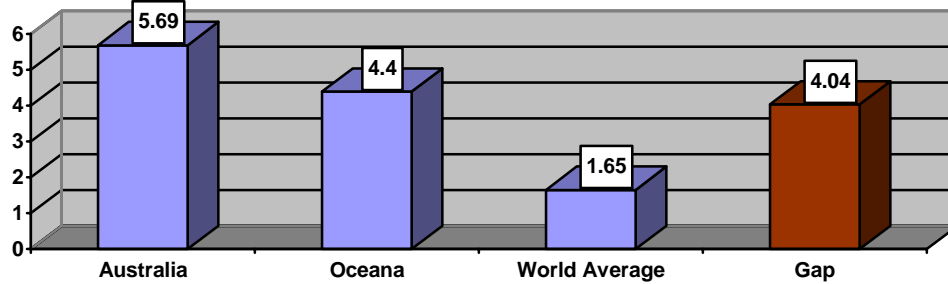
Gap: Current Assets - Total (\$k/employee)



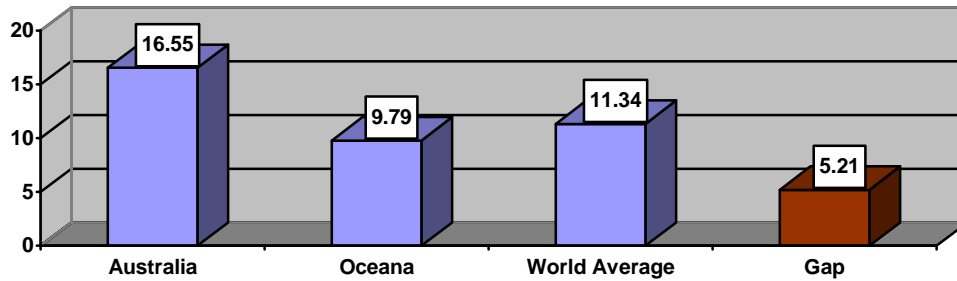
Gap: Investments in Unconsolidated Subsidiaries (\$k/employee)



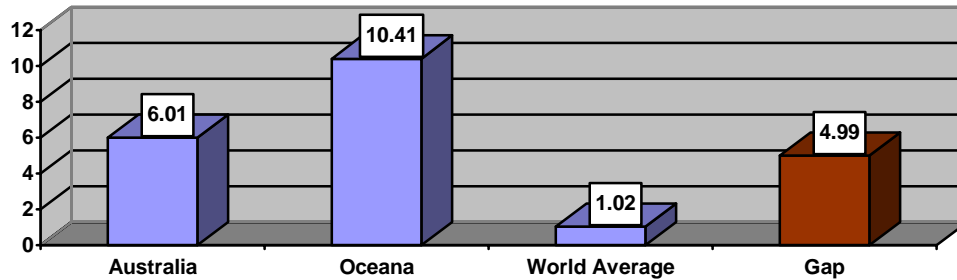
Gap: Land (\$k/employee)



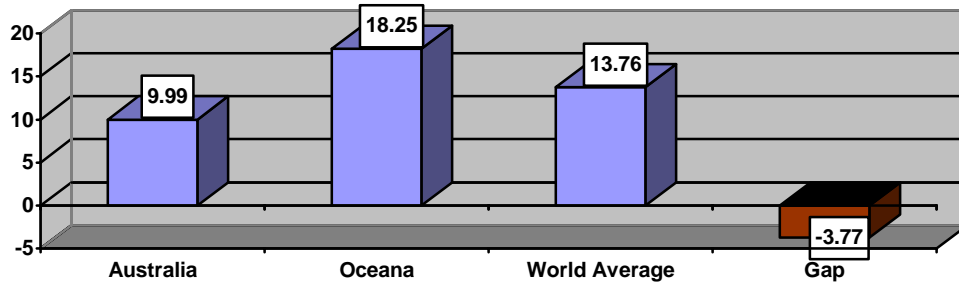
Gap: Machinery & Equipment (\$k/employee)



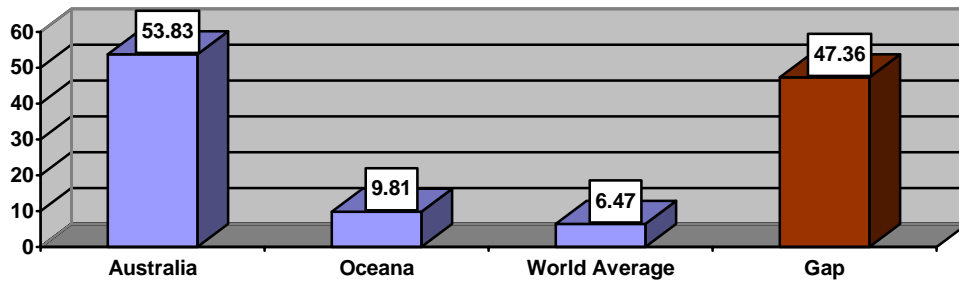
Gap: Property Plant & Equipment Under Capitalized Leases (\$k/employee)



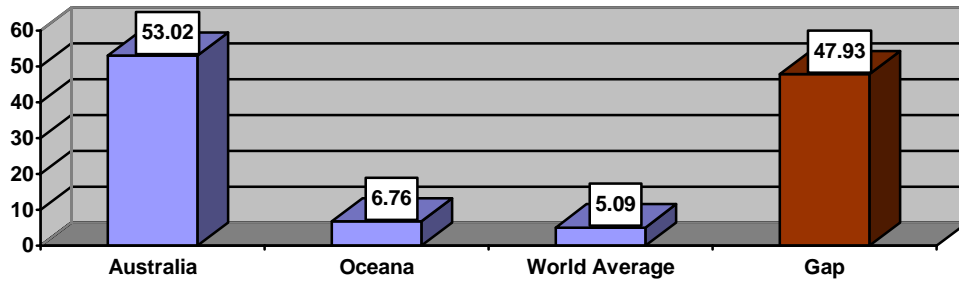
Gap: Accumulated Depreciation - Total (\$k/employee)



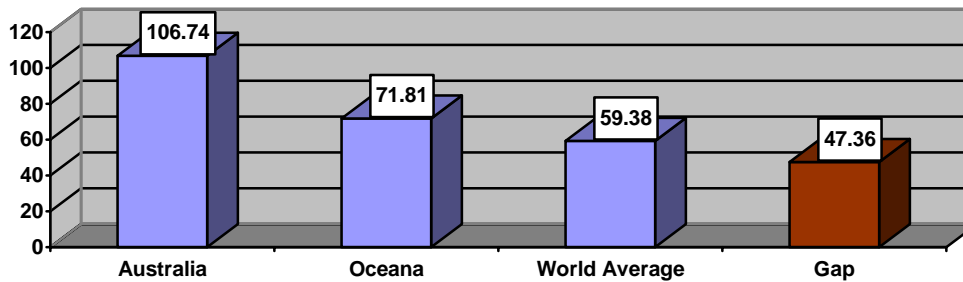
Gap: Other Assets (\$k/employee)



Gap: Intangible Other Assets (\$k/employee)



Gap: Total Assets (\$k/employee)



3.6.4 Key Percentiles and Rankings

We now consider the distribution of asset-labor ratios using ranks and percentiles across . What percent of countries have a productivity indicator lower or higher than Australia (what is the indicator's rank or percentile)? The table below answers this question with respect to asset-labor structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key asset-labor ratios are highlighted in additional tables.

Asset Structure (\$k/employee)	Australia	Rank of Total	Percentile
Cash & Short Term Investments	2.89	37 of 53	30.19
Cash	2.35	29 of 43	32.56
Short Term Investments	0.61	15 of 31	51.61
Receivables (Net)	7.38	44 of 53	16.98
Total Inventories	1.36	41 of 53	22.64
Raw Materials	0.88	15 of 19	21.05
Work in Process	0.08	15 of 19	21.05
Finished Goods	1.44	17 of 31	45.16
Prepaid Expenses	0.51	20 of 24	16.67
Other Current Assets	3.64	3 of 48	93.75
Current Assets - Total	15.72	40 of 53	24.53
Long Term Receivables	0.08	20 of 33	39.39
Investments in Unconsolidated Subsidiaries	6.09	3 of 40	92.50
Other Investments	0.42	18 of 26	30.77
Property Plant and Equipment - Net	30.61	25 of 53	52.83
Property Plant and Equipment - Gross	40.60	30 of 52	42.31
Land	5.69	9 of 33	72.73
Buildings	14.97	23 of 40	42.50
Machinery & Equipment	16.55	14 of 44	68.18
Other Property Plant & Equipment	7.52	20 of 44	54.55
Property Plant & Equipment Under Capitalized Leases	6.01	10 of 21	52.38
Accumulated Depreciation - Total	9.99	30 of 52	42.31
Accumulated Depreciation - Buildings	0.33	34 of 38	10.53
Accumulated Depreciation -Machinery & Equipment	7.77	18 of 42	57.14
Accumulated Depreciation - Other Prop & Equip	0.55	37 of 41	9.76
Accumulated Depreciation - P P & E Under Capitalized Leases	1.89	11 of 21	47.62
Other Assets	53.83	6 of 53	88.68
Deferred Charges	0.21	24 of 25	4.00
Tangible Other Assets	0.60	8 of 14	42.86
Intangible Other Assets	53.02	2 of 43	95.35
Total Assets	106.74	16 of 53	69.81

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cash & Short Term Investments

Countries	Value (\$K/employee)	Rank	Percentile	Region
New Zealand	67.28	1	98.11	Oceania
Hong Kong	65.93	2	96.23	Asia
Spain	59.60	3	94.34	Europe
Israel	36.92	4	92.45	the Middle East
Ireland	36.62	5	90.57	Europe
Taiwan	30.51	6	88.68	Asia
Singapore	27.65	7	86.79	Asia
Portugal	27.46	8	84.91	Europe
USA	26.95	9	83.02	North America
Japan	24.43	10	81.13	Asia
Finland	23.64	11	79.25	Europe
Peru	20.64	13	75.47	Latin America
France	16.53	14	73.58	Europe
Austria	16.35	15	71.70	Europe
Belgium	15.55	16	69.81	Europe
Italy	15.02	18	66.04	Europe
Netherlands	14.85	19	64.15	Europe
China	14.35	20	62.26	Asia
Pakistan	14.11	21	60.38	the Middle East
Philippines	12.39	22	58.49	Asia
Norway	11.49	23	56.60	Europe
Indonesia	9.80	25	52.83	Asia
Switzerland	8.67	27	49.06	Europe
Luxembourg	7.50	28	47.17	Europe
Malaysia	7.14	29	45.28	Asia
Canada	6.11	31	41.51	North America
Germany	3.93	32	39.62	Europe
Sweden	3.66	33	37.74	Europe
the United Kingdom	3.56	34	35.85	Europe
Denmark	3.55	35	33.96	Europe
Thailand	3.03	36	32.08	Asia
Australia	2.89	37	30.19	Oceania
Greece	2.56	38	28.30	Europe
Czech Republic	2.28	40	24.53	Europe
Argentina	2.13	41	22.64	Latin America
South Korea	2.08	42	20.75	Asia
Russian Federation	1.87	44	16.98	Europe
Hungary	1.68	45	15.09	Europe
South Africa	1.47	46	13.21	Africa
Poland	1.38	47	11.32	Europe
Brazil	1.33	48	9.43	Latin America
Turkey	1.15	49	7.55	the Middle East
Mexico	1.14	50	5.66	Latin America
India	0.48	52	1.89	Asia
Chile	0.11	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cash & Short Term Investments (Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	67.28	1	96.00
Guam	64.58	2	92.00
Northern Mariana Isl.	35.09	3	88.00
Wallis and Futuna	21.62	4	84.00
Vanuatu	17.06	5	80.00
Norfolk Island	14.82	6	76.00
Nauru	14.66	7	72.00
Niue	14.41	8	68.00
Pitcairn Islands	14.41	9	64.00
Cocos (Keeling) Islands	14.41	10	60.00
Micronesia Federation	14.12	11	56.00
Western Samoa	12.97	12	52.00
Tokelau	11.53	13	48.00
Solomon Islands	11.24	14	44.00
Kiribati	10.55	15	40.00
Tuvalu	8.01	16	36.00
Christmas Island	3.90	17	32.00
Fiji	2.97	18	28.00
Australia	2.89	19	24.00
Marshall Islands	2.34	20	20.00
Tonga	2.34	21	16.00
French Polynesia	2.20	22	12.00
New Caledonia	1.88	23	8.00
American Samoa	1.38	24	4.00
Cook Island	0.10	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Receivables (Net)

Countries	Value (\$K/employee)	Rank	Percentile	Region
Japan	30.48	1	98.11	Asia
Finland	29.49	2	96.23	Europe
USA	29.44	3	94.34	North America
Sweden	27.05	4	92.45	Europe
Denmark	26.28	5	90.57	Europe
Norway	25.50	6	88.68	Europe
New Zealand	23.73	7	86.79	Oceania
Hong Kong	23.26	8	84.91	Asia
China	21.26	9	83.02	Asia
Spain	21.03	10	81.13	Europe
Pakistan	20.91	11	79.25	the Middle East
Greece	20.16	12	77.36	Europe
France	20.16	13	75.47	Europe
Austria	19.94	14	73.58	Europe
Israel	19.92	15	71.70	the Middle East
Ireland	19.76	16	69.81	Europe
Switzerland	19.26	17	67.92	Europe
Belgium	18.96	18	66.04	Europe
Italy	18.32	19	64.15	Europe
Netherlands	18.11	20	62.26	Europe
Czech Republic	17.95	21	60.38	Europe
Argentina	16.72	22	58.49	Latin America
Luxembourg	16.65	23	56.60	Europe
Taiwan	16.46	25	52.83	Asia
South Korea	16.34	26	50.94	Asia
Peru	15.89	27	49.06	Latin America
Portugal	14.82	29	45.28	Europe
Russian Federation	14.72	30	43.40	Europe
Hungary	13.23	31	41.51	Europe
Canada	11.88	32	39.62	North America
Poland	10.82	34	35.85	Europe
Germany	10.22	35	33.96	Europe
Philippines	9.54	36	32.08	Asia
Turkey	9.02	37	30.19	the Middle East
Mexico	9.00	38	28.30	Latin America
Singapore	8.48	39	26.42	Asia
Chile	8.08	42	20.75	Latin America
Indonesia	7.55	43	18.87	Asia
Australia	7.38	44	16.98	Oceania
South Africa	6.28	46	13.21	Africa
the United Kingdom	5.97	47	11.32	Europe
Malaysia	5.76	48	9.43	Asia
Brazil	5.69	49	7.55	Latin America
India	1.86	51	3.77	Asia
Thailand	1.03	52	1.89	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Receivables (Net)
(Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	23.73	1	96.00
Guam	22.78	2	92.00
Northern Mariana Isl.	18.93	3	88.00
Norfolk Island	18.07	4	84.00
Nauru	17.88	5	80.00
French Polynesia	17.27	6	76.00
Wallis and Futuna	16.65	7	72.00
New Caledonia	14.75	8	68.00
Vanuatu	13.14	9	64.00
Cocos (Keeling) Islands	11.10	10	60.00
Niue	11.10	11	56.00
Pitcairn Islands	11.10	12	52.00
Micronesia Federation	10.88	13	48.00
American Samoa	10.87	14	44.00
Christmas Island	10.12	15	40.00
Western Samoa	9.99	16	36.00
Tokelau	8.88	17	32.00
Solomon Islands	8.66	18	28.00
Kiribati	8.12	19	24.00
Australia	7.38	20	20.00
Cook Island	6.97	21	16.00
Tuvalu	6.17	22	12.00
Fiji	1.01	23	8.00
Tonga	0.80	24	4.00
Marshall Islands	0.80	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Total Inventories

Countries	Value (\$K/employee)	Rank	Percentile	Region
China	9.16	1	98.11	Asia
Pakistan	9.01	2	96.23	the Middle East
Sweden	7.66	3	94.34	Europe
Denmark	7.45	4	92.45	Europe
Canada	4.58	5	90.57	North America
Israel	4.34	6	88.68	the Middle East
Ireland	4.30	7	86.79	Europe
Norway	3.74	8	84.91	Europe
Taiwan	3.58	9	83.02	Asia
Japan	3.35	10	81.13	Asia
Finland	3.25	12	77.36	Europe
Portugal	3.22	13	75.47	Europe
Peru	3.18	14	73.58	Latin America
New Zealand	3.08	15	71.70	Oceania
Hong Kong	3.02	16	69.81	Asia
USA	2.87	17	67.92	North America
Switzerland	2.83	18	66.04	Europe
Spain	2.73	19	64.15	Europe
Germany	2.58	20	62.26	Europe
Luxembourg	2.44	21	60.38	Europe
France	2.34	23	56.60	Europe
Austria	2.31	24	54.72	Europe
Belgium	2.20	25	52.83	Europe
Italy	2.13	26	50.94	Europe
Netherlands	2.10	27	49.06	Europe
Greece	2.02	28	47.17	Europe
the United Kingdom	1.96	29	45.28	Europe
South Africa	1.94	30	43.40	Africa
Philippines	1.91	31	41.51	Asia
Czech Republic	1.80	32	39.62	Europe
Brazil	1.76	33	37.74	Latin America
Argentina	1.68	34	35.85	Latin America
South Korea	1.64	35	33.96	Asia
Indonesia	1.51	37	30.19	Asia
Russian Federation	1.48	39	26.42	Europe
Australia	1.36	41	22.64	Oceania
Hungary	1.33	42	20.75	Europe
Poland	1.09	43	18.87	Europe
Singapore	0.96	45	15.09	Asia
Turkey	0.91	46	13.21	the Middle East
Mexico	0.90	47	11.32	Latin America
Malaysia	0.90	48	9.43	Asia
Chile	0.72	50	5.66	Latin America
India	0.57	51	3.77	Asia
Thailand	0.37	52	1.89	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Total Inventories
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (\$K/employee)	Rank	Percentile
Northern Mariana Isl.	4.12	1	96.00
Wallis and Futuna	3.33	2	92.00
New Zealand	3.08	3	88.00
Guam	2.96	4	84.00
Vanuatu	2.63	5	80.00
Christmas Island	2.56	6	76.00
Pitcairn Islands	2.22	7	72.00
Cocos (Keeling) Islands	2.22	8	68.00
Niue	2.22	9	64.00
Micronesia Federation	2.18	10	60.00
Norfolk Island	2.10	11	56.00
Nauru	2.08	12	52.00
Western Samoa	2.00	13	48.00
Tokelau	1.78	14	44.00
French Polynesia	1.74	15	40.00
Solomon Islands	1.73	16	36.00
Kiribati	1.63	17	32.00
New Caledonia	1.48	18	28.00
Australia	1.36	19	24.00
Tuvalu	1.23	20	20.00
American Samoa	1.09	21	16.00
Cook Island	0.62	22	12.00
Fiji	0.36	23	8.00
Tonga	0.29	24	4.00
Marshall Islands	0.29	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Current Assets - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
New Zealand	94.10	1	98.11	Oceania
Hong Kong	92.20	2	96.23	Asia
Spain	83.36	3	94.34	Europe
Israel	65.18	4	92.45	the Middle East
Ireland	64.64	5	90.57	Europe
USA	64.48	6	88.68	North America
Japan	61.20	7	86.79	Asia
Finland	59.22	8	84.91	Europe
Taiwan	53.86	9	83.02	Asia
Portugal	48.48	10	81.13	Europe
Norway	47.06	11	79.25	Europe
China	44.78	12	77.36	Asia
Pakistan	44.03	13	75.47	the Middle East
France	41.83	15	71.70	Europe
Sweden	41.45	16	69.81	Europe
Austria	41.38	17	67.92	Europe
Peru	40.46	18	66.04	Latin America
Denmark	40.27	19	64.15	Europe
Belgium	39.35	20	62.26	Europe
Italy	38.01	21	60.38	Europe
Netherlands	37.59	22	58.49	Europe
Singapore	37.42	23	56.60	Asia
Switzerland	35.53	24	54.72	Europe
Luxembourg	30.73	25	52.83	Europe
Greece	25.03	27	49.06	Europe
Philippines	24.30	28	47.17	Asia
Canada	23.76	29	45.28	North America
Czech Republic	22.28	30	43.40	Europe
Germany	21.04	31	41.51	Europe
Argentina	20.75	32	39.62	Latin America
South Korea	20.28	34	35.85	Asia
Indonesia	19.21	35	33.96	Asia
Russian Federation	18.28	37	30.19	Europe
Hungary	16.42	39	26.42	Europe
Australia	15.72	40	24.53	Oceania
Malaysia	15.10	41	22.64	Asia
Poland	13.43	43	18.87	Europe
the United Kingdom	12.63	44	16.98	Europe
Turkey	11.20	45	15.09	the Middle East
Mexico	11.17	46	13.21	Latin America
South Africa	9.83	48	9.43	Africa
Chile	9.24	49	7.55	Latin America
Brazil	8.91	50	5.66	Latin America
Thailand	4.99	51	3.77	Asia
India	3.75	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Current Assets - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	94.10	1	96.00
Guam	90.33	2	92.00
Northern Mariana Isl.	61.94	3	88.00
Wallis and Futuna	42.38	4	84.00
Norfolk Island	37.50	5	80.00
Nauru	37.11	6	76.00
Vanuatu	33.45	7	72.00
Niue	28.25	8	68.00
Pitcairn Islands	28.25	9	64.00
Cocos (Keeling) Islands	28.25	10	60.00
Micronesia Federation	27.69	11	56.00
Western Samoa	25.43	12	52.00
Tokelau	22.60	13	48.00
Solomon Islands	22.04	14	44.00
French Polynesia	21.44	15	40.00
Christmas Island	20.83	16	36.00
Kiribati	20.68	17	32.00
New Caledonia	18.31	18	28.00
Australia	15.72	19	24.00
Tuvalu	15.71	20	20.00
American Samoa	13.49	21	16.00
Cook Island	7.97	22	12.00
Fiji	4.89	23	8.00
Tonga	3.86	24	4.00
Marshall Islands	3.86	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Property Plant and Equipment - Net

Countries	Value (\$K/employee)	Rank	Percentile	Region
Greece	64.70	1	98.11	Europe
USA	63.08	2	96.23	North America
the United Kingdom	59.43	3	94.34	Europe
Czech Republic	57.60	4	92.45	Europe
Peru	54.96	6	88.68	Latin America
Germany	54.64	7	86.79	Europe
Argentina	53.66	8	84.91	Latin America
South Korea	52.43	9	83.02	Asia
Singapore	50.44	10	81.13	Asia
Japan	49.32	11	79.25	Asia
Finland	47.72	13	75.47	Europe
Russian Federation	47.25	14	73.58	Europe
Hungary	42.45	15	71.70	Europe
China	35.22	17	67.92	Asia
Malaysia	34.99	18	66.04	Asia
Poland	34.72	19	64.15	Europe
Pakistan	34.63	20	62.26	the Middle East
Sweden	34.52	21	60.38	Europe
Denmark	33.54	22	58.49	Europe
Philippines	33.01	23	56.60	Asia
Chile	32.20	24	54.72	Latin America
Australia	30.61	25	52.83	Oceania
Canada	29.45	26	50.94	North America
Turkey	28.96	27	49.06	the Middle East
Mexico	28.88	28	47.17	Latin America
New Zealand	27.68	30	43.40	Oceania
Hong Kong	27.13	31	41.51	Asia
Indonesia	26.10	33	37.74	Asia
France	24.84	34	35.85	Europe
Austria	24.57	35	33.96	Europe
Spain	24.52	37	30.19	Europe
Belgium	23.37	38	28.30	Europe
Italy	22.57	39	26.42	Europe
Netherlands	22.32	40	24.53	Europe
South Africa	16.89	42	20.75	Africa
Norway	15.31	43	18.87	Europe
Brazil	15.30	44	16.98	Latin America
Thailand	15.13	45	15.09	Asia
Switzerland	11.56	47	11.32	Europe
Luxembourg	10.00	48	9.43	Europe
Israel	8.15	49	7.55	the Middle East
Ireland	8.08	50	5.66	Europe
Taiwan	6.74	51	3.77	Asia
Portugal	6.06	52	1.89	Europe
India	6.00	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Property Plant and Equipment - Net
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Wallis and Futuna	57.57	1	96.00
French Polynesia	55.44	2	92.00
Christmas Island	54.10	3	88.00
New Caledonia	47.34	4	84.00
Vanuatu	45.45	5	80.00
Niue	38.38	6	76.00
Pitcairn Islands	38.38	7	72.00
Cocos (Keeling) Islands	38.38	8	68.00
Micronesia Federation	37.62	9	64.00
American Samoa	34.87	10	60.00
Western Samoa	34.54	11	56.00
Tokelau	30.71	12	52.00
Australia	30.61	13	48.00
Solomon Islands	29.94	14	44.00
Kiribati	28.10	15	40.00
Cook Island	27.78	16	36.00
New Zealand	27.68	17	32.00
Guam	26.57	18	28.00
Norfolk Island	22.27	19	24.00
Nauru	22.04	20	20.00
Tuvalu	21.34	21	16.00
Fiji	14.84	22	12.00
Marshall Islands	11.71	23	8.00
Tonga	11.71	24	4.00
Northern Mariana Isl.	7.75	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accumulated Depreciation - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
Japan	70.40	1	98.08	Asia
Finland	68.12	2	96.15	Europe
Peru	42.30	4	92.31	Latin America
Norway	35.01	5	90.38	Europe
Sweden	31.42	6	88.46	Europe
Denmark	30.53	8	84.62	Europe
USA	28.81	9	82.69	North America
Germany	26.50	10	80.77	Europe
Switzerland	26.43	11	78.85	Europe
Philippines	25.40	12	76.92	Asia
Singapore	23.42	13	75.00	Asia
Luxembourg	22.86	14	73.08	Europe
Indonesia	20.09	16	69.23	Asia
China	19.69	17	67.31	Asia
Pakistan	19.36	18	65.38	the Middle East
France	18.04	20	61.54	Europe
Austria	17.84	21	59.62	Europe
Belgium	16.97	22	57.69	Europe
Italy	16.39	23	55.77	Europe
Netherlands	16.21	24	53.85	Europe
Canada	14.76	25	51.92	North America
the United Kingdom	14.54	26	50.00	Europe
Malaysia	11.56	28	46.15	Asia
Greece	10.27	29	44.23	Europe
Australia	9.99	30	42.31	Oceania
Czech Republic	9.14	31	40.38	Europe
Argentina	8.51	32	38.46	Latin America
Thailand	8.48	33	36.54	Asia
South Korea	8.32	34	34.62	Asia
South Africa	8.11	35	32.69	Africa
New Zealand	7.53	37	28.85	Oceania
Russian Federation	7.50	38	26.92	Europe
Hong Kong	7.38	39	25.00	Asia
Brazil	7.35	40	23.08	Latin America
Hungary	6.74	42	19.23	Europe
Spain	6.67	43	17.31	Europe
Poland	5.51	44	15.38	Europe
Turkey	4.59	45	13.46	the Middle East
Mexico	4.58	46	11.54	Latin America
Israel	3.61	48	7.69	the Middle East
Ireland	3.58	49	5.77	Europe
Taiwan	2.98	50	3.85	Asia
Portugal	2.69	51	1.92	Europe
India	2.18	52	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accumulated Depreciation - Total (Skilled Nursing Care Facilities)

Countries in Oceana	Value (\$K/employee)	Rank	Percentile
Wallis and Futuna	44.31	1	95.83
Vanuatu	34.97	2	91.67
Niue	29.54	3	87.50
Pitcairn Islands	29.54	4	83.33
Cocos (Keeling) Islands	29.54	5	79.17
Micronesia Federation	28.95	6	75.00
Western Samoa	26.59	7	70.83
Christmas Island	26.24	8	66.67
Tokelau	23.63	9	62.50
Solomon Islands	23.04	10	58.33
Kiribati	21.62	11	54.17
Tuvalu	16.42	12	50.00
Norfolk Island	16.17	13	45.83
Nauru	16.00	14	41.67
Australia	9.99	15	37.50
French Polynesia	8.80	16	33.33
Fiji	8.32	17	29.17
New Zealand	7.53	18	25.00
New Caledonia	7.51	19	20.83
Guam	7.23	20	16.67
Marshall Islands	6.57	21	12.50
Tonga	6.57	22	8.33
American Samoa	5.53	23	4.17
Northern Mariana Isl.	3.43	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Intangible Other Assets

Countries	Value (\$K/employee)	Rank	Percentile	Region
Norway	68.24	1	97.67	Europe
Australia	53.02	2	95.35	Oceania
Switzerland	51.52	3	93.02	Europe
Sweden	48.34	4	90.70	Europe
Denmark	46.97	5	88.37	Europe
Luxembourg	44.55	6	86.05	Europe
USA	41.25	7	83.72	North America
Israel	36.57	8	81.40	the Middle East
Ireland	36.27	9	79.07	Europe
Taiwan	30.22	10	76.74	Asia
Portugal	27.20	11	74.42	Europe
Germany	24.24	12	72.09	Europe
Canada	23.87	13	69.77	North America
France	20.08	14	67.44	Europe
Austria	19.86	15	65.12	Europe
Belgium	18.89	16	62.79	Europe
Italy	18.25	17	60.47	Europe
Netherlands	18.04	18	58.14	Europe
Malaysia	12.88	19	55.81	Asia
the United Kingdom	12.61	20	53.49	Europe
Japan	9.44	21	51.16	Asia
Greece	9.42	22	48.84	Europe
Finland	9.13	23	46.51	Europe
Czech Republic	8.38	24	44.19	Europe
Argentina	7.81	25	41.86	Latin America
South Korea	7.63	26	39.53	Asia
Russian Federation	6.88	28	34.88	Europe
Hungary	6.18	29	32.56	Europe
Poland	5.05	30	30.23	Europe
Turkey	4.21	31	27.91	the Middle East
Mexico	4.20	32	25.58	Latin America
China	2.12	34	20.93	Asia
Pakistan	2.08	35	18.60	the Middle East
Singapore	1.36	36	16.28	Asia
New Zealand	0.70	37	13.95	Oceania
Hong Kong	0.69	38	11.63	Asia
Spain	0.62	39	9.30	Europe
South Africa	0.51	40	6.98	Africa
Brazil	0.47	41	4.65	Latin America
Chile	0.07	42	2.33	Latin America
India	0.06	43	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Intangible Other Assets
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (\$K/employee)	Rank	Percentile
Australia	53.02	1	90.91
Northern Mariana Isl.	34.76	2	81.82
Christmas Island	24.00	3	72.73
Norfolk Island	18.00	4	63.64
Nauru	17.82	5	54.55
French Polynesia	8.07	6	45.45
New Caledonia	6.89	7	36.36
American Samoa	5.07	8	27.27
New Zealand	0.70	9	18.18
Guam	0.67	10	9.09
Cook Island	0.06	11	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.7 PRODUCTIVITY IN AUSTRALIA: LIABILITY-LABOR RATIOS

3.7.1 Overview

In this chapter we consider the liability-labor ratios of companies operating in Australia benchmarked against global averages for skilled nursing care facilities. For ratios where there are large deviations between Australia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of productivity ratios is presented in the form of ranks and percentiles. Certain key liability-labor ratios are highlighted for skilled nursing care facilities across countries in the comparison group. Definitions of liability statement terms are given in Chapter 3.

