

# The Department's Report on Performance for Outcome 2

## Outcome 2

Outcome 2 is:

*Enhanced economic and social benefits through a strengthened national system of innovation.*

This chapter summarises the Department's achievements in relation to Outcome 2 during 2001-02, using Portfolio Budget Statement measures of performance in terms of research and development (R&D) and intellectual property.

## Outputs of Outcome 2

The Department contributed to Outcome 2 through four Outputs:

- Output 2.1 Strategic innovation leadership
- Output 2.2 Innovation policy development and implementation
- Output 2.3 Innovation program implementation and management
- Output 2.4 Business services.

In the following chapters (from page 109), each Output describes its priorities, other projects and performance information for the 2001–02 financial year.

Following the Administrative Arrangements Order of 26 November 2001, many of the Department's responsibilities in regard to science were transferred to the Department of Education, Science and Training, which will report on performance in relation to those items in its own annual report. Two items which had been identified as performance indicators for this Department are therefore not included in this report: trends in worldwide citations of Australian research in the peer-reviewed scientific literature, and increased industry and community access to scientific information.

## Results

### Research and development

<b>Indicators</b>	Trends in business expenditure on R&D.  Trends in Industry Research and Development Board programs, including: <ul style="list-style-type: none"><li>• number of registrants for the tax concession</li><li>• demand for start grants and loans</li><li>• take-up of the Innovation Investment Fund and Commercialising Emerging Technologies.</li></ul>
<b>Measure</b>	Annual change in Australian Bureau of Statistics (ABS) data on business expenditure on R&D.

The Department is responsible for some of Australia's most forward-looking programs of grants and loans and, through those programs, contributes to the growth of R&D, innovation and commercialisation among Australian industries and businesses. The following sections confirm that there was steady growth in those areas during 2001–02.

#### Trend in business expenditure on research and development

In 2000–01 (the most recent period for which data are available), business expenditure on R&D was estimated to be \$4,825 million at 2000–01 prices – that is, 18 per cent higher than it was in 1999–2000. The 2000–01 level was the highest ever recorded in current price terms, and reversed the decreases of the previous four years.

Australia's business expenditure on R&D rose as a percentage of Australia's gross domestic product, to reach 0.72 per cent in 2000–01, following decreases in the previous four years.

The impact of the *Backing Australia's Ability* changes to the R&D Tax Concession, which are expected to facilitate greater R&D expenditure by business, is not reflected in these figures, as the changes apply to expenditure incurred after 30 June 2001.

#### Trends in Industry Research and Development Board programs

##### *Number of registrants for tax concession*

At 30 June 2001, the number of registrants for the R&D Tax Concession in 2000–01 was 3,565, which represented a 9.6 per cent increase on the previous year's total of 3,252 and is among the highest number of registrants recorded for any year. This number is also a 15 per cent increase on the total for 1999–2000, reflecting a resurgence in the uptake of the R&D Tax Concession.

### *Demand for R&D Start grants and loans*

In 2001–02, AusIndustry experienced an unprecedented surge in demand for R&D Start program funds. As a result, R&D Start program (grant and loan) recipients received payments to the value of \$221.4 million during 2001–02. Compared with payments to the value of \$168.9 million in 2000–01, this represents an increase of about 31 per cent.

Due to this unprecedented demand for grant funds, new approvals for the R&D Start program were suspended in April 2002 until uncommitted funds become available.

Existing R&D Start commitments were not affected by the suspension of the program and 604 companies with R&D Start contracts continued to receive their payments. AusIndustry will monitor expenditure by grant holders closely with a view to resuming approvals for new grants as soon as possible in 2002–03.

### *Take-up of Innovation Investment Fund, Biotechnology Investment Fund and Commercialising Emerging Technologies*

The number of Innovation Investment Fund (IIF) investee companies rose during the past financial year, increasing from 41 in 2000–01 to 55 in 2001–02. The funds invested in the companies also increased, from \$71.6 million in 2000–01, to reach \$92.2 million in 2001–02 (almost a 31.7 per cent increase).

The Biotechnology Innovation Fund received a total of 136 new applications in 2001–02. Payments made to applicants totalled \$4.05 million.

During 2001–02, 316 applications were considered for funding under the Commercialising Emerging Technologies (COMET) program. Of those, 247 applications were approved, resulting in offers of funding to the value of \$12.1 million. During the year a total of 409 firms, both new and existing recipients of COMET, received payments under the program to a total of \$12.1 million.

