



Australia's trade in services with the United States

This article is an update of the DFAT article "Australia's trade in services with the United States" published in February 2012.

The United States was Australia's largest two-way trade in services partner in 2013-14 and has been since 1984-85 (taking over from the United Kingdom). Australia's two-way trade in services with the United States was valued at \$19.6 billion and accounted for a third of Australia's total trade in goods and services with the United States. This is the second highest ratio in terms of services to total trade for any of Australia's top ten trading partners except for the United Kingdom and exceeds China, Japan and the Republic of Korea where only around 6 per cent of trade relates to services. The United States was Australia's second largest services exports market (after China) in 2013-14 and Australia's largest source of services imports.

However services delivered by Australian affiliates in the United States and United States affiliates in Australia are the key mode for the provision and purchases of services between Australia and the United States accounting for over 70 per cent of all services delivered.

Long terms trends in trade in services with the United States

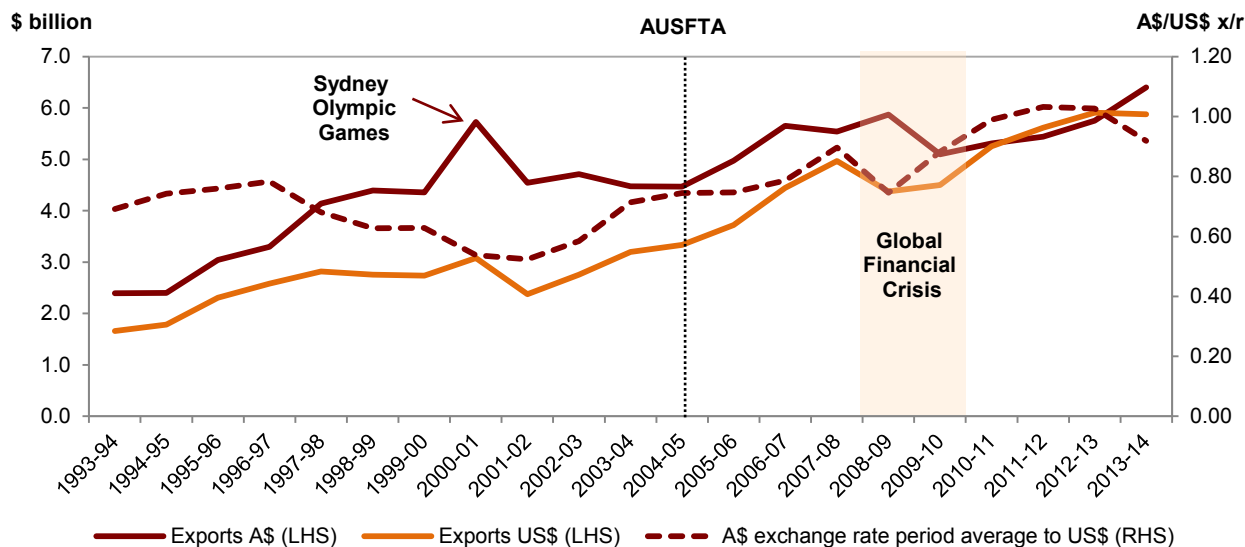
Australia's exports of services to the United States increased by an average 3.9 per cent per annum over the past twenty years to be valued at \$6.4 billion in 2013-14. **Chart 1** shows exports of services to the United States over the past twenty year period in both Australian and United States dollar terms. Exports of services grew strongly from 1993-94 to 2000-01, benefiting from a depreciating Australian to United States exchange rate, with exports growing to \$5.7 billion in 2000-01 (with the Sydney Olympic Games significantly boosting exports in that year). Exports after 2000-01 fell back sharply from the Olympic Games peak and remained fairly stable in Australian dollar terms until 2004-05.

From January 2005, the Australian United States Free Trade Agreement (AUSFTA) came into effect. The services chapter of the agreement guarantees access to United States markets for Australian service suppliers such as providers of professional, business, education, environmental, financial and transport services. AUSFTA therefore ensures that Australian companies can compete on equal terms with US companies in most services sectors.

Since the AUSFTA came into effect, exports rose sharply from 2004-05 to a new peak of \$5.9 billion in 2008-09. The steady appreciation of the Australian dollar against the US dollar over this period masked a much stronger rise in exports to the United States in US dollar terms.

The impact of the Global Financial Crisis (GFC) resulted in a fall in exports to the United States (both in A\$ and US\$ terms) as the United States economy went into recession by the end of 2009-10. Exports growth has recovered since 2010-11 rising to \$6.4 billion in 2013-14 on the back of a recovery in US economy. Again, the strong appreciation of the Australian dollar masked a much higher recovery in exports during the period 2010-11 to 2012-13. The strong rise in exports in Australian dollar terms in 2013-14 (up 11.2 per cent) has partially been due to the depreciation of the Australian dollar during the year (with exports in US\$ terms actually falling 0.5 per cent in 2013-14).

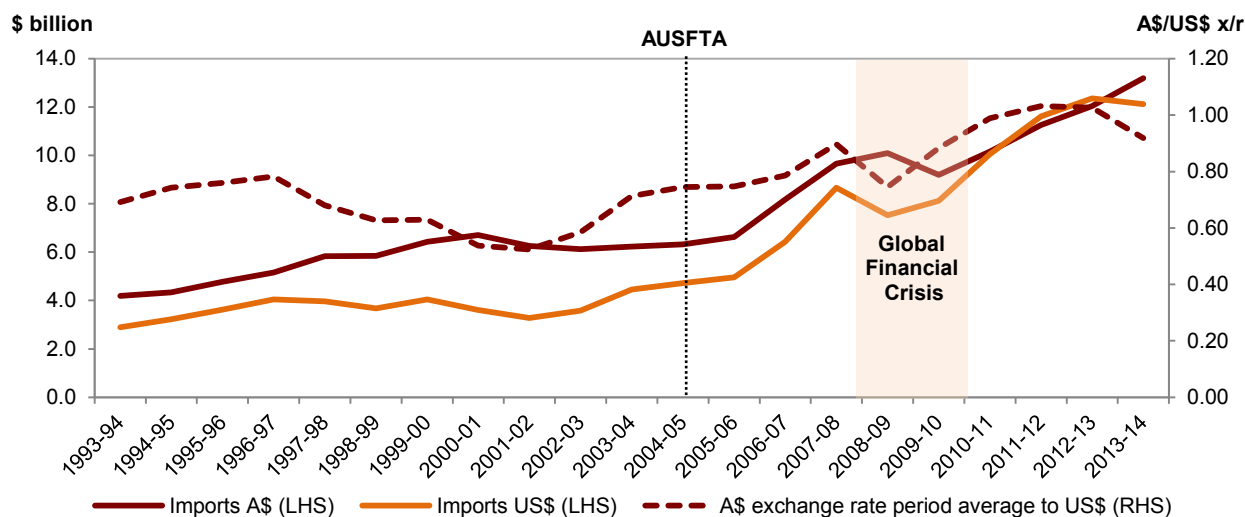
Chart 1: Australia's exports of Services to the United States



Based on ABS catalogue 5368.0.55.003.

Australia's imports of services from the United States increased by an average 5.3 per cent per annum over the past twenty years to be valued at \$13.2 billion in 2013-14 (**Chart 2**). Imports of services both in A\$ and US\$ terms grew strongly from \$4.2 billion (A\$ terms) in 1993-94 to \$6.7 billion in 2000-01. Imports of services between 2001-02 and 2005-06 remained relatively steady, before import growth increased to a peak of \$10.1 billion in 2008-09.

Chart 2: Australia's imports of Services from the United States

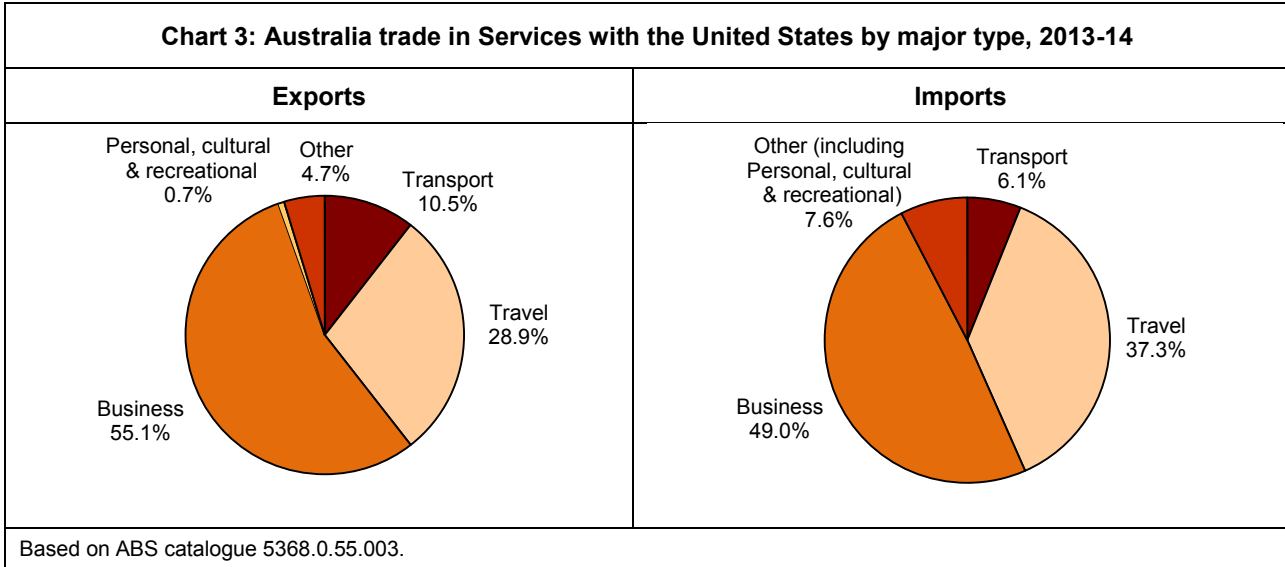


Based on ABS catalogue 5368.0.55.003.