In the case of liability-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

I then report the larger liability-labor ratio gaps for skilled nursing care facilities that Australia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.

3.7.2 Liability to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for skilled nursing care facilities in Australia based on latest financial results available.

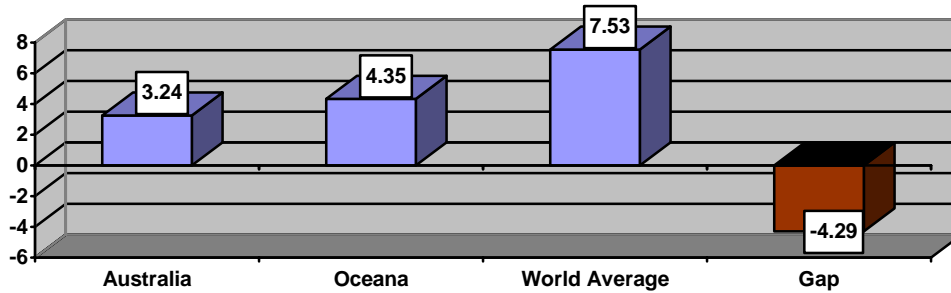
Labor-liability Ratios (\$k/employee)	Australia	Oceania	World Avg.
Accounts Payable	3.24	4.35	7.53
Short Term Debt & Current Portion of Long Term Debt	2.27	3.18	4.28
Accrued Payroll	1.92	3.79	0.40
Income Taxes Payable	1.17	1.91	0.79
Dividends Payable	1.69	1.17	0.32
Other Current Liabilities	4.13	5.18	2.59
Current Liabilities - Total	13.84	13.94	15.41
Long Term Debt	26.06	8.10	7.92
Long Term Debt Excluding Capitalized Leases	23.74	7.34	7.60
Capitalized Lease Obligations	2.32	0.76	0.33
Provision For Risks and Charges	0.92	0.82	0.53
Deferred Income	0.13	0.21	0.02
Deferred Taxes	-0.44	0.25	0.38
Deferred Taxes - Credit	0.94	1.19	0.56
Deferred Taxes - Debit	1.48	0.92	0.27
Other Liabilities	0.42	1.00	0.42
Total Liabilities	40.92	23.61	24.41
Minority Interest	1.08	0.52	2.37
Common Equity	64.74	47.07	32.41
Common Stock	59.52	10.70	6.16
Capital Surplus	9.43	21.96	11.53
Revaluation Reserves	0.58	0.64	0.31
Other Appropriated Reserves	2.17	5.91	5.50
Unappropriated Reserves	0.03	11.32	2.61
Retained Earnings	2.81	4.57	4.29
Unrealized Foreign Exchange Gain/Loss	-0.22	-1.28	-0.11
Total Liabilities & Shareholders Equity	106.74	71.81	59.38

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

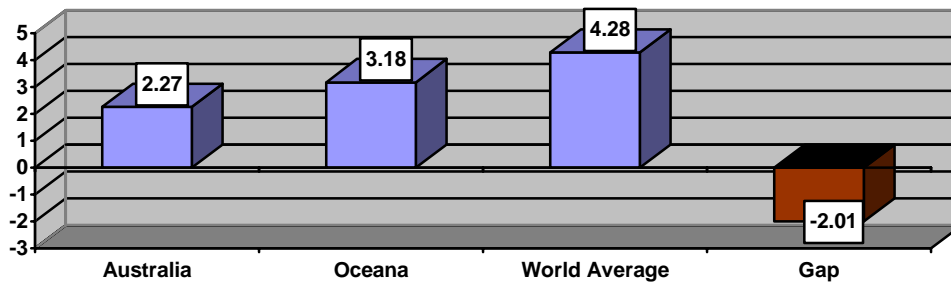
3.7.3 Liability and Equity to Labor: International Gaps

The following graphics summarize for skilled nursing care facilities the large labor-liability gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

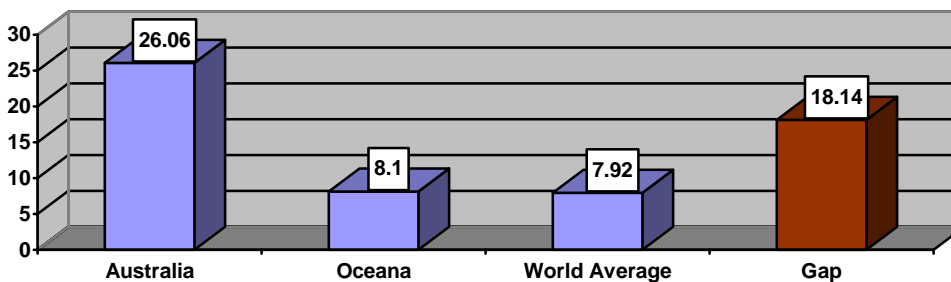
Gap: Accounts Payable (\$k/employee)



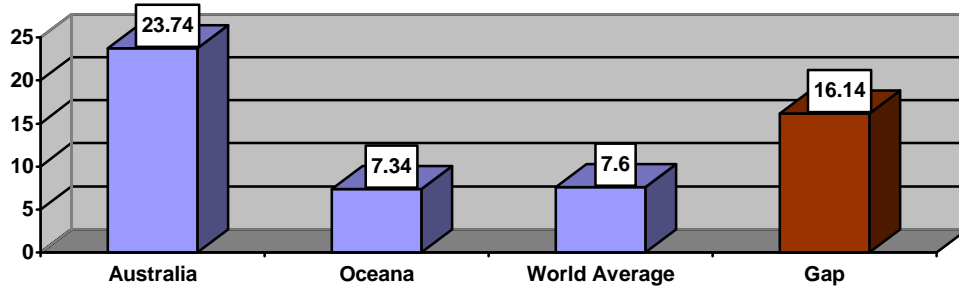
Gap: Short Term Debt & Current Portion of Long Term Debt (\$k/employee)



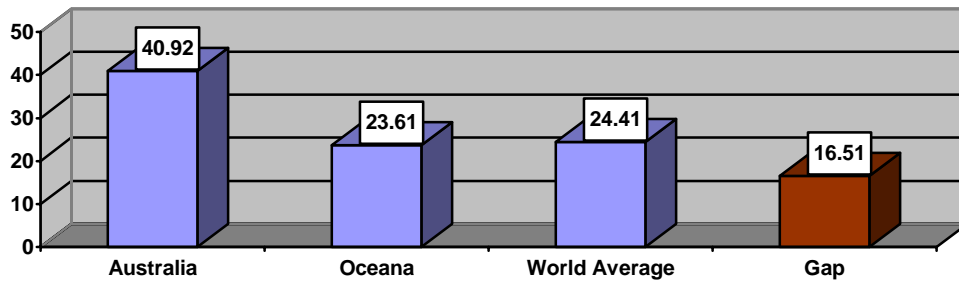
Gap: Long Term Debt (\$k/employee)



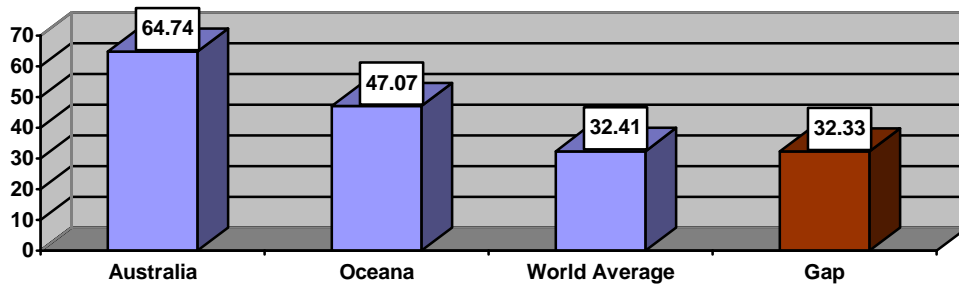
Gap: Long Term Debt Excluding Capitalized Leases (\$k/employee)



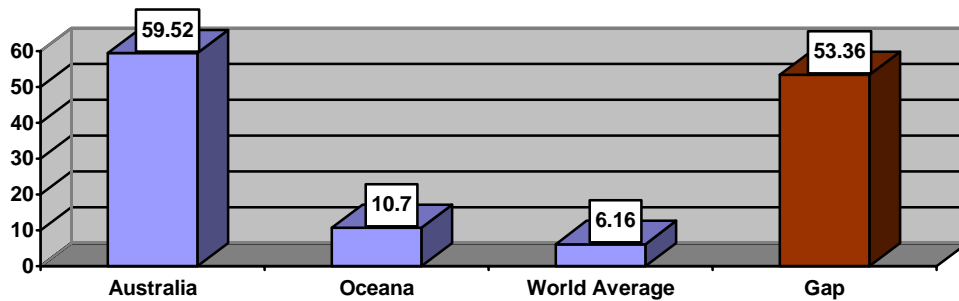
Gap: Total Liabilities (\$k/employee)



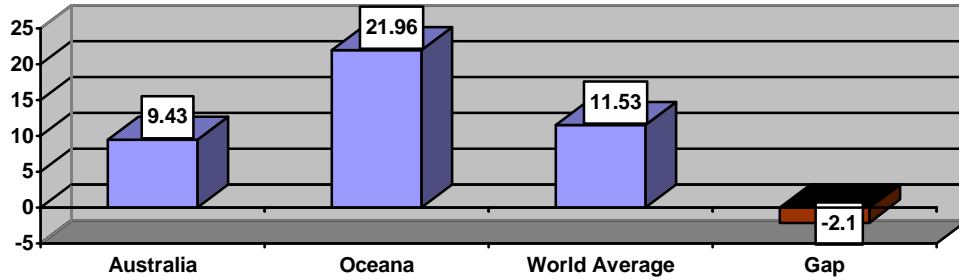
Gap: Common Equity (\$k/employee)



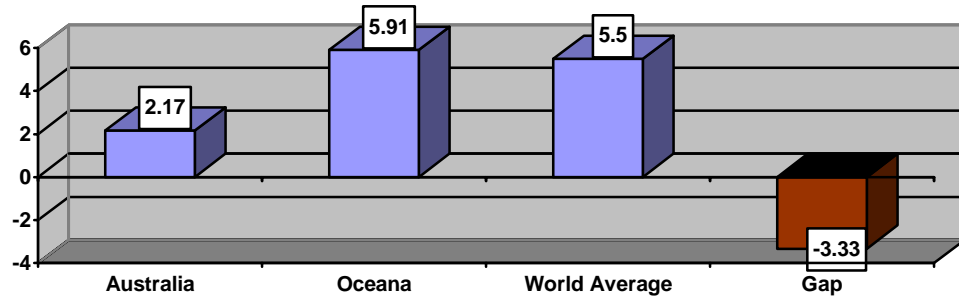
Gap: Common Stock (\$k/employee)



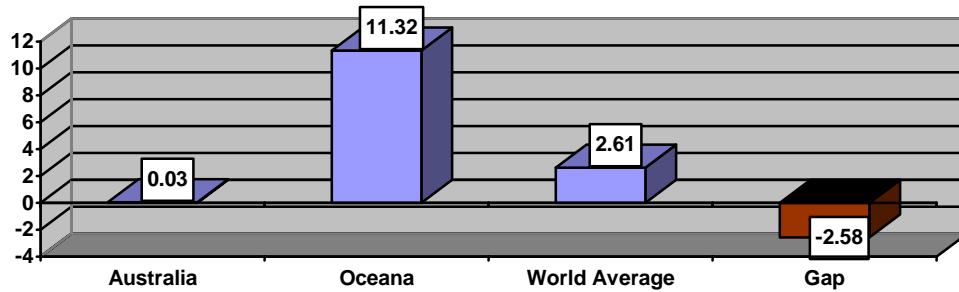
Gap: Capital Surplus (\$k/employee)



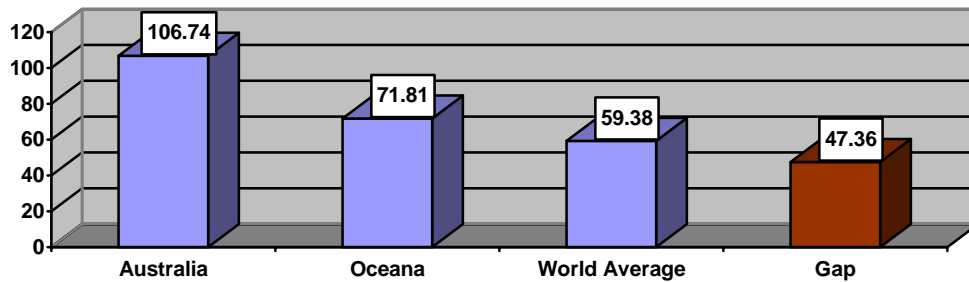
Gap: Other Appropriated Reserves (\$k/employee)



Gap: Unappropriated Reserves (\$k/employee)



Gap: Total Liabilities & Shareholders Equity (\$k/employee)



3.7.4 Key Percentiles and Rankings

We now consider the distribution of liability-labor ratios using ranks and percentiles across . What percent of countries have a value lower or higher than Australia (what is the indicator's rank or percentile)? The table below answers this question with respect to liability-labor ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key liability-labor ratios are highlighted in additional tables.

Liability Structure (\$k/employee)	Australia	Rank of Total	Percentile
Accounts Payable	3.24	41 of 52	21.15
Short Term Debt & Current Portion of Long Term Debt	2.27	35 of 50	30.00
Accrued Payroll	1.92	14 of 15	6.67
Income Taxes Payable	1.17	25 of 40	37.50
Dividends Payable	1.69	8 of 18	55.56
Other Current Liabilities	4.13	28 of 53	47.17
Current Liabilities - Total	13.84	38 of 53	28.30
Long Term Debt	26.06	9 of 42	78.57
Long Term Debt Excluding Capitalized Leases	23.74	12 of 42	71.43
Capitalized Lease Obligations	2.32	6 of 23	73.91
Provision For Risks and Charges	0.92	15 of 34	55.88
Deferred Income	0.13	5 of 7	28.57
Deferred Taxes	-0.44	23 of 30	23.33
Deferred Taxes - Credit	0.94	10 of 20	50.00
Deferred Taxes - Debit	1.48	11 of 25	56.00
Other Liabilities	0.42	23 of 29	20.69
Total Liabilities	40.92	24 of 53	54.72
Minority Interest	1.08	18 of 53	66.04
Common Equity	64.74	12 of 53	77.36
Common Stock	59.52	1 of 44	97.73
Capital Surplus	9.43	32 of 41	21.95
Revaluation Reserves	0.58	6 of 23	73.91
Other Appropriated Reserves	2.17	34 of 40	15.00
Unappropriated Reserves	0.03	19 of 20	5.00
Retained Earnings	2.81	28 of 52	46.15
Unrealized Foreign Exchange Gain/Loss	-0.22	12 of 20	40.00
Total Liabilities & Shareholders Equity	106.74	16 of 53	69.81

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accounts Payable

Countries	Value (\$K/employee)	Rank	Percentile	Region
China	18.74	1	98.08	Asia
Pakistan	18.42	2	96.15	the Middle East
Japan	17.19	3	94.23	Asia
Finland	16.64	4	92.31	Europe
USA	12.68	5	90.38	North America
Canada	11.80	6	88.46	North America
Greece	11.75	7	86.54	Europe
Norway	11.47	8	84.62	Europe
Czech Republic	10.46	9	82.69	Europe
Argentina	9.74	10	80.77	Latin America
South Korea	9.52	11	78.85	Asia
Switzerland	8.66	13	75.00	Europe
Russian Federation	8.58	14	73.08	Europe
Hungary	7.71	15	71.15	Europe
Luxembourg	7.49	16	69.23	Europe
Sweden	7.10	18	65.38	Europe
Peru	7.01	19	63.46	Latin America
Denmark	6.90	20	61.54	Europe
France	6.42	21	59.62	Europe
Austria	6.35	22	57.69	Europe
Poland	6.30	23	55.77	Europe
Belgium	6.04	24	53.85	Europe
Singapore	5.91	25	51.92	Asia
Italy	5.84	26	50.00	Europe
Netherlands	5.77	27	48.08	Europe
Turkey	5.26	28	46.15	the Middle East
Mexico	5.24	29	44.23	Latin America
Israel	4.54	32	38.46	the Middle East
Ireland	4.50	33	36.54	Europe
Philippines	4.21	34	34.62	Asia
Taiwan	3.75	35	32.69	Asia
Malaysia	3.72	36	30.77	Asia
the United Kingdom	3.68	37	28.85	Europe
Portugal	3.38	39	25.00	Europe
Indonesia	3.33	40	23.08	Asia
Australia	3.24	41	21.15	Oceana
South Africa	2.82	43	17.31	Africa
Germany	2.77	44	15.38	Europe
Brazil	2.56	45	13.46	Latin America
New Zealand	2.26	47	9.62	Oceana
Hong Kong	2.21	48	7.69	Asia
Spain	2.00	49	5.77	Europe
Thailand	0.86	50	3.85	Asia
India	0.77	51	1.92	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Accounts Payable (Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
French Polynesia	10.07	1	95.83
New Caledonia	8.60	2	91.67
Wallis and Futuna	7.34	3	87.50
American Samoa	6.33	4	83.33
Vanuatu	5.79	5	79.17
Norfolk Island	5.76	6	75.00
Nauru	5.70	7	70.83
Pitcairn Islands	4.89	8	66.67
Niue	4.89	9	62.50
Cocos (Keeling) Islands	4.89	10	58.33
Micronesia Federation	4.80	11	54.17
Western Samoa	4.40	12	50.00
Northern Mariana Isl.	4.32	13	45.83
Tokelau	3.92	14	41.67
Solomon Islands	3.82	15	37.50
Kiribati	3.58	16	33.33
Australia	3.24	17	29.17
Christmas Island	2.74	18	25.00
Tuvalu	2.72	19	20.83
New Zealand	2.26	20	16.67
Guam	2.17	21	12.50
Fiji	0.84	22	8.33
Tonga	0.67	23	4.17
Marshall Islands	0.67	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Current Liabilities - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
Israel	50.67	1	98.11	the Middle East
Ireland	50.26	2	96.23	Europe
Japan	48.77	3	94.34	Asia
Finland	47.19	4	92.45	Europe
Taiwan	41.88	5	90.57	Asia
Portugal	37.69	6	88.68	Europe
USA	35.54	7	86.79	North America
Norway	30.39	8	84.91	Europe
China	28.13	9	83.02	Asia
Pakistan	27.66	10	81.13	the Middle East
Greece	27.42	11	79.25	Europe
Sweden	27.24	12	77.36	Europe
France	27.08	13	75.47	Europe
Austria	26.78	14	73.58	Europe
Denmark	26.46	15	71.70	Europe
Belgium	25.47	16	69.81	Europe
Italy	24.60	17	67.92	Europe
Czech Republic	24.41	18	66.04	Europe
Netherlands	24.33	19	64.15	Europe
Switzerland	22.95	20	62.26	Europe
Argentina	22.74	21	60.38	Latin America
South Korea	22.22	22	58.49	Asia
Germany	21.89	23	56.60	Europe
Singapore	20.30	25	52.83	Asia
Russian Federation	20.03	26	50.94	Europe
Luxembourg	19.85	27	49.06	Europe
New Zealand	18.65	28	47.17	Oceania
Hong Kong	18.27	29	45.28	Asia
Hungary	17.99	30	43.40	Europe
Spain	16.52	31	41.51	Europe
Canada	15.34	33	37.74	North America
Poland	14.72	34	35.85	Europe
Peru	14.65	35	33.96	Latin America
the United Kingdom	14.28	36	32.08	Europe
Malaysia	14.03	37	30.19	Asia
Australia	13.84	38	28.30	Oceania
Turkey	12.27	39	26.42	the Middle East
Mexico	12.24	40	24.53	Latin America
Philippines	8.80	43	18.87	Asia
Chile	8.69	44	16.98	Latin America
Indonesia	6.96	46	13.21	Asia
South Africa	6.80	47	11.32	Africa
Brazil	6.16	49	7.55	Latin America
Thailand	2.97	51	3.77	Asia
India	2.17	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Current Liabilities - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Northern Mariana Isl.	48.16	1	96.00
Norfolk Island	24.27	2	92.00
Nauru	24.02	3	88.00
French Polynesia	23.50	4	84.00
Christmas Island	21.67	5	80.00
New Caledonia	20.07	6	76.00
New Zealand	18.65	7	72.00
Guam	17.90	8	68.00
Wallis and Futuna	15.35	9	64.00
American Samoa	14.78	10	60.00
Australia	13.84	11	56.00
Vanuatu	12.11	12	52.00
Pitcairn Islands	10.23	13	48.00
Niue	10.23	14	44.00
Cocos (Keeling) Islands	10.23	15	40.00
Micronesia Federation	10.03	16	36.00
Western Samoa	9.21	17	32.00
Tokelau	8.18	18	28.00
Solomon Islands	7.98	19	24.00
Cook Island	7.49	20	20.00
Kiribati	7.49	21	16.00
Tuvalu	5.69	22	12.00
Fiji	2.91	23	8.00
Tonga	2.30	24	4.00
Marshall Islands	2.30	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Long Term Debt

Countries	Value (\$K/employee)	Rank	Percentile	Region
USA	48.29	1	97.62	North America
Norway	41.65	2	95.24	Europe
Germany	34.63	3	92.86	Europe
Switzerland	31.45	4	90.48	Europe
Israel	30.34	5	88.10	the Middle East
Ireland	30.09	6	85.71	Europe
Luxembourg	27.20	7	83.33	Europe
Greece	26.41	8	80.95	Europe
Australia	26.06	9	78.57	Oceania
Sweden	25.96	10	76.19	Europe
Denmark	25.22	11	73.81	Europe
Taiwan	25.07	12	71.43	Asia
Canada	24.55	13	69.05	North America
Czech Republic	23.51	14	66.67	Europe
Portugal	22.57	15	64.29	Europe
France	22.04	16	61.90	Europe
Argentina	21.90	17	59.52	Latin America
Austria	21.80	18	57.14	Europe
South Korea	21.40	19	54.76	Asia
Belgium	20.73	20	52.38	Europe
Italy	20.03	21	50.00	Europe
Netherlands	19.80	22	47.62	Europe
Russian Federation	19.29	24	42.86	Europe
the United Kingdom	18.20	25	40.48	Europe
Hungary	17.33	26	38.10	Europe
Malaysia	14.54	27	35.71	Asia
Poland	14.17	28	33.33	Europe
Turkey	11.82	29	30.95	the Middle East
Mexico	11.79	30	28.57	Latin America
Singapore	9.92	32	23.81	Asia
Thailand	5.85	33	21.43	Asia
Japan	3.53	35	16.67	Asia
Chile	3.52	36	14.29	Latin America
Finland	3.41	37	11.90	Europe
China	3.29	38	9.52	Asia
Pakistan	3.23	39	7.14	the Middle East
India	3.17	40	4.76	Asia
South Africa	2.19	41	2.38	Africa
Brazil	1.98	42	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Long Term Debt
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Christmas Island	34.29	1	91.67
Northern Mariana Isl.	28.83	2	83.33
Australia	26.06	3	75.00
French Polynesia	22.63	4	66.67
Norfolk Island	19.76	5	58.33
Nauru	19.56	6	50.00
New Caledonia	19.33	7	41.67
American Samoa	14.23	8	33.33
Fiji	5.74	9	25.00
Tonga	4.53	10	16.67
Marshall Islands	4.53	11	8.33
Cook Island	3.04	12	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Total Liabilities

Countries	Value (\$K/employee)	Rank	Percentile	Region
USA	88.69	1	98.11	North America
Israel	82.10	2	96.23	the Middle East
Ireland	81.42	3	94.34	Europe
Norway	75.05	4	92.45	Europe
Taiwan	67.85	5	90.57	Asia
Germany	63.53	6	88.68	Europe
Portugal	61.07	7	86.79	Europe
Sweden	58.96	8	84.91	Europe
Japan	57.58	9	83.02	Asia
Denmark	57.29	10	81.13	Europe
Switzerland	56.66	11	79.25	Europe
Finland	55.71	12	77.36	Europe
Greece	53.90	13	75.47	Europe
France	53.16	14	73.58	Europe
Austria	52.58	15	71.70	Europe
Belgium	50.00	16	69.81	Europe
Luxembourg	49.00	17	67.92	Europe
Italy	48.31	18	66.04	Europe
Czech Republic	47.99	19	64.15	Europe
Netherlands	47.77	20	62.26	Europe
Argentina	44.70	21	60.38	Latin America
Canada	43.97	22	58.49	North America
South Korea	43.68	23	56.60	Asia
Australia	40.92	24	54.72	Oceana
Singapore	39.58	26	50.94	Asia
Russian Federation	39.36	27	49.06	Europe
the United Kingdom	35.63	28	47.17	Europe
Hungary	35.37	29	45.28	Europe
China	31.42	30	43.40	Asia
Pakistan	30.89	31	41.51	the Middle East
Poland	28.92	32	39.62	Europe
Malaysia	28.87	33	37.74	Asia
Turkey	24.12	34	35.85	the Middle East
Mexico	24.06	35	33.96	Latin America
New Zealand	18.94	37	30.19	Oceana
Hong Kong	18.55	38	28.30	Asia
Peru	17.60	40	24.53	Latin America
Spain	16.78	41	22.64	Europe
Chile	12.70	43	18.87	Latin America
Philippines	10.57	44	16.98	Asia
South Africa	9.20	45	15.09	Africa
Thailand	8.97	47	11.32	Asia
Indonesia	8.36	48	9.43	Asia
Brazil	8.33	49	7.55	Latin America
India	6.22	52	1.89	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Total Liabilities
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Northern Mariana Isl.	78.03	1	96.00
Christmas Island	62.90	2	92.00
Norfolk Island	47.66	3	88.00
Nauru	47.16	4	84.00
French Polynesia	46.19	5	80.00
Australia	40.92	6	76.00
New Caledonia	39.44	7	72.00
American Samoa	29.05	8	68.00
New Zealand	18.94	9	64.00
Wallis and Futuna	18.44	10	60.00
Guam	18.18	11	56.00
Vanuatu	14.55	12	52.00
Cocos (Keeling) Islands	12.29	13	48.00
Pitcairn Islands	12.29	14	44.00
Niue	12.29	15	40.00
Micronesia Federation	12.05	16	36.00
Western Samoa	11.06	17	32.00
Cook Island	10.96	18	28.00
Tokelau	9.83	19	24.00
Solomon Islands	9.59	20	20.00
Kiribati	9.00	21	16.00
Fiji	8.79	22	12.00
Marshall Islands	6.94	23	8.00
Tonga	6.94	24	4.00
Tuvalu	6.83	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Common Equity

Countries	Value (\$K/employee)	Rank	Percentile	Region
New Zealand	99.43	1	98.11	Oceania
Hong Kong	97.43	2	96.23	Asia
Spain	88.09	3	94.34	Europe
USA	83.76	5	90.57	North America
Peru	80.08	6	88.68	Latin America
Japan	72.66	7	86.79	Asia
Finland	70.31	8	84.91	Europe
Sweden	70.30	9	83.02	Europe
Denmark	68.30	10	81.13	Europe
Singapore	67.17	11	79.25	Asia
Australia	64.74	12	77.36	Oceania
Israel	64.45	13	75.47	the Middle East
Ireland	63.92	14	73.58	Europe
Norway	55.36	16	69.81	Europe
Taiwan	53.27	17	67.92	Asia
Greece	51.75	18	66.04	Europe
the United Kingdom	49.15	19	64.15	Europe
Philippines	48.10	20	62.26	Asia
Portugal	47.94	21	60.38	Europe
Czech Republic	46.07	22	58.49	Europe
Malaysia	45.54	23	56.60	Asia
China	44.34	24	54.72	Asia
Pakistan	43.60	25	52.83	the Middle East
Argentina	42.92	26	50.94	Latin America
Canada	42.17	27	49.06	North America
South Korea	41.94	28	47.17	Asia
Switzerland	41.80	29	45.28	Europe
Indonesia	38.03	32	39.62	Asia
Russian Federation	37.79	33	37.74	Europe
France	36.34	34	35.85	Europe
Luxembourg	36.15	35	33.96	Europe
Austria	35.95	36	32.08	Europe
Belgium	34.18	38	28.30	Europe
Hungary	33.96	39	26.42	Europe
Italy	33.02	40	24.53	Europe
Netherlands	32.65	41	22.64	Europe
Germany	31.13	42	20.75	Europe
Chile	29.52	43	18.87	Latin America
Poland	27.77	44	16.98	Europe
Turkey	23.16	46	13.21	the Middle East
Mexico	23.10	47	11.32	Latin America
South Africa	16.45	49	7.55	Africa
Thailand	16.32	50	5.66	Asia
Brazil	14.90	51	3.77	Latin America
India	4.93	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Common Equity (Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	99.43	1	96.00
Guam	95.45	2	92.00
Wallis and Futuna	83.89	3	88.00
Vanuatu	66.21	4	84.00
Australia	64.74	5	80.00
Northern Mariana Isl.	61.26	6	76.00
Cocos (Keeling) Islands	55.92	7	72.00
Pitcairn Islands	55.92	8	68.00
Niue	55.92	9	64.00
Micronesia Federation	54.81	10	60.00
Western Samoa	50.33	11	56.00
Tokelau	44.74	12	52.00
French Polynesia	44.34	13	48.00
Solomon Islands	43.62	14	44.00
Kiribati	40.94	15	40.00
New Caledonia	37.87	16	36.00
Norfolk Island	32.58	17	32.00
Nauru	32.24	18	28.00
Tuvalu	31.09	19	24.00
Christmas Island	30.82	20	20.00
American Samoa	27.89	21	16.00
Cook Island	25.47	22	12.00
Fiji	16.00	23	8.00
Tonga	12.63	24	4.00
Marshall Islands	12.63	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Retained Earnings

Countries	Value (\$K/employee)	Rank	Percentile	Region
Japan	46.60	1	98.08	Asia
Finland	45.09	2	96.15	Europe
Sweden	43.73	3	94.23	Europe
Denmark	42.49	4	92.31	Europe
Norway	40.60	5	90.38	Europe
Switzerland	30.65	6	88.46	Europe
Luxembourg	26.51	7	86.54	Europe
New Zealand	25.83	8	84.62	Oceania
Hong Kong	25.31	9	82.69	Asia
USA	24.08	10	80.77	North America
Spain	22.88	11	78.85	Europe
Singapore	18.00	12	76.92	Asia
the United Kingdom	16.33	13	75.00	Europe
Canada	15.55	14	73.08	North America
South Africa	13.44	15	71.15	Africa
Brazil	12.17	16	69.23	Latin America
Israel	7.54	17	67.31	the Middle East
Ireland	7.47	18	65.38	Europe
Chile	6.47	19	63.46	Latin America
Taiwan	6.23	20	61.54	Asia
Germany	6.03	21	59.62	Europe
Portugal	5.61	23	55.77	Europe
Peru	5.47	24	53.85	Latin America
Philippines	3.29	26	50.00	Asia
Malaysia	2.99	27	48.08	Asia
Australia	2.81	28	46.15	Oceania
Indonesia	2.60	30	42.31	Asia
China	1.59	33	36.54	Asia
Pakistan	1.56	34	34.62	the Middle East
France	0.96	35	32.69	Europe
Austria	0.95	36	30.77	Europe
Belgium	0.90	37	28.85	Europe
Italy	0.87	38	26.92	Europe
Netherlands	0.86	39	25.00	Europe
Greece	0.14	40	23.08	Europe
Czech Republic	0.13	41	21.15	Europe
Argentina	0.12	42	19.23	Latin America
South Korea	0.12	43	17.31	Asia
Russian Federation	0.10	45	13.46	Europe
Thailand	0.10	46	11.54	Asia
Hungary	0.09	47	9.62	Europe
Poland	0.08	49	5.77	Europe
Turkey	0.06	50	3.85	the Middle East
Mexico	0.06	51	1.92	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Retained Earnings (Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	25.83	1	96.00
Guam	24.79	2	92.00
Northern Mariana Isl.	7.16	3	88.00
Christmas Island	5.97	4	84.00
Wallis and Futuna	5.73	5	80.00
Cook Island	5.58	6	76.00
Vanuatu	4.52	7	72.00
Niue	3.82	8	68.00
Pitcairn Islands	3.82	9	64.00
Cocos (Keeling) Islands	3.82	10	60.00
Micronesia Federation	3.74	11	56.00
Western Samoa	3.44	12	52.00
Tokelau	3.06	13	48.00
Solomon Islands	2.98	14	44.00
Australia	2.81	15	40.00
Kiribati	2.80	16	36.00
Tuvalu	2.12	17	32.00
Norfolk Island	0.86	18	28.00
Nauru	0.85	19	24.00
French Polynesia	0.12	20	20.00
New Caledonia	0.10	21	16.00
Fiji	0.10	22	12.00
Marshall Islands	0.08	23	8.00
Tonga	0.08	24	4.00
American Samoa	0.08	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

3.8 PRODUCTIVITY IN AUSTRALIA: INCOME-LABOR RATIOS

3.8.1 Overview

In this chapter we consider the income-labor ratios for skilled nursing care facilities in Australia benchmarked against global averages. For ratios where there are large deviations between the average firm operating in Australia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key income-labor ratios are highlighted across countries in the comparison group.