## **Intellectual property**

<b>Indicator</b>	Trends in number of patents granted for Australian inventions, both in Australia and overseas.
<b>Measure</b>	Annual change in World Intellectual Property Organisation's data on number of patents granted for Australian inventions in Australia and in all other countries.

Patents granted to Australian residents by Australia increased in number from 1,301 in 2000 to 1,719 in 2001. The number of patents granted to Australian residents has been steadily rising over the long term – for example, there were just 988 patents granted to Australian residents in 1988.

The total number of patents granted to Australian residents by the United States increased by 24.3 per cent during the 2000–01 financial year, rising from 704 to 875. The total number of patents granted by the United States to Australian

residents has risen considerably during the past few years – for example, in 1995 the United States issued only 354 patents to Australian residents.

During the past year, the Department actively sought to increase the Australian community's awareness of intellectual property issues. For example, the Department played an active role in the establishment and administration of the Intellectual Property Research Institute of Australia, launched in March 2002. Further, the Department administers the intellectual property Internet portal IP Access, the final stage of which became available in May 2002.

Biotechnology Australia, under the provisions of the industry's Action Agenda, sought to increase awareness of intellectual property issues in the area of biotechnology during 2001–02. In particular, Biotechnology Australia developed and implemented programs designed to increase the intellectual property awareness and management skills of the industry.

IP Australia, through the provision of services to clients – such as seminar programs and its website – and the development of international strategic relationships, helped Australian business to prosper by encouraging increased innovation, investment and trade through the effective use of intellectual property.

## **Purchaser–provider arrangements for Outcome 2**

There were no purchaser–provider arrangements for Outcome 2 in 2001–02.

## **Evaluations for Outcome 2**

### **Commercialising Emerging Technologies and the Innovation Investment Fund**

Interim evaluations of COMET and IIF were commenced in 2001–02. The evaluations help gauge the appropriateness, effectiveness and efficiency of the programs, and will assist the Government in making any necessary adjustments to the administration of the programs. The evaluations are expected to be made available to the Government early in 2002–03.

As part of the evaluation of the COMET program, the Department had a consultant survey participating firms. The main findings of that survey included the following.

- The expectations of firms entering the COMET Tailored Assistance for Commercialisation program were to raise capital, do market research, establish a business/financial plan, and obtain R&D funding. More than 73 per cent of successful clients suggested these expectations had been met.
- The participating firms exhibited higher growth in annual revenue, numbers of employees, annual expenses and total assets, compared to non-participating firms in a reference group.
- Of the successful firms, 93 per cent said they would recommend the program to others.

## Resources for Outcome 2 2001–02

Table 14: DITR total resources for Outcome 2

	(1) Budget <sup>(a)</sup> 2001-02 \$'000	(2) Actual 2001-02 \$'000	Variation (2) - (1) \$'000	Budget <sup>(b)(c)</sup> 2002-03 \$'000
<b>Administered Expenses</b> (including third party outputs)	251,888	280,345	28,457	196,237
<b>Total administered expenses</b>	251,888	280,345	28,457	196,237
<b>Price of Departmental Outputs <sup>(c)</sup></b>				
<b>Output 2.1</b> Strategic Innovation Leadership	4,036	3,591	(445)	36,973
<b>Output 2.2</b> Innovation Policy Development and Implementation	6,444	5,675	(769)	3,734
<b>Output 2.3</b> Innovation Program Design and Management	38,745	36,622	(2,123)	-
<b>Output 2.4</b> Business Services	26,614	30,034	3,420	-
<b>Revenue from Government (Appropriation)</b>	<b>75,839</b>	<b>75,922</b>	<b>83</b>	<b>40,707</b>
Revenue from other sources	20,340	27,127	6,787	136
<b>Total Price for outputs</b>	<b>96,179</b>	<b>103,049</b>	<b>6,870</b>	<b>40,843</b>
<b>Total for Outcome 2</b> (Total Price of Outputs and Administered Expenses)	<b>348,067</b>	<b>383,394</b>	<b>35,327</b>	<b>237,080</b>
<b>Staffing</b>	<b>630</b>	<b>772</b>	<b>142</b>	<b>315</b>

(a) Full-year budget, including additional estimates

(b) Budget prior to additional estimates

(c) ITR has a new Output Structure for 2002-03:

- Output 2.1 Program Management Services; and
- Output 2.2 Policy Advice



# Output 2.1 Strategic Innovation Leadership

## Contribution to Outcome 2

In 2001–02, Output 2.1 contributed to enhanced economic and social benefits by:

- promoting a vision for the future of Australian innovation
- cultivating best practice within Australian innovation
- fostering innovation endeavour
- promoting investment in innovation
- fostering domestic and international collaboration in innovation
- cultivating awareness of the relevance of innovation to economic growth and social development.

