
Payment habits of foreign-owned companies negatively impact Australian businesses

Foreign-owned companies operating in Australia are more likely than their locally-owned counterparts to be approached to recover outstanding debt and the average dollar value of commercial disputes is four times higher, according to data released today by credit reporting and collections agency, Dun & Bradstreet (D&B).

The data from Dun & Bradstreet's *Corporate Health Watch* Series, which examined more than 22,000 locally and foreign-owned companies with operations in Australia, reveals that the average dollar value of commercial disputes involving foreign-owned companies is \$70,000. This is more than four times the average dollar value of \$16,500 for commercial disputes involving Australian-owned companies. The likelihood of being approached to recover debt is also twice as high for foreign-owned organisations.

The findings show that foreign-owned organisations are more likely than their Australian-owned counterparts to put pressure on Australian businesses through bad payment habits. This cash retention strategy improves the stability of foreign-owned companies.

The Dun & Bradstreet study also reveals that foreign-owned companies are less likely to fail in the next twelve months than their Australian-owned counterparts. Foreign-owned companies have a 1.8% risk of failure and locally-owned organisations a 2.4% chance of failure.

According to Dun & Bradstreet Australia's marginally higher risk is likely a reflection of specific pressures in the local market such as the drought, interest rates and petrol prices. Foreign-owned companies are less exposed to these pressures because of their ownership structure and spread of global risk. They are also well entrenched due to the age and size of their operations – this is reflected in their lower risk of failure.

According to Christine Christian, Dun & Bradstreet Australia CEO, the latest *Corporate Health Watch* demonstrates that creditors need to pay attention to the payment habits of customers, no matter how big they are or where they come from; otherwise they risk the negative impact of cash flow troubles on operations.

"It is important for businesses to understand where they are placing risk," said Ms Christian.

"Data regarding court action and payment history are important indicators of business strength and sustainability. Organisations should consider the payment habits of customers prior to the extension of credit as lax payment behaviour negatively impacts cash flow and business operations."

International payment performance data from Dun & Bradstreet's *Country Risk Report* also demonstrates the poor payment patterns from foreign owned companies in their country of origin (*refer to figure 1.1: % of payments 30 days or more over terms*).

Examining the countries that maintain a significant foreign-owned presence in Australia reveals that New Zealand, with 40.6% of payments at 30 days or more past terms, is the worst paying country. Despite lower percentages, Singapore and Hong Kong still pay 32.8% and 29.5% of bills respectively well past terms.

Country	% of payments 30 days or more over terms
United Kingdom	6.0%
New Zealand	40.6%
Japan	16.8%
Hong Kong	29.5%
Singapore	32.8%

Figure 1.1: % of payments 30 days or more over terms

Dun & Bradstreet's *Corporate Health Watch* shows that although New South Wales and Victoria account for a third each of all companies registered in Australia, half of all foreign-owned companies are located in New South Wales (*see figure 1.2: Location of foreign-owned organisations*).

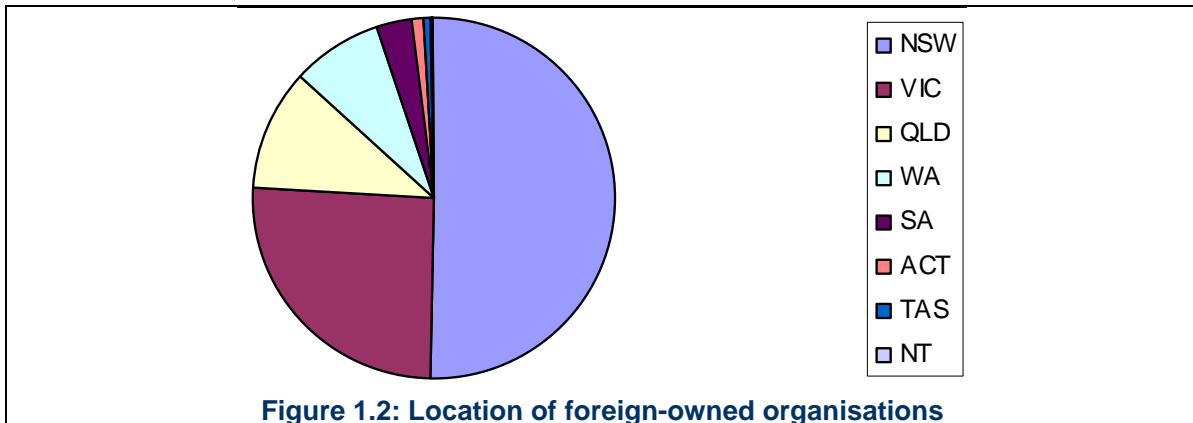
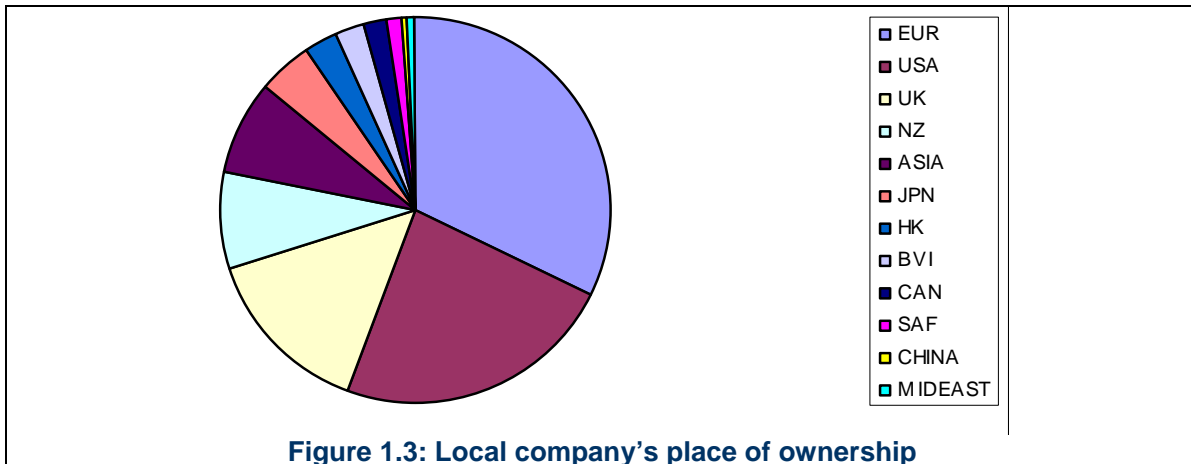


Figure 1.2: Location of foreign-owned organisations

“That half of all foreign-owned businesses locate their operations in New South Wales is not surprising given Sydney’s reputation in overseas markets as the financial centre of Australia,” said Ms Christian.

An examination of the parents of the foreign-owned companies reveals that Europe accounts for just more than 30% of organisations operating in Australia, with the Netherlands, Germany, Switzerland, France and Sweden having the greatest presence (*see figure 1.3: local company’s place of ownership*).



Almost one quarter (22%) of foreign-owned companies have their overseas parent located in the United States. The United Kingdom and New Zealand follow with 14% and 8% respectively.

Of the Asian countries, Singapore has the greatest presence in Australia (4.5%); an expected finding given it has traditionally been used by many European and American organisations to establish operations in the Asia-Pacific region. Japan isn't far behind with 4% of all overseas ownership whilst the Chinese province of Hong Kong, a traditional financial centre for the region, accounts for almost 3%.

“The presence of the UK and Europe in Australia is to be expected given Australia's historical relationship with these geographical regions,” said Ms Christian.

“Asia's presence is significant – a combined total of close to 12% – given the ongoing development of stronger relations between countries within the region.”

Media Notes

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