In the case of income-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

We then report the larger income-labor ratio gaps for skilled nursing care facilities that Australia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.

3.8.2 Income to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for skilled nursing care facilities in Australia based on latest financial results available.

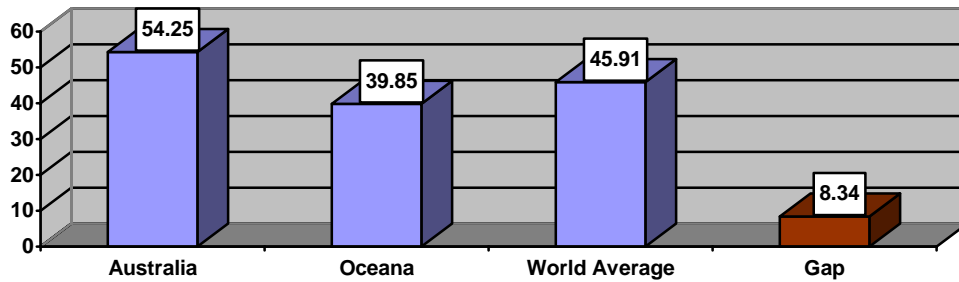
Labor-income Ratios (\$k/employee)	Australia	Oceana	World Avg.
Net Sales or Revenues	54.25	39.85	45.91
Cost of Goods Sold (Excluding Depreciation)	34.44	25.37	27.30
Depreciation, Depletion & Amortization	4.81	2.90	2.77
Gross Income	15.01	12.35	15.82
Selling, General & Administrative Expenses	1.80	7.36	10.33
Other Operating Expenses	48.94	37.57	37.65
Operating Expenses - Total	9.47	1.47	0.84
Operating Income	5.31	4.65	4.28
Extraordinary Charge - Pretax	0.29	0.23	0.35
Non-Operating Interest Income	0.34	0.42	0.13
Pretax Equity In Earnings	0.42	0.16	0.08
Other Income/Expense Net	1.07	1.52	0.79
Earnings Before Interest and Taxes (EBIT)	6.80	6.51	4.21
Interest Expense on Debt	1.89	0.98	0.83
Interest Capitalized	0.22	0.03	0.02
Pretax Income	5.13	5.85	4.15
Income Taxes	1.90	1.92	1.26
Current Domestic Income Tax	3.31	1.51	0.84
Deferred Domestic Income Tax	0.01	0.03	0.04
Minority Interest	0.07	0.05	0.37
Equity in Earnings	0.13	-0.38	-0.02
Net Income Before Extra Items/Prefer Dividends	3.28	3.72	2.49
Net Income Before Preferred Dividends	3.28	3.72	2.48
Net Income Available to Common	3.28	3.72	2.49

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

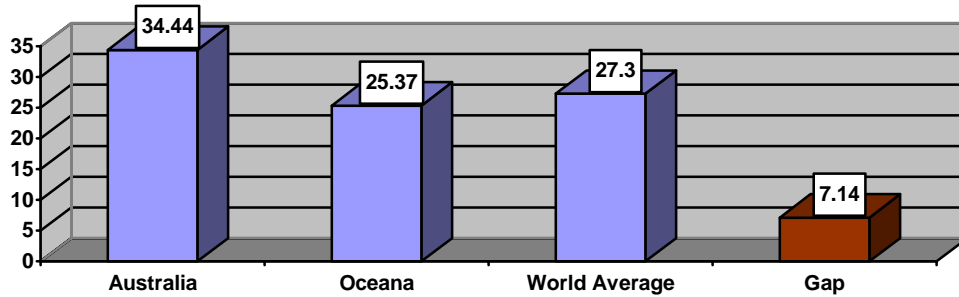
3.8.3 Income to Labor: Gaps

The following graphics summarize for skilled nursing care facilities the large labor-income gaps between firms operating in Australia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

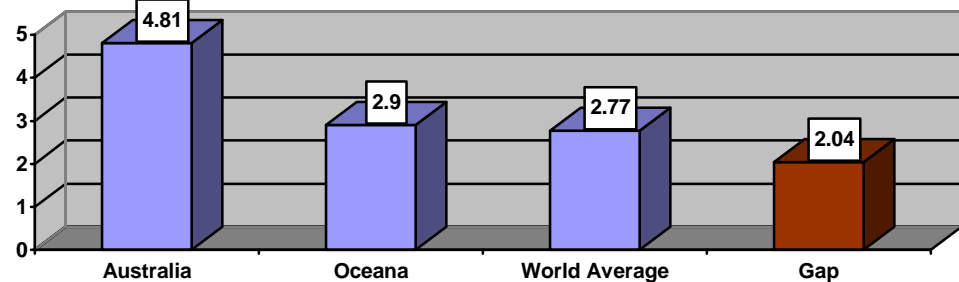
Gap: Net Sales or Revenues (\$k/employee)



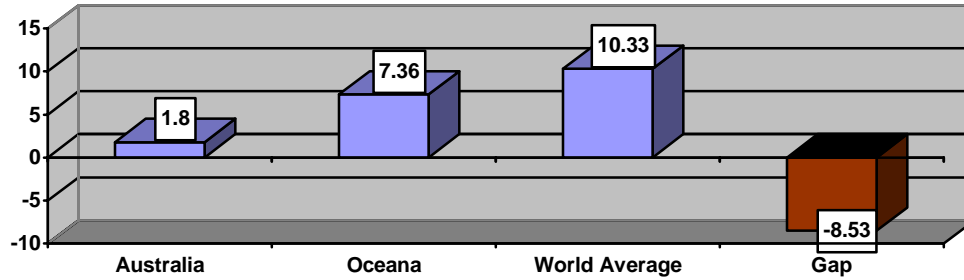
Gap: Cost of Goods Sold (Excluding Depreciation) (\$k/employee)



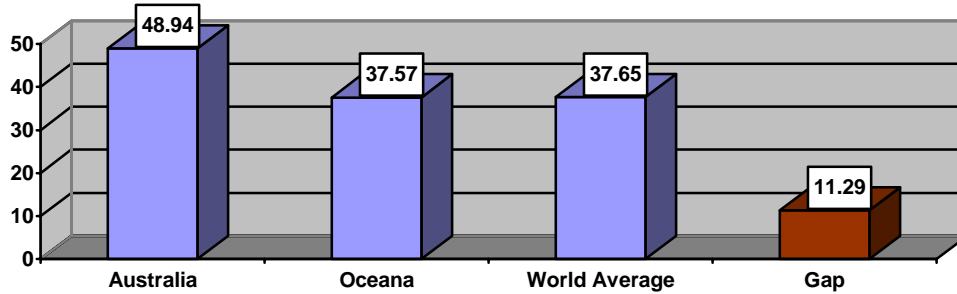
Gap: Depreciation, Depletion & Amortization (\$k/employee)



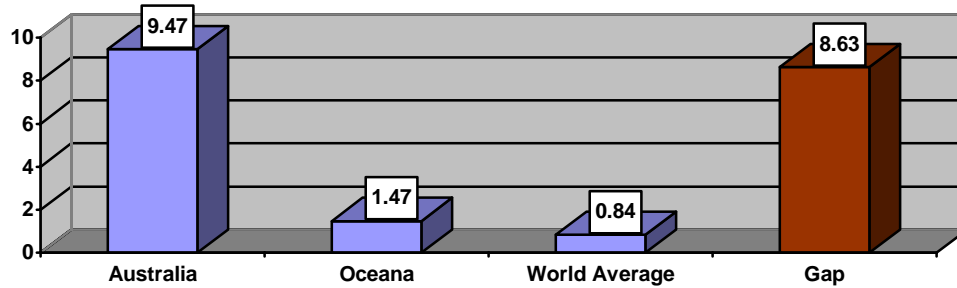
Gap: Selling, General & Administrative Expenses (\$k/employee)



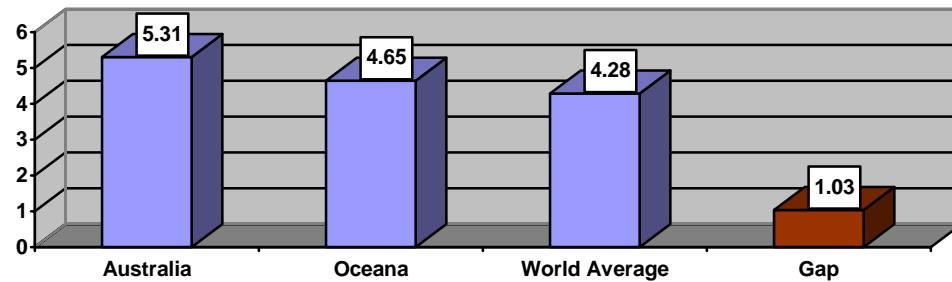
Gap: Other Operating Expenses (\$k/employee)



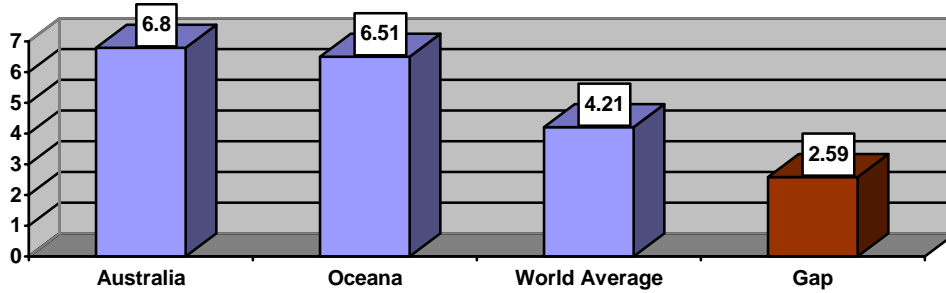
Gap: Operating Expenses - Total (\$k/employee)



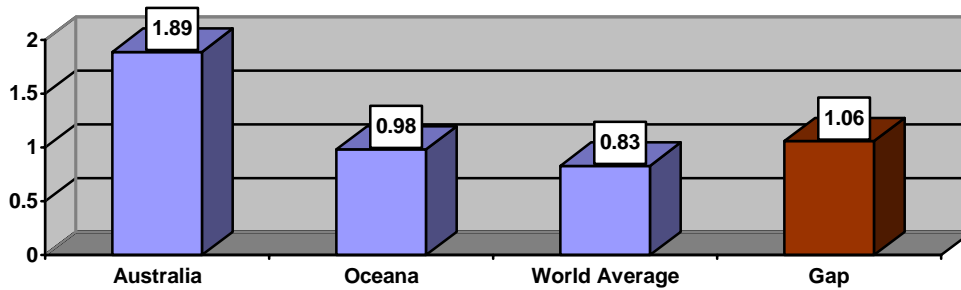
Gap: Operating Income (\$k/employee)



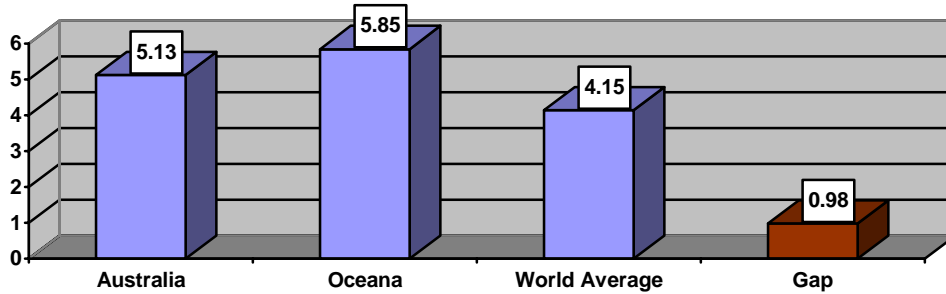
Gap: Earnings Before Interest and Taxes (EBIT) (\$k/employee)



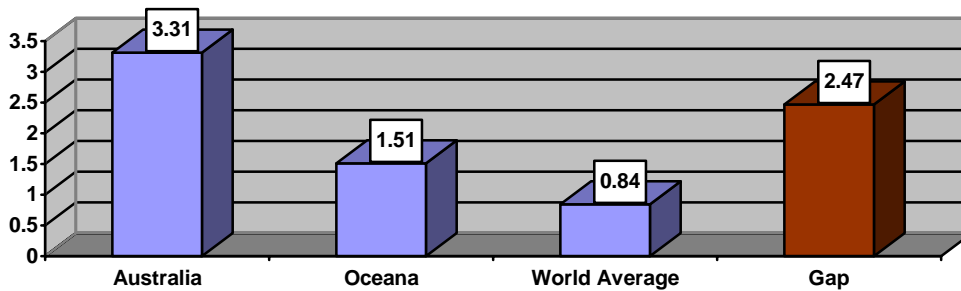
Gap: Interest Expense on Debt (\$k/employee)



Gap: Pretax Income (\$k/employee)



Gap: Current Domestic Income Tax (\$k/employee)



3.8.4 Key Percentiles and Rankings

We now consider the distribution of income-labor ratios using ranks and percentiles across . What percent of countries have a value lower or higher than Australia (what is the ratio's rank or percentile)? The table below answers this question with respect to income-labor ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key income-labor ratios are highlighted in additional tables.

Income Structure (\$k/employee)	Australia	Rank of Total	Percentile
Net Sales or Revenues	54.25	23 of 53	56.60
Cost of Goods Sold (Excluding Depreciation)	34.44	20 of 52	61.54
Depreciation, Depletion & Amortization	4.81	14 of 53	73.58
Gross Income	15.01	23 of 52	55.77
Selling, General & Administrative Expenses	1.80	38 of 38	0.00
Other Operating Expenses	48.94	21 of 44	52.27
Operating Expenses - Total	9.47	5 of 35	85.71
Operating Income	5.31	29 of 53	45.28
Extraordinary Charge - Pretax	0.29	24 of 37	35.14
Non-Operating Interest Income	0.34	15 of 44	65.91
Pretax Equity In Earnings	0.42	8 of 30	73.33
Other Income/Expense Net	1.07	20 of 53	62.26
Earnings Before Interest and Taxes (EBIT)	6.80	21 of 45	53.33
Interest Expense on Debt	1.89	10 of 45	77.78
Interest Capitalized	0.22	3 of 11	72.73
Pretax Income	5.13	27 of 53	49.06
Income Taxes	1.90	19 of 52	63.46
Current Domestic Income Tax	3.31	5 of 30	83.33
Deferred Domestic Income Tax	0.01	10 of 26	61.54
Minority Interest	0.07	24 of 33	27.27
Equity in Earnings	0.13	5 of 19	73.68
Net Income Before Extra Items/Prefer Dividends	3.28	22 of 53	58.49
Net Income Before Preferred Dividends	3.28	22 of 53	58.49
Net Income Available to Common	3.28	22 of 53	58.49

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Cost of Goods Sold (Excluding Depreciation)

Countries	Value (\$K/employee)	Rank	Percentile	Region
USA	109.35	1	98.08	North America
Japan	100.29	2	96.15	Asia
Finland	97.04	3	94.23	Europe
Sweden	92.95	4	92.31	Europe
Denmark	90.32	5	90.38	Europe
Norway	80.41	6	88.46	Europe
Switzerland	60.71	7	86.54	Europe
France	59.88	8	84.62	Europe
Austria	59.22	9	82.69	Europe
Germany	56.92	10	80.77	Europe
Belgium	56.31	11	78.85	Europe
Italy	54.41	12	76.92	Europe
Netherlands	53.80	13	75.00	Europe
Luxembourg	52.50	14	73.08	Europe
Canada	44.41	15	71.15	North America
Peru	37.84	17	67.31	Latin America
China	37.15	18	65.38	Asia
Pakistan	36.53	19	63.46	the Middle East
Australia	34.44	20	61.54	Oceania
Greece	32.46	21	59.62	Europe
Singapore	32.08	22	57.69	Asia
Israel	29.51	23	55.77	the Middle East
Ireland	29.27	24	53.85	Europe
Czech Republic	28.90	25	51.92	Europe
Malaysia	28.71	26	50.00	Asia
Argentina	26.92	28	46.15	Latin America
South Korea	26.30	29	44.23	Asia
the United Kingdom	25.20	30	42.31	Europe
Taiwan	24.39	31	40.38	Asia
Russian Federation	23.70	33	36.54	Europe
Philippines	22.73	34	34.62	Asia
South Africa	22.63	35	32.69	Africa
Portugal	21.95	36	30.77	Europe
Hungary	21.30	37	28.85	Europe
Brazil	20.50	38	26.92	Latin America
Indonesia	17.97	40	23.08	Asia
Poland	17.42	41	21.15	Europe
Turkey	14.53	43	17.31	the Middle East
Mexico	14.49	44	15.38	Latin America
Thailand	9.23	47	9.62	Asia
New Zealand	7.80	48	7.69	Oceania
Hong Kong	7.64	50	3.85	Asia
Spain	6.91	51	1.92	Europe
India	6.04	52	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Cost of Goods Sold (Excluding Depreciation)
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Christmas Island	56.36	1	95.83
Norfolk Island	53.67	2	91.67
Nauru	53.12	3	87.50
Wallis and Futuna	39.64	4	83.33
Australia	34.44	5	79.17
Vanuatu	31.29	6	75.00
Northern Mariana Isl.	28.05	7	70.83
French Polynesia	27.81	8	66.67
Cocos (Keeling) Islands	26.43	9	62.50
Niue	26.43	10	58.33
Pitcairn Islands	26.43	11	54.17
Micronesia Federation	25.90	12	50.00
Western Samoa	23.78	13	45.83
New Caledonia	23.75	14	41.67
Tokelau	21.14	15	37.50
Solomon Islands	20.61	16	33.33
Kiribati	19.34	17	29.17
American Samoa	17.49	18	25.00
Tuvalu	14.69	19	20.83
Fiji	9.05	20	16.67
New Zealand	7.80	21	12.50
Guam	7.48	22	8.33
Tonga	7.14	23	4.17
Marshall Islands	7.14	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Selling, General & Administrative Expenses

Countries	Value (\$K/employee)	Rank	Percentile	Region
Japan	49.10	1	97.37	Asia
Finland	47.51	2	94.74	Europe
USA	36.54	3	92.11	North America
Sweden	27.64	4	89.47	Europe
Denmark	26.85	5	86.84	Europe
China	26.04	6	84.21	Asia
Pakistan	25.60	7	81.58	the Middle East
Israel	21.46	8	78.95	the Middle East
Ireland	21.28	9	76.32	Europe
Taiwan	17.74	10	73.68	Asia
Portugal	15.96	11	71.05	Europe
New Zealand	13.02	12	68.42	Oceania
Hong Kong	12.75	13	65.79	Asia
Germany	11.94	14	63.16	Europe
Spain	11.53	15	60.53	Europe
the United Kingdom	9.25	16	57.89	Europe
France	7.94	17	55.26	Europe
Austria	7.85	18	52.63	Europe
Belgium	7.47	19	50.00	Europe
Italy	7.21	20	47.37	Europe
Netherlands	7.13	21	44.74	Europe
Greece	6.90	22	42.11	Europe
Singapore	6.77	23	39.47	Asia
Czech Republic	6.14	24	36.84	Europe
Argentina	5.72	25	34.21	Latin America
South Korea	5.59	26	31.58	Asia
Russian Federation	5.04	28	26.32	Europe
Hungary	4.53	29	23.68	Europe
South Africa	3.94	30	21.05	Africa
Poland	3.70	31	18.42	Europe
Brazil	3.57	32	15.79	Latin America
Turkey	3.09	33	13.16	the Middle East
Mexico	3.08	34	10.53	Latin America
Thailand	2.90	35	7.89	Asia
Australia	1.80	38	0.00	Oceania

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Selling, General & Administrative Expenses
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (\$K/employee)	Rank	Percentile
Northern Mariana Isl.	20.40	1	92.31
New Zealand	13.02	2	84.62
Guam	12.50	3	76.92
Christmas Island	11.82	4	69.23
Norfolk Island	7.12	5	61.54
Nauru	7.04	6	53.85
French Polynesia	5.91	7	46.15
New Caledonia	5.05	8	38.46
American Samoa	3.72	9	30.77
Fiji	2.85	10	23.08
Tonga	2.25	11	15.38
Marshall Islands	2.25	12	7.69
Australia	1.80	13	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Expenses - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
Norway	29.24	1	97.14	Europe
Switzerland	22.08	2	94.29	Europe
Luxembourg	19.09	3	91.43	Europe
Canada	12.49	4	88.57	North America
Australia	9.47	5	85.71	Oceania
Singapore	6.66	6	82.86	Asia
USA	6.49	7	80.00	North America
Germany	5.91	8	77.14	Europe
the United Kingdom	2.44	9	74.29	Europe
South Africa	2.13	10	71.43	Africa
Brazil	1.93	11	68.57	Latin America
France	1.88	12	65.71	Europe
Austria	1.86	13	62.86	Europe
Belgium	1.76	14	60.00	Europe
Italy	1.70	15	57.14	Europe
Netherlands	1.69	16	54.29	Europe
China	0.63	17	51.43	Asia
Pakistan	0.62	18	48.57	the Middle East
New Zealand	0.19	19	45.71	Oceania
Hong Kong	0.19	20	42.86	Asia
Spain	0.17	21	40.00	Europe
Sweden	0.11	22	37.14	Europe
Denmark	0.11	23	34.29	Europe
India	0.05	24	31.43	Asia
Greece	0.04	25	28.57	Europe
Czech Republic	0.03	26	25.71	Europe
Argentina	0.03	27	22.86	Latin America
South Korea	0.03	28	20.00	Asia
Russian Federation	0.03	30	14.29	Europe
Hungary	0.02	31	11.43	Europe
Poland	0.02	32	8.57	Europe
Turkey	0.02	33	5.71	the Middle East
Mexico	0.02	34	2.86	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Operating Expenses - Total
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
Australia	9.47	1	88.89
Christmas Island	5.85	2	77.78
Norfolk Island	1.68	3	66.67
Nauru	1.66	4	55.56
New Zealand	0.19	5	44.44
Guam	0.18	6	33.33
French Polynesia	0.03	7	22.22
New Caledonia	0.03	8	11.11
American Samoa	0.02	9	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Income

Countries	Value (\$K/employee)	Rank	Percentile	Region
USA	20.58	1	98.11	North America
Norway	16.81	2	96.23	Europe
New Zealand	15.44	3	94.34	Oceania
Hong Kong	15.13	4	92.45	Asia
Spain	13.68	5	90.57	Europe
Switzerland	12.69	6	88.68	Europe
Japan	11.62	7	86.79	Asia
Finland	11.24	8	84.91	Europe
Luxembourg	10.98	9	83.02	Europe
Singapore	9.50	10	81.13	Asia
Israel	8.30	11	79.25	the Middle East
Ireland	8.23	12	77.36	Europe
Taiwan	6.86	13	75.47	Asia
Canada	6.69	14	73.58	North America
France	6.64	15	71.70	Europe
Austria	6.57	16	69.81	Europe
Sweden	6.53	17	67.92	Europe
Denmark	6.34	18	66.04	Europe
Belgium	6.24	19	64.15	Europe
Portugal	6.18	20	62.26	Europe
Italy	6.03	22	58.49	Europe
Netherlands	5.97	23	56.60	Europe
Peru	5.87	24	54.72	Latin America
China	5.69	25	52.83	Asia
Pakistan	5.59	26	50.94	the Middle East
the United Kingdom	5.38	27	49.06	Europe
South Africa	5.35	28	47.17	Africa
Australia	5.31	29	45.28	Oceania
Germany	4.88	30	43.40	Europe
Brazil	4.84	31	41.51	Latin America
Philippines	3.53	33	37.74	Asia
Greece	3.34	34	35.85	Europe
Czech Republic	2.98	36	32.08	Europe
Indonesia	2.79	37	30.19	Asia
Argentina	2.77	38	28.30	Latin America
South Korea	2.71	39	26.42	Asia
Chile	2.55	41	22.64	Latin America
Russian Federation	2.44	43	18.87	Europe
Hungary	2.19	44	16.98	Europe
Poland	1.79	46	13.21	Europe
Thailand	1.63	47	11.32	Asia
Turkey	1.50	48	9.43	the Middle East
Mexico	1.49	49	7.55	Latin America
India	0.94	52	1.89	Asia
Malaysia	-0.18	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Operating Income (Skilled Nursing Care Facilities)

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	15.44	1	96.00
Guam	14.82	2	92.00
Northern Mariana Isl.	7.89	3	88.00
Wallis and Futuna	6.15	4	84.00
Norfolk Island	5.95	5	80.00
Nauru	5.89	6	76.00
Australia	5.31	7	72.00
Vanuatu	4.86	8	68.00
Christmas Island	4.83	9	64.00
Niue	4.10	10	60.00
Cocos (Keeling) Islands	4.10	11	56.00
Pitcairn Islands	4.10	12	52.00
Micronesia Federation	4.02	13	48.00
Western Samoa	3.69	14	44.00
Tokelau	3.28	15	40.00
Solomon Islands	3.20	16	36.00
Kiribati	3.00	17	32.00
French Polynesia	2.86	18	28.00
New Caledonia	2.45	19	24.00
Tuvalu	2.28	20	20.00
Cook Island	2.20	21	16.00
American Samoa	1.80	22	12.00
Fiji	1.60	23	8.00
Tonga	1.26	24	4.00
Marshall Islands	1.26	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Earnings Before Interest and Taxes (EBIT)

Countries	Value (\$K/employee)	Rank	Percentile	Region
USA	20.18	1	97.78	North America
New Zealand	17.89	2	95.56	Oceania
Hong Kong	17.53	3	93.33	Asia
Spain	15.85	4	91.11	Europe
Norway	13.62	5	88.89	Europe
Israel	11.88	6	86.67	the Middle East
Ireland	11.78	7	84.44	Europe
Japan	10.82	8	82.22	Asia
Singapore	10.61	9	80.00	Asia
Finland	10.47	10	77.78	Europe
Switzerland	10.29	11	75.56	Europe
Taiwan	9.82	12	73.33	Asia
Luxembourg	8.90	13	71.11	Europe
Portugal	8.84	14	68.89	Europe
Germany	7.27	15	66.67	Europe
Sweden	7.24	16	64.44	Europe
France	7.17	17	62.22	Europe
Austria	7.09	18	60.00	Europe
Denmark	7.04	19	57.78	Europe
Canada	6.86	20	55.56	North America
Australia	6.80	21	53.33	Oceania
Belgium	6.74	22	51.11	Europe
Italy	6.52	23	48.89	Europe
Netherlands	6.44	24	46.67	Europe
China	6.35	25	44.44	Asia
Pakistan	6.24	26	42.22	the Middle East
South Africa	5.64	27	40.00	Africa
the United Kingdom	5.36	28	37.78	Europe
Brazil	5.11	29	35.56	Latin America
Greece	4.93	30	33.33	Europe
Czech Republic	4.39	31	31.11	Europe
Argentina	4.09	32	28.89	Latin America
South Korea	3.99	33	26.67	Asia
Russian Federation	3.60	35	22.22	Europe
Hungary	3.23	36	20.00	Europe
Poland	2.64	37	17.78	Europe
Malaysia	2.59	38	15.56	Asia
Chile	2.25	39	13.33	Latin America
Turkey	2.21	40	11.11	the Middle East
Mexico	2.20	41	8.89	Latin America
Thailand	2.18	42	6.67	Asia
India	1.02	45	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Earnings Before Interest and Taxes (EBIT)
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	17.89	1	92.86
Guam	17.18	2	85.71
Northern Mariana Isl.	11.29	3	78.57
Christmas Island	7.19	4	71.43
Australia	6.80	5	64.29
Norfolk Island	6.43	6	57.14
Nauru	6.36	7	50.00
French Polynesia	4.22	8	42.86
New Caledonia	3.61	9	35.71
American Samoa	2.66	10	28.57
Fiji	2.14	11	21.43
Cook Island	1.94	12	14.29
Tonga	1.69	13	7.14
Marshall Islands	1.69	14	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Pretax Income

Countries	Value (\$K/employee)	Rank	Percentile	Region
New Zealand	17.87	1	98.11	Oceania
Hong Kong	17.51	2	96.23	Asia
USA	15.86	3	94.34	North America
Spain	15.83	4	92.45	Europe
Norway	11.13	5	90.57	Europe
Japan	10.47	6	88.68	Asia
Finland	10.13	7	86.79	Europe
Singapore	9.64	9	83.02	Asia
Israel	9.56	10	81.13	the Middle East
Ireland	9.48	11	79.25	Europe
Peru	9.41	12	77.36	Latin America
Switzerland	8.41	13	75.47	Europe
Taiwan	7.90	14	73.58	Asia
Luxembourg	7.27	15	71.70	Europe
Portugal	7.11	16	69.81	Europe
Canada	5.80	18	66.04	North America
France	5.77	19	64.15	Europe
Austria	5.71	20	62.26	Europe
Philippines	5.65	21	60.38	Asia
Belgium	5.43	22	58.49	Europe
China	5.35	23	56.60	Asia
Pakistan	5.26	24	54.72	the Middle East
Italy	5.25	25	52.83	Europe
Netherlands	5.19	26	50.94	Europe
Australia	5.13	27	49.06	Oceania
South Africa	5.06	28	47.17	Africa
Sweden	4.66	30	43.40	Europe
Brazil	4.58	31	41.51	Latin America
Denmark	4.53	32	39.62	Europe
Indonesia	4.47	33	37.74	Asia
the United Kingdom	4.14	35	33.96	Europe
Germany	3.95	36	32.08	Europe
Greece	3.89	37	30.19	Europe
Czech Republic	3.47	38	28.30	Europe
Argentina	3.23	39	26.42	Latin America
South Korea	3.16	41	22.64	Asia
Russian Federation	2.84	43	18.87	Europe
Hungary	2.56	44	16.98	Europe
Poland	2.09	45	15.09	Europe
Chile	1.88	46	13.21	Latin America
Turkey	1.74	47	11.32	the Middle East
Mexico	1.74	48	9.43	Latin America
Thailand	1.73	49	7.55	Asia
Malaysia	1.58	51	3.77	Asia
India	0.63	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Pretax Income
(Skilled Nursing Care Facilities)**