## Priorities

### Backing Australia's Ability initiatives

*Backing Australia's Ability* is the Government's \$3 billion five-year investment in innovation. During 2001–02, there was significant progress in the implementation of *Backing Australia's Ability* initiatives administered by the Department, including the following.

- Legislation implementing the 175 per cent R&D Tax Concession and the R&D Tax Offset (Rebate) measures was passed in September 2001. Applications for registration for the 2001–02 financial year, the first income year for which the new measures are available, can be submitted from 1 July 2002.
- On 30 May 2002, the Prime Minister announced that the National Stem Cell Centre would be awarded funding of \$43.55 million over four years to operate the Biotechnology Centre of Excellence.
- The Biotechnology Innovation Fund approved \$12.2 million in grants to 55 companies to commercialise biotechnology discoveries.
- The Commercialising Emerging Technologies program extended its Business Adviser network reflecting the receipt of additional funding of \$40 million to the end of June 2005.

- The Innovation Investment Fund and Commercialising Emerging Technologies programs commenced being evaluated to ensure their effectiveness.
- On 8 May 2002, fund manager licences were offered to four private sector firms – Starfish Ventures (which has been offered \$17 million in Commonwealth funding), Rothschild Genesis (\$21.25 million), Allen and Buckeridge (\$14.15 million) and SciVentures (\$20.3 million) – to manage more than \$100 million of Commonwealth and private sector funding, under the competitive Pre-Seed Fund, for universities and public sector research agencies.
- On 15 October 2001, the Government announced the introduction of a new venture capital tax concession to attract investment in Australian venture capital by non-residents. The concession will provide an internationally recognised vehicle for venture capital investment in eligible Australian businesses.
- The National Innovation Awareness Council began finalising a strategy to strengthen attitudes and improve understanding of innovation during the next four years.
- Under the Innovation Access Program – Industry support was given to the establishment of a National Nanotechnology Network, and to eight applicants.
- The final stage of the intellectual property portal (IP Access) became available in May 2002 and the Intellectual Property Research Institute of Australia commenced operations in March 2002.
- Under the Government’s commitment to cut red tape, the Regulatory Mapping review of the impact of the regulatory environment on innovative firms was completed on 14 March 2002. The review found that there were no inherent flaws in the regulatory system as it pertained to the commercialisation of innovation for start-up companies.

## **National Innovation Awareness Strategy**

The National Innovation Awareness Strategy (NIAS) aims to raise Australians’ awareness of innovation and innovative entrepreneurship, underpinning other *Backing Australia’s Ability* initiatives.

### **National Innovation Awareness Council**

The National Innovation Awareness Council, chaired by Mr David Miles, is comprised of entrepreneurs, scientists and technologists and provides advice to the Government on the \$35 million NIAS. The Council met five times in 2001–02.

## **Project grants**

In the first year of the NIAS, \$1.2 million was set aside to fund grants allocated through a round of competing applications. Closing in August 2001, the round attracted a total of 208 applications seeking \$27 million. Eighteen grants were made. Of the successful projects, contracts for four innovation based projects, totalling nearly \$400,000, are administered by the Department.

### *Major projects*

Two major projects are jointly funded and managed under the NIAS by the Department and the Department of Education, Science and Training (DEST).

The four-year \$2.5 million Australian Broadcasting Corporation (ABC) Science Development project seeks increased reach for science broadcasting activities, and includes training in broadcasting skills for science trainees, an Internet science service, and other regional extension activities.

A total of \$2.6 million has been committed over three years to National Science Week, which aims to focus public attention on the roles of science and innovation in the community through public events and extensive debating of scientific issues.

In addition, a grant of \$208,527 was provided under the NIAS to Young Achievement Australia (YAA), a non-government and not-for-profit organisation. This grant will assist YAA to increase delivery of its business skills and business enterprise programs in regional areas. The programs are designed to provide school students in years 7–10 with the entrepreneurial skill set required in the establishment and management of a business in Australia.