The GFC in 2008-09 and 2009-10 resulted in a fall in imports from the United States in 2009-10 as the world economy went into recession, mainly in *Transport* and *Business* services (in 2009-10 only). However imports of services have recovered strongly since 2010-11, especially in terms of *Transport* and *Travel* services imports as Australian travellers took advantage of the strong Australian dollar.

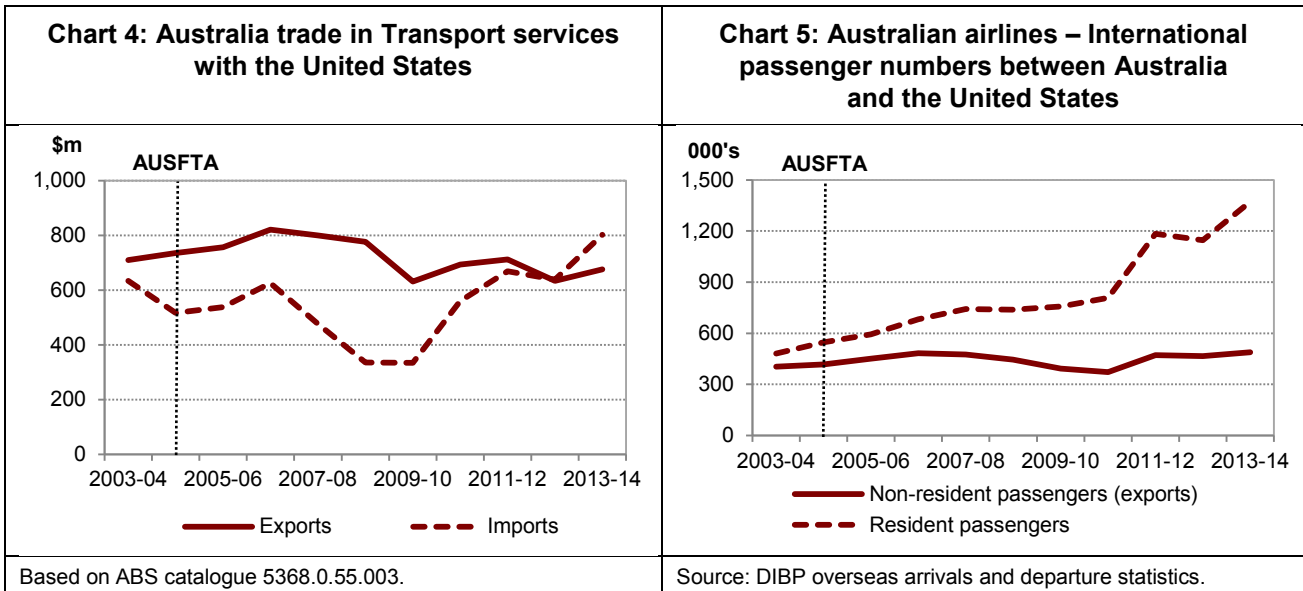
Major services sectors

Australia's two-way trade in services with the United States was dominated by *Business services*¹ which accounted for 51.0 per cent of Australia's trade in services with the United States in 2013-14. *Travel services* accounted for 34.5 per cent, and *Transport services* accounted for 7.5 per cent. The remaining services trade (mainly *Personal, cultural and recreational services*², *Government and Maintenance & repair services*) accounted for 6.9 per cent of total two-way services trade with the United States – see **Chart 3**.



Transport services

Australia's exports of *Transport services* to the United States decreased on average 1.4 per cent per annum over the past ten years (refer to **Chart 4**). Exports of these services grew by 6.6 per cent in 2013-14 to be valued at \$675 million rebounding from a fall of 11.1 per cent in 2012-13. Exports of *Transport services* accounted for 10.5 per cent of Australia's total services exports to the United States.



¹ *Business services* includes: *Construction services; Financial & insurance services; Charges for the use of intellectual property; Telecommunication, computer & information services; and Other business services.*

² Imports of *Personal, cultural and recreational services* from the United States for 2013-14 was confidential in ABS trade in services statistics and could not be separately identified.

The Australian Bureau of Statistics (ABS) does not publish a breakdown of *Passenger transport services* exports to the United States³. However, using data sourced from the Department of Immigration and Border Protection (DIBP) overseas arrivals and departure statistics, more information can be obtained on the trends in Australia's *Passenger services* exports to the United States, the major component of *Transport services*.

Before analysing this data it is necessary to understand what the ABS defines as an export and import of *Passenger services* in Australia's Balance of Payments statistics. Exports are defined as non-residents flying internationally on Australian resident carriers (e.g. a foreign traveller flying on Qantas from US to Australia) while imports are defined as Australian residents flying internationally on non-resident carriers (e.g. an Australian flying on United Airlines from US to Australia). Australian residents flying internationally on resident carriers are not an Australian export (Australian domestic transaction) while non-residents flying internationally on non-resident carriers are not an Australian import (rest of the world transaction).

Chart 5 shows the number of travellers flying on Australia's resident airlines between Australia and the United States between 2003-04 and 2013-14. In 2003-04, 884,835 people travelled between Australia and the United States on Australian resident carriers, of which 45.6 per cent were foreign travellers (403,778). By 2013-14 the number of travellers on Australian resident airlines had increased to nearly 1.9 million. However the share of foreign travellers had fallen to just 26.3 per cent (or 488,802). Foreign travellers on Australian resident airlines have only grown by an average of 0.7 per cent per annum over the past ten years (compared to an average increase of 10.1 per cent per annum for resident travellers). The falling share of foreign travellers on resident airlines has been one of the reasons behind the decline in Australian exports of *Transport services* to the United States over this period.

Australia's exports of *Freight services* to the United States were valued at \$78 million in 2013-14, while *Other transport services* were valued at \$74 million.

Australia's imports of *Transport services* from the United States (**Chart 4**) rose 1.9 per cent per annum on average over the past ten years. Imports of these services were valued at \$802 million in 2013-14 and accounted for 6.1 per cent of Australia's total imports of services. Imports of *Transport services* grew 25.7 per cent in 2013-14, due to a strong rise in *Other transport services*.

The major component of *Transport services* imports from the United States was *Passenger services* which accounted for 60.5 per cent of total *Transport services* in 2013-14 and was valued at \$485 million. The level of imports of *Passenger services* from the United States remained relatively steady between 2003-04 and 2007-08 (ranging between \$400m to \$500 million) but declined sharply during the GFC to around \$250 million in both 2008-09 and 2009-10. Imports then recovered strongly in 2010-11 to \$455 million and have remained above pre GFC levels up to 2013-14.

Freight services imports from the United States accounted for 6.6 per cent of total *Transport services* in 2013-14. *Freight services* imports have declined significantly over the past ten years from \$184 million in 2003-04 to just \$53 million in 2013-14 (most of this fall happening before 2004-05). However imports of these services are recovering from a low of \$17 million recorded in 2008-09 at the heart of the GFC.

Other transport services imports (which covers a range of services provided in United States airports and ports, including cargo & baggage handling services, agents fees associated with freight transportation and airport & port charges.) accounted for 31.5 per cent share of *Transport services* imports from the United States and were valued at \$253 million in 2013-14. Imports of these services have remained fairly constant over the past ten years, averaging around \$25 million per year. However, in 2013-14, these services increased by over 600 per cent (from \$36 million in 2012-13 to \$253 million). The Australian Bureau of Statistics (ABS) has confirmed this growth but was unable to provide any further information on what has caused this strong increase in *Other transport services* from the United States in 2013-14.

Postal services accounted for the remaining share of *Transport services* imports from the United States and were valued at \$11 million in 2013-14. These services have remained fairly constant over the past ten years.