Countries in Oceania	Value (\$K/employee)	Rank	Percentile
New Zealand	17.87	1	96.00
Guam	17.16	2	92.00
Wallis and Futuna	9.86	3	88.00
Northern Mariana Isl.	9.09	4	84.00
Vanuatu	7.78	5	80.00
Pitcairn Islands	6.57	6	76.00
Niue	6.57	7	72.00
Cocos (Keeling) Islands	6.57	8	68.00
Micronesia Federation	6.44	9	64.00
Western Samoa	5.92	10	60.00
Tokelau	5.26	11	56.00
Norfolk Island	5.17	12	52.00
Australia	5.13	13	48.00
Solomon Islands	5.13	14	44.00
Nauru	5.12	15	40.00
Kiribati	4.81	16	36.00
Christmas Island	3.91	17	32.00
Tuvalu	3.65	18	28.00
French Polynesia	3.34	19	24.00
New Caledonia	2.85	20	20.00
American Samoa	2.10	21	16.00
Fiji	1.69	22	12.00
Cook Island	1.62	23	8.00
Tonga	1.34	24	4.00
Marshall Islands	1.34	25	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

Income Taxes

Countries	Value (\$K/employee)	Rank	Percentile	Region
Japan	5.83	1	98.08	Asia
Finland	5.64	2	96.15	Europe
USA	5.15	3	94.23	North America
Peru	3.75	5	90.38	Latin America
New Zealand	3.46	6	88.46	Oceania
Hong Kong	3.39	7	86.54	Asia
Spain	3.07	8	84.62	Europe
Canada	2.74	10	80.77	North America
Israel	2.30	11	78.85	the Middle East
Ireland	2.28	12	76.92	Europe
Philippines	2.25	13	75.00	Asia
Singapore	2.04	14	73.08	Asia
Germany	1.99	15	71.15	Europe
Norway	1.98	16	69.23	Europe
Taiwan	1.90	18	65.38	Asia
Australia	1.90	19	63.46	Oceania
Indonesia	1.78	20	61.54	Asia
Portugal	1.71	21	59.62	Europe
Switzerland	1.50	23	55.77	Europe
South Africa	1.47	24	53.85	Africa
France	1.44	25	51.92	Europe
Austria	1.42	26	50.00	Europe
Belgium	1.35	27	48.08	Europe
Brazil	1.33	28	46.15	Latin America
Italy	1.31	29	44.23	Europe
Luxembourg	1.29	30	42.31	Europe
Netherlands	1.29	31	40.38	Europe
the United Kingdom	1.24	33	36.54	Europe
China	1.16	34	34.62	Asia
Pakistan	1.14	35	32.69	the Middle East
Greece	1.09	36	30.77	Europe
Czech Republic	0.97	37	28.85	Europe
Argentina	0.91	38	26.92	Latin America
South Korea	0.89	39	25.00	Asia
Sweden	0.80	41	21.15	Europe
Russian Federation	0.80	42	19.23	Europe
Denmark	0.78	43	17.31	Europe
Hungary	0.72	44	15.38	Europe
Poland	0.59	45	13.46	Europe
Turkey	0.49	46	11.54	the Middle East
Mexico	0.49	47	9.62	Latin America
Thailand	0.42	49	5.77	Asia
Malaysia	0.32	51	1.92	Asia
India	0.19	52	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

**Income Taxes
(Skilled Nursing Care Facilities)**

Countries in Oceana	Value (\$K/employee)	Rank	Percentile
Wallis and Futuna	3.93	1	95.83
New Zealand	3.46	2	91.67
Guam	3.32	3	87.50
Vanuatu	3.10	4	83.33
Niue	2.62	5	79.17
Pitcairn Islands	2.62	6	75.00
Cocos (Keeling) Islands	2.62	7	70.83
Micronesia Federation	2.56	8	66.67
Western Samoa	2.36	9	62.50
Northern Mariana Isl.	2.19	10	58.33
Tokelau	2.09	11	54.17
Solomon Islands	2.04	12	50.00
Christmas Island	1.97	13	45.83
Kiribati	1.92	14	41.67
Australia	1.90	15	37.50
Tuvalu	1.46	16	33.33
Norfolk Island	1.29	17	29.17
Nauru	1.28	18	25.00
French Polynesia	0.94	19	20.83
New Caledonia	0.80	20	16.67
American Samoa	0.59	21	12.50
Fiji	0.41	22	8.33
Tonga	0.33	23	4.17
Marshall Islands	0.33	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2004

4 MACRO-ACCESSIBILITY IN AUSTRALIA

4.1 EXECUTIVE SUMMARY

The "fundamentals" underlying Australia's strong economic performance make the market attractive to U.S. companies and their competitors:

- Low inflation rates
- Decline in overall unemployment levels
- Government stability and transparency
- The predominant use of English combined with the ability to draw upon the linguistic capabilities of people from over 200 different language backgrounds
- A sophisticated transportation and information infrastructure
- Close attention to the personal and physical security of Australian citizens and businesses

The U.S.-Australian relationship has never been stronger. This is true across all of its facets, but particularly in the economic arena. The U.S. remains the largest investor in Australia and has a dominant share of the information and communications technology, pharmaceutical, energy, defense and aerospace markets. Australia looks to the U.S. as its second largest export destination, following Japan.

4.2 FUNDAMENTAL DYNAMICS

During the second half of the 1990's, Australia recorded average annual economic growth of over four percent, one of the highest growth rates in the developed world. The Australian economy remains one of the best performing of the developed world, due to robust domestic demand and despite continued global economic weakness and a severe drought. However, these latter factors have combined recently to curb Australia's rate of growth through a blowout in the trade account and a drastic fall in farm production. While domestic demand holds firm, its recent rate of growth is generally regarded as unsustainable.

Strong domestic demand has driven Australia's recent growth performance. Household consumption has expanded at an above-trend rate of around four percent annually in recent years. This performance has been fueled by robust gains in household real wealth of around 45 percent, in combination with historically low interest rates and buoyant consumer confidence. Rising household wealth is primarily a result of house price growth and has supported higher household spending and borrowing, with consumer spending outstripping income growth. Over the longer term, this is unsustainable. House price growth was also associated with a construction boom, which has helped to sustain domestic demand.

4.3 GOVERNMENT INTERVENTION RISKS

4.3.1 Economic Reforms

Australia undertook a basic reorientation of its economy more than 20 years ago, and has transformed from an inward-looking, import-substituting country to an internationally competitive, export-oriented one. This reform

program is acknowledged as a key contributor to Australia's impressive growth in income per capita over the last decade.

Key reforms during this time have included:

- Taxation reform, including the introduction of the GST
- Unilaterally reducing high tariffs and other protective barriers
- Floating the Australian dollar exchange rate
- Deregulating the financial services sector (including a decision in late 1992 to allow liberal access for foreign bank branches)
- Efforts to restructure the highly centralized system of industrial relations and wage bargaining
- Increased integration of the State economies into a national federal system through such measures as the National Competition Policy.
- Improving and standardizing the national infrastructure
- Privatizing many government-owned services and public utilities.

The ultimate goal for Australia is to become a competitive producer and exporter, not just of traditional farm and mineral commodities, but of a diversified mix of value-added manufactured products, services and technologies.

4.3.2 Balance of Payments Issues

Trade is very important for Australia's small, open economy. Domestic demand remained strong, generating a robust demand for imports.

Traditionally, about 60 percent of Australia's merchandise exports are destined for Asia. Japan is Australia's largest export market. Australia's major exports to Japan are coal, iron ore, meat, and aluminum. The United States is Australia's second largest export market, accounting for nearly 10 percent. Major exports to United States are beef, crude petroleum and passenger motor vehicles. Korea, China and New Zealand represent the remainder of Australia's five most important export markets. The composition of Australia's exports has been changing gradually over the past two decades, reflecting the increasingly value-added direction of Australian industry. Manufactures now account for double the share of goods exports compared with twenty years ago, when Australia began its liberalization program. Australia exports a diverse range of elaborately transformed manufactures, including high-speed ferries, telecommunications equipment, and motor vehicles. Primary products, however, remain the dominant export sector in value terms.

The U.S. is Australia's single largest source of merchandise imports. Australia's major imports from the United States are aircraft and parts, telecommunications equipment, measuring and controlling instruments, computers and internal combustion engines. Of Australia's top five trading partners, the U.S. is the only country to run a consistent bilateral trade surplus with Australia.

Australia generally runs an even balance or small deficit for trade in services. Tourism accounts for nearly half of services exports, while services imports are dominated by transportation services and outbound tourism.

4.3.3 Infrastructure Development

Australia has a well-developed civil and social infrastructure, advanced communications networks, a sturdy financial backbone, and road, sea, rail and air connections commensurate with its demographic pattern. The solidity of its financial sector infrastructure has enabled it to weather the financial woes of the Asian region in the late 90's and to underpin its current predominant growth among OECD countries.

In recent years, as Australia became wealthier and more engaged in international trade, there have been improvements in roads, airports and runways, with greater integration between airports and railways. Road congestion in urban areas continues to be a problem, however, and accelerated major investment in public transport is needed.

Australia maintains one of the most extensive road networks in the world, on a per capita basis. Forty percent of the total road network of 490,000 miles is paved with either bitumen or concrete. Sixty-five percent of the total domestic freight tonnage is transported over the road system, with interstate haulage accounting for a significant proportion of road freight. Average expenditure on Australian road building and maintenance is between \$2.7 and \$3.5 billion.

The rail industry transports more than one-third of the domestic freight carried by sea, road and rail. Bulk commodities (iron ore, coal and wheat) constitute a large share of the total freight, amounting to twenty percent of Australia's exports. Recent developments in rail transport include light rail city projects and dedicated city-airport links.

The majority of freight volume that passes through Australia's ports is comprised of bulk cargo. However, in terms of value, general merchandise trade surpasses bulk, ninety-three percent of which is shipped in containers. Container trade through Australia ports approximates 40 million tons per year.

The Australian Federal Government has authority over trade between the States, although the individual States are responsible for energy, including electric power. There was a drive in the 90's to privatize of electricity generation and distribution in an effort to open up markets for private sector competition. In the early days of privatization, a number of U.S. utility companies made large investments in the power generation industry. However government restrictions on price increases resulted in some of the electricity distribution companies withdrawing, or expressing their intent to withdraw, from the Australian market.

Fossil fuels remain the main source of supply for generation (ninety-five percent), with abundant reserves..

The telecommunications sector is the star in Australia's infrastructure. Australia has a global reputation for efficiency and capacity of its telecommunications infrastructure.

Australia is second in the world in preparedness for developments in e-commerce. At least 72 percent of the Australian population over 16 years of age has access to the Internet. Australia has an extensive fiber optic network for telecommunications, and has invested heavily in broadband technology for business and household purposes.

Air Transport

The majority of licensed airports are owned and operated by local councils, state government departments and private companies. The remaining airports are owned and operated by the Department of Defense or leased by the Commonwealth to private sector companies or government corporations.

International passenger and cargo flights are frequent and reliable. Air is used extensively for lighter cargo, small high-value items, and for urgent needs. Domestic airlines carry about 200,000 tons of cargo per year. An extensive network of air cargo operators, including major international companies, offers a full range of cargo services, processing of documentation relating to importation and clearance of goods, and follow-on delivery to regional centers.

Australia is serviced by most of the world's major air carriers, feeding into a domestic network covering the trunk commuter routes. Regional airline services links regional centers with the capital cities.

Road/Rail Transport

With its huge land mass, small population and limited tax base, the extensiveness of Australia's modern national, state and local road system is quite remarkable. Road funding continues to feature prominently in both State and Federal Government budgets with the voting public demanding high quality roads, particularly in the Outback. Australia's road transport industry is relatively efficient and approaches world best practice. The majority of inter-state goods transport is done via the road system.

A 24,000-mile network of railroads competes with road transport. Rail transport is the preferred mode to Perth in Western Australia for the transportation of freight from Eastern ports, and for the bulk transport of Australia's mineral exports. Traditionally, rail transport has lagged behind international best practice.

In the last century, before Federation of the States into the Commonwealth, each state government established its own different gauge railway to encourage its own industries, with cargo having to be transferred at state boundaries.

The completion of the first standard gauge rail line from Brisbane to Perth (via Sydney, Melbourne and Adelaide) in June 1995, heralded a new era in rail freight transport and the prospect of an efficient, truly national rail transportation system. The ability to track a coal train from Queensland to South Australia was a symbolic step in Australia's reform agenda.

The mid 1990s also saw every rail administration in Australia substantially restructured with most becoming corporatized entities. In August 1997, the Federal Government sold Australian National Railways (ANR) that operated various freight and passenger operations. In January 1999, the Victorian State Government privatized its freight business, V/Line Freight and franchised its passenger rail and suburban tram networks. This was followed by the sale of Westrail, the Western Australian Government's freight business in October 2000. The National Rail Corporation (NRC) owned by the Federal Government and the State Governments of New South Wales and Victoria together with the New South Wales Government's freight rail business, FreightCorp, were sold to an Australian consortium in 2002.

Sea Transport

Australia is a trade-dependent country, with the fifth largest shipping task (workload) in the world. Australia trades with around 200 countries, moving approximately 550 million tons of cargo per year. In value terms, seventy percent of its imports arrive by sea and eighty-three percent of its exports leave by waterborne transport. Australia is serviced by major shipping lines that transport goods worldwide to and from the major ports of Melbourne, Sydney, Brisbane, Adelaide and Fremantle. Ninety-five percent of the trade volume is carried by non-Australian flagged vessels.

Australia has modern deep-water ports. New South Wales and Queensland account for 58 percent of all ships registered in Australia (8,246 total), the majority of which are used for non-commercial purposes. The major Australian trading fleet is comprised of 62 ships of 2,000 tons or more. Two-thirds of these operate on coastal routes, moving around 60 million tons of cargo annually. Interstate trade accounts for nearly two-thirds of coastal freight, although in recent years, this proportion has shown a steady decline. The majority of cargo shipped between Australian ports is comprised of bulk commodities.

The government business enterprise responsible for maritime safety in Australian waters including regulatory issues, the navigational aids network, aviation and maritime search and rescue, pollution prevention and clean up, and registration is the Australian Maritime Safety Authority (AMSA). AMSA is funded mostly by levies on the shipping industry.

Telecommunications

Australia's telecommunications infrastructure is sophisticated and modern with a fully digitalized network. The main telephone lines are mostly land-based and penetrate about 97 percent of all households. In a population of 19 million, there are over 10 million mobile phone subscribers.

Australia's telecommunications industry was fully deregulated on July 1, 1997. In 2002, the 100th carrier registered with the Australian Communications Authority, compared to two carriers prior to deregulation. Most of the new carriers lease network capacity from Telstra, although a number have developed their own switching and network capability, particularly on the eastern seaboard and for overseas call markets. Aside from Telstra, the most significant carriers include Optus (owned by Singtel), Primus, AAPT (owned by Telecom NZ), Orange and Vodafone.

Mobile phone services are well established in Australia, which has one of the highest user rates in the world. The current number of mobile phone subscribers surpasses 10 million and are serviced by the two major technologies; GSM and Code Division Multiple Access (CDMA). Telstra, Optus and Vodafone each operate separate GSM mobile networks. CDMA services are provided by Telstra, Orange and AAPT. Hutchison Telecommunications, under the brand name Orange, has more than 120,000 subscribers on their Orange One CDMA network. .

Vodafone recently rolled out the first 3G network and services in the local market. Other wireless technologies are set to introduced into the market. ArrayComm subsidiary, Personal Broadband Australia is testing its Fixed Wireless Broadband (FWB) solution, iBurst.

Australian communications technology is historically European-based, due to Australia's historical links with the U.K., and to Swedish company Ericsson's early (1928) establishment in Australia. Land-based telephony operates according to European E1 standards, but has been modified to establish a uniquely Australian version. However, since newer technologies or protocols are largely U.S.-developed, U.S.-made products are also in high demand.

Infrastructure has been established for digital mobile technology and the digitalization of land-based networks. Hundreds of kilometers of fiber have been laid, crisscrossing the continent.

Carriers are required under the Telecommunications Act of 1997 to submit and follow Industry Development Plans, listing companies they have negotiated with for the supply of infrastructure and equipment.

Energy

Australia has substantial gas and electricity generation, transmission and distribution infrastructure, modest but expanding renewable energy infrastructure, and contracting fuel-refining facilities. Demand for energy is driven by the electricity, transport and manufacturing sectors.

Water and Sewage

Average annual expenditure on new capital works and renewal works for urban water supply and sewage treatment is estimated at US\$500 million. Expenditure on reticulation (the transport of water via pipes, sewers, etc.) accounts for 50 percent of capital works. Investment in water treatment facilities accounts for 30 percent, and expenditure on bulk storage is approximately 20 percent.

Australia's water supply and sewage treatment infrastructure is well established, and systems are being expanded to meet demand generated by industrialization and urbanization. Water authorities are the main purchasers and users of goods and services in this sector, while private industry is the most effective developer and marketer of new environmental technologies.

In response to public concern and demand, the industry is moving from an emphasis on the supply of water toward a greater focus on resource usage, the quality of the water supplied to consumers, and pollution control. A March 2001

survey by the Australian Bureau of Statistics found that 27 percent of the population was dissatisfied with the quality of tap water. Taste was nominated as the most serious problem affecting mains tap water, followed by chlorine.

There are also significant concerns regarding the protection of the environment, particularly with regard to discharges of wastewater. While some technologies for water treatment and sewerage systems are well established, this sector is now subject to significant technological change as the sewage to be treated becomes chemically more complex due to pollutants, and as more stringent standards are imposed on effluent discharges to protect the recipient land or water body.

National responsibility for water and environmental matters falls under the Department of Primary Industries and Energy (DPIE) and the Environment Protection Agency (EPA), respectively. Design, construction, management and maintenance of water and wastewater treatment facilities, however, are primarily shared between state authorities, boards, county councils, local government councils, and private interests. The roles of these parties vary from state to state.

Construction

Engineering construction has traditionally been dominated by the public sector (about 65 percent) and, therefore, influenced by government financing arrangements, even when the actual construction is performed by private firms. This domination is reducing as private sector involvement has increased in roads, water, power, and telecommunications.

Australian Information Technology (IT) Market

Australia has one of the most mature Information Technology (IT) markets in the Asia-Pacific region. In comparison to other countries on such indicators such as Internet access, B2B uptake, telecommunications infrastructure, etc., Australia ranks third in the world just behind the U.S. and Sweden. According to the Allen Consulting Group, the Internet economy contributes US\$28 billion or 6.4 percent to Australia's Gross Domestic Product.

Household Use of the Internet

According to the National Office of the Information Economy (NOIE), 52 percent of Australian households are online. Forty-nine percent of households access the Internet through PCs, while the remainder access the Net through other devices such as hand-held devices and mobile phones. A recent Census survey (June 2002) showed that more than a third of the population (6.6 million Australians) had used the Internet. Roy Morgan Research's "Broadband Consumer in Australia" report indicates that 1.3 million Australians use their dial-up connection at least once per day.

Business Uptake of the Internet

According to the Allen Consulting Group, Internet connectivity is almost universal, with 95 per cent of Australian businesses online. Smaller companies (with fewer than 20 employees) are less likely to be online, with a relatively high 88 percent accessing the Internet. Seventy-two per cent of businesses with an Internet connection have a website and 67 percent use Internet banking.

Internet Speeds for Small Business

Sixty-three percent of small businesses access the Internet through a dial-up connection (56 K is the most prevalent speed). Nineteen percent have net access by permanent dial-up, while five percent have cable access, and nine percent access the Internet with ADSL broadband.

ISPs

Six major ISPs with more than 100,000 subscribers provide Internet access to 3.1 million subscribers or 68 percent of all subscribers. These ISPs are Telstra Bigpond, Optus, Ozemail, Primus, TGP Internet and AOL.

Investment in Broadband Technology

The future of Australian communications is dynamic, as the nation embraces number portability, digital technology, greater mobility, and demands for new and innovative services requiring the use of broadband spectrum.

Since deregulation of the telecommunications industry in 1997, there has been a great surge in the development of broadband infrastructure. A number of telecommunications carriers have invested in fiber optic access networks, including Telstra, Optus, AAPT, and PowerTel. Generally speaking, these networks parallel the most heavily used of Telstra's infrastructure, primarily between the state and federal capital cities.

At present, the most common forms of broadband technology in Australia are:

- ADSL, which utilises the existing copper telephone network
- Cable modems, which allow for broadband services to be sent over pay TV networks in Sydney, Melbourne, Brisbane, Adelaide, Perth, and some regional centres
- Terrestrial wireless networks, an emerging technology

Broadband technology is not available in all parts of Australia. In particular, ADSL availability is limited by the type of telephone exchange technology used in an area as well as by the length and quality of the copper phone line. However, satellite technology can also be used to provide broadband services and is available throughout Australia. ISDN is available to 96 percent of the Australian population through the Digital Data Service Obligation.

The main types of broadband infrastructure in place are:

- "Fiber to the Curb (FTTC)" architecture;
- "Hybrid Fiber Coax", an FTTC architecture deployed by Telstra and Optus for cable TV and data services;
- xDSL technologies, available through a number of providers;
- Wireless broadband access, including microwave (LMDS and MMDS), infrared and laser, which is being implemented in metropolitan/capital city environments; and
- Satellite, which is offered by both Telstra and Optus, for corporate, residential and military customers to provide TV, Internet, telephony and data transmission.

E-Commerce

Australia has been implementing a range of broadband technologies that can be used in commercial applications. Many of these services are available to "Small Office Home Office" (SOHO) customers, who are usually small business owners.

The Australian Government, like its U.S. counterpart, is encouraging its citizens to become literate in the on-line environment. To ensure that regional and rural locations are not neglected, the "Networking the Nation" Commonwealth-funded grants system is providing funding to encourage e-commerce in these areas. This funding is providing infrastructure and capacity, as well as support and training for businesses. Some state governments also provide funding to businesses to develop a web presence. This is particularly aimed at small business.

Australia has more than 603 ISPs servicing over 4.5 million subscribers. Sixty-five percent of households are connected to the Internet, along with 69 percent of businesses.

4.4 STATE SUMMARIES

4.4.1 New South Wales (NSW)

The New South Wales economy is Australia's largest. It represents 36 percent of the national economy and is larger than each of the national economies of Thailand, Singapore, Malaysia, the Philippines and New Zealand. The State's economy is highly diversified, with strengths in a broad range of sectors. Industries such as finance and business services, and information and communications technology are particularly prominent.

New South Wales exports over \$26 billion in goods and services annually and is the leading export state in Australia. It has one of the most sophisticated and robust information and communications technology infrastructures in the Asia Pacific.

New South Wales has a highly sophisticated services sector that accounts for almost 70 per cent of the State's economy. Finance and insurance, business services, information technology and communication services, and property and construction are the major service industries in the State. It also has significant strengths in agricultural and minerals production, as well as in manufacturing and processing. New industries as diverse as biotechnology, aquaculture, and contact centers are also flourishing. In addition, the State accounts for over 38 percent of national output in each of the two 'lifestyle' industry categories: accommodation, cafes and restaurants, and cultural and recreational services.

The NSW capital, Sydney is a strong financial center in the region, with 78 percent of domestic and foreign banks having headquarters there. It is home to the Australian Stock Exchange and the Sydney Futures Exchange is one of the largest futures and options exchanges in the Asia-Pacific region.

New South Wales is the base for 65 percent of regional headquarters of multinational companies in Australia, primarily in the information technology, communications, and finance sectors. In addition, 50 percent of the top 500 companies in Australia have chosen to locate in New South Wales.

4.4.2 Victoria (VIC)

Victoria is Australia's second most populous state, with an economy larger than that of Singapore. It has the largest manufacturing base of any state in Australia and is home to the majority of Australia's automotive, food processing and biotechnology industries.

Victoria's capital, Melbourne, is home to the regional headquarters of 65 U.S. companies or more than 20 percent of all U.S. regional headquarters in Australia. U.S. companies in VIC include Exxon Mobil, The Boeing Company, Texas Utilities, Kraft, IBM, Heinz, Ford, General Motors, Motorola, Monsanto, Bristol-Myers Squibb and Hewlett-Packard. Bristol-Myers Squibb will establish its first global R&D hub outside the United States in Melbourne. General Motors' Australian subsidiary, Holden, is building a US\$400 million engine plant at its operations in Melbourne. Ford Australia has initiated a US\$300 million four-wheel-drive project at its Melbourne plant.

Major items imported from the U.S. are automobile parts, telecommunications equipment, measuring equipment, and internal combustion piston engines.

4.4.3 Queensland (QLD)

Queensland is Australia's most decentralized state, having the largest rail network and more deepwater ports than the rest of Australia combined. It is also a resource-rich state, and its ports are the closest to the Asia-Pacific region, with which it has a strong trading relationship. Major export earners for the state include coal, meat, non-ferrous metals and crude minerals. There are substantial business and investment opportunities in these traditional industries. Communications services, biotechnology, information technology and leisure industries have also been areas of significant growth in the state.

Queensland has two fully operational international airports, and deepwater ports for coal and mineral loading. The Port of Brisbane is the third largest capital city port in Australia. Brisbane is situated closer to the Asia-Pacific than any other major capital city Australian port. It has established itself as a strong partner with a number of countries, particularly in the Asian region. Principal export markets include Japan, the U.S., South Korea, Taiwan, Papua New Guinea, Hong Kong, Indonesia and Singapore. Queensland's largest port is Gladstone, likely to be a major Australian industrial center in the coming decades. The port's major functions are to facilitate the export of resources from the region, and to handle the import of raw material and the export of finished products from industry in Gladstone. The port employs around 400 people, handling over 30 million tones per year, with the ability to double this capacity when needed.

4.4.4 Western Australia (WA)

Western Australia is about the size of Western Europe, but has a population of less than two million. It has significant energy, minerals and agricultural wealth and accounts for approximately 11 percent of the national economy.

The development of resource wealth has enabled WA to attract around 16 percent of all new private capital investment in Australia. The state is a leading supplier of bulk ores for the world aluminum and steel industries and liquefied petroleum gas produced from its significant offshore oil and natural gas reserves. In fact, WA accounts for 50 percent of Australia's mineral production and 47 percent. Western Australia produces 40 percent of the world's diamonds; 44 percent of its zircon; 13 percent of its iron ore; and 9 percent of its gold, nickel and LNG. These sectors, along with oil and gas, still dominate the state's exports. Strong growth in the technology, manufacturing and service sectors has generated new sources of wealth. Service sectors alone account for 70 percent of economic activity in WA.

Significant imports to Western Australia include gold, crude petroleum, passenger motor vehicles, computers and parts, motor vehicles for goods transport, civil engineering equipment, refined petroleum and fertilizers.

4.4.5 South Australia (SA)

South Australia has population of 1.5 million and a modest-sized economy, accounting for approximately 6.6 percent of the national economy. The economy is driven principally by the resources, agricultural and manufacturing sectors and supported by close cooperation between the government and the private sector.

South Australia's major industries include automotive, defense and electronics, mining, energy, agriculture and ship building. South Australia produces about US\$22 billion in Gross State Product.

Major items imported include automobile parts, refined petroleum, crude petroleum, passenger motor vehicles, internal combustion engines and measuring and controlling instruments. Moreover, a number of U.S. companies

have operations in South Australia. These include General Motors, Daimler-Chrysler, Coca-Cola, PepsiCo, Kraft Foods, Campbell's Soups and Hewlett Packard.

4.4.6 Northern Territory (NT)

The Northern Territory has a population of just 200,000 and an area of 1.3 million kilometers. It extends from the arid center of Australia to the sub-tropics in the north, covering about one sixth of the Australian mainland. The Northern Territory economy rests on the mining industry, which accounts for a significant proportion of the region's economy.

The Northern Territory has a Gross State Product (GSP) of US\$5.8 million and its economy has grown strongly over the past decade (by more than 40 percent). Mineral and petroleum extraction accounts for 31 percent of the Territory's Gross State Product, with production totaling US\$2.1 million. In addition, the Northern Territory produces large quantities of bauxite, gold, manganese, zinc, lead, silver, magnesite, diamonds and uranium oxide.

Leading imports include ships, boats and floating structures; refined petroleum; aircrafts and parts, pearls and gems; passenger motor vehicles; steel tubes, pipes and fittings, measuring and controlling instruments and motor vehicles for goods transport.

4.4.7 Tasmania (TAS)

Tasmania, Australia's island State, covers an area of 68,300 square kilometers and has a population of nearly 500,000. Despite its substantial farming, forestry, hydroelectric, mining and fishery industries, unique wilderness areas and significant tourist industry, Tasmania has experienced a decline in population and only modest economic growth over the past decade. Tasmania's thriving and innovative agricultural, forestry and fisheries industries, together with tourism, are likely to drive future growth.

Major items imported to Tasmania included ships, boats and floating structures; steel tubes, pipes and fittings; cocoa; ores; petroleum products; animal feed; internal combustion engines and fertilizers.

4.4.8 Australian Capital Territory (ACT)

Canberra, Australia's capital city, is located in the ACT. The ACT has a population of over 315,000 and more than 13,000 businesses. Canberra's workforce is more computer-literate and highly educated than any other workforce in Australia with, on average, 51 percent having university qualifications, compared to 42 percent nationally. Canberra is a city with a growing business center and is located between the major markets of Sydney and Melbourne.

Australia's fundamental indicator of economic growth shows Canberra is continuing to enjoy the highest growth rates in the country. In percentage terms, Canberra has the greatest number of people participating in the workforce than anywhere else in Australia. Canberra's labor force participation rate of 71.4 percent is considerably higher than the national average of 63.7 percent and reflects the high level of growth in total employment.

The city has a strategic location, skilled and flexible workforce, first class infrastructure, and commands a leading position in high technology fields such as information technology and environmental management. Canberra's status as the home of the Federal Government in Australia gives the city many advantages over other states and territories. The reliable and secure public sector industry in Canberra complements a thriving, innovative private sector that

provides specialist services in areas like information and communications technology, defense support and research and development.

Private sector employment is rising all the time and helps to explain the rapid growth in the local economy. The stabilizing influence of the Government sector on the economy in Canberra has allowed private companies to expand and flourish.

Canberra has developed a leading edge in the following major industries and services:

- Information Technology and Telecommunications;
- Advanced Technology Manufacturing and Defense-Related Services;
- Environment Management Technology and Services;
- Call Centers;
- Information and Business Services;
- Light Manufacturing and Assembly;
- Agribusiness.

The ACT has a highly competitive and internationally focused information industries sector. With estimated spending power of approximately US\$1 billion per year, national and international companies are attracted to Canberra to compete for, and service, the Australian Government's large IT&T contracts.

Canberra is often described as having been transformed from a public sector town to a city of entrepreneurs. Canberra has a proven track record as the home to far-sighted, ambitious companies looking to make their mark in the region. Multi-nationals including EDS, Hewlett Packard, Unisys and Oracle have established their business operations in Canberra.