### *Innovation and entrepreneurship awards*

The Promoting Young Entrepreneurs initiative established in October 2000 continued in 2001–02. Activities included sponsorship of the Young Entrepreneurs' Organisation, and a series of entrepreneurial keynote presentations and workshops run by the Business Higher Education Round Table. The Department also delivered a Backing Australia's Entrepreneurs Dinner and distributed teaching material including case studies and videos of Australian 'entrepreneurial heroes' to 2,500 secondary schools. In three rounds of the Business Plan Competition Support element of the NIAS, funding was provided to 16 successful applicants to support the cost of delivering student business plan competitions in Australian universities. More than 1,000 students have participated in these competitions.

## **Australia's innovation measurement infrastructure**

The Department, in consultation with other Government departments, developed the Australian Innovation Scorecard 2002 as a baseline on Australia's innovation performance, benchmarked against Organisation for Economic Cooperation and Development best practice in relation to 16 major innovation indicators. The 2002 scorecard is the first in a planned biennial series which will provide a longitudinal view of Australia's economy-wide

innovation performance, and identify any strengths and weaknesses. It is expected to be released as part of the Innovation Report in late 2002.

The Department also developed the performance framework, based around seven indicator categories and more than 140 indicators, for measuring and monitoring the outcomes of the innovation initiatives supported under the Innovation Statement, *Backing Australia's Ability*. This activity was transferred to DEST following the election in November 2001.

## **Performance information**

### **Summary of overall performance**

During the year, the Department provided support and policy advice for Ministers and the departmental executive. Through this process, the Department contributed in a positive manner to the promotion and improved awareness of Australian innovation. Feedback received from Ministers' offices and stakeholders was generally positive; however, there were some suggestions for improvement.

### **Quality**

#### **Acceptance of proposed policy directions**

During 2001–02, the policy advice provided was well accepted by the Ministers' offices. This included advice on implementation of *Backing Australia's Ability* initiatives and the National Innovation Awareness Strategy.

#### **Ministerial satisfaction**

Feedback received from Ministers and their offices suggested that the policy advice and analysis given to them by the Department during 2001–02 was effective and informative. During the year, an average overall rating of 3 out of a possible 5 in our former rating system, and 'effective' according to the rating system which replaced it, was received.

#### **Stakeholder satisfaction**

A formal stakeholder survey was undertaken to contribute to the monitoring and improvement of the Output's performance in managing its relationships with key stakeholders. While stakeholders' satisfaction was found to be in some part influenced by final policy decisions, the Output's management of the stakeholder relationship during consultation processes was shown to be a considerable driver of their satisfaction.

The Output has many and varied stakeholders, including Federal and State Government departments, universities, research organisations, professional associations and businesses. More than half the survey respondents were satisfied that the Output had been achieving its objectives.

There was a very high level of satisfaction regarding knowledge and understanding of legislation as it reports to the Output, and the level of professionalism in its dealings with stakeholders. Similarly, the levels of satisfaction regarding quality of information provided and timeliness of responses to enquiries were high.

There were however some suggestions for improvement, including the suggestion that greater consideration be given to feedback, improved consultation at early development stages and the provision of explanations for final policy decisions.

### **Achievement of deadlines**

High standards were achieved in the timeliness of ministerial advice, including information and action briefs and question time briefs. Similar standards were realised in the handling of ministerial correspondence.

### **Quantity and price**

Table 15: Output 2.1 quantity results, 2001–02

<b>Measured item</b>	<b>Quantity</b>
Ministerial briefs and correspondence	70
Other advice	771
Contracts managed	25
Forums supported	62
Consultations and negotiations	202

Only the key products and services listed in Table 15 above were measured in 2001–02. These cost in total \$1.086 million.



# Output 2.2 Innovation Policy Development and Implementation

## Contribution to Outcome 2

In 2001–02, Output 2.2 contributed to enhanced economic and social benefits by:

- developing innovation policy initiatives which promote investment in innovation and which address market failures
- formulating and implementing innovation policy (including program design) which promotes
  - commercialisation of research and development
  - investment in innovation and new technologies
  - linkages between innovation and industry
- evaluating and reviewing innovation programs.