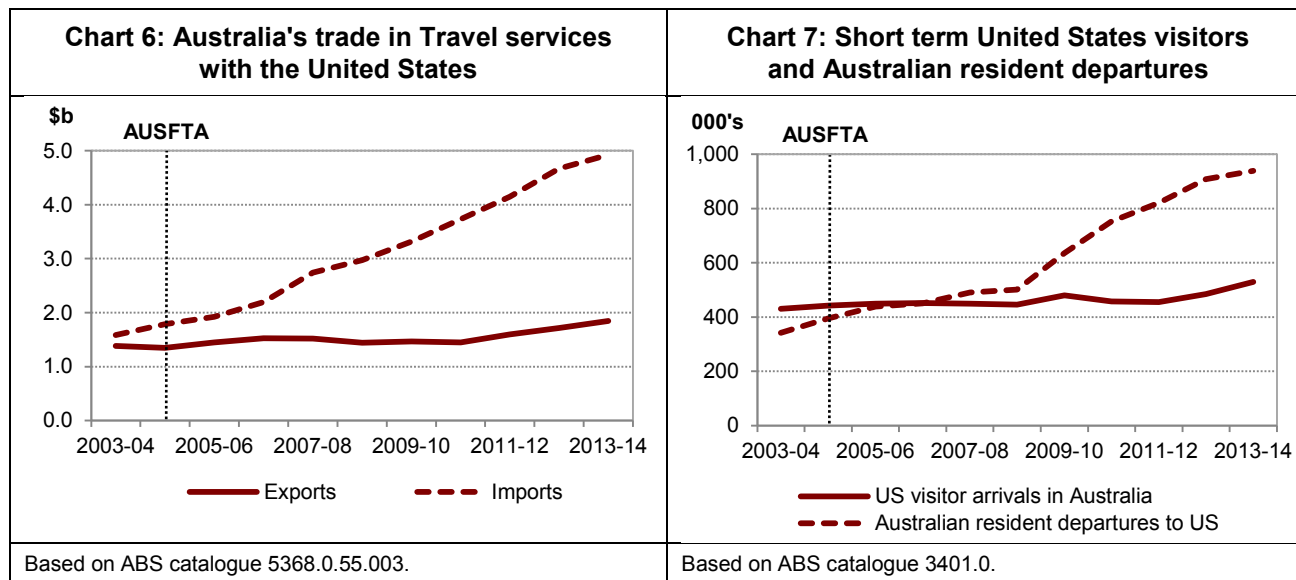
Travel services

Australia's exports of *Travel services* to the United States were valued at \$1.8 billion in 2013-14 and have increased by an average 2.4 per cent per annum over the past ten years (**Chart 6**). *Travel services* exports accounted for 28.9 per cent of total services exports to the United States in 2013-14. Over this period the number of short term visitor arrivals from the United States increased from 430,300 to 529,000 in 2013-14 (**Chart 7**).

³ Data is suppressed due to business confidentiality.

Australia's *Travel services* exports to the United States in 2013-14 comprised *Business travel services* valued at \$614 million, *Education-related travel services* valued at \$216 million and *Other personal travel services* (mainly recreational travel) valued at \$1.0 billion.

Australia's imports of *Travel services* from the United States increased by an average 12.6 per cent per annum over the past ten years to be valued at \$4.9 billion in 2013-14 (**Chart 6**). *Travel services* imports accounted for 37.3 per cent of Australia's imports of services from the United States. Over this period the number of short term Australian resident departures to the United States increased from 342,000 to 938,400 in 2013-14 (**Chart 7**).



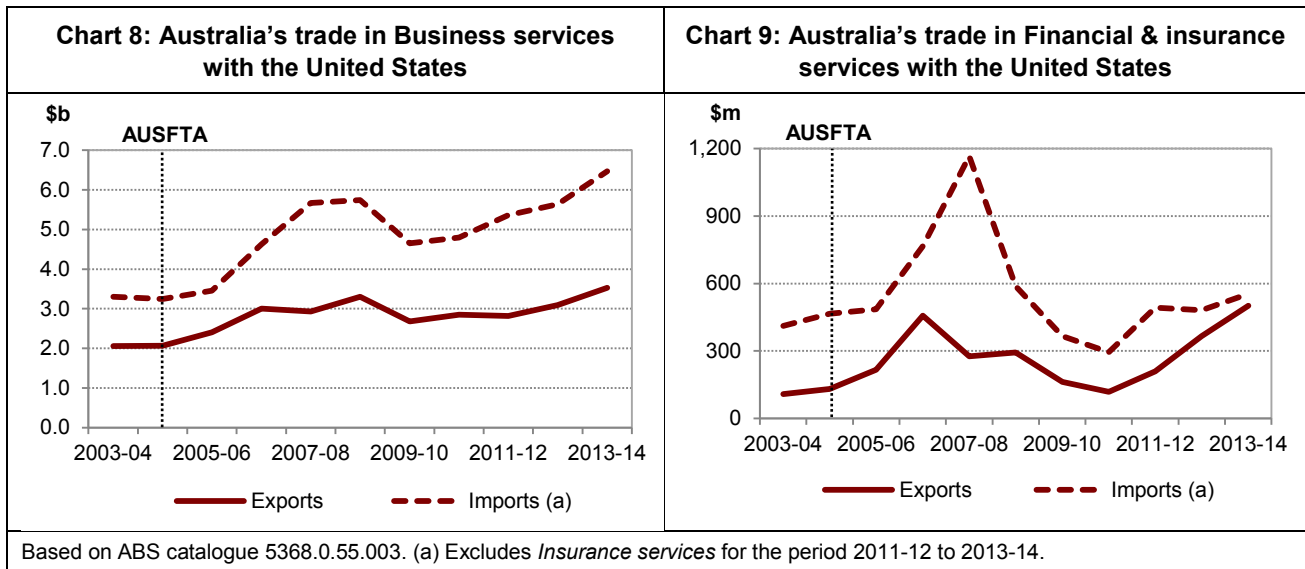
Australia's *Travel services* imports from the United States in 2013-14 comprised *Business travel services* valued at \$624 million, *Education-related travel services* valued at \$165 million and *Other personal travel services* (mainly recreational travel) valued at \$4.1 billion.

Other personal travel services dominated imports of *Travel services* from the United States (accounting for 84.0 per cent of total *Travel services* imports). This series has grown by an average 15.3 per cent over the past ten years (**Chart 6**) on the back of an appreciating Australian dollar (against the United States dollar) making it more attractive for Australians to travel overseas. Even during the GFC there was no decline in imports in these services from the United States. However it should be noted that growth over this period followed a significant decrease in these services, with imports falling from \$1.2 billion in 2000-01 to \$812 million in 2002-03 on the back of a weaker Australian dollar (against the United States dollar) and fears of terrorism post 11 September 2001.

Business services⁴

The United States was both Australia's largest market and largest source of *Business services*. Australia's exports of *Business services* to the United States were valued at \$3.5 billion in 2013-14 and accounted for 55.1 per cent of total service exports to the United States (**Chart 8**). Exports of *Business services* rose by an average 4.3 per cent per annum over the past ten years. In 2005, the United States granted Australia a new visa category. This new category had its genesis in the AUSFTA negotiations. This specialty occupation (E-3) visa helps Australian business people and professionals capitalise on the opportunities offered under AUSFTA's commitments. The E-3 visa has been available since May 2005, and it provides an annual quota of 10,500 visas. The new visa category has made it easier for Australian services companies to conduct business with the United States.

⁴ *Business services* includes: *Construction services*; *Financial & insurance services*; *Charges for the use of intellectual property*; *Telecommunication, computer & information services*; and *Other business services*.



Imports of *Business services* from the United States were valued at \$6.5 billion and accounted for over 49.0 per cent of total service imports from the United States in 2013-14⁵. Imports of *Business services* have increased by an average 6.4 per cent per annum over the past ten years. Within *Business services* the major services were:

Financial & Insurance services

Exports of *Financial & Insurance services* to the United States increased by an average 7.9 per cent per annum over the past ten years to be valued at \$502 million in 2013-14. **Chart 9** shows that these services rose strongly from 2003-04 to 2006-07, up from \$109 million to \$457 million. However during the GFC exports of these services have decreased significantly, down 74.0 per cent between 2006-07 (valued at \$457 million) and 2010-11 (valued at \$119 million). Exports of *Financial & Insurance services* have recovered since the GFC to be now higher than their pre-GFC peak. Imports of *Financial & insurance services* from the United States also follow a similar growth pattern. Imports grew strongly from 2003-04 to 2007-08, up from \$412 million to \$1.2 billion before falling back to \$295 million following the GFC. Imports have recovered since the GFC to be valued at over \$554 million in 2013-14, but still well below their pre-GFC peak.