4.5 ECONOMIC RELATIONSHIP WITH THE UNITED STATES

Australia ranks as one of our most dependable allies and a key economic partner in the dynamic Asia-Pacific region. While much is said of the Australian-American Alliance during World War II in the Pacific, our strategic cooperation today is even broader. The two countries work together to ensure that the region is politically stable and open to international trade and investment.

The 1951 Australia-New Zealand-United States (ANZUS) treaty serves as a cornerstone for our security arrangements in the region. Australia participates in a number of joint military maneuvers with the U.S. and other nations each year and provides essential port and logistical services. In the aftermath of the September 11 terrorist attacks on the United States, Prime Minister John Howard immediately invoked Australia's ANZUS commitments for the first time in the treaty's history. Australia experienced first-hand the impact of global terrorism losing 88 Australian citizens in the Bali bombings on October 12, 2002.

Through bilateral dialogues with several states, Australia is helping to positively shape the security policies of other nations and to develop a sense of common security interests throughout the region. Australia's leadership in mobilizing international intervention in East Timor in 1999 and continued leadership of the remaining security forces in East Timor have earned plaudits from the defense and foreign affairs communities. Australia continues to provide other assistance as well to the newly independent nation of East Timor. Australia also plays a pivotal role in helping resolve ongoing disputes in the Solomon Islands, Fiji and Papua New Guinea. Australia has made a major contribution to the war against global terrorism by providing assistance to improve regional capabilities to fight

terrorism. Our two governments cooperate in worldwide efforts on political matters ranging from nuclear non-proliferation to arms control and peacekeeping.

Like the United States, Australia is a leading advocate of trade and investment liberalization. Because of common interests and convictions, our two countries work together on many global issues, including U.N. reform, promoting democracy and human rights, protecting the environment, and enhancing the multilateral trading system and the World Trade Organization.

4.6 MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE

There are no major political issues that detract from the business climate or the stability of the bilateral trading relationship with the United States. All of Australia's major political parties seek to promote growth and encourage investment and trade, including investment abroad. Although there are differences on issues such as tax reform and continued privatization of state-owned industries, the leading parties strongly support Australia's internal economic restructuring, aimed at transforming the country into a globally competitive trading nation.

In integral policy directions that attract universal support include Australia's desire to define itself as a part of the dynamic Asia-Pacific region. Australians also support efforts by the government and business to diversify its mix of exports in order to reduce reliance on basic commodities and to increase sales of value-added products.

4.6.1 The Australian Political System

Australia is a long-standing parliamentary democracy, combining economic and social progress with political stability. Australia celebrated its 100th anniversary of having a federal system of government in 2001. This system provides certain rights and responsibilities reserved for its individual state governments. Australia has never enacted a written bill of rights, but fundamental rights are ensured by law and respected in practice. Australia has ratified a number of International Labor Organization (ILO) conventions that define certain rights and obligations.

The Commonwealth (Federal) government and the six state governments operate under written constitutions that draw on the British tradition of a cabinet government, led by a Prime Minister. Under this system, the Prime Minister is responsible to a majority in Parliament's Lower House, whose representation is based on population. Australia's federal constitution also contains some elements that resemble the American system of government. For example, it provides for a Senate, in which each state has equal representation and the two territories, (Northern Territory and the Australian Capital Territory) have two Senators. .

Australia, as a member of the British Commonwealth, recognizes Queen Elizabeth II, the reigning British monarch, as its head of state. However, she does not participate directly in the Government of Australia. Her head of state functions are instead entrusted to her personal representatives who live in Australia (that is, Australian citizens who serve as the Governor-General of Australia, and the Governors of the six States). The Australian Capital Territory (ACT) and the Northern Territory (NT) have representatives and senators, but do not have governors.

The issue of whether Australia should become a Republic with an elected head of state is a long-standing one in Australian politics. While there exists broad popular support for an Australian head of state, public opinion has yet to coalesce into a critical mass for change. A referendum on the issue held in November 1999 failed, due more to the electorate's dissatisfaction with the proposed constitutional model which would have seen the President appointed by Parliament than through allegiance to the Queen. The ultimate decision on this matter is unlikely to have an impact on Australian-American political, economic or cultural relations.

Members of Australia's Federal House of Representatives are elected for approximately three-year terms (there are no fixed terms). The Prime Minister may recommend that the house be dissolved at any time, and the Governor-General traditionally follows that advice.

The 76 members of the Senate (the Upper House) are elected for six-year terms. Each of the six States elects 12 Senators, while the Northern Territory and the Australian Capital Territory (Canberra) elect two each.

All of Australia's major parties support the U.S.-Australia Alliance and stress the importance of close relations between Australia and the United States. The ALP puts greater emphasis on Australia's relationships with its Asian neighbors, however our bilateral relationship is essentially unaffected by the outcome of national elections. There are no prospects of other political changes that could impact on Australia's reputation as one of the safest countries in the world for trade and investment.

4.7 MARKETING STRATEGIES

Market entry strategies for U.S. firms in Australia are straightforward. They include exporting of products and services through the use of:

- Agent/distributorships;
- License/technology transfers;
- Franchise arrangements;
- Joint ventures;
- Strategic alliances; and
- Wholly owned subsidiaries/branches.

Significant opportunities exist to participate in major publicly funded projects and to win major infrastructure and services projects made available through public sector divestment and privatization.

4.7.1 Establishing a Local Office

The Australian Securities and Investments Commission (ASIC) is the national authority responsible for the administration of companies and securities law throughout Australia. ASIC provides a nationwide system for the registration and regulation of companies, securities and futures markets. The requirements for starting a business are uniform in each state, and the same rules apply for local and overseas companies. While companies are registered with the ASIC, business name registration is required in each state where business is transacted.

Because Australian business practices are similar to those in the United States, it is relatively straightforward for foreign investors to establish a business in Australia, either in partnership with local companies, or on their own account. A foreign company has a range of business structures from which to choose. The most common forms of business organizations are representative offices, branches of parent companies, subsidiaries, sole traders, partnerships, trusts, companies, and joint ventures. Overseas investors may set up an operation using any of these forms, irrespective of the business structure they have elsewhere.

Most significant businesses operating in Australia are incorporated as either private or public companies. Under the Corporations Law, the entity is registered automatically as an Australian company, enabling it to conduct business throughout Australia without further registration in individual states or territories. Local companies may be fully controlled by foreign owners. All registered companies must conform to Australian company law administered by

the ASIC, covering accounting, financial statements, annual returns, auditing and general meeting requirements, and the necessity to maintain a registered office open to the public.

A private company is the most typical structure for an overseas investor if it is to be a wholly owned subsidiary of a foreign company and if public offering of shares is not intended. The regulations that apply to a private company are simpler and less costly than those applicable to a publicly traded company. A private company may be converted into a publicly traded company at any time.

Branch offices of overseas companies are established in Australia by registering the overseas corporation as a foreign company under Australia's Corporation Law. A branch office does not require directors to be Australian residents but must have a registered office address and a statutory agent responsible to fulfill the requirements of the Corporations Law. The branch will be assigned an Australian Registered Body Number (ARBN), which must be shown with the corporation's name on public documents. In addition, if a business in the U.S. has an office in Australia, that office will be required to register for an Australian Business Number (ABN) under the Goods and Services Tax (GST) introduced on July 1, 2000. Information on the GST and its impact on foreign companies with or without operations in Australia, and the ABN application process can be found on the Web sites of the Australian Taxation Office (www.taxreform.ato.gov.au and www.business.gov.au).

While the procedure to establish an office is fairly straightforward, as in the U.S., it is often done best with expert legal and financial advice, readily available from Australian and multinational service providers. Nominal costs for company incorporation include filing fees payable to the ASIC, legal costs for preparing the charter and bylaws, and registration. Application forms are available from ASIC Business Centers in any Australian state (www.asic.gov.au) and can be lodged in any city.

4.7.2 Creating a Joint Venture

Joint ventures (JV) are a common feature of Australia's commercial and legal environment. Broadly similar to U.S. practice, forms of joint venture in Australia include:

Unincorporated Joint Ventures

Under this type of joint venture, the rights and obligations of the joint venture parties are set out extensively in the JV documents. An unincorporated JV is sometimes more suitable for a single project or business venture, for example, in sectors like the mining and oil and gas industries. The joint venture document is usually drafted in such a way as not to reflect a partnership for certain tax advantages and also to avoid the application of partnership laws in areas such as joint liability to the joint venture.

Incorporated Joint Ventures

This usually involves the joint venture parties conducting their business through incorporation of a JV company or trust. The parties commonly set out their respective rights and obligations in a shareholder or unit holder's agreement to resolve any dispute not regulated by the Corporations Law or the constitution of the company or trust.

Unit Trusts

Unit Trusts are devices that enable the separation of legal and beneficial interests in assets and the income derived therein. In a joint venture situation, the participants wish to insure that their entitlements are fixed rather than discretionary. A unit trust is a legal entity in which the entitlement of beneficiaries is expressed in units relative to the total number of fixed units.

Limited Partnerships

Limited Partnerships are creations of statute. They remain partnerships of general law and, therefore, do not give rise to the existence of separate legal entities. A limited partnership structure requires at least one general partner to have

unlimited liability and partners whose liability is limited to the extent of their investment in the partnership. Limited partnerships are rarely used in Australia.

Hybrid Forms

Hybrid forms comprise elements of each of the foregoing. They can also be created to suit the needs of the particular participants. For example, one participant in an unincorporated joint venture could be the trustee of a unit trust, while one shareholder in an incorporated joint venture could also be the trustee of a unit trust.

4.7.3 Use of Agents and Distributors

U.S. businesses marketing their products in Australia usually establish relationships with sales agents, distributors, franchisees, and licensees.

Sales Agents

Sales agents or representatives solicit business for the foreign company, and serve as a conduit for purchase agreements. In most cases, a sales agent does not have the power to negotiate terms, or to finalize the sales contract. Instead, the sales representative forwards the contract to the foreign company, which either accepts, rejects, or proposes modifications. The sales representative, nonetheless, is considered to be an agent of the foreign corporation, and under the general laws of agency, the foreign corporation may be bound by the actions of its agent.

Agents assume a number of duties and obligations once a representation contract with a foreign company is finalized, including adherence to the principal's instructions, good faith in the interests of the principal, and maintenance of proper accounts. The agent retains the right to remuneration and the right to an indemnity for liabilities or for losses incurred due to improper termination. However, there is no precedent for required indemnity payments in Australian law.

Parties may stipulate specific causes for termination in the agreement. Either party may terminate the agreement upon receipt of reasonable notice of termination. Although no specific time period exists which defines a reasonable notice period, courts may take into consideration the nature and length of the contract when determining whether reasonable notice was given.

Distributors

A distributor acts as an independent contractor, purchasing products from the foreign corporation and distributing them to wholesale buyers or, on occasion, to retailers. Generally, the foreign corporation cannot restrain the distributor from selling competitors' products. However, because the distributor is not considered to be an agent of the foreign corporation, the foreign company is not bound by the acts of the distributor. Australian distributors often ask for exclusive geographic rights to market a foreign corporation's products. Because of the size of the market, these rights often cover several states or are nationwide.

Parties are free to choose between Australian and foreign (in this case U.S.) law governing the contract when drafting an agreement. However, the choice of foreign law does not preclude application of mandatory provisions of Australian law. Without a stipulation of law, Australian courts will apply the law of the jurisdiction where the agent or distributor works, that is, Australian federal law and appropriate state and local law. Therefore, notification of agent/distributor appointments should be submitted in writing to satisfy various state jurisdictional laws, especially when they last for more than one year or include terms for commissioning the agent. Either fixed or indefinite-term contracts may be employed. However, repeated renewal of fixed-term contracts will not cause the contract to achieve indefinite-term status.

4.7.4 Hiring Local Counsel

CS Australia provides a range of business facilitation services to help American companies identify potential partners. Most services can be arranged by the U.S. company through its local U.S. Department of Commerce Export Assistance Center (EAC) in the United States. Further information can be found on the CS Australia website: www.buyusa.gov/australia.

International Partner Search (IPS)

CS Australia will locate, screen, and assess Australian agents, distributors, licensees, and joint venture partners for U.S. companies. After an initial investigation that determines there is potential interest in a U.S. product or service, CS Australia will send contact and product/service information on U.S. companies to Australian firms that have reviewed product literature and expressed interest in representing the firm in Australia. U.S. companies then contact the potential representatives directly.

Gold Key Matching Service (GKMS)

The GKMS is designed to make a U.S. company representative's visit to Australia more productive. It provides a combination of many services, such as market orientation briefings, market research, agent/distributor search and screening, introductions to and meetings with potential partners/customers, and assistance in developing a sound market strategy and an effective follow-up plan.

Video Gold Key Service (VGKS)

The Video Gold Key Service is implemented exactly like the regular Gold Key Matching Service, with the exception that the Australian portion is conducted as a videoconference. CS Australia will endeavor to provide at least four high-quality appointments, according to the profile provided by the U.S. client. Videoconference appointments will be scheduled at the convenience of all parties, and they need not all be on the same day. Each appointment will be for one hour, unless otherwise specified by the U.S. client.

Flexible Market Research (FMR)

Flexible Market Research provides U.S. companies with customized, individualized information on the Australian market, such as industry contacts, competition, pricing, market trends, regulatory issues, and/or a range of other issues.

Platinum Key Service (PKS)

U.S. firms can obtain customized support on a range of issues in which the company needs longer-term, sustained assistance. Over a period ranging from three months to a year, CS Australia will assist the client with a range of services including preparing market research, identifying business opportunities, launching products, advocating on major projects and providing government tender support, helping to reduce market access barriers, and assisting on regulatory or technical standards matters.

Catalog Exhibitions

In this program, CS Australia takes booth space in selected trade shows and runs separate catalog exhibitions in association with a variety of trade promotion events, conferences, symposia, etc. U.S. firms are invited to participate either directly or by providing catalogs for display.

Access Australia

CS Australia's innovative market entry program, Access Australia, offers U.S. firms an effective, yet very inexpensive, way to test the Australian market. Through this program, CS Australia identifies a promising sector for U.S. exports and contacts American firms in that area to invite the companies to participate by completing an application form and forwarding product literature. A special mailing is then sent to hundreds of local agents, distributors, wholesalers, and end-users in Australia in that particular industry. Interested respondents are sent

product literature. The U.S. participants are advised of the names of the local companies that requested their catalogs for further contact and negotiations.

Trade Missions

CS Australia organizes and supports trade missions to Australia certified by the U.S. Department of Commerce and by State Governments. These missions may be organized via U.S. States, industry associations, and other groups. CS Australia will organize a schedule of appointments for each company requesting this service

Trade Events

CS Australia organizes U.S. booths and support for companies participating in trade shows and exhibitions in Australia.

Market Research and Reporting

CS Australia reports continually on industry sector developments, major projects, and program and policy developments, including:

- **International Market Insights (IMI):** IMI's provide "snapshots" of the Australian market, which may include market trends in "best prospect" sectors, regional developments, and changes in economic regulations.
- **Industry Market Analyses (ISA):** ISA's provide detailed market research information on U.S. products and services with good market potential. (See Chapter 12 Section A2 for ISAs planned in fiscal year 2004).
- **Newsletters:** CS Australia also publishes newsletters on Australian and New Zealand export opportunities (Australia/New Zealand Export Opportunities Bulletin), environmental products and services, and information technology.

Many of these reports are available to U.S. companies through the U.S. Department of Commerce website www.buyusa.com. The CS Australia website is available at www.buyusa.gov/australia.

Commercial News USA

This monthly publication provides summary information on new U.S. products being offered for export. CS Australia distributes the publication free of charge to potential agents and distributors throughout Australia. Interested companies then contact the U.S. firm directly.

Finding a Local Attorney

As in the United States, it is common practice in Australia - and makes good business sense - to retain the services of a reputable attorney who is familiar with local business conditions, local law, and regulations. Legal expertise is needed to execute legal documentation, interpret laws and regulations, and ameliorate disputes. Most businesses also use the services of a professional accounting firm to adhere to Australian tax and accounting standards.

Many well-known local and international law and accounting firms practice in Australia, some with offices throughout Asia and the United States. The Commercial Service in Australia and the American Chamber of Commerce maintain lists of law and accounting firms, as do legal and accounting associations. CS Australia lists some of these firms on its website at www.buyusa.gov/australia.

4.7.5 Checking the Bona Fides of Banks, Agents, Business Partners, Contractors and Subs, and Customers

U.S. firms should exercise normal commercial prudence when doing business in the Australian market and are advised to perform due diligence on likely business partners and customers. A good place to start is with the

Australian Securities and Investments Commission (ASIC), a government agency that enforces and administers Australia's Corporations Law and registers all companies.

For a small fee, ASIC can provide you with a "historical company extract" which will tell you how long a company has been in business, whether it is registered, its principal place of business, a list of directors, and details about its share capital. ASIC can also advise on whether any of the directors have been disqualified.

A number of credit agencies can provide U.S. companies with credit/status reports on Australian firms. For further advice on steps you can take to assess the bona fides of any company, visit ASIC's website at www.asic.gov.au or contact the Commercial Service for other firms that can provide this service.

4.7.6 Distribution Channel Options

Distribution channels in Australia tend to be more generalized than those in the U.S. This is primarily due to Australia's relatively small population and industrial base. In most cases, Australia's distribution and sales channels are comparable to those in other industrialized countries. Importers, distributors, agents, wholesalers, and manufacturers' representatives are commonly used by U.S. exporters.

Foreign companies also export directly to end-users and this method is often observed where equipment is manufactured on a one-off basis. Many large retail chains, including department stores and supermarkets, can purchase in bulk rather than using traditional wholesale channels. However, these retail chains tend not to import and prefer to deal with local firms.

4.7.7 Franchising Activities

The Australian franchise sector is both large and mature. Franchising is well established in Australia with more franchising outlets per capita than any country in the world, and three times more per capita than in the U.S. The total turnover of the franchising sector, not including the motor vehicle and automotive fuel retail industries, is US\$23 billion. Including the motor vehicle and automotive fuel retail industries, the total turnover is US\$50 billion.

In 1988, there were 184 business-format franchised companies in Australia. Today, there are approximately 747. Franchised businesses are 2.5 times more likely to be successful than non-franchised business.

Franchising is continuing to experience growth in Australia and has spread into virtually every area of commercial activity. Sectors as diverse as home building, carpet cleaning, repair systems, waste management, and financial planning are enjoying high growth. Household and food services have emerged as the two fastest growing areas of domestic spending and a key area for business growth. Most of the growth in franchising has been experienced in the service sector. According to industry sources, the retail franchise market, however, is reaching saturation, and is experiencing incremental rather than exponential growth.

American franchise systems have been able to benefit from the opportunities for franchising in Australia with many of the largest and most successful chains in Australia today having American origins. However, as noted above, Australia is a highly sophisticated and competitive market. Around 90 percent of franchise systems are home grown, and on average, Australian franchisors have been operating for 15 years, and franchising for 9 years. To be successful, U.S. franchisors must be flexible enough to "Australianize" their systems in order to suit the local market.

4.7.8 Direct Marketing

Direct marketing now outpaces traditional methods of marketing following decades of running second to mainstream media advertising such as television, radio, and newspapers. While mass media advertising budgets in Australia are being trimmed, direct marketing is growing. Industry sources cite direct marketing as gaining appeal, largely because of cost effectiveness and sales results usually being easier to measure than those of mainstream advertising campaigns.

Call center and telemarketing dominate Australia's direct marketing sector, accounting for approximately 60 percent of expenditure. The banking, financial services, and insurance industries operate the lion's share of call centers with a combined share of about 30 percent. After the financial sector, government departments have the next largest number of call centers, followed by utilities, manufacturing, tourism, telecommunications, and charities. Only about 23 percent of the centers have sales as their main activity, with customer service and product information the purpose of many.

Catalogs come next and are enjoying robust growth while outpacing all other categories, including direct mail, classified directories, exhibitions, and mail order. Retailers traditionally are the major users of catalogs, devoting a significant slice of their annual marketing budget to this medium and generating about 90 percent of all catalogs. However, business is now coming through sources outside the retail sector. Automotive, grocery and other manufacturers, telecommunications and financial service companies are starting to use catalogs in addition to mainstream advertising. The precise targeting and measurability of catalogs are two big draw cards for marketers.

Studies show that consumers prefer to receive marketing and promotional information via direct mail than through email or mobile phone short message service (SMS). Direct mail is seen as being useful and less intrusive, with concerns raised about viruses, volume, and privacy in using email and SMS. In June 2003, a new Code of Practice for SMS was established by the Australian Direct Marketing Association, requiring express consent from individuals before sending marketing messages.

The Australian Direct Marketing Association (www.adma.com.au) is Australia's principal body for information-based marketing. Formed in 1966, ADMA represents more than 500 member organizations. These include financial institutions, publishers, catalog and mail-order traders, Internet-based marketers and service providers, airlines and travel services, charities, call centers and telecommunications service providers, and a host of other users and suppliers of direct marketing services. A national non-profit organization based in Sydney, ADMA has State Branches in New South Wales, Queensland, South Australia, Victoria, and Western Australia.

4.8 SELLING FACTORS AND TECHNIQUES BEST SUITED TO THE LOCAL CULTURE

4.8.1 Market Research

Before entering the market, prospective exporters to Australia should evaluate their proposed selling technique thoroughly to ensure that it is appropriate to the market, and that there is sufficient demand for the product/service in Australia. An effective way to evaluate the situation is to do some basic market research and then follow through with a personal visit. There is no substitute for a first-hand look.

4.8.2 Common Sales Arrangements

The use of agents and distributors is the most common way for U.S. companies to sell products in Australia. Because of market size, it is common practice for Australian distributors to ask for exclusive geographic and/or product rights.

Joint ventures, franchising, direct marketing, and licensing, as discussed in Sections B-I, are all good alternative market entry techniques. These methods entail more investment and commitment than simply appointing an agent or distributor, but they may be more appropriate in the long run.

4.8.3 Product Pricing

Australia is a free enterprise economy, and basic market factors of supply and demand apply in product pricing. In order to compete successfully in this small, but highly competitive market, U.S. exporters to Australia must be prepared to offer flexible prices with, perhaps, lower than usual profit margins, and smaller minimum quantities. Some factors to consider are:

Selling Costs and Price Competitiveness

Australia is a geographical area similar to that of the USA and a population comparable to that of greater Los Angeles. Products from all over the world are represented in this sophisticated market, where sellers and end-users alike are all searching for something new. It is therefore important for U.S. companies to adapt their pricing to the local market. They will be selling in an active, highly competitive and vibrant market

To structure their prices competitively, suppliers must consider all the cost elements that imported products have to bear. The key factors are freight rates; handling charges; import tariffs; GST; marketing costs, such as advertising and trade promotion; and agent or distributor commissions. U.S. exporters should note that sea freight rates from the U.S. to Australia are high when compared with those from within Asia, and even from Europe.

Volume Buying/Selling and Discount Pricing

Australian wholesalers and retailers traditionally have sought the highest markup the market would absorb, rather than thinking of volume buying or selling. This pattern is changing as open markets and the influx of franchises and other high-volume businesses have alerted the increasingly cost-conscious consumer to competitive discount sales and services. Suppliers need to be able to deliver quality products and/or services at attractive prices. To compete successfully, exporters should consider granting maximum wholesale discounts, keeping in mind that what appears to be a major order to an Australian buyer may still seem like a small transaction to the U.S. exporter.

Some Australian importers prefer to deal directly with manufacturers. They believe that it is cheaper to deal with the overseas manufacturer rather than sourcing from overseas distribution houses. This cultural perception is gradually changing but could result in a U.S. mass merchandiser being called on by a potential importer to justify its pricing system.

Industrial Pricing

Factors of price, quality, reliability and service support are prime considerations when selling industrial products or capital equipment. While price is certainly a major factor, a purchaser may decide to pay more for a piece of equipment known to be of a better quality and more reliable than a competing product. However, U.S. exporters must be prepared to negotiate on price or other aspects of the purchase.

In general, Australians are conservative when purchasing capital equipment to upgrade their manufacturing processes. They take time to make purchasing decisions, weighing them carefully against their perceived payoff to

increase bottom line profits. If the bottom line does not appear to receive much gain from the purchase, they may simply delay their decision.

Price Controls

As Australia is a free-market economy, there is little formal price control. The national regulator, the Australian Competition and Consumer Commission (ACCC), has the power under the Prices Surveillance Act of 1983 and the Trade Practices Act of 1974, to investigate, vet or monitor the prices charged by businesses. These statutory pricing powers, which are designed to make particular businesses or industries publicly accountable for the prices they set, can only be employed where the Federal Government has authorized their use. The ACCC generally uses its pricing powers to examine prices charged by private businesses that hold substantial power in a market. The Commission's use of its inquiry and monitoring powers culminate in a public report and, where necessary, recommendations to the Government.

The ACCC was also active in the implementation of the Goods and Services Tax (GST), serving as a "watchdog" to ensure that resulting price increases by the private sector are not excessive. State governments have the power to control prices, but in recent decades have rarely done so.

4.8.4 Licensing

Australian industry is known for its ingenuity and practical approach to problem solving. In this context, the role of licensing is of particular importance for Australian commerce and industry.

License agreements involving Australian companies should contain the usual terms one would find in a license in the United States, for example, type of license being granted (i.e., sole, exclusive or non-exclusive), territory covered, license fee or royalty, licensee's duties and obligations, period of grant and field use of the technology involved, maintenance of quality control, ownership rights in improvements and innovations made by licensee, warranties and indemnities, technical assistance and confidentiality, sub-licensing and assignments, and termination.

On the whole, there are few legal and administrative requirements governing the field of licensing in Australia. Exclusive licenses of patents, copyrights and other statutory rights require compliance with certain minor formalities. The Trademark Act of Australia provides for the registration of licensees (or 'users', as they are called in the legislation.)

In the final analysis, there is no alternative to a carefully drafted license agreement, which provides certainty in defining the parties' mutual obligations. This is as true in Australia as it is anywhere else in the world. However, the commonality of language and culture between Australia and the United States makes negotiations involving an Australian licensor or licensee easier.

4.8.5 Advertising and Trade Promotion

U.S. companies can promote their products in the major national business publications and newspapers, as well as in state or national trade and industry magazines. The Commercial Service in Australia publicizes trade missions and seminars by advertising in the Australian Financial Review, the financial sections of the major newspapers, in industry magazines, and in newsletters of trade associations. CS Australia also compiles industry-specific mailing lists sourced from outreach to various organizations and a variety of business directories, both print and electronic, to send material by post, faxstream or email, using automated mailing list products and search techniques.

A brief list of major newspapers, business journals, B2B websites, and local advertising and promotional service agencies is featured below.

Newspapers:

- The Australian: **www.news.com.au**
- The Australian Financial Review: www.afr.com.au
- The Sydney Morning Herald: www.smh.com.au
- The Age: www.theage.com.au
- The Canberra Times: www.canberratimes.com.au
- Courier Mail (Brisbane): www.news.com.au
- Adelaide Advertiser: www.newsclassifieds.com.au
- Daily Commercial News: www.dcn.com.au
- The West Australian: **www.thewest.com.au**

Business Journals:

- Business Review Weekly: www.brw.com.au
- Margaret Gee's Australian Media Guide: www.infoaust.com
- National Guide to Government: **www.infoaust.com**

B2B:

- Dun and Bradstreet Australia: www.dnb.com.au
- IBIS Industry Reports: www.ibisworld.com.au
- Federal Government's Business Point: **www.business.gov.au**

Other Useful Websites:

- Australian Bureau of Statistics: www.abs.gov.au
- Dept. of Industry, Tourism and Resources: www.industry.gov.au
- Official Australian Yellow Pages: www.yellowpages.com.au
- Australian Trade Commission: **www.austrade.gov**

4.8.6 Sales Service and Customer Support

Generally, doing business in Australia is simple for U.S. exporters when compared with other foreign markets. Culture, language, and business practices are remarkably common. However, subtle cultural differences do exist that can either invigorate or undermine a business relationship. In their dealings, both Americans and Australians are wise to take the time and effort to confirm that their perceptions about roles and expectations are consistent with those of their counterparts.

Depending on the product or service to be exported, Australian agents/distributors expect support from their U.S. suppliers, including product warranty for a specified time, training, advertising, and promotion.

Timely delivery of goods, including spare parts, is expected and is rarely a problem, as major U.S. freight forwarders have offices in Australia. Air freight is used commonly for smaller items. Shipping schedules are reliable. Where necessary, U.S. firms should ensure that their representatives can service the imported equipment or that there are service arrangements in place.

4.8.7 Government Procurement

Australia is not a signatory to the Agreement on Government Procurement, which means that it is not bound by conditions prohibiting specification of locally made products in tenders. Although Australia's government procurement process generally is considered to be well documented and fair, with few restrictions on foreign bidders, there exist a number of qualitative decision factors relating to local industrial development. It is important for U.S. companies considering bidding for major government business to take these factors into account in their bid structuring. This applies particularly to their consideration of whether to team with Australian industry partners, or to go it alone.

Australia no longer has a system of offsets. However, some form of commitment to local procurement will be necessary for an overseas company to be successful in winning a large government tender. Government business is often won or lost on the amount of local industry participation offered by the bidder, including research and development and investment activities undertaken in Australia as a result of the business.

Federal and State governments actively encourage local industry participation in government procurement, through purchasing policies and clauses contained in tender documents. Bidders and purchasing agencies are often required to submit separate industry impact statements. Most local governments stop short of actually directing their agencies to give preference to local suppliers.

4.9 SIGNIFICANT INVESTMENT OPPORTUNITIES

Australia encourages both local and overseas companies to invest in civil infrastructure development. The Australian government maintains offices in New York, Chicago and San Francisco, for example, dedicated to promoting investment by providing services to potential investors. The Invest Australia Web site (www.investaustralia.com) announces that over 3,000 U.S. companies have already invested in Australia as part of their global operations.

Areas that are being upheld as prime opportunity areas for investors Australia include biotechnology, information and communication technology (ICT), minerals, service industries and manufacturing.

Biotechnology has leading-edge expertise as well as an established reputation for competitive innovation and excellence. The Australian biotechnology industry covers a number of sub-sectors including medical, agricultural, environmental biotechnology and bioinformatics; as well as specialist research areas like proteomics, stem cell research and combinatorial drug development and design. Australia offers a transparent regulatory environment that is mature, open and consistent with the regulatory environments of the major markets of biotechnology products around the world.

The opportunities to invent and produce ICT products and services in Australia are internationally recognized with many household names developing or testing their latest products in Australia. Indigenous skills, commercialization success and a sophisticated market combine with our strong international links to ensure that Australia is a key player in the global ICT community. The potential for innovation in the Australian ICT industry is only limited by imagination and participation. Australia has many advantages as a location for ICT investment

Australia is one of the world's largest mineral processors and exporters, with an enviable reputation of innovation and reliability - which is why Australia is home to some of the world's great mining companies. In addition to an abundant supply of mineral resources such as gold, silver, copper, lead, iron, zinc, aluminum, magnesium and titanium, Australia also offers a unique investment environment for minerals investors, including competitive energy prices; close proximity to Asia Pacific markets; government support for and existing research capability in minerals R&D technology; economic and political stability; efficient and established regulation and approval processes; and a skilled and educated labor force, especially in minerals processing industries.