## Priorities

### Review of Australia's science and technology agreements

While the Department's former responsibility for science and technology collaboration has moved to the Department of Education, Science and Training (DEST), the Innovation Policy Branch has retained a capacity to leverage Australia's international relationships to promote the international competitiveness of our industries. Examples of this work undertaken in 2001–02 included:

- a meeting between Minister Macfarlane and New Zealand's Minister for Research, Science and Technology, Minister Hodgson, to reinforce ongoing innovation linkages
- discussions between the Department and the Deputy Assistant Secretary of the United States Department of Commerce on the Bush Administration's policy on technology and innovation
- facilitation, in the Asia–Pacific Economic Cooperation Industrial Science and Technology Working Group, of the Department's participation in comparisons of commercialisation and venture capital policy, and of an Australian-run sustainable development training workshop on designing products to minimise their impact on the environment (ecodesign) in the manufacturing sector.

## **Venture capital market development**

The Department successfully assisted in the development of the venture capital market in 2001–02, through a number of programs and initiatives.

The Innovation Investment Fund (IIF) provides equity (venture capital) to small technology companies to encourage commercialisation. Funding for the program is managed by nine private sector fund managers who make all investment decisions. Total funding over the life of the program totals \$358.4 million, of which \$220.7 million is Commonwealth contributions and \$137.7 million is the private sector's contribution. As at the end of the financial year, a total of \$138.9 million had been invested in 55 individual companies.

The Pre-Seed Fund (PSF) seeks to address the 'innovation progression gap' – that is, market failure caused by a lack of funding and commercial expertise available to public researchers. The PSF will target commercially promising research and development (R&D) opportunities at the pre-seed stage within Australian universities and Government-owned research agencies. As described in detail in Output 2.1, four fund managers were selected by the Industry Research and Development Board (IR&D Board) in May 2002. At the end of the financial year licence agreements were being negotiated; it is anticipated that the funds will be operational in the first quarter of 2002–03.

The Commercialising Emerging Technologies (COMET) program provides support to enable individuals, early-stage growth firms and spin-off companies to maximise their potential for innovation and the commercialisation of innovative products, services and processes. The number of new customers supported by COMET in 2001–02 was 247. Around \$12.1 million of assistance was approved to these new customers. Seven new Business Advisers (BAs) were appointed in October 2001 to assist in delivering the extended COMET program, bringing the total to 17. The new BAs will help meet the demand for the program and improve access for regionally based start-ups. BAs have a critical role as they provide mentoring services and facilitate introductions to potential investors.

The Venture Awareness Program commenced in February 2000, as a three-year program, to establish a set of investment benchmarks for Australian venture capital, and to help improve investors' evaluation of venture capital investments. In 2001–02, the program helped fund the 2000–01 Australian Bureau of Statistics Venture Capital Survey and funded the development and publication of four booklets designed to introduce small business owners to the world of venture capital.

## **Implementation of the Innovation Access Program**

During the year the Innovation Access Program undertook a range of strategic activities and implemented the International Research and Development and Technology Access grants. This is a program of grants, allocated through a competitive process, designed to foster innovation by increasing the take-up of leading-edge technologies and best practice processes by Australian firms.

As well, transitional arrangements were implemented for existing Technology Diffusion Program customers. Grant funding was provided to 291 customers as a contribution to their projects.

Following the administrative changes, which resulted from the 2001 Federal election, science functions were transferred from the Industry portfolio to the Education portfolio. This included the transfer of the science elements of this program to DEST. As a result of these changes new program documentation was developed for the Innovation Access Program – Industry grants and customers were assisted with the transfer of activities.

The strategic activities funded during the year cost \$331,000 and included:

- support for the establishment of the National Nanotechnology Network in April 2002, including the production of a scoping study of a 2001 workshop report on nanotechnology and updating of the nanotechnology portal to assist industry to identify the potential of nano-scale innovation
- continued support for the Intelligent Manufacturing Systems Program, which is an international and multilateral collaborative R&D initiative for firms and technology organisations. Australia is involved in projects totalling more than US\$250 million, with 35 participants, of which 20 are industrial firms and 15 are research organisations. Of the 20 firms, 17 are small- and medium-sized enterprises (SMEs).

## **R&D Tax Concession**

With the passage of the *Taxation Laws Amendment (Research and Development) Act 2001* on 27 September 2001, the Government implemented improvements to the R&D Tax Concession regime that had been announced in its Innovation Statement, *Backing Australia's Ability*. The amendments put in place measures designed to make Australia's business more internationally competitive and facilitate increased levels of employment, productivity and income. Enhancements included the following.

