

2. Web and Multimedia

The increased affordability of computers with full multimedia capabilities, the growth of broadband internet services, and the dramatic growth of mobile internet devices has caused demand for web and multimedia services to grow tremendously in the past decade. Typical services include sophisticated website development and maintenance, preparation of multimedia presentations, and training through new internet-based education techniques.

a) Representative Operation – Content Development

The representative operation modeled performs process-oriented services, such as compiling basic multimedia content and developing standard websites. As illustrated in Exhibit 3.62, this operation is characterized by:

- Leased office space
- A technically oriented workforce, heavily weighted toward junior programmers

The business is assumed to operate as a stand-alone profit center.

b) International Results

International results are illustrated in Exhibit 3.63. These results reflect the combined impact of 27 location-sensitive cost components applied to the modeled operation. Detailed results, by key cost component, are presented in Exhibit 3.64.

c) Selected Cities

Exhibit 3.65 profiles results for selected cities, by country, from among the 102 cities featured in this report. Results for all other featured cities can be found in Chapter 4, Exhibit 4.10.

EXHIBIT 3.62 – WEB AND MULTIMEDIA	
Content Development – Summary of Operating Parameters	
Facilities Requirements	
Class A office space leased	22,500 ft ² (2,090 m ²)
Other Initial Investment Requirements	
Office equipment – US \$'000	\$1,500
Equity financing - % of project costs	67%
Workforce	
Management	11
Sales and administration	12
Dedicated product development	84
Customer support	3
Total employees	110
Energy Requirements	
Electricity monthly consumption/peak demand	120,000 kWh and 360 kW
Other Annual Operating Characteristics	
Sales at full production – US \$'000	\$16,000
Operating costs - % of sales	8%
Investment in tax-eligible R&D - % of sales	–

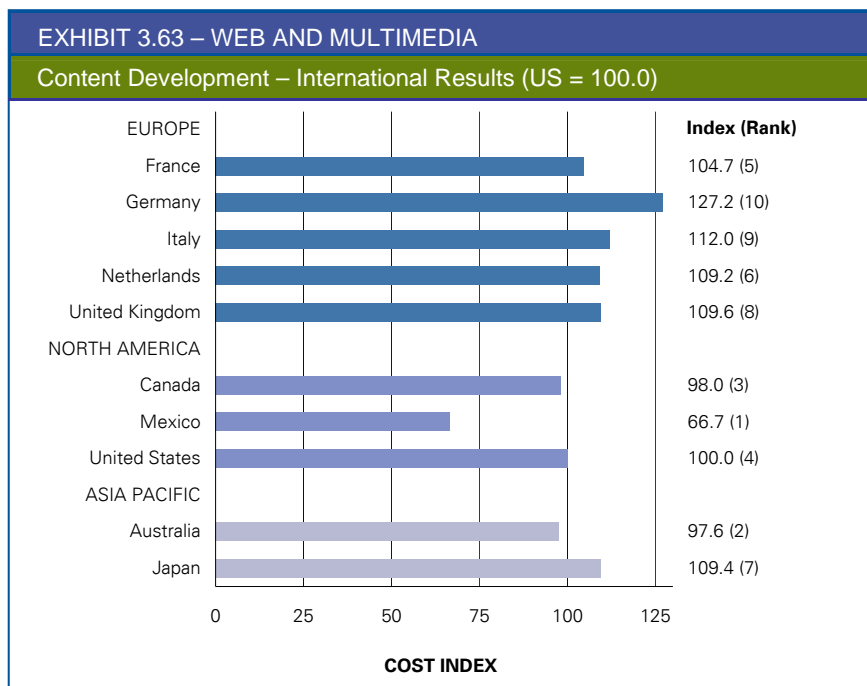


EXHIBIT 3.64 – WEB AND MULTIMEDIA

Content Development – Costs, by Major Component, US \$'000

	Europe					North America			Asia Pacific	
	France	Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
Revenues	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200
Costs										
- Salaries & Wages	6,632	10,368	7,345	8,191	8,358	7,994	4,303	7,665	7,312	7,893
- Statutory Plans	2,932	1,494	2,332	913	999	476	527	629	961	766
- Other Benefits	1,323	2,179	2,105	2,948	2,381	1,520	878	1,715	1,649	2,305
- Total Labor & Benefits	10,887	14,042	11,781	12,051	11,737	9,990	5,707	10,009	9,922	10,963
- Facility Lease	635	437	264	430	713	634	346	496	767	841
- Transportation	-	-	-	-	-	-	-	-	-	-
- Utilities	212	250	358	224	201	155	415	131	206	413
- Interest & Depreciation	9	759	160	107	125	(136)	(1,449)	(76)	(337)	215
- Non-income Taxes	62	-	97	7	-	71	47	120	-	59
- Location-insensitive Costs	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Profit Before Income Tax	2,255	(1,428)	1,399	1,241	1,285	3,346	8,993	3,379	3,502	1,569
- Income Taxes ¹	743	-	832	307	413	960	2,516	1,249	1,057	669
Effective Rate	33.0%	n/a	59.5%	24.7%	32.1%	28.7%	28.0%	37.0%	30.2%	42.6%
After-tax Profit	1,512	(1,428)	567	934	872	2,386	6,477	2,130	2,445	900
Total Annual Costs	13,688	16,628	14,633	14,266	14,328	12,814	8,723	13,070	12,755	14,300
Index (US=100.0)	104.7	127.2	112.0	109.2	109.6	98.0	66.7	100.0	97.6	109.4
Rank	5	10	9	6	8	3	1	4	2	7

¹ Income taxes may be either positive or negative, irrespective of whether profit before income tax is positive or negative, due to the impact of specific expense deduction rules, minimum taxes, and refundable income tax credits. Effective tax rates are not shown where results are not meaningful because of low profitability.

EXHIBIT 3.65 – WEB AND MULTIMEDIA

Content Development – Results for Selected Cities, by Country

Country	City	Index	Rank Among 102 Cities	Country	City	Index	Rank Among 102 Cities
France	Paris	110.8	93	Canada	Calgary	100.3	51
	Toulouse	101.4	58		Halifax	94.3	20
Germany	Erlangen	125.2	100		Saskatoon	93.2	16
	Halle	119.1	98	St. John's	92.8	15	
Italy	Vicenza	112.7	96	Mexico	Guadalajara	70.7	4
Netherlands	Utrecht	109.2	86		Monterrey	74.4	6
United Kingdom	London	152.7	102	United States	Boston	108.5	84
	Plymouth	105.6	77		Dallas-Fort Worth	96.6	31
Australia	Adelaide	94.2	18		Denver	106.2	81
	Melbourne	98.1	41		New York City	113.0	97
Japan	Fukuoka	109.3	87		North Virginia (Metro DC)	102.4	68
	Yokohama	109.9	90		Phoenix	102.0	63
					Portland	101.3	57
			San Jose		112.0	94	
			Seattle		106.1	80	