A desire to provide superior products and services to customers, while lowering costs, has resulted in the extraordinary growth of the services industry in Australia. Service industries are today the largest and fastest growing sector of the Australian economy. The sector employs around 7.5 million people, representing 82% of total employment and makes up almost 80% of Australia's GDP. Today, over 70% of regional support centers for the Asia-Pacific are located in Australia. These supporting operations include shared service centers and customer contact or call centers providing business management, sales and product support to Asia - Pacific operations and markets.

Manufacturing is Australia's largest export earner. The manufacturing industry has made significant efficiency gains in recent years through major industry reforms like tariff reductions, advancements in technology, and competitive industrial relations practices.

Australia a recognized location for investment in the automotive industry, having an established automotive industry with world class design and engineering capabilities; strong economic fundamentals; a sophisticated network of world class R and D institutions; government support for the industry, and experience doing business around the world.

4.9.1 U.S. Outward Foreign Direct Investment

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. United States foreign direct investment is viewed as a complement and necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations, and business facilitation programs that support U.S. investors.

4.10 TRADE REGULATIONS

4.10.1 Tariffs

After shielding its industry for most of the twentieth century behind a wall of tariff protection, Australia began a sustained economy-wide program of tariff reductions, including its most protected industries such as automobiles and textiles, in the 1980's. The Australian economy has reaped the rewards of this two-decade long program of tariff reduction through lower prices on imported business inputs, increased productivity, and improved international competitiveness. As a consequence, since the early 1980's, the proportion of Australia's GDP attributed to trade has risen by 40 percent.

Ninety six point one percent of Australia's tariff lines are bound by WTO commitments. More than 99 percent of Australian tariffs are calculated as a proportion of the value for duty (i.e., ad valorem). This is in contrast to the

United States, which has a high proportion of either specific, fixed amounts per unit or weight, or compound duties. Goods are classified according to the Harmonized System.

Under the Tariff Concession Scheme (TCS) importers can claim tariff relief for goods imported into Australia for which there is no substitute produced domestically. The TCS waives any duties payable on non-substitutable consumer goods. However, the TCS imposes a 3 percent revenue raising duty to be paid on non-substitutable business inputs or non-consumption goods.

The TRADEX scheme provides relief from customs duty, excise duty, and sales tax on imported goods that will be re-exported or used as inputs to other exports. TRADEX operates on an exemption basis meaning customs and excise taxes are not paid upfront on the condition that the imports are re-exported within 12 months. A drawback feature is also available when a customs duty has already been levied on the imports because it was unknown that the imports would be re-exported or used as inputs to other exports.

The Enhanced Project By-Law Scheme (EPBS) allows eligible capital equipment for major resource, agriculture and infrastructure projects to be imported free of import duty, in the absence of Australian-produced equipment of similar technological sophistication.

4.10.2 Non-Tariff Barriers

Australia is a signatory to the World Trade Organization (WTO) Agreement on Technical Barriers to Trade. Nevertheless, it maintains some restrictive standards requirements and design rules that may have an impact on the free flow of goods.

While Australia is a signatory to the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures (April 15, 1994) under the WTO, some have argued that Australia's quarantine regime may have the effect of a trade barrier to agricultural imports. Australia applies a highly conservative approach to risk assessment associated with agricultural commodities that have never been imported to Australia, as well as to commodities that would be imported from a region with a differing pest and disease status from current importing areas.

Australia is the only major industrialized country that is not a signatory to the Plurilateral WTO Agreement on Government Procurement (GPA) and therefore is not bound to the open and non-discriminatory policies of the GPA. WTO inconsistent government procurement practices systemically occur on both the Commonwealth level and the state/territory level. Government procurement continues to be an instrument of economic policy that encourages industrial development through offset requirements and, at the state/territory level, price preferences for local suppliers. Government procurement is estimated to be worth 20 percent of Australia's GDP.

Cultural content laws in the broadcasting service sector require at least 55 percent of commercial television broadcasts between 6 a.m. and midnight to be programs of Australian origin. Sub-quotas for dramas, children's and documentary programs have been maintained. Additionally, a minimum of 80 percent of commercial advertising between the hours of 6 a.m. and midnight must be Australian produced advertisements.

4.10.3 Import Taxes and Sales Taxes

On July 1, 2000, the Australian Government imposed a broadbased Goods and Services Tax (GST) of 10 percent on most supplies of goods and services consumed in Australia. The GST replaced the wholesale sales tax, which was applied at varying rates on a select range of products.

While the liability to pay GST to the Australian Tax Office rests on the producer / supplier, it is the consumer who ultimately bears the cost of GST. In the case of imports, the importer pays the GST, together with customs duty, to the Australian Customs Service on a monthly/quarterly basis. However, payment of customs duty and GST may not be required if the goods are being imported temporarily. This concession applies where the importer provides an undertaking to Customs for payment of duty and tax if the goods remain in Australia. Duty and tax are also not payable on goods that are imported under bond directly into a licensed customs warehouse. However, the duty and tax become payable when the goods are removed from the warehouse. Imported second-hand goods are treated the same way as any taxable goods and are therefore subject to GST.

The first step in calculating GST is the calculation of duty against the Customs value. The duty is then added to the Customs value. Under the GST, the amount paid or payable for international transport and insurance is then also added to arrive at the value of the taxable importation (VOTI). GST, at a rate of 10 percent, is then calculated against that figure. For imports of motor vehicles and wine, the Luxury Car Tax or the Wine Equalization Tax may also apply. Further information on GST can be found on the Australian Tax Office Website: www.ato.gov.au.

Dumping occurs when goods are exported to Australia at a price that is below the "normal value" of the goods. The "normal value" will usually be set as the domestic price of the goods in the country of export. This pricing is not a prohibited practice under international trade agreements, but remedial action may be taken where dumping causes, or threatens to cause, material injury to an Australian industry. The duty imposed on imported goods to offset the effects of dumping is called a "dumping duty". Dumping duties are usually imposed for up to a five-year period.

An alternative remedy to a dumping duty is for the government to accept a price undertaking from the exporter. Under this arrangement, the exporter agrees that future trade will be at or above a minimum export price, equal to the normal value. Such undertakings also usually apply for a five-year period.

4.10.4 Customs Valuation

The Australian Customs valuation system is based on self-assessment, i.e., the importer is responsible for valuing imports correctly. While Australian legislation conforms generally to the terms of the GATT/WTO Code on Customs Valuation, there are important differences. Imported goods are valued under one of nine different methods of valuation in a sequence established in the legislation. The first and most common, is the transaction value method. There are alternative methods, for example, when goods are exported to Australia on consignment.

The United States believes that the Australian Customs Act of 1901, as amended July 1, 1989, is inconsistent with the GATT Agreement on Customs Valuation because its treatment of royalties and buying commissions could lead to certain impermissible additions being made to the dutiable value of merchandise.

The 1989 amendment also increases the amount of inland freight that can be included in the dutiable value of the goods. While not inconsistent with the GATT/WTO Agreement on Customs Valuation, the amended Australian law may impair or nullify tariff concessions on products that are exported on an ex-factory basis. Customs and quota information is available from the Australian Customs Service. For further information, visit www.customs.gov.au/resources/Files/commer02.pdf.

4.10.5 Import Licenses

Australian Customs does not require companies or individuals to hold licenses to import goods. However, depending on the nature of the commodity, permits may be required to clear the goods. Where goods are subject to import controls under the Customs (Prohibited Imports) Regulations, the importers must apply to the appropriate department or agency for a permission to import. The permission to import must be obtained prior to the goods arriving in

Australia. Failure to obtain the permission to import prior to the arrival of the goods may result in the forfeiture of the goods.

The following is a list of categories of goods subject to import control. Please note that the categories listed here are examples only, not a list of all goods that are subject to import controls.

- Certain drugs and goods containing those drugs
- Animals and animal products - food and plant imports
- Firearms and other weapons
- Protected wildlife (animals) and related products
- Protected cultural heritage items
- Motor vehicles
- Currency.

Relevant authorities for goods clearance may be found at www.customs.gov.au/osgoods.htm.

4.10.6 Export Controls

Australia is recognized as an important contributor to international control regimes relating to weapons of mass destruction. As such, it maintains a system of export controls on defense and dual-use items. Export controls on strategic goods are enforced through the Customs Prohibited Exports regulation, and administered by the Australian Department of Defense. Controlled goods are consolidated into one list, containing defense and related, nuclear, and dual-use goods (Defense and Strategic Goods List). Controls are applied through permits or licenses issued by the Department of Defense Trade Control and Compliance Section, which also provides information to exporters on the status of applications and control status of their goods. Goods are listed with numbering common to major trading partners in strategic goods, and the numbering system of the Munitions List is derived from the Wassenaar Arrangement.

Guidance to Australia's controls on exports is documented on, and downloadable from, the Defense Acquisition Organization Web site at www.defence.gov.au/dmo.

The Australian Customs Service (ACS) is responsible for enforcement of the regulations at the point of export. ACS issues Export Clearance Numbers, based on export data lodged by exporters, which are checked electronically against required permits and licenses. Cargo may not leave Australian points of departure unless allocated an Export Clearance Number.

4.11 IMPORT/EXPORT DOCUMENTATION

4.11.1 Imports

The minimum documentation required to be submitted with customs import entries or Informal Clearance Documents includes an air waybill or bill of lading, invoices, and any other papers (including packing lists, insurance documents, etc.) relating to the shipment. The Customs Act of 1901 requires importers to retain commercial documents relating to a transaction for five years from the date of entry. These documents may be required for Customs audit purposes.

4.11.2 Exports

Goods may not be exported until all necessary export permits, including an Export Clearance Number, are obtained from the relevant permit-issuing agency.

4.11.3 Temporary Entry

Goods may be imported into Australia duty-free for a temporary period if they are for display purposes in a trade show certified by the Australian Customs Service. The ATA Carnet is a special international customs document accepted in 46 countries used for temporary imports/exports, particularly professional equipment and commercial samples. The Carnet, issued in lieu of the usual customs documents, eliminates value-added taxes, duties and temporary import bonds.

4.11.4 Food Standards Code

U.S. suppliers should be aware of Australia's rules and procedures regulating the packaging, labeling, ingredients, marketing and sale of specific products, and of general weights and measures.

In general, goods imported in the packages in which they are customarily sold or offered for sale need to be marked with a true description of the goods and the country in which the goods were made. The trade description needs to be applied to the packages in prominent and legible characters. Any additional information applied and/or labeled on the packages must be true and may not contradict or obscure the information required as part of the trade description.

The quantity of a commodity sold in a package must be truly stated on the main display panel of the package, in units of the metric system. The word "net" should always be used when expressing quantity in mass.

The joint Australia New Zealand Food Standards Code became law in December 2002 after a two-year implementation period. The Code requires all packaged food to be labeled with nutritional information on how much fat, protein, energy, carbohydrates, and salt is in the product. Labels must also show the percentage of key ingredients and all of the main ingredients that may cause allergies.

Information on the Food Standards Code (and a nutritional panel example) can be viewed on the website of Food Standards Australia New Zealand (FSANZ), <http://www.foodstandards.gov.au/foodstandardscode/>. Detailed guidance is also available in the Foreign Agricultural Import Regulations and Standards (FAIRS) report from the Office of the Agricultural Counselor, US Embassy, Canberra, Australia. This report is updated in July each year. A copy of the latest FAIRS report can be found by conducting a search on the following Web site: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.

Mandatory labeling of genetically modified foods, where introduced DNA or protein is present in the final product, came into force in Australia in December 2001. Details of the requirements for biotech labeling and other labeling requirements are available in FSANZ User Guides at the following Web site: <http://www.foodstandards.gov.au/assistanceforindustry/userguides/index.cfm>

U.S. exporters should ask their Australian importer to ensure that their products comply with Australian Federal and State Government labeling regulations.

4.11.5 Restrictions on Imports

Australia has stringent prohibitions and quarantines against a number of products, particularly those considered to be of potential public danger and agricultural products that are considered to have the potential to introduce pests or disease. Restricted items include drugs, steroids, weapons/firearms, heritage items, food, plants and animals, and protected wildlife. It is important to note that while some items may be imported, their use may be prohibited under individual State laws.

Sanitary and Phytosanitary Restrictions affecting Imports

Australia has stringent sanitary and phytosanitary restrictions affecting imports of fresh fruit and vegetables and imports of meat and poultry products. Under Australia's quarantine and inspection process, foreign-grown agricultural commodities must have an import risk analysis (IRA) before entering the country. An IRA to determine how and if the risk can be managed can take an average of two years to complete. Australia's "acceptable level of protection" is considered extremely restrictive, making access to the Australian market often difficult, expensive, time-consuming, and in some cases, virtually impossible.

All produce should have an Australian import permit and a U.S. phytosanitary certificate. The import permit can be requested from the Department of Agriculture, Fisheries and Forestry Australia in Canberra, or from the appropriate State Departments of Agriculture, located in the respective State capitals. The permit may specify additional import requirements.

When applying for import permits, as much detail as possible should be provided as to where the product is grown and how it is processed, so that the appropriate advice on treatments can be given without having to request additional information from the U.S. exporter.

All meat and poultry products must be accompanied by an Australian Import Permit and appropriate USDA Animal Health Certificate, and must originate from a plant approved for export to Australia.

U.S. poultry, fresh and frozen, and in-shell eggs cannot be imported due to sanitary restrictions. An IRA was carried out for cooked U.S. poultry, but the resulting cooking times and temperatures are excessively high and would tend to render the product unpalatable. Restrictive plant health regulations prohibit or limit the entry of many fruits and vegetables.

The Australian Quarantine and Inspection Service (AQIS) has a detailed import conditions database on their website, called ICON, at <http://www.aqis.gov.au/icon>. Click on ICON Search and enter the commodity name and end use and conduct a "pattern match" search.

The AQIS site (<http://www.aqis.gov.au>) also contains information on Australian labeling requirements for imported packaged food, requirements for animals and animal products, documents for public comment (including import risk analyses), fee schedules, on-line forms, WTO Sanitary and Phytosanitary notifications, etc. This information is updated daily.

4.12 TRADE STANDARDS

Australia is a signatory to the GATT/WTO Standards Code. Use of quality standards, such as the ISO 9000 series, is increasing. Standards Australia, the national standards body, has a Quality Assessment section and can provide a list of those companies adhering to the ISO 9000 series.

Concern for the affects of industry and work practices on the environment have also led an increasing number of Australian companies to adopt the international environmental standard ISO 14001.

Australia still has in place various standards that can restrict product entry. In particular, telecommunications equipment generally needs to conform to either Australian standards and/or technical specifications set out by the Australian Communications Authority. This may require a product's modification prior to market entry. Safety-related automotive parts and accessories on a vehicle for environmental (EPA) compliance must adhere to Australian Design Rules and Australian automotive standards as well as environmental compliance from the Australian Environmental Protection Agency. However, the supply of OE (Original Equipment) automotive parts must adhere to Quality System QS9000, the system adopted in the U.S. by Ford, General Motors and Chrysler. Certain medical equipment also must be approved prior to use.

Australian electrical voltage is 220-240 Volts, 50Hz cycle, meaning electrical equipment and machines running on electrical cycles must be modified or made for use at this higher (than the U.S. and Europe) voltage level. Transformers can be purchased for electrical items, but this is not common.

Imported consumer products, mainly foodstuffs, should comply with state packaging regulations. States agree that any product, including imports, meeting the legal requirements of one state, may be sold in all other states and territories. State agricultural quarantines prohibit interstate trade of some items.

Both Standards Australia (www.standards.com.au) and the American National Standards Institute (ANSI) in New York (www.ansi.org) have current information on Australian standards.

4.12.1 Free Trade Zones/Warehouses

The Darwin Trade Development Zone (TDZ) is located in Darwin, Northern Territory. The Darwin TDZ is concentrating on developing Australia's trading relationships with its Asian neighbors to the north and west. Since 1986, the TDZ has fostered close working relationships with other Industrial Estates and Export Processing Zones within Asia, particularly Indonesia, Malaysia and China. Industries established include manufacturing of knitted textiles; cardboard and packaging; color repro-graphics; computer software; fish emulsion and plant food; plastics extrusion injection blow molding; and engineering-based manufactures. The Zone also has access to the services of international financial consultants and customs agents.

In December 1997, the Australian Government adopted Manufacturing-in-Bond (MiB), an initiative designed to deliver U.S. Foreign Trade Zone-style benefits to manufacturers located in Australia. A firm with MiB approval is able to import dutiable goods into a licensed/ bonded warehouse, free of duty and tax. If these goods are subsequently re-exported, either in their original or manufactured form, no duty or Goods and Services Tax liability is incurred. Imports brought into the warehouse and subsequently "entered for home consumption" incur duty and GST liability at the time they leave the warehouse.

To obtain a MiB license, applicants must demonstrate a clear intent to use Australia as an export-manufacturing base and that the MiB is important in achieving those manufacturing aims. The decision to grant a MiB license is solely with the Australian Government and is dealt with on its merits. The Steel River facility at Newcastle in NSW was designated as a 'manufacturing-in-bond' site in 1997. It allows export manufacturers to import goods duty-free as long as the products are subsequently re-exported, either in their original or manufactured form.

4.12.2 Special Import Provisions

There are no special import provisions in Australia.

4.12.3 Membership in Free Trade Arrangements

Australia is one of a small number of countries that does not have a free trade agreement with any of the major world economies or economic associations. The Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA - usually abbreviated as CER) came into effect in January 1983 and is the main instrument governing economic relations between the two countries. Now one of the most comprehensive bilateral free trade agreements, it prescribes that all bilateral trade and services originating in the two countries is free of tariffs, quantitative restrictions, anti-dumping measures, production subsidies and like measures.

Australia is a key member of the Asia Pacific Economic Cooperation (APEC) forum, and plays a leading role in promoting trade liberalization. Approximately seventy percent of Australia's exports go to APEC economies.

Australia is also a member of the Cairns Group of 18 agricultural exporting countries. The Group was formed in 1986, and has put agriculture on the multilateral trade agenda. The Australian Minister for Trade chairs the Cairns Group annual ministerial meetings.

The Cairns Group's broad objectives for negotiations on agriculture focus on three key reform areas within the framework of agricultural trade: deep cuts to all tariffs and removal of tariff escalation, elimination of all trade-distorting domestic subsidies and the elimination of export subsidies, and clear rules to prevent circumvention of export subsidy commitments.

4.13 OPENNESS TO FOREIGN INVESTMENT

The Australian Government generally welcomes foreign investment, and the United States is the country's largest source of foreign capital. Australia's foreign investment policy, as laid out in its general investment guidelines, is:

To encourage foreign investment consistent with community interests. In recognition of the contribution that foreign investment has made and continues to make to the development of Australia, the general stance of policy is to welcome foreign investment. Foreign investment provides scope for higher rates of economic activity and employment than could be achieved from domestic levels of savings. Foreign direct investment also provides access to new technology, management skills and overseas markets.

Takeovers of domestic firms by foreign investors, while sometimes generating nationalistic public reaction, are generally not interfered with, and are treated under the same guidelines as any other investment. However, in recent years there has been increasing public and media interest in foreign investment proposals. There are no prohibitions on overseas investment or capital repatriation.

4.14 AUSTRALIAN INVESTMENT POLICIES

4.14.1 The Foreign Investment Review Board

The Federal Department of Treasury regulates foreign investment with the assistance of the Foreign Investment Review Board (FIRB). The Board screens investment proposals for conformity with Australian law and policy. Regulation of foreign investment is based on the Foreign Acquisitions and Takeovers Act, (FATA) 1975 (amended in 1989), and regulations issued pursuant to the Act in 1991 and 1999. A full statement of Australia's foreign investment policy can be found at: <http://www.firb.gov.au/content/publications/annualreports/2001-2002/index.asp>.

The investment screening mechanism administered by the FIRB tracks foreign investment developments through a notification system. If certain criteria are present, specific proposals are examined. The FIRB must be notified of investment proposals in the following categories (note, 1\$A equals approximately 0.66 \$US):

- Acquisitions of substantial interests (15 percent by a single foreigner and 40 percent in aggregate) in existing Australian businesses with total assets over A\$50 million;
- Plans to establish new businesses involving a total investment of over A\$10 million or more;
- Portfolio investments in the media of five percent or more, and all non-portfolio investments irrespective of size;
- Takeovers of offshore companies whose Australian subsidiaries are valued at A\$50 million or more, or account for more than 50 percent of the target company's global assets;
- Direct investments by foreign governments or their agencies, irrespective of size;

Acquisitions of interests in urban land that involve:

- Developed non-residential commercial real estate, where the property is valued at A\$50 million or more (A\$5 million if subject to a heritage listing);
- Accommodation facilities regardless of value;
- Vacant urban real estate regardless of value;
- Residential real estate regardless of value (unless exempt under the regulations); and
- Proposals where any doubt exists as to whether they are notifiable.

The FIRB uses a national interest test to examine foreign investment proposals. Proposals are evaluated according to their consistency with existing government policy and law, where these are taken to define important aspects of national interest (for example, competition policy and environmental laws). Also, national security interests and economic development priorities are considered. However, it is the Federal Treasurer, under the authority of the FATA, who ultimately decides whether or not an investment is contrary to the national interest.

4.14.2 Sector-Specific Regulation

Media

The Broadcasting Services Act of 1992 provides that a foreign person may not exercise control of a television license, or have company interests in such a license exceeding 15 percent; and, two or more foreign persons may not have company interests in such a license exceeding 20 percent in the aggregate. Foreign investors are limited to a 20 percent share individually and a 35 percent share in the aggregate of any subscription TV broadcaster. There are not, however, any foreign ownership and control limits on commercial radio or on other broadcasting services under the Broadcasting Services Act. Foreign investment in mass circulation newspapers is also limited. A single foreigner may hold a minor share of 25 percent and unrelated foreign interests may hold an additional 5 percent, for a total not to exceed 30 percent. Additionally, aggregate foreign interest or direct involvement in provincial and suburban newspapers is limited to less than 50 per cent for non-portfolio shareholdings.

Cross-media control is also limited, restricting the ownership of any combination of commercial TV or radio broadcasting licenses along with a newspaper in the same license area. Both the cross-media and foreign ownership limitations have proven controversial, and are regularly the subject of government review. Parliament recently rejected proposed legislation aimed at removing controls on the foreign ownership of television broadcasting services and providing exemptions to cross media rules in certain circumstances. There are no plans to repeal these ownership provisions at the current time.

Civil Aviation

Under legislation enacted in April 2000, foreign investors (including foreign airlines) may now acquire up to 49 percent of the equity in an Australian international airline (except Qantas), 100 percent of a domestic carrier, or establish a new domestic aviation operation. Under existing bilateral aviation agreements, the limit of 49 percent in any Australian international carrier is based on the commercial risk that such a carrier's ownership structure could see it denied access to a foreign market. In the case of Qantas, existing statutory ownership restrictions imposed when it was privatized are still in place. These limit total foreign ownership of Qantas to 49 percent, ownership by foreign airlines in aggregate to 35 percent, and ownership by an individual (including a foreign carrier) to 25 percent.

Urban Real Estate

The purchase of urban real estate by foreign interests is closely regulated. Prior to April 1, 1993, Australia sought to assure 50 percent equity participation by Australians in all such ventures. Where such participation was not available on reasonable terms and conditions, applications for up to 100 percent foreign ownership were considered. Effective that date, however, the 50 percent requirement for developed, non-residential, commercial real estate was abolished.

Residential Real Estate

All proposals by foreign investors to acquire developed residential real estate are now examined. They normally are not approved except in the cases of foreign companies buying residences for their senior executives living in Australia and foreign nationals temporarily resident in Australia for more than twelve months buying a principal residence for their own use, to be sold upon their departure. For more information on FIRB regulations, please visit the Board's website at: www.firb.gov.au.

4.14.3 Incentives for Investment

Like the U.S., Australia provides no direct federal tax incentives for investment in the country. Incentives that are available apply equally to foreign and domestic investors. Examples include:

- Research and development tax concessions for companies incorporated in Australia;
- The broader "R&D Start" program which provides grants and loans to businesses to develop goods and services with significant commercial/export potential;
- The National Procurement Development program, which provides grants to underwrite the development of Australian products that are required by the public sector and have export potential;
- The Pharmaceuticals Partnerships Program (P3) offers R&D incentive grants to established companies in the pharmaceutical sector. Grants consist of payment of 30 cents per dollar spent on eligible increased R&D activities in Australia above a base level of activity.

Venture Capital Tax Concessions

Capital gains tax exemptions for non-tax-paying foreign entities, such as pension and endowment funds, are applicable beginning on 1 July 2002. The exemptions will initially apply to investors from the U.S., the U.K., Japan, Germany, France and Canada.

Hundreds of major foreign firms invest in Australia across a variety of sectors. The Australian State Governments vigorously encourage investment by offering incentives to multinationals to set up regional headquarters for financial and other services, as well as manufacturing operations. Aimed initially at attracting information technology companies, the campaign has widened in scope to include manufacturing and provision of financial and administrative services for the Asia-Pacific region. The Government touts the benefits of Australia's safe, stable business environment, skilled workforce, and lower facility site and operating costs in comparison to other regional centers, such as Singapore, Hong Kong and Taiwan.

Invest Australia

Invest Australia is the Australian Government's inward investment agency. It is an autonomous agency, managing a whole-of-nation strategy for investment, and actively fosters closer working partnerships with industry and other government agencies. It offers a comprehensive, free and totally confidential service for potential investors, providing all the information needed to establish or expand a business in Australia, such as details of alternative locations, joint venture partners, establishment costs, availability of labor, employee costs and skills, incentives, and taxation issues.

Invest Australia can also help by connecting potential investors with the right industry and government contacts, as well as providing information on investment regulations and Government programs.

4.14.4 Conversion and Transfer Policies

The Australian dollar is a fully convertible currency. The government does not maintain currency controls or limit remittance, loan and lease payments. Such payments are processed through standard commercial channels, without governmental interference or delay.

4.14.5 Expropriation and Compensation

Private property can be expropriated for public purposes in accordance with established principles of international law. Due process rights are established and respected, and prompt, adequate and effective compensation is paid.

4.14.6 Dispute Settlement

Property and contractual rights are enforced through the Australian court system, which is based on English Common Law. There have been no investment disputes involving foreign companies in recent years. Australia is a member of the International Center for the Settlement of Investment Disputes.

Australia has an established legal and court system for the conduct or supervision of litigation and arbitration, as well as alternate dispute processes. The traditional approach to commercial dispute resolution involves litigation, arbitration and more modern methods of alternative dispute resolution. Australia is a world leader in the development and provision of non-court dispute resolution mechanisms. It is a signatory to all the major international dispute resolution conventions and has organizations that provide international dispute resolution processes.

Dispute resolution clauses are used frequently in contracts between Australian and U.S. commercial entities. In sectors such as construction, clauses are inserted routinely into contracts. The clauses may specify the particular process to be used (for example, mediation, followed by arbitration), or simply state that should a dispute emerge, the parties will seek the assistance of the American Arbitration Association and/or the Australian Commercial Disputes Centre. These clauses are upheld by the courts.

4.14.7 Selling to the Government

There are no performance requirements affecting investment, per se. With the expiration of the Industrial Development Arrangements (IDAs) program in the telecommunications field, offsets are no longer required in the civil sector. The use of offsets in defense procurement has been phased out in favor of a policy emphasizing "Australian Industrial Involvement" and "Through Life Support" concepts. Australia has not signed the GATT/WTO

Agreement on Government Procurement, which means that it is not bound by conditions prohibiting specification of locally made product in tenders.

Special Arrangements for Information Technology and Telecommunications Companies

The Strategic Partnerships Industry Development Agreement (SPIDA) requires all companies wishing to supply Information and Communication Technology (ICT) products and services to the federal government (including subcontractors and resellers) to be endorsed under the Endorsed Supplier Arrangement (ESA). Companies supplying more than A\$10 million in ICT goods and services will be required to commit to industry development activities (such as research and development, export and value-added manufacturing initiatives, and technology transfer). For more information on the Strategic Partnerships Industry Development Agreement Program, please visit www.dcita.gov.au.

Endorsed Supplier Arrangements

Recent changes to Australian Government procurement policies have seen a significant decentralization of purchasing procedures. Under a re-styled Endorsed Supplier Arrangement (ESA), companies wishing to supply information technology (IT) products, major office machines (MOM), commercial office furniture and auctioneering services to the Australian Government must gain endorsement. For IT and MOM suppliers, an industry development component requires evidence of product development, investment in capital equipment, skills development and service support, and sourcing services and product components, parts and/or input locally. In addition, applicants must demonstrate performance in either exports, research and development, development of strategic relationships with Australian or New Zealand suppliers/customers, or participation in a recognized industry development program.

Government Business Enterprises

Since 1993, the Australian Government has required Government Business Enterprises (GBEs), which are wholly government owned or majority government owned companies such as Telstra and the Civil Aviation Authority, for example, to consider "industrial development objectives" in their procurement activities. These objectives include such considerations as local content and export potential. The objective is to allow "local companies, the maximum opportunity to compete for government business consistent with the commercial objectives of GBEs and the need to obtain value for money".

Local Industry Development Impact

As the only major industrialized country that is not a signatory to the WTO Plurilateral Agreement on Government Procurement, Australia is not bound by conditions prohibiting the specification of locally made product in tenders. The Australian government has, however, participated in the WTO Working Group on Transparency in Government Procurement. With the exception of New Zealand, under the Australia and New Zealand Government Procurement Agreement, many of Australia's Commonwealth and State government procurement practices discriminate against overseas suppliers. Government procurement is explicitly directed toward industry development, social or economic objectives.

The Australian government procurement market is estimated to be worth more than 20 percent of GDP annually. Of this, around 80 percent is defense and defense related. The non-defense procurements are worth around \$ 15.3 billion annually. In principle, U.S. suppliers would have the opportunity to compete on an equal footing for these procurements if existing discriminatory practices were eliminated. The Australian Government is committed to sourcing at least 10 percent of its purchases from Australian small-to-medium sized enterprises. The Government requires tenders for major procurement projects worth A\$10 million or more to include industry development objectives in tender documents, with model guidelines to be developed in consultation with industry.

Export Market Development Grants (EMD)

EMD grants are provided to reimburse partially (up to 50 percent) Australian residents who have incurred eligible expenditures (minimum of A\$15,000 over two years) while developing overseas markets for Australian products and

services. The scheme is targeted toward businesses with a total turnover of less than \$A30 and provides for a maximum grant of \$A 150,000. Access to EMD Grants is determined, in part, by the degree of local content contained in the product to be exported. To qualify, goods manufactured, produced, or assembled in Australia must contain at least 50 percent local content. For goods assembled outside Australia, 75 percent of components must have at least 50 percent Australian content.

4.15 RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

As a general rule, foreign firms establishing themselves in Australia are accorded national treatment. They are not required to seek government permission to establish and own businesses unless their proposed activity triggers tests established in law and regulation that require notification/review by the FIRB. These FIRB requirements are a matter of public record and are available upon application to FIRB.

If they wish, firms may seek "naturalization" (conversion to full Australian, as opposed to foreign, status). To be naturalized, a firm must be at least 51 percent Australian-owned; have articles of association must providing for a majority of its board to Australian citizens; and must reach an agreement with the Government regarding the exercise of voting powers in respect of the firm's business in Australia. The only practical advantage of naturalization is relief from the requirement that the FIRB be notified of proposed investment activities.