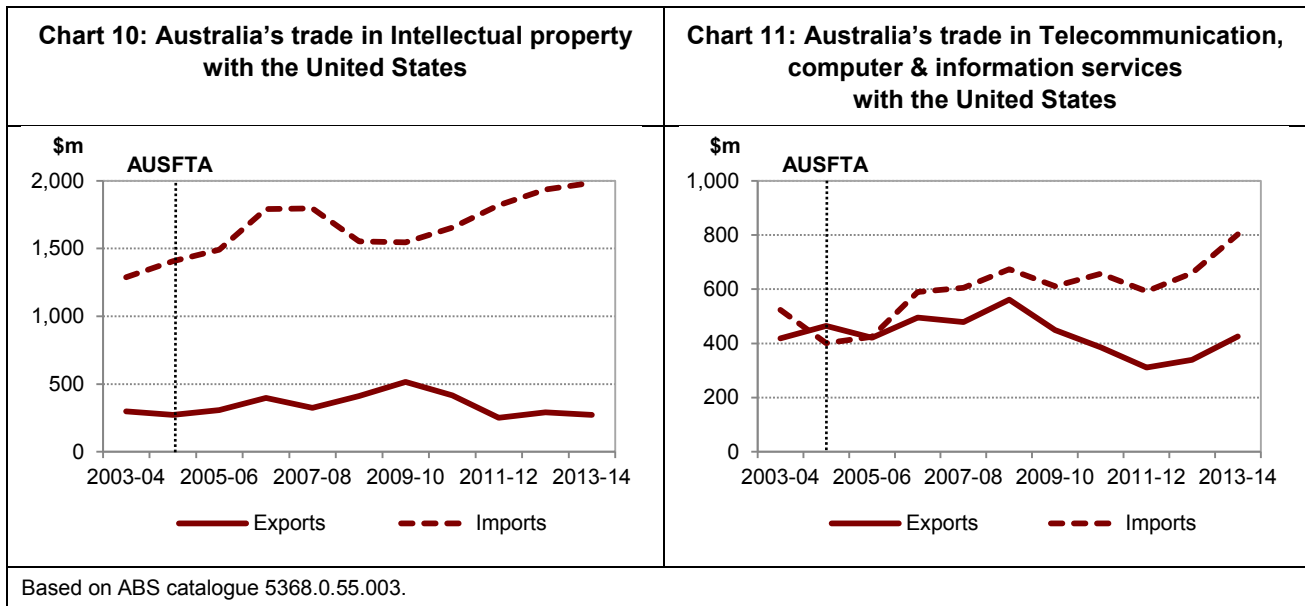
Exporting *Financial & Insurance services* is not the dominant means by which Australia provides these services to the United States. A one-off survey by the ABS found that over 97 per cent of these services are provided by Australia's foreign financial and insurance affiliates abroad valued at \$5.8 billion in 2009-10 (refer to the section below on Australia's foreign affiliates services trade with the United States for more information).

Charges for the use of intellectual property (or royalties)

Australia's exports of *Intellectual Property* to the United States have declined by an average 0.2 per cent per annum over the past ten years to be valued at \$272 million in 2013-14 (**Chart 10**). The major *Intellectual Property* exports to the United States in 2013-14 were *Outcomes of research & development* valued at \$182 million and *Other Intellectual Property* charges valued at \$44 million.

Australia's imports of *Intellectual Property* from the United States have grown by an average 3.4 per cent per annum over the past ten years to be valued at \$2.0 billion in 2013-14. The major *Intellectual Property* imports from the United States in 2013-14 were *Franchise and trademarks licensing fees* valued at \$656 million, *Licences for computer hardware & software* valued at \$592 million, *Outcomes of research and development* valued at \$302 million, *Music royalties* valued at \$168 million and *Other Intellectual Property* charges valued at \$267 million.

⁵ Excludes imports of *Insurance services* for the period 2011-12 to 2013-14 which were confidential in ABS statistics for this period. *Insurance services* imports from the United States were valued on average at around \$30 million for the period 2003-04 to 2010-11.



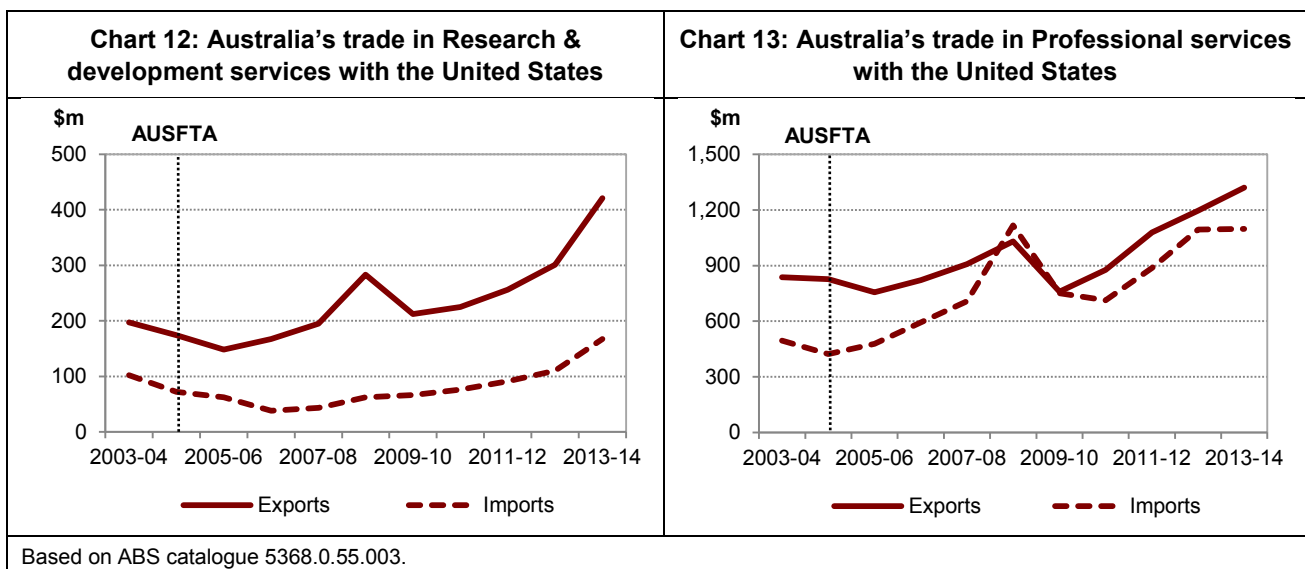
Telecommunication, computer & information services

Australia's exports of *Telecommunication, computer & information services* to the United States has declined by an average 2.4 per cent per annum over the past ten years to be valued \$425 million in 2013-14 (**Chart 11**). *Telecommunication services* have fallen from \$88 million in 2003-04 to just \$11 million in 2013-14 (mainly due to a fall in *Telephone services*). *Computer & information services* however increased from \$331 million in 2003-04 to \$414 million in 2013-14 (but still below the pre GFC peak of \$506 million in 2008-09). The major export within *Computer & information services* was exports of *Hardware & software consultancy services* valued at \$334 million in 2013-14.

Australia's imports of *Telecommunication, computer & information services* from the United States have risen by an average 5.0 per cent over the past ten years to be valued at \$803 million in 2013-14. As with exports, imports of *Telecommunication services* have fallen from \$115 million in 2003-04 to just \$19 million in 2013-14 (mainly due to a fall in *Telephone services*). *Computer & information services* imports however increased from \$409 million in 2003-04 to \$784 million in 2013-14. The major import within *Computer & information services* was imports of *Hardware & software consultancy services* valued at \$492 million in 2013-14.

Research & development services

Australia exported \$421 million in *Research & development services* to the United States in 2013-14 (**Chart 12**) while imports were valued at just \$167 million. Over the past ten years, exports have grown at an average rate of 7.9 per cent per annum while imports have grown at 6.7 per cent per annum.