In general, participation in privatization schemes is regulated in accordance with overall investment policy. The Qantas privatization, for example, was limited by the statutory restrictions on foreign investment in civil aviation, as discussed above. Most sectors are uncontrolled and are open to full foreign participation.

4.15.1 Protection of Property Rights

Australian law protects patents, trademarks, designs, copyrights and integrated circuit layout rights. Australia is a member of the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Geneva Phonogram Convention, the Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations, and the Patent Cooperation Treaty.

IP Australia is the Australian government agency responsible for registrations of patents, trademarks and designs. Contact details for IP Australia are: Tel: 61-2 6283-2000 or 2211; Fax: 61-2 6285 4149; or www.ipaustralia.gov.au, (Send items to the attention of: Director-General, Commissioner of Patents and Designs, or Registrar of Trade Marks). For copyright matters contact the Intellectual Property Branch, Attorney-General's Department at: Tel 61-2 6250-6313; Fax 61-2 6250-5929; or at www.law.gov.au.

Patents, Trade Secrets, Designs

Patents are available for inventions in all fields of technology and are the principal system for protecting ownership of any device, substance, method or process that is new or inventive. They are protected by the Patents Act of 1990, which offers coverage for 20 years, subject to renewal. An application for patent in Australia provides international priority rights if applications follow in overseas jurisdictions within 12 months. Since 1 April 2002, inventions made public before application for a patent are given 12 months grace from the date of their disclosure during which an application for patent can be made.

During 1998 Australia implemented a system to protect test data submitted to regulatory authorities for marketing approval of pharmaceuticals. In 1999, the Parliament enacted legislation providing five years of protection of test data for the evaluation of a new active constituent for agricultural and veterinary chemical products. No protection is provided for data submitted in regard to new uses and formulations. Trade secrets are protected by common law.

Design features, such as shape or pattern, can be protected from imitation by registration under the Designs Act of 1906 for up to 16 years. An important aspect of a design is that it must be applied industrially. Registration cannot be granted for a design that is purely artistic. Only the owner of the design can make an application for registration.

Trade Marks

Trademarks may be protected for ten years and renewed indefinitely, upon request by registration under the Trade Marks Act of 1995. Once used, trademarks may also, without registration, be protected by common law; however registration with IP Australia does make enforcement easier. It is wise for any U.S. exporter intending to market a product in Australia to check with the Trade Marks Office at IP Australia to ensure that its mark or name is not already in use.

Copyrights

Copyrights are protected under the Copyright Act of 1968. Works do not require registration, and copyrights automatically subsist in original literary, artistic, musical and dramatic works, film and sound recordings. Copyright protection is for the life of the author plus 50 years. The Australian Copyright Act provides protection for public performances in hotels and clubs and against video piracy and unauthorized third-country imports.

Computer programs are considered literary works under Australian law. However, the Copyright Act permits the copying and decompilation of computer programs in certain circumstances, such as for the purposes of interoperability, error correction, and security testing.

Copyrights and Parallel Imports

The term parallel imports refers to the importation into Australia of legally manufactured products by someone other than a person or firm having exclusive distribution rights in Australia. Previously, importation of products subject to copyright could not be undertaken without license from the copyright owner, and their parallel importation was prohibited. However, since 1991, Australian law permitted parallel importation of books in a few, strictly limited circumstances, such as when newly-published works were not made available in Australia within 30 days of first publication.

In July 1998 the Australian Parliament enacted amendments to the Copyright Act removing the prohibitions on parallel imports of sound recordings. During the same year it also removed the restrictions, effective from June 2000, on imports of branded goods (e.g. clothing, footwear, toys, and packaged food) without a license.

In April 2003, Australia adopted legislation removing parallel import restrictions on books, periodicals, sheet music, enhanced CDs, computer software, and some electronic games.

4.16 TRANSPARENCY OF THE REGULATORY SYSTEM

Australia subscribes to the 1976 declaration of the Organization for Economic Cooperation and Development (OECD) concerning international investment and multinational enterprises. The instruments cover national treatment and investment incentives and disincentives, and spell out voluntary guidelines for the conduct of multinational enterprises in member countries. Australia also subscribes to two OECD codes of liberalization, covering capital movements and the other invisible transactions.

Both Australian law and government practices foster transparency and favor competition. Taxation policy does not impede the efficient mobilization and allocation of investment, although there are a number of differences between the U.S. and Australian tax systems that have potential implications for business. Businesses are advised to seek counsel from accounting and law firms familiar with the tax policies of both countries.

In early 1990, the Australian Taxation Office and the Internal Revenue Service formalized a simultaneous audits agreement to investigate suspected non-compliance with tax laws of both countries. The U.S. and Australia Double Taxation Treaty affects business investment between the two countries. The Treaty, effective since 1983, applies to federal income tax of the U.S., excluding accumulated earnings tax, personal holding company tax and Australian income tax. Separate agreements apply to gift and estate taxes.

Australia and the United States concluded negotiations to amend the bilateral tax Treaty in September 2001. The revised treaty allows for reduction of the rate of dividend withholding tax on U.S. subsidiaries and branches of Australian companies. Another treaty would also prevent double taxation of capital gains derived by U.S. residents from interests in Australian entities while retaining Australian taxation rights. The new Protocol also reduces the rate of withholding on royalty payments from ten percent to five percent. More information on the new Protocol can be found at <http://www.treas.gov/press/releases/po640.htm>.

The Controlled Foreign Corporation and Controlled Foreign Trusts legislation, effective July 1, 1991, provides for taxing income that accrues to corporations or trusts, arranged after residency is established.

4.16.1 Political Violence affecting Investment

As in all liberal democracies, political protests in the form of rallies, demonstrations, marches and public conflicts between competing interests, form an integral part of Australian cultural life. Australian protests cover the broad range of current issues and interests, including ethnic and aboriginal concerns, immigration/detention of refugees, community and environmental issues, and denunciations of government policies, to name a few. Such protests, while often vociferous, rarely degenerate into violence.

4.16.2 Corruption

Australia maintains a thorough system of laws and regulations designed to counter corruption. In addition, the government procurement system generally is transparent and well regulated, thereby minimizing opportunities for corrupt dealings. Accordingly, corruption has not been a factor cited by U.S. businesses as a disincentive to investing in Australia or to exporting goods and services here. Non-governmental organizations such as Transparency International that monitor the global development or anti-corruption measures operate freely in Australia.

Australia is an active participant in international efforts to end the bribery of foreign officials. Legislation to give effect to the anti-bribery convention stemming from the OECD 1996 Ministerial Commitment to Criminalize Transnational Bribery was passed in 1999. Legislation explicitly disallowing tax deductions for bribes of foreign officials was enacted in May 2000. At the federal level, enforcement of anti-corruption laws and regulations is the responsibility of the Attorney General's Department.

4.16.3 Bilateral Investment Agreements

Australia subscribes to the 1976 declaration of the Organization for Economic Cooperation and Development (OECD) concerning international investment and multinational enterprises. The instruments cover national treatment and investment incentives and disincentives and spell out voluntary guidelines for the conduct of multinational enterprises in member countries. Australia also subscribes to two OECD codes of liberalization covering capital movements and the other invisible transactions. The Government maintains a limited reservation under the Capital Movements Code because FIRB practice historically favored the use of Australian contractors and consultants when reviewing foreign investment proposals.

4.16.4 OPIC and Other Investment Insurance

Australia provides foreign investment insurance to its firms investing abroad through the Export Finance and Insurance Corporation (EFIC). The U.S. Overseas Private Investment Corporation (OPIC) does not extend coverage to Australia as it is not a high-risk or developing country.

4.16.5 Labor

Collective bargaining at the enterprise level has replaced centralized arbitration as the principle method for determining employment conditions in Australia. However determinations of the Australian Industrial Relations Commission (AIRC), also known as "Awards", remain an important feature of Australia's labor relations system as an enterprise agreement will not be registered if the employees are worse off than they would be under the terms of the relevant award. The 1996 Federal Workplace Relations Act (WRA) has reduced the number of employment conditions that can be included in awards. The WRA has also limited the AIRC's role in conciliation and arbitration of industrial disputes, instead emphasizing its role in registering enterprise agreements and adjusting the Federal minimum wage.

The WRA also provided for a type of individual employment contract, called Australian Workplace Agreements (AWAs). AWAs are more complicated than most American employment contracts, as they are required to contain conditions roughly equivalent to those in the relevant award and must also ensure that the employee is no worse off than they would be under the award. Although the WRA makes provision for AWAs, a 2002 Australian Bureau of Statistics (ABS) survey revealed that they were not the private sector's favored form of an individual employment agreement. The survey reported that of the 42 percent of the workforce who had their pay set by individual agreements, 93 percent of those agreements were not registered. Almost 50 percent of private sector employees had their pay set by an unregistered individual contract.

Australia operates a system of compulsory savings for retirement called "superannuation". This compulsory defined-contribution pension fund differs significantly from the U.S. Social Security system since it is privately run, and firms and their employees choose which investment company or companies will administer the funds. In 1986, the union movement successfully campaigned to ensure that AIRC awards included a requirement that employers make contributions to jointly managed union-employer "superannuation" trust funds. By 1992, 70 percent of the workforce was covered by award superannuation. To ensure superannuation savings were provided to employees not covered by awards, the Federal Government legislated compulsory superannuation requirements in 1992 and the range of superannuation investment products increased as banks and investment companies entered the market. From July 1, 2002, employers were required by law to contribute a minimum of nine percent of each employees' base salary into a superannuation account for each employee and employees can choose to make additional contributions. The government provides tax benefits on personal superannuation deductions to encourage individuals to increase their superannuation savings. There is an emerging trend for the negotiation of more generous superannuation plans, along with other benefits, as part of overall compensation packages for executives.

The Federal Government is opposed to most schemes proposed by the unions and the Australian Labor Party (ALP). As an alternative, the government established a taxpayer-funded scheme, called the General Employees Entitlements Redundancy Scheme (GEERS) in 2001. GEERS would provide employees who have lost their entitlements when their employer's business collapses with a specified entitlement benchmarked against the community standard. Unions have argued that workers should receive their full entitlement and that payments under GEERS would be insufficient. In the face of opposition from the union movement, the State and Territory governments, which are now all controlled by the ALP, have refused to contribute money to the Federal scheme. Under the GEERS scheme the government stands in the place of a collapsed business and pays the employees out of the GEERS fund. Employees currently stand ahead of unsecured creditors but behind lenders with fixed security in the creditors queue following a

company collapse. The government's budgetary position is exposed to higher risk when the GEERS pays out more to employees than it is able to recover from the collapsed business.

The Australian Government is nominally a party to all International Labor Organization (ILO) conventions. While the current Government does not regard ratification of ILO conventions as a high priority, the Australian government has expressed its intention to proceed towards ratification of ILO convention 182, which concerns the elimination of the worst forms of child labor. At this stage, technical details concerning the conformity of Federal, States and Territories' laws remain to be resolved before the Government can proceed with ratification of the convention. During 2001, the Australian Government was the continued subject of complaints to the ILO applications committee by the International Confederation of Free Trade Unions (ICFTU) and the ACTU about the Government's key piece of industrial legislation, the 1996 Federal Workplace Relations Act. The ICFTU has called on the Government to amend the Act to remove elements that it says violate ILO conventions on the right to collectively bargain and to organize labor. The Government continues to reject the ILO recommendations and criticisms of its labor laws.

4.16.6 Free Trade Zones (FTZ) and Free Ports

The Darwin Trade Development Zone, Northern Territory, is Australia's attempt to increase exports via a geographically defined free trade zone. Incentive packages, individually tailored for each prospective company, include subsidies for many up-front property, plant, and equipment costs, as well as relocation assistance. In practice, the Darwin initiative is focused almost exclusively on its Asian neighbors to the North and West.

The Commonwealth Government introduced the "Manufacturing-in-Bond" (MIB) scheme in 1997. This allows export manufacturers to import componentry and materials free from up-front customs, excise and sales tax charges, as long as goods produced are subsequently exported. Goods become subject to duties and taxes if removed for sale or use in Australia.

4.17 TRADE AND PROJECT FINANCING

4.17.1 The Banking System

Since the early 1980's, both state and federal governments have been divesting themselves of their banking interest as part of an economy-wide trend of deregulation and privatization. There are now no government-owned banks in Australia. The State Bank of New South Wales merged as far back as 1982 with the Victorian-based Commercial Bank of Australia Ltd to form the Westpac Corporation.

Westpac is one of the banks associated with the Federal Government's Four Pillars Policy. The other local banks are the National Australia Bank (NAB), the Australia New Zealand Bank (ANZ) and the Commonwealth Bank. The Four Pillars Policy was termed in the middle 90's, as there was much talk at the time about a potential merger of two of these companies. The Federal Government, fearful of a potential erosion in competition, at least at the retail level, effectively banned mergers between these institutions.

While the banking system in Australia is reliable and transparent, there are structural and operational differences between it and the American system. Historically, Australian banks have not operated under the restrictions that limited U.S. bank operations between 1933 and the repeal of the Glass-Steagall Act. In Australia, the distinction between retail banks and investment banks has become increasingly blurred.

The Australian banking system is undergoing progressive deregulation and privatization. Beginning with deregulation in the 1980s, foreign banks have been allowed to enter the financial market. Retail banks, in general,

now provide a wider range of financial services, including life and general insurance, stock brokering and security underwriting to retail customers, in addition to making corporate and consumer loans. This places them in competition with brokerage houses and merchant banks.

In early 1992, the Australian Government further liberalized the banking system by abolishing limitations on the number of foreign bank licenses. This permitted non-Australian banks to operate as branches to serve the wholesale market. However, retail banking activities may be conducted only through a locally incorporated subsidiary.

Changes brought about as a result of recommendations by the 1997 Wallis inquiry into the Australian financial system established the Reserve Bank of Australia's (RBA) key roles as monetary policy, systemic stability and payments system regulator. Prudential regulation of banks, insurance companies, superannuation (pension) funds, credit unions, friendly societies, and building societies became the responsibility of the Australian Prudential Regulation Authority (APRA). APRA regulates 14 Australian-owned banks, 12 foreign subsidiaries, 24 foreign branches, 18 building societies, 205 credit unions, and approximately 11,537 superannuation entities (the Australian Taxation Office (ATO) regulates 187,000 smaller superannuation funds)

Other changes to the Australian banking system brought about by the Wallis Inquiry include:

- Creating the Payments System Board within the Reserve Bank to supervise the opening of the payments system to non-banks, including companies outside the financial sector;
- The charging of the Australian Competition and Consumer Commission (ACCC), an independent federal regulatory agency similar to the U.S. Federal Trade Commission, to carry out prices surveillance, monitoring restrictive trade practices, and provide non-financial consumer protection.

4.17.2 Foreign Exchange Control Risks

Australia does not restrict the flow of currency into or out of the country. There are, however, cash reporting obligations under the Cash Transaction Reports Act (CTRA). International currency transfers of A\$10,000 or more must be reported to the Australian Transaction Reports and Analysis Center (AUSTRAC), to control tax evasion and money laundering. AUSTRAC does not inhibit normal currency transfers associated with international trade.

The Australian dollar has been allowed to float since 1983. The currency is freely convertible, and exchange rates are determined by international demand and supply. Official policy is not to defend any particular exchange rate level. Intervention by the Reserve Bank is minimal and is exercised only to moderate any extreme foreign exchange market volatility. Transactions in foreign exchange are made through authorized foreign exchange dealers, including trading banks and most merchant banks. There are no specific restrictions regarding the remittance of profits, dividends, or capital.

4.17.3 Financing Export Strategies

The major finance companies, which control about three-quarters of the total assets of the industry, are owned wholly or predominantly by the major trading banks. Commercial banks are the major source of medium-term loans. A wide range of merchant banks operate in Australia, many of which are associated with some of the world's largest financial institutions. They also provide short-to-medium term funding.

Venture capital is usually available from management and investment companies, which are funded by tax-deductible capital subscriptions. Other alternatives include obtaining funds from finance companies (including leasing arrangements), building societies, credit cooperatives or unions, insurance companies, pension and superannuation funds, and cash management trusts.

The larger finance companies obtain their funds mainly by public issues of debentures and unsecured notes, with terms of up to five years. Long-term financing, generally, is supplied by syndicated Australian and overseas bank lending. A specialized market exists for direct borrowing and lending on an unsecured basis between large, well-established companies. Factoring of book debts can be arranged with finance companies, but is not widespread.

Unlike their U.S. counterparts, Australian banks are free to participate in virtually all forms of financial services, including overdrafts (a traditional form of borrowing), fixed-term loans, commercial bills of exchange, letters of credit, domestic and international debt and equity issues, underwriting, leasing and Eurocurrency borrowing. Increasingly, financial services to business are also provided through a wide range of non-bank institutions.

4.17.4 How to Finance Exports and Methods of Payment

As in other industrialized countries with mature financial systems, Australia has a range of export finance methods available. The method chosen should depend upon the individual circumstances of the transaction.

Cash in Advance

The exporter demands cash in advance before exporting. This is the least popular method used. It is acceptable if the client does not have access to other forms of financing.

Letters of Credit

Payment is guaranteed by the issuing bank. A confirmed letter of credit guarantees payment by a foreign bank as well. This is a very secure form of payment and is used frequently for unknown clients, or those perceived to be risky accounts.

Commercial Bills of Exchange

Sight and time drafts and cash against documents. These bills of exchange are processed through the exporter's and importer's banks. The banks do not guarantee payment, but will not release shipping documents until the terms of the bill of exchange are met.

This is the most widely used form of trade finance, but the risk is higher than a letter of credit, as the importer may refuse to pay. The exporter should obtain credit references or have had a long-standing relationship with the importer before offering this form of financing. Importers prefer this method because it does not affect their cash flow or tie up commercial credit lines.

Open Account

Under an Open Account, the exporter ships the goods and sends a bill for payment. These accounts are used widely, particularly with shipments to U.S. subsidiary operations in Australia. Because this is the least secure form of financing, it is also used for the very best and long-established accounts.

The majority of Australian import from the U.S. carry payment terms of 30 to 180 days from the date of the shipping documents. Importers normally request terms, the cost of which should be built into the export price. Importers prefer extended terms to allow them to receive, inventory and sell the goods before paying. They may also wish to use the exporter's credit.

4.17.5 Financing Exports

Several U.S. Government agencies, as well as state and local bodies, offer programs to assist exporters with their financing needs. Some are guarantee programs that require the participation of an approved lender; others provide loans or grants to the exporter, or to a foreign government. Many financing and guarantee programs apply only to high-risk or developing countries. Therefore, most business dealings with Australia do not qualify for coverage. Exporters should seek counseling on availability of these U.S. Government programs in Australia.

The Export-Import Bank of the United States (Eximbank) is the federal government's trade finance agency, offering numerous programs to finance and facilitate U.S. exports through loans and providing guarantees and insurance for loans from commercial sources. Although Australia participates in Eximbank programs for major projects, such as commercial aircraft sales, there is relatively little Eximbank activity in Australia.

Other organizations fill various market niches. The Private Export Funding Corporation (PEFCO) is owned by a group of large banks and makes Eximbank-guaranteed loans to foreign purchasers of U.S. goods. The U.S. Department of Agriculture offers a variety of programs to foster agricultural exports. The U.S. Small Business Administration addresses the international trade needs of small exporters.

Because Australia is an industrialized country and a donor nation to the multilateral development banks (MDBs), lending institutions such as the World Bank and the Asian Development Bank do not operate here. Like other prosperous countries, Australia has a large pool of private funding available for debt financing of projects.

World Bank and Asian Development Bank support for development projects in the developing countries of Asia provide opportunities for American/Australian consortia to compete for MDB-funded contracts in these countries. Australian companies often have established relationships in the region and are in a strong position, when teamed with U.S. companies, to offer very competitive bids and performance qualifications.

4.17.6 Project Financing Available

A number of national and international financial management companies practice in Australia. These companies provide the complex financial structuring services required to fund projects, using the most competitive package available for a particular project. Long-term debt can be financed from a variety of sources and methods. These include:

- Banks
- Financial institutions
- Retail investors
- Government loans
- Export credit agencies
- Credit enhancement agencies
- Bonds
- Formation of national and international banking consortia
- BOOT (Build, Own, Operate and Transfer)
- Direct investment by local and international companies
- Formation of loan syndicates

- Formation of joint ventures

Project financing includes finance made available by non-participants (i.e., loan funds by financial institutions) and finance provided by participants (that is, shares in a stock company), as well as a host of hybrid arrangements. U.S. companies participate actively in all types of project financing in Australia.

Traditionally, banks have provided project finance term debt and currently are the only source of project credit. While other sources might fund project loans, funding is undertaken only on the basis of bank credit enhancement, through a bank guarantee or letter of credit. However, the development of new and innovative funding mechanisms is a key element in financing projects and infrastructure development, as public projects at the federal, state and local levels are made available for privatization.

4.17.7 Banks with Correspondent U.S. Banking Arrangements

All major banks in Australia have correspondent relationships with U.S. banks. (See Chapter 11, Section F).

4.18 TRAVEL ISSUES

American business travelers to Australia typically do not encounter any particular difficulties. Visitors should make preparations as they would when traveling in the U.S., using normal reservation services for travel and accommodation, plus taking into account the requirement to have either an Electronic Travel Authority (ETA) or a valid Australian visa. ETAs are now available via the Internet at www.eta.immi.gov.au.

Travel time from the U.S. to Australia is comparable to that of other Asian destinations, a 14-hour non-stop flight from the West Coast, with a choice of flights on several international airlines including United Airlines, Qantas Airways and Air New Zealand. Most departures from the U.S. leave in the evening and arrive in Australia early in the morning, with a day lost at the International Date Line. Travel to or from the rest of Asia, Europe, South America and South Africa is also convenient. Around 30 international airlines fly into Australia every week, from 37 countries around the globe.

Frequent interstate flights connect the five major Australian cities. Savings are available on domestic airfares when purchased in conjunction with international tickets. Australia has a very extensive and efficient domestic transportation system, including air, rail, coach, sea, chauffeured and rental cars, and urban public transport between cities and country areas. Air transport has become even more competitively priced with the operation of Virgin Blue on major air routes.

Australia is becoming well known as a travel destination. The Australian Tourist Commission, Australia's national tourist office, has a presence in Los Angeles. The Commission can assist with travel advice and information on where to go and what to do and see.

Australia is a sought-after international destination for conventions, corporate meetings, and corporate incentive travel. Australia is rated fourth in the world for the number of international conventions and business meetings held each year. Its convention centers and trade show facilities in capital cities and resort areas offer state-of-the-art technology, some accommodating as many as 10,000 delegates. Many executives and conference delegates extend their stays in Australia with a holiday.

4.18.1 Business Customs

Doing business in Australia is comfortable for American companies because the language, cultural environment, business practices and customer expectations are very similar. Business etiquette is similar to the U.S., with attention paid to advance planning, promptness, punctuality, and follow through.

Australians are personally gracious, yet informal and direct in their business dealings. Very soon after meeting, Australians do business on a first-name basis. Business cards are exchanged for information purposes, but without any special ceremony. Token gift exchange is not common. Luncheon and breakfast meetings are common, and Australians do not typically schedule business functions on weekends, which are dedicated to family and friends. Normal business attire is worn in the cities, with country areas being slightly more informal.

4.18.2 Time Zones

Australia's three time zones, Eastern, Central and Western, are parallel to those in Asia. Eastern Time (Sydney, Melbourne, Canberra, Brisbane, and Cairns) is one hour ahead of Tokyo. The reversal of the seasons (and hence of daylight saving time in the Northern and Southern Hemispheres) complicates the time zone calculation. Not all Australian states have daylight saving time. Between the months of April and October, when it is 8:00 am in New York and 11:00 am in Los Angeles, it is 10:00 pm in Sydney and 8:00 pm in Perth. From November to March, at 8:00 am in New York, it is 12:00 am (midnight) in Sydney and 9:00 pm in Perth.

International Air Travel Times

- Los Angeles to Sydney - 14 hrs
- New York to Sydney (via Los Angeles and San Francisco)- 21 hrs
- (via Japan) 25 hrs
- Honolulu to Sydney - 9 hrs
- Tokyo to Sydney - 9 hrs
- Hong Kong to Sydney - 9 hrs
- Singapore to Sydney - 8 hrs

Air Travel Times within Australia

- Sydney to Melbourne - 1 hr
- Sydney to Brisbane - 1 hr
- Sydney to Perth - 4 hrs
- Sydney to Canberra - 35 mins
- Melbourne to Brisbane - 2 hrs
- Melbourne to Perth - 4 hrs
- Brisbane to Perth - 6 hrs

4.18.3 Visas

A valid U.S. passport and either a visa or an Electronic Travel Authority (ETA) are required for Americans traveling to Australia for business and/or leisure. Visas can be obtained from Australian Embassies, High Commissions and Consulates. They are also available, in ETA form, via the Internet (www.eta.immi.gov.au) and from participating U.S. travel agents and airlines when making travel arrangements. The Australian Embassy has a list of participating travel agencies. U.S. citizens traveling to Australia should note that the ETA can only be obtained in the U.S.

Requirements for work and resident visas are more stringent. The nearest Australian visa office should be contacted well in advance. Visas are issued by Australian Embassies and Consulates.

4.18.4 Holidays

Australians tend to take their annual vacation in December and January, combining Christmas/New Year celebrations with the long summer school vacation period. Consequently, business slows down and it is usually difficult to make appointments during this time. Business travelers should be certain that their contacts will be available during this period before scheduling trips.

Listed below are the national public holidays observed in Australia, Easter being the only holiday that changes each year. Some holidays may vary from state to state with individual states also having their own public holidays. For example, all states have a public holiday for the Queen's Birthday and Labour Day, but the dates vary from state to state.

- New Year's Day -- January 1
- Australia Day -- January 26
- Good Friday -- April 9, 2004
- Easter Monday -- April 12, 2004
- Anzac Day -- April 26, 2004
- Christmas Day -- December 25
- Boxing Day -- December 26

4.18.5 Infrastructure for Conducting Business

Business Hours and Banking

Office business hours generally are 9:00 am-5:00 pm, Monday through Friday. Retail shops increasingly keep longer business hours, and all city centers have evening shopping at least one day per week, along with Saturday and (in most areas) Sunday. However, Australia has not yet gone to the 7-day/24-hour shopping mode characteristic of most of the U.S. Banks are open to the public from 9:00 a.m. to 4:00 p.m. (some later), Monday through Friday, with 7-day/24-hour ATM service. Restaurants and convenience stores are commonly open for extended hours.

Currency

Australia's unit of currency, the Australian dollar (A\$), is freely traded. The conversion rate is variable. Travellers' checks are accepted widely. Currency can be exchanged easily at international airports and most major banks, and ATM machines linked to Cirrus and other international networks are readily accessible. There are no major

restrictions on importing or exporting currency or travelers checks to/from Australia, although a customs declaration is filed when taking out large amounts of cash.

Credit Cards/ATMS

Most international credit cards are accepted in Australia and, as in the U.S., can be used for purchases of goods and services and to confirm hotel and other travel arrangements. ATM machines have most international cash access systems available so that travelers can withdraw cash directly from U.S. accounts.

Telephones and Facsimiles

Australia's telecommunications infrastructure is excellent; national and international prices continue to decline as competition increases. Services to businesses include Internet access, ISDN, voice messaging, and facsimile. The use of phone cards is common, and most major international phone cards can be used. Phone cards can be purchased locally from numerous retail outlets.

Australia runs both GSM and CDMA networks. GSM is provided by Telstra, Optus and Vodafone, while CDMA services are provided by Telstra and Orange. Users of either technology should receive wide coverage across Australia. Mobile phones are available for rent from locations at the airport and in the major city centers.

Internet access is widely available at airports, hotels, and Internet cafés. Facsimile services are also available for public use in post offices, hotels, and some news agencies.

Cellular Phones

In Australia, "cellular phones" are known as "mobile phones". Australia currently uses two international digital standards for cellular mobile telephones, GSM and CDMA. You will need to make prior arrangements with your communications carrier or service provider to ensure you are able to use your cellular phone in Australia. You are also advised to check if your cellular phone equipment is safe to operate in Australia. Power voltage is 240 volts/50Hz. For further information, see the Australian Communications Authority website at www.aca.gov.au.

Mobile phones are available for rent from locations at the airport and in the major city centers.

Postal and Courier Services

Australia Post supplies modern and efficient postal services within Australia and overseas. Express delivery and insured service is available. Domestic and international faxes can be sent from post offices. Several international courier services operate from major cities, offering express worldwide delivery of documents and packages.

Hotels and Business Services

The business traveler to Australia can choose from a full range of hotels, from budget to five star international standard. Bookings for major chains can be made before leaving the U.S. Accommodation ranges from standard rooms to elaborate suites. Serviced apartment/hotels, with kitchens and living rooms, are available in the major cities and resorts. Most large hotels offer a full range of business and communications services, including e-mail, fax, word processing and copying. Temporary office suites are available for short-term rental.

Rental Cars and Local Transportation

As in Britain and most of Asia, Australians drive on the left side of the road. Major U.S. and Australian car rental agencies operate throughout the country. Reservations can be made through airports, hotels, travel agents or directly, using a credit card and a U.S. or international driver's license. Public transportation is well developed throughout urban areas. Comfortable and convenient bus, rail, and air services are available between cities and country towns.

Electrical Power

Voltage in Australia is 220-240V, 50 cycles. Three-pronged conversion plugs are available widely in retail stores. Voltage transformers, to convert American 110V appliances are available, but not often found. Dual-voltage devices are more practical.

Taxes and Customs Duties

On July 1, 2000, the Australian Government introduced a ten percent General Services Tax (GST) to replace various wholesale sales taxes. The GST is charged upon the purchase of generally all goods and services in Australia, including hotels and restaurants, and on goods imported into Australia. Tourists may be able to claim a refund at the airport upon departure from Australia for GST paid on goods purchased in Australia to be taken out of the country. Conditions apply and further details on the Tourist Refund Scheme can be obtained from information brochures available at the airport upon arrival, or from the Australian Customs Service Web site: www.customs.gov.au.

Health

Australia has no notable health risks and public tap water is safe to drink. There are active campaigns to encourage the population to protect themselves from sun exposure and AIDS. Medical and dental services, and all types of health facilities, are comparable with those in the U.S. Visitors can receive medical attention easily, but may be required to pay for services immediately, by cash or credit card. Therefore, visitors should have their own health insurance arrangements in the U.S. from which to seek reimbursement.

Food and Drink

Australia's reputation as a world gourmet destination is growing, as awareness spreads of Australia's abundance of fresh, pure, and prime quality fruits, vegetables, meats, seafood, dairy products, specialty cheeses and fine wines. Australia's cultural diversity provides a broad choice of cuisine, and modern Australian chefs are reaching new heights of creativity. The coastal cities are renowned for fresh seafood, and the traditional Australian barbecue (barbie) is a way of life. Australia is winning international wine awards and its wine industry's export earnings are growing exponentially.

Cultural Opportunities

Australia's vibrant, multicultural society offers cultural events to suit every preference. In major cities, opera, ballet, and theater companies perform throughout the year. Typically, there are a myriad of art exhibitions, music festivals and concerts. Country towns often stage annual agricultural, food and wine festivals, and ethnic groups hold their own celebrations. Sports of all types are well supported, in particular, the four football codes (Australian rules football, rugby league, rugby union and soccer) and cricket.