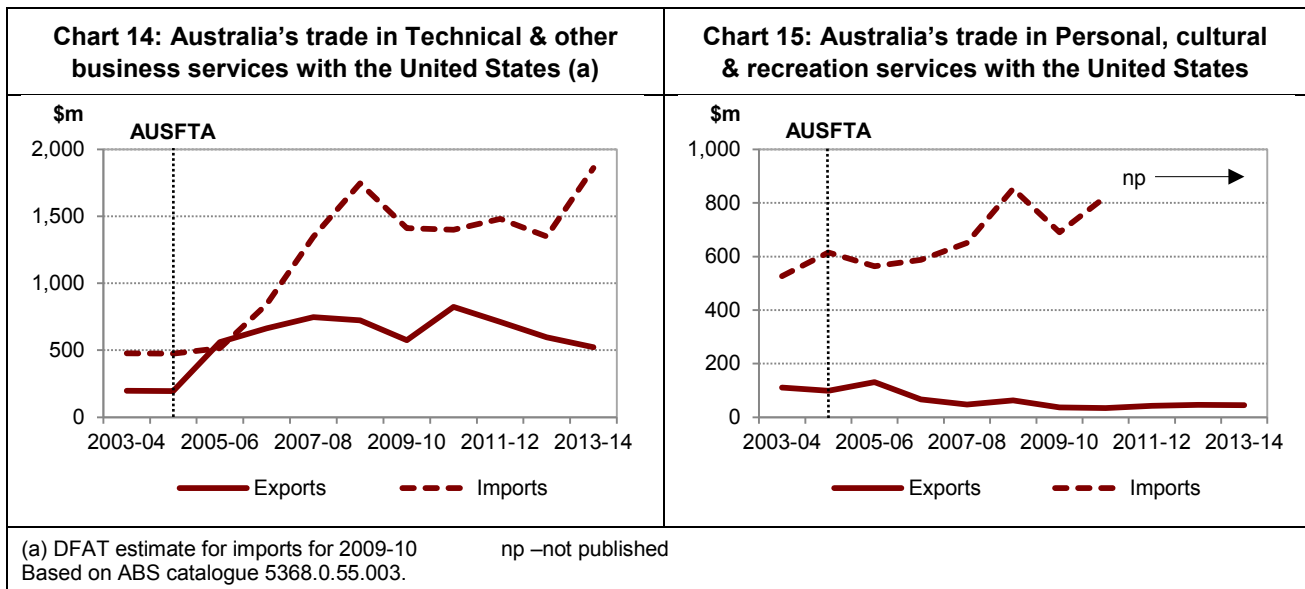
Professional services

Australia's exports of *Professional services* to the United States have grown by an average 4.4 per cent per annum over the past ten years (**Chart 13**). Growth was recorded between 2003-04 and 2008-09 with exports increasing from \$837 million to \$1.0 billion in 2008-09. Following the GFC exports declined to just \$760 million in 2009-10. Exports have recovered strongly to be valued at \$1.3 billion in 2013-14. The major *Professional services* exports to the United States in 2013-14 were *Management fees* valued at \$615 million, *Legal services* valued at \$217 million and *Advertising, market research & public opinion polling services* valued at \$206 million.

Imports of *Professional services* from the United States have grown on average by 9.6 per cent per annum over the past ten years from \$495 million in 2003-04, reaching a peak of \$1.1 billion in 2008-09 before falling back to \$713 million in 2010-11 after the GFC. Imports have since recovered to be valued at \$1.1 billion in 2013-14. The major *Professional services* imports from the United States in 2013-14 were *Management fees* valued at \$572 million, *Accounting, auditing, bookkeeping and tax consulting services* valued at \$118 million and *Other professional services* valued at \$213 million.

Technical & other business services

Australia's exports of *Technical & other business services* to the United States (**Chart 14**) have increased by an average 9.8 per cent over the past ten years, from \$197 million in 2003-04 to \$523 million in 2013-14 (but still below their peak of \$824 million in 2010-11). The major component was *Engineering services* which have grown by an average of 17.8 per cent per annum from \$63 million in 2003-04 to \$427 million in 2013-14 (but still below its peak in 2010-11 valued at \$613 million).



Imports of *Technical & other business services* from the United States have increased from \$477 million in 2003-04 to \$1.9 billion in 2013-14. The major component was *Engineering services* valued at \$1.3 billion in 2013-14. The other largest component over the period was *Services to the mining industry* valued at around \$500 million per annum between 2007-08 and 2011-12⁶, at the height of the mining boom in Australia but have since fallen to just \$96 million in 2013-14.

Personal, cultural & recreation services

Exports of *Personal, cultural & recreation services* to the United States (**Chart 15**) was valued at \$45 million in 2013-14, significantly under the Sydney Olympic peak of \$817 million recorded in 2000-01 (with \$773 million in *Film TV & related royalties*). Excluding the Olympic Games peak, exports have been declining at an average 10.7 per cent per annum since 2003-04. *Film TV & related royalties* were valued at \$24 million in 2013-14 while *Other personal, cultural & recreation services* (mainly *Education consultancy services*) were valued at \$21 million.

⁶ Imports of *Services incidental to mining, and oil and gas extraction* were valued at \$532 million in 2007-08, not published (confidential) in 2008-09 to 2010-11 and then valued at \$393 million in 2011-12. The value of the confidential item data for the period 2008-09 to 2011-11 indicates that exports for this item were on the order of \$500 million per annum over this three year period.

Imports of *Personal, cultural & recreation services* from the United States have grown from \$527 million in 2003-04 to \$823 million in 2010-11 (the latest financial year data available with data for 2011-12 to 2013-14 confidential in ABS trade statistics). However data for calendar year 2013 was published by the ABS with imports valued at \$806 million. The largest component was imports of *Film TV & related royalties* valued at \$710 million in 2013 (with TV royalties valued at \$403 million, *Home entertainment royalties* valued at \$145 million and *Film royalties* valued at \$118 million). Other major imports of *Personal, cultural & recreation services* from the United States included *Sporting & entertainment services* valued at \$70 million in 2013 and *Education services* valued at \$12 million in 2013.

Foreign affiliates trade in services with the United States

Australia's trade in services statistics, as captured in Australia's Balance of Payments statistics do not cover services provided by an Australian commercial presence abroad, or services provided in Australia by a foreign owned enterprise. Unlike goods trade it is often necessary for a company to set up a commercial presence in the host country to provide the service (known as a foreign affiliate). The services provided by foreign affiliates are referred to as Foreign Affiliates Trade in Services (FATS).

The ABS has conducted a number of one-off FATS surveys. These surveys found that around two-thirds of Australian services are supplied to the United States via a foreign affiliate. However none of the ABS surveys are recent, or provide time series data. **Attachment B** provides a summary of the findings of the ABS surveys (and other Australian FATS surveys) in relationship to Australia's FATS activity with the United States.

The United States' [Bureau of Economic Analysis](#) (BEA) however compiles and publishes data on United States foreign affiliate's trade with the world, both inwards and outwards on an annual basis. This data can be used to analysis trends in the United States' FATS with Australia. The BEA FATS data covers the years 2006 to 2012. The following analysis is based on this data and all values are in US dollar terms.

United States outwards foreign affiliates trade in services with Australia, 2006 to 2012

The United States had 814 majority owned foreign affiliates in Australia in 2012⁷ – refer to **Table 1**. These affiliates had total assets in Australia of US\$580.1 billion. The gross value added by these affiliates was worth US\$60.1 billion in 2012. The affiliates had sales of goods and services in Australia valued at US\$187.9 billion of which, sales of services were valued at US\$54.3 billion in 2012. The affiliates employed 308,500 persons and paid wages and salaries (compensation of employees) valued at US\$27.1 billion during 2012.

Table 1: Summary indicators of United States majority owned affiliates in Australia

	Unit	2009	2010	2011	2012
No of affiliates (a)	No.	771	764	800	814
Total assets	US\$m	420,953	494,608	566,883	580,094
Employment	000's	294.6	290.9	305.5	308.5
Compensation of employees	US\$m	19,998	21,876	25,062	27,077
Sale of goods and services	US\$m	138,269	151,498	177,765	187,923
Sale of services	US\$m	37,581	45,527	50,431	54,271
Gross value added	US\$m	44,880	49,165	57,346	60,073

(a) Number of affiliates with assets, sales, or net income (+/-) greater than \$25 million.

Source: US Bureau of Economic Analysis, Financial and Operating Data for U.S. Multinational Companies..

The sales of services by United States affiliates in Australia have grown on average by 9.7 per cent per annum from US\$30.2 billion in 2006 to US\$54.3 billion in 2012, compared to United States exports of services to Australia which have grown on average by 12.8 per cent per annum to US\$18.8 billion in 2012. Sales by United

⁷ Majority owned includes all affiliates which the United States owns 50 per cent or more of the equity in the affiliates. The number of affiliates with assets, sales, or net income (+/-) greater than US\$25 million.

States affiliates in Australia accounted for 74.3 per cent of the total provision of services to Australia from the United States in 2012 (down from 76.8 per cent in 2006) - refer to **Table 2**.

Growth in sales of services by United States affiliates in Australia accounted for 71.4 per cent of the total growth in the provision of United States services to Australia between 2006 and 2012.

Table 2: United States provision and purchases of services to/from Australia (US\$ million)

	2006	2009	2012	% average growth 2006 to 2012
US affiliates located in Australia - sales of services (FATS)	30,153	37,581	54,271	9.7
United States services exports to Australia	9,084	13,857	18,748	12.8
Total provision of United States services to Australia	39,237	51,438	73,019	10.4
<i>FATS share (%)</i>	76.8	73.1	74.3	
Australian affiliates located in the United States - sales of services (FATS)	7,444	13,044	17,892	15.2
United States services imports from Australia	4,540	5,445	6,900	6.0
Total purchases of Australian services by the United States	11,984	18,489	24,792	12.2
<i>FATS share (%)</i>	62.1	70.6	72.2	

Source: BEA Financial and Operating Data for US Multinational Companies and Financial and Operating Data for US Affiliates of Foreign Multinational Companies.

Chart 16: United States provision of services to Australia

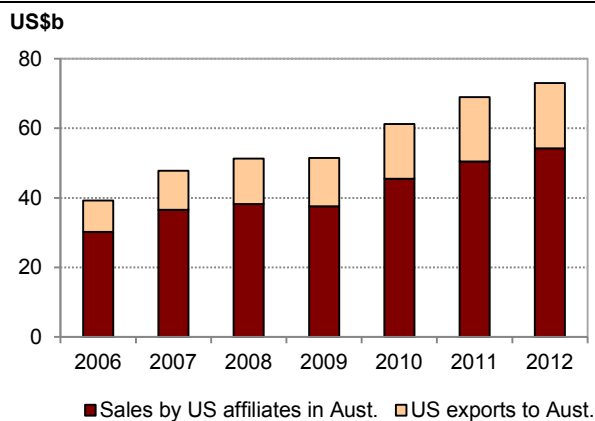
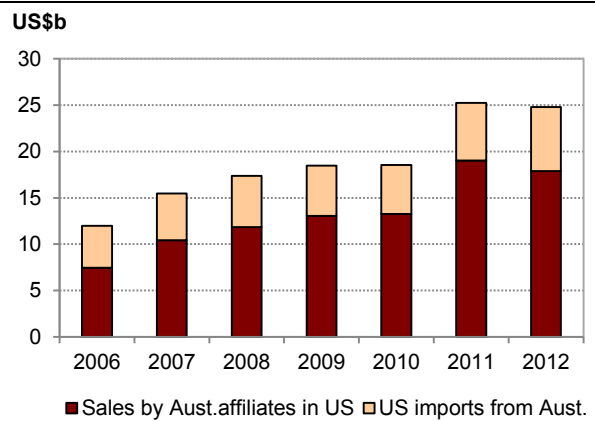


Chart 17: United States purchases of services from Australia



Source: US Bureau of Economic Analysis.

Sales of services by United States *Professional, scientific & technical services* affiliates in Australia accounted for the largest share of total services sales valued at US\$16.2 billion in 2012 (up from US\$4.9 billion in 2006) - refer to **Table 3**. This was followed by *Financial & insurance* affiliates with sales of services valued at US\$12.4 billion (up from US\$6.1 billion in 2006), *Wholesale & retail trade* with sales valued at US\$8.4 billion (up from US\$6.2 billion in 2006) and *Information & telecommunication* affiliates with sales valued at US\$5.5 billion (down from US\$5.7 billion in 2006).

**Table 3: Sales of services supplied by United States majority owned affiliates
in Australia by industry of the affiliate
(US\$ million)**

Industry of affiliate	2006	2009	2012
Manufacturing	308	323	781
Wholesale & retail trade	6,167	6,161	8,443
Information & telecommunication	5,722	5,961	5,531
Publishing industries	2,678	2,641	3,317
Motion picture & sound recording industries	682	915	973
Telecommunications	np	np	np
Broadcasting (except Internet)	np	np	np
Internet service providers, web search portals, data processing services, internet publishing & broadcasting, & other information services	1,238	np	745
Finance & insurance	6,107	8,230	12,358
Finance	4,949	6,631	10,214
Insurance carriers & related activities	1,158	1,598	2,144
Real estate, rental & leasing	857	817	1,852
Professional, scientific & technical services	4,926	8,860	16,192
Architectural, engineering, & related services	659	3,021	7,598
Computer systems design & related services	3,088	3,823	5,888
Management, scientific, & technical consulting	575	1,319	1,645
Other	605	697	1,062
Other industries	6,065	7,230	9,113
Agriculture, forestry, fishing, & hunting	np	0	np
Mining	564	1,482	676
Utilities	np	np	np
Construction (a)	np	176	305
Transportation & warehousing	502	977	1,544
Management of companies & enterprises	np	0	0
Administration, support, & waste management	2,674	np	2,965
Health care & social assistance	0	29	29
Accommodation & food services	1,465	1,944	2,790
Miscellaneous services	316	np	np
Total sales of services	30,153	37,581	54,271

(a) In BEA statistics, sales resulting from construction are recorded as goods rather than sales of services, the sales of services represent sales in secondary, non-construction industries. np - not published
Source: BEA Financial and Operating Data for U.S. Multinational Companies.

United States inwards foreign affiliates trade in services with Australia, 2006 to 2012

Australia had 112 majority owned affiliates in the United States Australia in 2012⁸ – refer to **Table 4**. These affiliates had total assets in the United States of US\$261.1 billion. The gross value added by these affiliates was worth US\$14.5 billion in 2012. The affiliates had sales of goods and services in the United States valued at US\$47.6 billion of which, sales of services were valued at US\$17.9 billion in 2012. The affiliates employed 84,800 persons and paid wages and salaries (compensation of employees) valued at US\$7.0 billion during 2012.

The sales of services by Australian affiliates in the United States have grown on average by 15.2 per cent per annum from US\$7.4 billion in 2006 to US\$17.9 billion in 2012, compared to United States imports of services from Australia which have grown on average by 6.0 per cent per annum to US\$6.9 billion in 2012. Sales by Australian affiliates in the United States accounted for 72.2 per cent share of the total purchases of services from Australia by the United States (up from 62.1 per cent in 2006) - refer to **Table 2**.

⁸ The number of affiliates with assets, sales, or net income (or loss) greater than US\$15 million. The data is based on the country of Ultimate Beneficial Ownership (UBO). UBO refers to the country being the ultimate (or top) owner of the affiliate in the United States. For example, Australia would not be considered to be the UBO of a foreign owned firm in Australia that had a foreign affiliate in the United States.

Table 4: Summary indicators of Australian majority owned affiliates in the United States

	Unit	2009	2010	2011	2012
No of affiliates (b)	No.	143	143	132	112
Number of companies consolidated	No.	1,534	1,562	1,086	1,030
Total assets	US\$m	205,742	219,587	250,730	261,100
Employment	000's	85	87.4	83.5	84.8
Compensation of employees	US\$m	6,261	6,401	6,813	7,025
Sale of goods and services	US\$m	43,575	43,503	47,513	47,622
Sale of services	US\$m	13,044	13,270	19,039	17,892
Gross value added	US\$m	11,494	14,057	13,558	14,545

(a) Based on country of ultimate beneficial ownership.

(a) Number of affiliates with assets, sales, or net income (+/-) greater than \$15 million.

Source: US Bureau of Economic Analysis, Financial and Operating Data for U.S. Multinational Companies..

Growth in sales of services by Australian affiliates in the United States accounted for 81.6 per cent of the total growth in purchases of services from Australia by the United States between 2006 and 2012.

Sales of services by Australian *Financial and insurance* affiliates in the United States accounted for the largest share of total services sales valued at US\$7.4 billion in 2012 (up from just US\$624 million in 2006) representing average annual growth of 46.4 per cent. – refer to **Table 5**. This was followed by sales of *Real estate, rental & leasing* affiliates with sales valued at US\$3.4 billion (down slightly from US\$3.6 billion in 2006) and *Professional, scientific & technical services* affiliates with sales valued at US\$1.7 billion (up from US\$1.5 billion in 2006). Note a significant amount of data for Australia affiliates by industry is not published by the BEA (valued at US\$4.2 billion, in 2012).

Table 5: Sales of services supplied by Australian majority owned affiliates in the United States by industry of the affiliate (US\$ million)

Industry of affiliate	2006	2009	2012
Manufacturing	530	426	666
Wholesale & retail trade	197	280	390
Information & telecommunication	70	188	69
Publishing industries	np	154	np
Motion picture & sound recording industries	0	np	np
Telecommunications	np	np	1
Broadcasting (except Internet)	np	4	4
Internet service providers, web search portals, data processing services, internet publishing & broadcasting, & other information services	7	4	np
Finance & insurance	624	1,908	7,362
Finance	np	np	np
Insurance carriers & related activities	np	np	np
Real estate, rental & leasing	3,588	4,748	3,445
Professional, scientific & technical services	1,532	1,662	1,714
Architectural, engineering, & related services	np	np	np
Computer systems design & related services	np	287	np
Management, scientific, & technical consulting	15	38	36
Other	3	np	np
Other industries	903	np	np
Agriculture, forestry, fishing, & hunting	0	0	0
Mining	0	np	np
Utilities	np	np	np
Construction (a)	0	np	51
Transportation & warehousing	np	378	476

**Table 5: Sales of services supplied by Australian majority owned affiliates
in the United States by industry of the affiliate
(US\$ million)**

Industry of affiliate	2006	2009	2012
Management of companies & enterprises	0	np	0
Administration, support, & waste management	np	2,004	np
Health care & social assistance	np	np	np
Accommodation & food services	np	np	np
Miscellaneous services	np	97	109
Total sales of services	7,444	13,044	17,892
of which: <i>Confidential items</i>	..	3,832	4,246

(a) In BEA statistics, sales resulting from construction are recorded as goods rather than sales of services, the sales of services represent sales in secondary, non-construction industries. np - not published
Source: BEA Financial and Operating Data for US Affiliates of Foreign Multinational Companies.