Requirements for Temporary Entry of Personal Computers, Software, Exhibit Materials and Related Items

There are no restrictions to the temporary importation of personal computers and software applications for use in normal business situations, nor does Australia have restrictions on encryption based-software. In most cases, items imported for the sole use of exhibiting at local trade fairs are not subject to import duties.

Commercial goods brought into Australia with the intention of being sold will be subject to the normal rates of duty and sales tax, where applicable. Goods, commercial or personal, which are brought into Australia to remain temporarily, may be admitted duty and tax free, subject to certain conditions. Carnets may be obtained for temporary duty-free entry of goods, such as commercial samples, jewelry, goods for international exhibitions, equipment for sporting events, professional television and film equipment, etc.

Before you arrive in Australia, you are advised to check if your communications equipment (for example, mobile phone, fax machine, wireless microphone, notebook computer) is safe to operate in Australia. Power voltage is 240 volts/50Hz.

For further information: www.customs.gov.au.

4.18.6 Country-Specific Travel Information Web Sites

- Visa information -- www.eta.immi.gov.au
- Australian Tourist Commission -- www.australia.com
- New South Wales Tourist Commission -- www.tourism.nsw.gov.au
- Victorian Tourist Commission -- www.visitvictoria.com
- Queensland Tourist and Travel Corp. -- www.queensland-holidays.com.au
- South Australian Tourist Commission -- www.southaustralia.com
- Western Australian Tourist Commission -- www.westernaustralia.net
- Northern Territory Tourist Commission -- www.nttc.com.au
- Tourism Tasmania -- www.discovertasmania.com.au
- Australian Capital Territory -- www.canberratourism.com.au

4.18.7 Commercial Service/U.S. Embassy Contacts

Business travelers to Australia seeking appointments with U.S. Embassy/Consulate officials should contact the U.S. Commercial Service in Sydney, in advance. The U.S. Commercial Service can be reached by telephone at 61-2-9373-9205; fax: 61-2-9221-0573; or e-mail: sydney.office.box@mail.doc.gov.

4.18.8 U.S. Government Web Sites in Australia

- U.S. Commercial Service -- www.buyusa.gov/australia
- American Consulate General, Sydney -- <http://usembassy-australia.state.gov/sydney>
- American Consulate General, Melbourne -- <http://usembassy-australia.state.gov/melbourne>
- American Consulate General, Perth -- <http://usembassy-australia.state.gov/perth>
- U.S. Embassy, Canberra -- <http://usembassy-australia.state.gov>

4.19 ECONOMIC AND TRADE STATISTICS

4.19.1 Australian Country Data

Population: 19.9 million

Population Growth Rate: 1.1 percent

Religions:

- Anglican - 21 percent
- Roman Catholic - 27 percent
- Other Christian - 20 percent
- Other Non-Christian - 5 percent
- None/Not specified - 27 percent

Government System: A Democratic Federal and State parliamentary system, recognizing the British Monarch as Sovereign of Australia.

Languages: English is the official language, with modern Australian English a conglomerate of British and American, using its own phraseology and spelling. Over 200 other languages are spoken in Australia, including 48 Australian Indigenous languages. Australian school children have the highest rate of learning Asian languages, particularly Japanese and Chinese, of any industrialized western nation.

Work Week: The normal business work week is Monday - Friday, 38 hours, usually ranging between 8 a.m. - 6 p.m., with an hour or so for lunch. Most shops close by 6 p.m. most days, but keep some evening hours, Saturday and increasingly, Sunday hours.

Source: Australian Bureau of Statistics

4.19.2 Australian Domestic Economy Statistics

		2001	2002	2003(p)
1	Gross Domestic Product (GDP)	452,583	468,818	481,523
2	GDP growth rate (%)**	2.7	3.6	2.7
3	GDP per capita	23,328	23,841	24,437
4	Government spending (% of GDP)	24.4	22.6	22.4
5	Inflation (%)**	3.1	3.0	3.0
6	Unemployment (%)	6.7	6.1	6.0
7	Foreign Exchange Reserves***	18,942	21,560	25,602
8	Avg. Exchange rate			
	(US\$=1.00)	1.92	1.85	1.51
	(A\$=1.00)	0.52	0.54	0.66
9	Debt Service Ratio (%)	9.4	8.7	8.3
10	U.S. Economic/Military Assistance	na	na	na

(All figures in millions of U.S. Dollars*)

Sources: Australian Bureau of Statistics, Federal Budget Statement 2003-04, and the Reserve Bank of Australia.

* Figures calculated using exchange rate for 2003 A\$1.00 = US\$ 0.66.

** Percent changes are calculated using Australian dollars

*** At year end, expressed in millions of U.S. dollars

(p) projection

4.19.3 Goods and Services Trade Statistics

	2001	2002	2003 (p)
AUSTRALIAN TOTAL TRADE			
Exports to the World			
Goods	64,964	63,518	73,689
Services	17,996	16,376	19,837
Total	82,959	79,894	93,525
IMPORTS FROM THE WORLD			
Goods	65,046	64,139	84,720
Services	17,439	16,812	20,820
Total	82,485	80,951	105,539
Balance			
Goods	-82	-620	-11031
Services	557	-436	-983
Total	474	-1057	-12014
AUSTRALIAN TRADE WITH THE U.S.			
Exports to the U.S.			
Goods	6,281	6,292	6,069
Services	3,203	2,527	2,723
Total	9,484	8,819	8,792
IMPORTS FROM THE U.S.			
Goods	12,047	11,259	12,888
Services	3,471	3,108	3,464
Total	15,518	14,367	16,352
Balance			
Goods	-5,766	-4,967	-6,819
Services	-268	-581	-741
Total	-6,034	-5,548	-7,560

(All figures in millions of U.S. dollars*)

Source: Australian Bureau of Statistics

(p) projection

Exchange rate fluctuations must be considered when analyzing data. Figures may not add due to rounding.

Data only available for year ending 30 June.

4.20 CONTACT INFORMATION

4.20.1 U.S. Government Organizations

Embassy of the United States of America
Moonah Place
Canberra ACT 2600
Tel: 61 2 6214 5600
Fax: 61 2 6214 5970

For mail from the U.S.:

American Embassy Canberra
PSC 277
APO AP 96549

The U.S. Embassy, with its subsidiary Consulates General, is responsible for all of the functions of the U.S. diplomatic mission to Australia. The Ambassador is the senior U.S. Government official in Australia. Embassy Officers with primary responsibility for trade policy, trade issues, and trade promotion programs include:

- Commercial Counselor (NOTE: The Senior U.S. Commercial Service Officer for Australia, is resident in the U.S. Consulate General in Sydney. Inquiries should be sent to the Sydney Consulate's address below, not to the Embassy in Canberra.)
- Economic Counselor
- Agricultural Counselor
 - Labor Attache
 - Defense Attache
 - Animal and Plant Health Inspection Service (APHIS) Attache

U.S. Commercial Service Offices in Australia

The Commercial Service of the U.S. Department of Commerce has offices at the American Consulates General in Sydney and Melbourne. Commercial offices are staffed by U.S. Commercial Service Officers who are part of the Diplomatic Mission to Australia. They manage all aspects of the trade promotion program with an Australian staff of trade professionals.

The Commercial Service in Australia works with the U.S. Department of Commerce (USDOC) Export Assistance Centers (EAC's) throughout the United States to provide a full range of export facilitation services to U.S. business. The first point of inquiry for an American company needing Commercial Service assistance is its nearest USDOC office in the United States. Office locations can be found at: <http://www.trade.gov/td/tic/>.

For general questions concerning trade policy or issues, or industry-specific inquiries:

Senior Commercial Officer for Australia
Commercial Service
U.S. Consulate General
Level 59, MLC Centre,
19-29 Martin Place
Sydney NSW 2000
Tel: 61 2 9373 9202
Fax: 61 2 9221 0573

For inquiries specifically concerning New South Wales, Queensland and the Australian Capital Territory:

Deputy Senior Commercial Officer
Commercial Service
U.S. Consulate General
Level 59, MLC Centre,
19-29 Martin Place
Sydney NSW 2000
Tel: 61 2 9373 9205
Fax: 61 2 9221 0573

For mail from the U.S.:

Deputy Senior Commercial Officer
Commercial Service
U.S. Consulate General, Sydney
PSC 280, Unit 11024
APO AP 96554-0002

For inquiries concerning Victoria, South Australia, Western Australia, Tasmania and the Northern Territory:

Principal Commercial Officer
Commercial Service
U.S. Consulate General
553 St. Kilda Road, 6th Floor
Melbourne VIC 3004
Tel: 61 3 9526 5900
Fax: 61 3 9510 4660

For mail from the U.S.:

Principal Commercial Officer
Commercial Service
U.S. Consulate General, Melbourne
Unit 11011
APO AP 96551-0002

Washington-Based U.S. Government Offices Dealing with Australia

U.S. DEPARTMENT OF AGRICULTURE

Foreign Agricultural Service
Foreign Agricultural Affairs
East Asia Pacific Area Office
Washington DC 20250
Tel: 202 720 2690
Fax: 202 720 6063

U.S. DEPARTMENT OF COMMERCE

Australia Desk Officer
International Trade Administration
Room 2308 HCHB
Washington DC 20230
Tel: 202 482 2471/2955
Fax: 202 482 5330

U.S. DEPARTMENT OF DEFENSE

Defense Security Assistance Agency
East Asia Pacific Division
Office of the Secretary of Defense
Room 4B740
The Pentagon
Washington DC 20301
Fax: 703 604 6541

U.S. DEPARTMENT OF STATE

East Asia Pacific/ANZ Desk
Room 4206 (Terry Breese)
Washington DC 20520
Tel: 202 647 4741
Fax: 202 647 4402

EAST ASIA PACIFIC/PUBLIC DIPLOMACY

301 4th Street, S.W., Room 766
Washington DC 20547
Tel: 202 619 5847
Fax: 202 619 6684

MULTILATERAL DEVELOPMENT BANK OFFICE

U.S. Department of Commerce
14th and Constitution Avenue, N.W.
Room H-1107
Washington DC 20007
Tel: 202 482 3399
Fax: 202 273-0927

Australia is a donor country to multilateral development banks, not a recipient. There are no MDB offices in Australia. The Australian Government liaises with the MDBs through its Embassies in the cities where the banks are located: Asian Development Bank, Manila; World Bank, Washington, DC.

TRADE INFORMATION CENTER (TIC)
 Tel: 1-800-USA-TRADE (1 800 872 8723)
 202 482 5455 (TPCC Secretariat)
 Fax: 202 482 4473

TIC specialists provide basic export counseling and information on export services and programs offered by 19 federal agencies of the Trade Promotion Coordinating Committee (TPCC). The annual report of the TPCC, "The National Export Strategy", designates "the Trade Information Center, situated in Commerce, as the single TPCC-wide information office that will coordinate specialized non-agricultural export information offices".

4.20.2 AmCham and Bilateral Business Councils

The American Chamber of Commerce in Australia (AmCham)

AmCham is the premier organization supporting the U.S.-Australian business community. The Chamber has more than 1,500 member companies and works very closely with the U.S. Embassy and U.S. Commercial Service in Australia. AmCham has a full program of business information and advisory services, business community networks, business forums, etc. It represents views of the business community to both the Australian and American governments and is active in the Asia-Pacific Association of Chambers and the Asia-Pacific Cooperation Forum (APCAC). AmCham publishes an annual directory of all its members.

The American Chamber of Commerce in Australia
 Suite 4, Gloucester Walk
 88 Cumberland Street
 Sydney NSW 2000
 Tel: 61 2 9241 1907
 Fax: 61 2 9251 5220
 E-mail: nsw@amcham.com.au
www.amcham.com.au

Australian/American Chambers of Commerce (AACC)

These organizations conduct a variety of activities ranging from trade promotion and facilitation to information programs and social and cultural activities, depending upon the interests of their members. They are also affiliated loosely with the Australian Embassy and the Australian Trade Commission (AUSTRADE) in the U.S. There are AACCs in the following cities: Atlanta, GA; Chicago, IL; Dallas, TX; Denver, CO; Honolulu, HI; Houston, TX; Los Angeles, CA; Minneapolis, MN; Orlando, FL; Pittsburgh, PA; St. Louis, MO; San Diego, CA; San Francisco, CA. Contact AUSTRADE for further information.

4.20.3 Australian Chambers of Commerce (By State)

Each Australian state has a Chamber of Commerce to promote business relations and investment, including imports and exports.

NEW SOUTH WALES
 State Chamber of Commerce (NSW)
 GPO Box 4280
 Sydney NSW 2001
 Tel: 61 2 9350 8100
 Fax: 61 2 9350 8199
 E-mail: enquiries@thechamber.com.au
www.thechamber.com.au

QUEENSLAND

Commerce Queensland
Industry House, 375 Wickham Terrace
Brisbane QLD 4000
Tel: 61 7 3842 2244
Fax: 61 7 3832 3195
E-mail: info@commerceqld.com.au
www.commerceqld.com.au

VICTORIA

Victorian Employers' Chamber of Commerce and Industry
GPO Box 4352QQ
Melbourne VIC 3001
Tel: 61 3 8662 5333
Fax: 61 3 8662 5341
E-mail: vecci@vecci.org.au
www.vecci.org.au

SOUTH AUSTRALIA

Business SA
136 Greenhill Road
Unley SA 5061
Tel: 61 8 8300 0000
Fax: 61 8 8300 0001
E-mail: enquiries@business-sa.com
www.business-sa.com.au

TASMANIA

Tasmanian Chamber of Commerce and Industry
GPO Box 793
Hobart TAS 7001
Tel: 61 3 6236 3600
Fax: 61 3 6231 1278
E-mail: admin@tcci.com.au
www.tcci.com.au

WESTERN AUSTRALIA

Chamber of Commerce and Industry of Western Australia
PO Box 6209
East Perth WA 6892
Tel: 61 8 9365 7555
Fax: 61 8 9365 7550
E-mail: info@cciwa.com
www.cciwa.com

4.20.4 Australian Government Agencies

Australian Government Offices in the United States

The Embassy of Australia is responsible for all diplomatic relations between Australia and the United States. Australian Consulates General are located in various U.S. cities and have representational, trade and consular functions.

The Australian Trade Commission (AUSTRADE) is responsible for trade and investment promotion and has offices in the Australian Embassy in Washington, D.C. and at the Australian Consulates General in Los Angeles, San Francisco, Atlanta, Houston, and New York.

Embassy of Australia
1601 Massachusetts Avenue NW
Washington DC 20036
Tel: 202 797 3000
Fax: 202 797 3168
www.austemb.org

Senior Trade Commissioner
AUSTRADE
c/o Embassy of Australia
(as above)

Senior Customs Representative
Embassy of Australia
(as above)

Australian Tourist Commission
2049 Century Park East
Suite 1920
Los Angeles CA 90067
Tel: 310 229 4870
Fax: 310 552 1215
www.atc.australia.com

Key Australian Federal Government Agencies

Airservices Australia
GPO Box 367
Canberra ACT 2601
Tel: 61 2 6268 4111
Fax: 61 2 6268 5683
Email: webmaster@airservicesaustralia.com
www.airservicesaustralia.com

Broadcasting Authority, Australian (ABA)
PO Box Q500
Queen Victoria Building
Sydney NSW 1230
Tel: 61 2 9334 7700
Fax: 61 2 9334 7799
E-mail: info@aba.gov.au
www.aba.gov.au

Building Codes Board, Australian
Department of Industry, Science and Resources
GPO Box 9839
Canberra ACT 2601
Tel: 61 2 6213 7240
Fax: 61 2 6213 7287
www.abcb.gov.au

Bureau of Statistics, Australian (ABS)
Locked Bag 10
Belconnen ACT 2616
Tel: 61 2 9268 4909
Fax: 61 2 9268 4654
E-mail: client.services@abs.gov.au
www.abs.gov.au

Communications Authority, Australian (ACA)
PO Box 78
Belconnen ACT 2616
Tel: 61 2 6219 5555
Fax: 61 2 6219 5353
E-mail: candinfo@aca.gov.au
www.aca.gov.au
Purpose: Telecommunications Regulatory Authority

Communications, Information Technology and the Arts, Department of
GPO Box 2154
Canberra ACT 2601
Tel: 61 2 6271 1000
Fax: 61 2 6271 1901
E-mail: dcita.mail@dcita.gov.au
www.dcita.gov.au

Competition and Consumer Commission, Australian (ACCC)
PO Box 1199
Dickson ACT 2062
Tel: 61 2 6243 1111
Fax: 61 2 6243 1199
www.accc.gov.au

Customs Service, Australian (ACS)
Customs House
5 Constitution Avenue
Canberra City ACT 2601
Tel: 61 2 6275 6666
Fax: 61 2 6275 5930
E-mail: information@customs.gov.au
www.customs.gov.au

Dumping and Self Assessment Branch
Tel: 61 2 6275 6066
Fax: 61 2 6275 6888

Defence, Department of
Canberra ACT 2600
Tel: 61 2 6265 9111
Fax: 61 2 6265 9100
www.defence.gov.au

Foreign Affairs and Trade, Department of (DFAT)
R G Casey Building
John McEwen Cres.
Barton ACT 0221
Tel: 61 2 6261 1111
Fax: 61 2 6261 3111
www.dfat.gov.au

Foreign Investment Review Board (FIRB)
c/o Department of the Treasury
Langton Crescent
Parkes ACT 2600
Tel: 61 2 6263 3795
Fax: 61 2 6263 2940
E-mail: firb@treasury.gov.au
www.firb.gov.au

Health and Medical Research Council, National
Federal Department of Health and Aged Care
GPO Box 9848
Canberra ACT 2601
Tel: 61 2 6289 1555
Fax: 61 2 6281 6946
www.health.gov.au

Immigration and Multicultural and Indigenous Affairs, Department of (DIMA)
Benjamin Offices
Chan Street
Belconnen ACT 2617
Tel: 61 2 6264 1111
Fax: 61 2 6264 2747
www.immi.gov.au

Industry, Tourism and Resources, Department of (ITR)
GPO Box 9839
Canberra ACT 2601
Tel: 61 2 6213 6000
Fax: 61 2 6213 7000
www.industry.gov.au

Quarantine and Inspection Service, Australian (AQIS)
GPO Box 858
Canberra ACT 2601
Tel: 61 2 6272 3933
Fax: 61 2 6272 5697
www.aqis.gov.au

Taxation Office, Australian (ATO)
PO Box 900
Civic Square ACT 2608
Tel: 61 2 6216 1111
Fax: 61 2 6216 2830
www.ato.gov.au

Transport and Regional Services, Department of
GPO Box 594
Canberra ACT 2601
Tel: 61 2 6274 7111
Fax: 61 2 6257 2505
www.dotrs.gov.au

Treasury, Department of the
Langton Crescent
Parkes ACT 2600
Tel: 61 2 6263 2111
Fax: 61 2 6273 2614
E-mail: department@treasury.gov.au
www.treasury.gov.au

IP Australia (Industrial Property)
PO Box 200
Woden ACT 2606
Tel: 61 2 6283 2999
Fax: 61 2 6283 7999
E-mail: assist@ipaaustralia.gov.au
www.ipaustralia.gov.au

Australian State Economic Development Agencies

Each Australian state has its own office that provides information on business location, communications and infrastructure, privatization, major projects, work force and skills base, regulations, planning and approval processes, and potential joint-venture opportunities and partners. These offices actively promote foreign investment into their individual states. They have a great deal of information available and offer a variety of business promotion services to corporations interested in establishing a business presence in their state.

AUSTRALIAN CAPITAL TERRITORY
Business ACT
GPO Box 243
Civic Square ACT 2608
Tel: 61 2 6207 2599
Fax: 61 2 6205 0597
E-mail: actbg@act.gov.au
www.business.act.gov.au

NEW SOUTH WALES

Department of State and Regional Development
PO Box N818, Grosvenor Place
Sydney NSW 1220
Tel: 61 2 9228 1111
Fax: 61 2 9228 3626
www.business.nsw.gov.au

Department of Sport and Recreation

Locked Bag 1422
Silverwater NSW 2128
Tel: 61 2 9006 3700
Fax: 61 2 9006 3800
E-mail: info@dsr.nsw.gov.au
www.dsr.nsw.gov.au

NORTHERN TERRITORY

Department of Business, Industry and Resource Development
GPO Box 3000
Darwin NT 0801
Tel: 61 8 8924 4280
Fax: 61 8 8924 4290
E-mail: info.dbird@nt.gov.au
www.tbc.nt.gov.au

QUEENSLAND

Department of State Development
PO Box 168
Brisbane Albert Street QLD 4002
Tel: 61 7 3224 8568
Fax: 61 7 3229 5289
E-mail: info@sd.qld.gov.au
www.sd.qld.gov.au

SOUTH AUSTRALIA

Department for Business, Manufacturing and Trade
GPO Box 1264
Adelaide SA 5001
Tel: 61 8 8303 2400
Fax: 61 8 8303 2509
E-mail: bmt@state.sa.gov.au
www.business.sa.gov.au

TASMANIA

Department of Economic Development
GPO Box 646
Hobart TAS 7001
Tel: 61 3 6233 5888
Fax: 61 3 6233 5800
E-mail: info@development.tas.gov.au
www.development.tas.gov.au

VICTORIA

Department of State and Regional Development
GPO Box 4509RR
Melbourne VIC 3001
Tel: 61 3 9651 9999
Fax: 61 3 9651 9770
www.dsr.d.vic.gov.au

WESTERN AUSTRALIA

Department of Industry and Resources
Industry Development:
2 Havelock Street
West Perth WA 6005
Tel: 61 8 9222 5555
Fax: 61 8 9222 5055
www.doir.wa.gov.au

4.20.5 Sources of Market Research and Business Facilitation Services

There are many professional market research companies in Australia. Some have industry specializations. Others offer a range of services, from broad industry analyses to financial checks and to tailored market entry assistance. In addition, many national and international law firms, accounting firms, management consulting firms and financial services organizations offer market research and business facilitation as part of their services packages.

The U.S. Commercial Service in Australia, the American Chamber of Commerce in Australia, and the State Chambers of Commerce maintain lists of service providers and can advise companies on how to obtain assistance for specific needs.

There are a number of new information products, on the Internet, in print and on CD-ROM, available to help American companies find prospective business contacts in Australia.

4.20.6 Commercial Banks in Australia

Australian-Owned Banks

Adelaide Bank Ltd
169 Pirie Street
Adelaide SA 5000
Tel: 61 8 8300 6000
Fax: 61 8 8300 6997
www.adelaidebank.com.au

AMP Bank
Level 9, 20 Hunter Street
Sydney NSW 2000
Tel: 61 2 8275 1000
Fax: 61 2 8275 1001
www.amp.com.au

Australia and New Zealand Banking Group Limited (ANZ)
GPO Box 537E
Melbourne VIC 3001
Tel: 61 3 9273 5555
Fax: 61 3 9273 6142
www.anz.com

Bank of Queensland Ltd
Level 9, Bank of Queensland Center
229 Elizabeth Street
Brisbane QLD 4000
Tel: 61 7 3212 3333
Fax: 61 7 3212 3399
www.boq.com.au

Bendigo Bank Ltd
Level 2, Fountain Court
Bendigo VIC 3550
Tel: 61 3 5433 9339
Fax: 61 3 5433 9690
www.bendigobank.com.au

Commonwealth Bank of Australia
GPO Box 2719
Sydney NSW 1155
Tel: 61 2 9378 2000
Fax: not applicable
www.commbank.com.au

Macquarie Bank Ltd
1 Martin Place
Sydney NSW 2000
Tel: 61 2 8232 3333
Fax: 61 2 8232 7780
www.macquarie.com.au

National Australia Bank Limited
GPO Box 84A
Melbourne VIC 3001
Tel: 61 3 8641 3500
Fax: 61 3 8641 4916
www.national.com.au

St. George Ltd
Locked Bag 1
Kogarah NSW 2217
Tel: 61 2 9952 1111
Fax: 61 2 9952 1000
E-mail: stgeorge@stgeorge.com.au
www.stgeorge.com.au

Suncorp-Metway Ltd
GPO Box 1453
Brisbane QLD 4001
Tel: 61 7 3362 2222
Fax: 61 7 3362 8550
E-mail: direct@suncorpmetway.com.au
www.suncorpmetway.com.au

Westpac Banking Corporation
GPO Box 1
Sydney NSW 2001
Tel: 61 2 9226 3311
Fax: 61 2 9226 4128
www.westpac.com.au

American Banks and Financial Institutions

Bank of America NA
GPO Box 490
Sydney NSW 2001
Tel: 61 2 9931 4200
Fax: 61 2 9221 1023
www.bankofamerica.com

Bank One NA
Level 32, 60 Margaret Street
Sydney NSW 2000
Tel: 61 2 9250 2100
Fax: 61 2 9223 1823
www.bankone.com.au

BT Financial Management
Level 15, The Chifley Tower
Chifley Square
Sydney NSW 1215
Tel: 61 2 9259 3555
Fax: 61 2 9259 9800
www.btfunds.com.au

Citibank Limited
GPO Box 40
Sydney NSW 2001
Tel: 61 2 9239 9100
Fax: 61 2 9239 5856
www.citibank.com.au

Credit Suisse First Boston Australia Securities Ltd (CSFB)
PO Box R1474
Sydney NSW 1223
Tel: 61 2 8205 4400
Fax: 61 2 8205 4676
www.csfb.com

JP Morgan Australia Pty Ltd
Lvl 32, Grosvenor Place, 225 George Street
Sydney NSW 2000
Tel: 61 2 9220 1333
Fax: 61 2 9220 1318
www.jpmorgan.com.au

Merrill Lynch Australasia
Level 39, 120 Collins Street
Melbourne VIC 3000
Tel: 61 3 9659 2222
Fax: 61 3 9659 2701
www.ml.com.au

Morgan Stanley/Dean Witter Australia Limited
Level 33, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Tel: 61 2 9770 1111
Fax: 61 2 9770 1101
www.msdw.com

Salomon Smith Barney
GPO Box 551
Sydney NSW 2000
Tel: 61 2 8225 4000
Fax: 61 2 8225 5400
www.ssbm.com.au

State Street Bank and Trust Company
Lvl 38, Autora Place
88 Phillip Street
Sydney NSW 2000
Tel: 61 2 9240 7600
Fax: 61 2 9240 7611
www.statestreet.com

UBS Warburg
Level 26, Governor Philip Tower
1 Farrer Place
Sydney NSW 2000
Tel: 61 2 9324 2000
Fax: 61 2 9324 2001
www.ubswarburg.com.au

4.20.7 Australian Publications and Databases

Australia has a full range of national, state and local general, business and special purpose newspapers and periodicals, and a range of comprehensive business directories and references.

Newspapers

AUSTRALIAN CAPITAL TERRITORY

The Canberra Times
Federal Capital Press of Australia
PO Box 7155
Canberra Mail Centre ACT 2610
Tel: 61 2 6280 2122
Fax: 61 2 6280 4884
www.canberratimes.com.au

NEW SOUTH WALES

The Australian (national coverage)
News Ltd.
GPO Box 4245
Sydney NSW 2001
Tel: 61 2 9288 3000
Fax: 61 2 9288 2300
www.theaustralian.com

The Australian Financial Review (national coverage)
John Fairfax Group Ltd.
GPO Box 506
Sydney NSW 2001
Tel: 61 2 9282 2833
Fax: 61 2 9282 3027
www.afr.com.au/

The Sydney Morning Herald
John Fairfax Group Ltd.
GPO Box 506
Sydney NSW 2001
Tel: 61 2 9282 2833
Fax: 61 2 9282 3027
www.smh.com.au/

NORTHERN TERRITORY

Northern Territory News
News Ltd.
GPO Box 1300
Darwin NT 0801
Tel: 61 8 8944 9900
Fax: 61 8 8981 6045
www.news.com.au/nt/

QUEENSLAND

The Courier Mail
Queensland Newspapers Ltd.
GPO Box 130
Brisbane QLD 4001
Tel: 61 7 3666 8000
Fax: 61 7 3666 6696
www.couriermail.news.com.au/

SOUTH AUSTRALIA
The Adelaide Advertiser
Advertiser Newspaper Ltd.
GPO Box 339
Adelaide SA 5001
Tel: 61 8 8206 2000
Fax: 61 8 8206 3622
www.theadvertiser.news.com.au

VICTORIA
The Age
GPO Box 257C
Melbourne VIC 3001
Tel: 61 3 9600 4211
Fax: 61 3 9601 2327
www.theage.com.au/

WESTERN AUSTRALIA
The West Australian
WA Newspapers Ltd.
GPO Box D162
Perth WA 6840
Tel: 61 8 9482 3111
Fax: 61 8 9482 9080
www.thewest.com.au

Western Australian Business News
Level 1, Suite 25,
82 Beaufort Street
Perth WA 6000
Tel: 61 08 9227 9544
Fax: 61 08 9227 6503
www.businessnews.com.au/

TASMANIA
The Mercury
GPO Box 334
Hobart TAS 7001
Tel: 61 3 6230 0622
Fax: 61 3 6230 0766
www.themercury.news.com.au/

National Periodicals

Business Review Weekly (BRW)
Fairfax Business Media
GPO Box 55A
Melbourne VIC 3001
Tel: 61 3 9603 3888
Fax: 61 3 9670 4328
www.brw.com.au

The Bulletin (ith Newsweek)
ACP Publishing Pty. Limited
4th Floor, 54 Park Street
Sydney NSW 2000
Tel: 61 2 9282 8000
Fax: 61 2 9267 4361
www.acp.com.au

National Business Bulletin
National Business Magazines Pty. Ltd.
PO Box 687
Darlinghurst NSW 1300
Tel: 61 2 9212 5588
Fax: 61 2 9212 3709
www.nationalbusiness.com.au

The Land Newspaper (Agriculture/Country Life focus)
Rural Press Limited
159 Bells Line of Road
North Richmond NSW 2754
Tel: 61 2 4570 4444
Fax: 61 2 4570 4650
www.ruralpress.com

Business Directories

Brylar's Australia on Disc
Suite 30, 70-74 Phillips Street
Parramatta NSW 2150
Tel: 61 2 9635 4445
Fax: 61 2 9635 4646
www.greenpages.com.au/ddd
Yellow Pages Business Directories of Australia on CD-ROM (annual)

The Business Who's Who of Australia
D and B Marketing
PO Box 204
Chatswood NSW 2057
Tel: 61 2 9935 2600
Fax: 61 2 9935 2666
www.dnb.com
Available in CD-ROM or hard copy (annual)

Directory of Australian Associations
Crown Publications
Level 1, 141 Capel Street
North Melbourne, VIC 3051
Tel: 61 3 9329 9800
Fax: 61 3 9329 9698
www.crowncontent.com.au
(Quarterly)

Kompass
APN Business Information Group
Level 1, 21 Riddell Parade
Elsternwick VIC 3185
Tel: 61 3 9245 7777
Fax: 61 3 9245 7840
Available in CD-ROM or hard copy (annual)

National Guide to Government
Crown Publications
Level 1, 141 Capel Street
North Melbourne, VIC 3051
Tel: 61 3 9329 9800
Fax: 61 3 9329 9698
www.crowncontent.com.au
(quarterly)

5 DISCLAIMERS, WARRANTIES, AND USER AGREEMENT PROVISIONS

5.1 DISCLAIMERS & SAFE HARBOR

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