Conclusion

The United States is Australia's most important services trading partner. Trade in services has grown steadily over the past twenty years with the services trade relationship being further enhanced through the AUSFTA. Though trade declined sharply during the GFC, it has recovered strongly over the past few years and in most areas has now exceeded the peaks reached before the GFC.

Services delivered by Australian affiliates in the United States and United States affiliates in Australia are the key mode for the provision and purchases of services between Australia and the United States. Services provided by foreign affiliates accounted for over 70 per cent of the provision and purchases of services between Australia and the United States.

Author: *Frank Bingham*
Economic Advocacy & Analysis Branch
statssection@dfat.gov.au

ATTACHMENT A

AUSTRALIA'S SERVICES EXPORTS TO THE UNITED STATES BY TYPE OF ACTIVITY (a) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
Manufacturing services on physical inputs owned by others	2	19	47	1	28
Maintenance & repair services nie	1	4	5	6	8
Transport services	710	821	631	633	675
<i>Passenger (b)</i>	np	np	np	np	np
<i>Freight</i>	np	np	np	np	78
<i>Other transport</i>	np	np	np	np	74
<i>Postal & courier (c)</i>	np	np	np	np	np
Travel services	1,386	1,525	1,465	1,717	1,848
<i>Business</i>	376	386	407	622	614
<i>Personal</i>	1,011	1,139	1,058	1,095	1,234
Education-related	224	216	189	200	216
Other personal travel (d)	787	923	869	895	1,018
Construction services	3	0	2	0	65
Insurance & pension services	8	8	8	8	9
<i>Direct insurance</i>	6	6	6	5	6
Freight	6	6	6	5	6
Life	0	0	0	0	0
Other direct	0	0	0	0	0
<i>Reinsurance</i>	0	0	0	0	0
<i>Auxiliary</i>	0	0	0	0	0
<i>Pension</i>	2	2	2	3	3
<i>Standardised guarantee</i>	0	0	0	0	0
Financial services	101	449	155	358	493
Charges for the use of intellectual property nie	299	397	516	292	272
<i>Licences to reproduce and/or distribute computer services</i>	71	104	63	48	25
Software	71	100	61	48	25
Hardware & design	0	4	2	0	0
<i>Licences to produce and/or distribute audiovisual & related services</i>	0	0	0	0	0
<i>Outcomes of research & development</i>	84	38	207	97	182
<i>Franchise & trademarks licensing fees</i>	8	27	23	20	0
<i>Other charges</i>	136	227	223	127	65
Royalties on education services	0	0	3	0	1
Royalties on telecommunication services	0	0	0	0	0
Music	13	25	21	23	19
Other charges nie	123	202	199	104	44
Telecommunications, computer & information services	419	495	449	339	425
<i>Telecommunication</i>	88	38	36	10	11
Telephone	75	27	17	6	2
Other telecommunication	13	12	20	4	9
<i>Computer & information</i>	331	457	413	329	414
Computer	310	382	297	251	334
Hardware & software consultancy	308	379	296	251	334
Data processing	2	3	0	0	0

ATTACHMENT A

AUSTRALIA'S SERVICES EXPORTS TO THE UNITED STATES BY TYPE OF ACTIVITY (a) (cont'd) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
Information services	0	7	9	27	32
Database services	0	7	8	15	25
News agency subscription	0	0	2	12	7
Other computer & information	21	68	107	51	48
Other business services	1,231	1,652	1,548	2,095	2,265
<i>Research & development</i>	197	167	212	301	421
<i>Professional & management consulting</i>	837	821	760	1,197	1,321
Legal, accounting, management consulting, public relations	806	730	556	986	1,115
Legal	114	118	147	233	217
Accounting auditing	41	120	113	136	138
Business & management consultancy	30	57	42	75	67
Other professional	88	62	107	84	78
Management fees nie	533	373	146	458	615
Advertising, market research & public opinion polling	31	91	204	211	206
<i>Technical, trade-related & other business</i>	197	663	574	597	523
Architectural, engineering & other technical	104	473	324	474	438
Architectural	13	17	2	0	0
Engineering	63	449	312	469	427
Surveying	0	1	8	0	0
Scientific & other technical	28	6	3	5	11
Waste treatment & de-pollution, agricultural & mining	1	0	6	17	20
Waste treatment & depollution	0	0	0	0	0
Services incidental to agriculture, forestry & fishing	0	0	0	8	0
Services incidental to mining, and oil & gas extraction	1	0	4	9	20
Other on-site processing	0	0	3	0	0
Operational leasing	0	52	54	2	0
Air operational leasing	0	0	0	0	0
Sea operational leasing	0	0	10	0	0
Other operational leasing	0	52	45	2	0
Trade-related services	57	76	95	5	10
Other business services nie	35	62	95	99	55
Personal, cultural & recreational services	111	66	37	46	45
<i>Audiovisual & related services</i>	59	37	21	20	24
Royalties on film, television, home entertainment & other audiovisual	43	35	21	20	24
Film	4	3	8	5	2
Television	9	2	3	0	6
Home entertainment	3	0	0	0	1
Other audiovisual	0	0	1	0	2
Other film, TV and multimedia	27	30	9	15	12
Other audiovisual nie	16	2	0	0	0

ATTACHMENT A

AUSTRALIA'S SERVICES EXPORTS TO THE UNITED STATES BY TYPE OF ACTIVITY (a) (cont'd) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
<i>Other personal, cultural & recreational services</i>	52	29	16	26	21
Health	0	0	1	5	8
Education	14	17	15	14	12
Consultancy	14	15	15	11	11
Correspondence courses	0	1	0	1	0
Services through educational institutions	0	0	0	0	0
Other educational services	0	1	0	2	1
Other recreational	38	12	0	7	2
Sporting & entertainment	28	0	0	1	2
Off-shore gambling	10	9	0	0	0
Other recreational nie	0	3	0	6	0
Government services nie	208	217	239	258	266
Total services exports	4,479	5,655	5,100	5,753	6,399

(a) Cells in this table may have been perturbed to protect confidentiality. (b) *Passenger services* includes *Agency fees* and *Commissions for air transport*. (c) *Postal & courier services* includes *Indirect sea transport*.

Source: ABS catalogue 5368.0.55.003.

ATTACHMENT A

AUSTRALIA'S SERVICES IMPORTS FROM THE UNITED STATES BY TYPE OF ACTIVITY (a) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
Manufacturing services on physical inputs owned by others	0	0	0	0	0
Maintenance & repair services nie	105	50	101	131	24
Transport services	634	625	334	638	802
<i>Passenger (b)</i>	413	np	258	531	485
<i>Freight</i>	184	np	38	57	53
<i>Other transportation</i>	11	np	19	36	253
<i>Postal & courier (c)</i>	26	np	20	14	11
Travel services	1,585	2,194	3,318	4,668	4,922
<i>Business</i>	469	484	549	665	624
<i>Personal</i>	1,116	1,710	2,769	4,003	4,298
Education-related	95	88	95	153	165
Other personal travel (d)	1,021	1,622	2,674	3,850	4,133
Construction services	0	0	0	0	0
Insurance & pension services	40	32	29	np	np
<i>Direct insurance</i>	14	17	12	np	np
Freight	14	17	12	np	np
Life	0	0	0	0	0
Other direct	0	0	0	0	0
<i>Reinsurance</i>	23	11	14	np	np
<i>Auxiliary</i>	0	0	0	0	0
<i>Pension</i>	3	4	3	np	np
<i>Standardised guarantee</i>	0	0	0	0	0
Financial services	372	734	337	482	554
Charges for the use of intellectual property nie	1,288	1,792	1,547	1,935	1,985
<i>Licences to reproduce and/or distribute computer services</i>	583	715	547	648	592
Software	462	616	479	577	535
Hardware & design	121	99	6,905	71	57
<i>Licences to produce and/or distribute audiovisual & related services</i>	0	0	0	0	0
<i>Outcomes of research & development</i>	236	489	311	304	302
<i>Franchise & trademarks licensing fees</i>	203	212	389	533	656
<i>Other charges</i>	266	377	300	450	435
Royalties on education services	16	1	0	0	0
Royalties on telecommunication services	0	0	0	0	0
Music	85	124	123	166	168
Other charges nie	165	252	177	284	267
Telecommunications, computer & information services	524	590	611	660	803
<i>Telecommunication</i>	115	44	33	14	19
Telephone	88	23	20	5	10
Other telecommunication	27	22	13	9	9
<i>Computer & information</i>	409	545	577	646	784
Computer	331	462	409	434	493
Hardware & software consultancy	317	454	398	431	492
Data processing	14	7	11	3	1

ATTACHMENT A

AUSTRALIA'S SERVICES IMPORTS FROM THE UNITED STATES BY TYPE OF ACTIVITY (a) (cont'd) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
Information services	12	10	11	42	94
Database services	8	3	4	12	64
News agency subscription	4	7	7	30	30
Other computer & information	66	73	157	170	197
Other business services	1,074	1,476	2,130	2,555	3,127
<i>Research & development</i>	102	38	66	110	167
<i>Professional & management consulting</i>	495	594	751	1,095	1,099
Legal, accounting, management consulting, public relations	468	558	712	1,061	1,050
Legal	46	35	74	61	107
Accounting auditing	22	119	75	113	118
Business & management consultancy	29	42	32	30	40
Other professional	40	51	259	393	213
Management fees nie	331	311	272	464	572
Advertising, market research & public opinion polling	27	35	39	34	49
<i>Technical, trade-related & other business</i>	477	843	np	1,350	1,861
Architectural, engineering & other technical	154	178	np	668	1,370
Architectural	0	0	0	2	0
Engineering	96	110	np	534	1,296
Surveying	0	0	3	4	14
Scientific & other technical	58	68	75	128	60
Waste treatment & de-pollution, agricultural & mining	np	362	np	116	99
Waste treatment & depollution	np	0	0	0	0
Services incidental to agriculture, forestry & fishing	np	0	0	4	3
Services incidental to mining, and oil & gas extraction	np	362	np	113	96
Other on-site processing	np	0	0	0	0
Operational leasing	np	140	np	235	66
Air operational leasing	np	116	np	44	51
Sea operational leasing	np	7	np	0	0
Other operational leasing	np	17	np	191	15
Trade-related services	36	59	43	6	4
Other business services nie	54	104	285	325	322
Personal, cultural & recreational services	527	587	690	np	np
<i>Audiovisual & related services</i>	474	574	642	np	np
Royalties on film, television, home entertainment & other audiovisual	472	558	642	np	np
Film	42	68	62	131	122
Television	299	296	371	np	np
Home entertainment	128	168	195	152	166
Other audiovisual	0	11	9	np	np
Other film, TV and multimedia	3	15	5	np	np
Other audiovisual nie	2	15	0	1	0

ATTACHMENT A

AUSTRALIA'S SERVICES IMPORTS FROM THE UNITED STATES BY TYPE OF ACTIVITY (a) (cont'd) (A\$ million)

Services - Type of activity	2003-04	2006-07	2009-10	2012-13	2013-14
<i>Other personal, cultural & recreational services</i>	53	13	48	85	87
Health	16	0	2	2	11
Education	16	4	6	5	12
Consultancy	14	0	1	0	3
Correspondence courses	0	0	0	0	0
Services through educational institutions	2	0	0	0	0
Other educational services	0	4	4	5	9
Other recreational	21	9	41	78	64
Sporting & entertainment	9	4	20	64	59
Off-shore gambling	0	0	0	0	0
Other recreational nie	12	5	21	14	5
Government services nie	88	101	97	100	101
Total services imports	6,236	8,181	9,193	12,040	13,200

(a) Cells in this table may have been perturbed to protect confidentiality. (b) *Passenger services* includes *Agency fees* and *Commissions for air transport*. (c) *Postal & courier services* includes *Indirect sea transport*.
Source: ABS catalogue 5368.0.55.003.

ATTACHMENT B

AUSTRALIAN STUDIES ON FOREIGN AFFILIATES TRADE IN SERVICES

Outwards Foreign Affiliates Trade in Services

A one-off study of Australia's outward foreign affiliates trade conducted by the ABS estimated that in 2002-03, 64.6 per cent of Australia's services provided abroad were delivered by Mode 3^{1 2}. The study found that Australia's proportion of services provided by its affiliates (Mode 3) to the United States was valued at \$26.1 billion and accounted for 84.5 per cent of all Australian services provided to United States in 2002-03. Commercial presence (or FATS) was the dominant means of supply for the sale of Australian services to the United States.

Two more recent studies show that the level of Australian foreign affiliate activity with the United States can vary significantly between service sectors.

Legal services

The latest study on [Australia legal services markets conducted by the Law Council of Australia for 2010-11](#)³ found that Australia's provision of legal services to the United States (including Canada) was valued at \$260.2 million in 2010-11 (**Table A**). Services exported directly from Australia (Mode 1 – cross border supply) accounted for 93.9 per cent (\$244.3 million) of *Legal services* exports to the United States while 3.5 per cent (\$9.0 million) were provided by Australians temporarily travelling to the United States to provide legal services (Mode 4 - presence of natural persons) while the provision of legal services to United States persons in Australia (Mode 2 -consumption abroad) accounted for most of the remaining 2.5 per cent (\$6.6 million). However, the 2010-11 survey found that Australian legal companies had almost no legal services to the United States via a foreign affiliate, with Mode 3 (commercial presence or FATS) being reported at only \$0.3 million in 2010-11 (and nil in 2008-09), down from \$5.7 million in 2006-07 and \$2.2 million in 2004-05.

Year	GATS modes of supply				Total \$m
	Mode 1	Mode 2	Mode 3	Mode 4	
	\$m	\$m	\$m	\$m	
2004-05	94.8	(b)(c)	2.2	37.2	134.2
2006-07	154.4	(b)(c)	5.7	32.3	192.3
2008-09	146.4	2.2	0.0	24.0	172.6
2010-11	244.3	6.6	0.3	9.0	260.2

(a) Includes Canada. (b) For 2004-05 & 2006-07 Mode 1 also includes Mode 2.
(c) For 2004-05 & 2006-07 Mode 1 also includes some legal services provided by Australian resident legal practice to an Australian company (with the work originating from an overseas based project). These transactions are not exports in ABS trade in services statistics.

Source: Law Council of Australia – Legal and related services export survey (1st, 2nd, 3rd & 4th surveys).

¹ ABS catalogue 5495.0, *Australia's Outwards Foreign Affiliates Trade, 2002-03* and DFAT's *Trade in Services, Australia, 2003-04* – feature article *Australia's Outwards Foreign Affiliates Trade, 2002-03*.

² The World Trade Organization (WTO) General Agreement on Trade in Services (GATS) identifies four "modes of supply" (including trade in services by foreign affiliates) for determining a country's delivery of services to the world to facilitate classification and analysis of barriers to services trade. The modes of supply framework was developed as barriers to services trade typically arise as regulatory barriers within the host economy and not as traditional tariff barriers as for merchandise goods. The GATS modes of service supply are: Mode 1 (cross border supply), Mode 2 (consumption abroad) Mode 3 (commercial presence or FATS) and Mode 4 (presence of natural persons). Modes 1, 2 & 4 are included in ABS trade in services statistics.

³ Law Council of Australia - *Legal and related services export survey, 2010-11*.

ATTACHMENT B

Financial & Insurance services

The Department of Foreign Affairs and Trade (DFAT) commissioned the ABS to conduct a new survey of outward foreign affiliates trade in services for the reference period 2009-10. The survey covered the finance and insurance sector only, a sector identified in the previous survey as being one of the key sectors for Australia's outwards foreign affiliates trade in services.

This survey found that Australia's 282 finance and insurance affiliates located in the United States had sales of *Financial & insurance services* valued at \$5.8 billion in 2009-10⁴. Local sales in the United States) were valued at \$5.5 billion, with \$744 million in *Financial services* and \$4.7 billion in *Insurance services*.

The survey found that FATS was critical in the provision of Australian *Financial & insurance services* abroad with 97.2 per cent of all sales of these services to the United States being delivered by Australian foreign affiliates. This fact was also supported by the United States BEA survey.

For more information on this survey please refer to DFAT's article *Australia's Outward Finance and Insurance Foreign Affiliates Trade in Services 2009-10* at the website (<http://www.dfat.gov.au/about-us/publications/Pages/recent-trade-statistical-articles-and-information-papers.aspx>).

Inwards Foreign Affiliates trade

The ABS also conducted a one-off study of inwards FATS in 2000-01. It found that foreign-owned companies in the services sector (excluding finance and insurance) accounted for around 14 per cent of total gross value added for these industries valued at \$35.5 billion, compared to imports of services into Australia of around \$34 billion⁵.

For United States affiliates in the services sector (excluding finance and insurance) the gross valued added for these industries was \$16.9 billion.

⁴ Includes explicit financial fees only. The ABS did not calculate a regional split of implicit financial services.

⁵ [ABS catalogue 5494.0, Economic Activity of Foreign owned Businesses in 2000-01](#).