- The 175 per cent Premium R&D Tax Concession was made available, in addition to the 125 per cent R&D Tax Concession, allowing companies to deduct up to 175 per cent of additional eligible (grouped) expenditure incurred on R&D activities when lodging their corporate tax returns. To qualify for the 175 per cent Premium, companies (or company groups) require a three-year history of registering for, and being eligible to claim, the 125 per cent R&D Tax Concession, or of receiving grants for R&D projects under the IR&D Board's R&D Start Program. The 175 per cent Premium targets labour related components of R&D expenditure, wherein the greatest benefits for the broader community occur.
- The R&D Tax Offset (also referred to as a tax rebate) was introduced to provide support for small companies undertaking R&D. Eligibility is restricted to companies with a group turnover under \$5 million and grouped R&D expenditure of up to \$1 million for the year. The R&D Tax Offset is available at the 125 per cent rate and, where eligibility requirements are met, the 175 per cent rate.

- Pro rata deductions for partial use of R&D plant and/or depreciating assets and 125 per cent effective life write-offs for R&D plant/depreciating assets were introduced, allowing companies that use an item of plant only partially for R&D to claim the Tax Concession for that portion of use. This will particularly benefit small firms which use plant for both R&D and production.
- A requirement that eligible R&D activities be supported by a R&D plan was introduced, to reinforce the need for companies to think strategically about their R&D activity as a critical and ongoing part of their business.

Companies can begin claiming the Offset and 175 per cent Premium R&D Tax Concession for expenditure incurred in the first income year commencing after 30 June 2001. The changes to R&D plant became effective from 29 January 2001 and the requirement for R&D plans will be implemented from 1 July 2002.

Details of the benefits available from, and eligibility requirements and application procedures for, the R&D Tax Concession can be found on the AusIndustry website.

## **Innovation in firms**

To raise awareness of innovation among SMEs, and of the benefits that have accrued in real cases, the Department revisited some 41 of the SMEs identified in a 1999 study, to obtain a perspective on their activities during the period from 1999 to April/May 2002. The longitudinal study provides comparative data on each particular firm's operations, organisation and financial assets, including turnover, profit, exports, R&D expenditure and number of employees. The case studies will be made available on the Department's website in August 2002.

Case studies on more than 40 of the more significant subsidiaries of multinational enterprises operating in Australia show the positive contributions made by these firms to Australia's national innovation system. For many multinational enterprises, Australia is a centre for conducting R&D, offers centres of innovation, is a springboard to other markets, and is a test market for newly introduced products. The automotive, chemicals and pharmaceuticals, communications, information technology, and mining industry sectors are covered in an overview report to be released in early 2002-03.

## **Commonwealth of Nations Innovation Award Nomination**

Australia was invited to participate in the inaugural Commonwealth of Nations Innovation Award, which was designed to recognise innovations that have empowered the poor, alleviated suffering and helped banish inequity and injustice.

The Department advertised for nominations through the national press and the Internet and convened an independent committee, chaired by Mr David Miles, to determine Australia's nomination for the award. The committee nominated Professor Donald Metcalf for his work in the discovery, development and

clinical application of the regulators controlling protective white blood cells – the colony stimulating factors. Professor Metcalf was officially nominated to the Commonwealth of Nations by Minister Macfarlane and the Minister for Science, the Hon. Peter McGauran MP, in March 2002. Responsibility for Australia's participation in the award now rests with DEST.

## **Performance information**

### **Summary of overall performance**

During the year, the Department provided support and policy advice to Ministers and the departmental executive. Through this process, the Department contributed in a positive manner to an increase in Australian R&D, and the commercialisation of research. Feedback received from the Ministers' offices and stakeholders was generally positive; however, there were some suggestions for improvement.

### **Quality**

#### **Science and innovation policy effectiveness**

During 2001–02, interim evaluations of the Commercialising Emerging Technologies and Innovation Investment Fund were commenced to evaluate their effectiveness in meeting the goals of the Government's science and innovation policies. These evaluations are expected to be finalised early in 2002–03.

#### **Ministerial satisfaction**

Policy advice provided to Ministers and their offices was well received during 2001–02 as demonstrated by the passage of the R&D Tax Concession legislation and the successful implementation of the Innovation Access Program and the Pre-Seed Fund. Feedback from Ministers and their offices produced an average rating of 3 out of a possible 5, although a number of briefs received higher ratings which demonstrated their high quality.

#### **Stakeholder satisfaction**

A formal stakeholder survey was undertaken to contribute to the monitoring and improvement of the Output's performance in managing its relationships with key stakeholders. While stakeholders' satisfaction was found to be in some part influenced by final policy decisions, the Output's management of the stakeholder relationship during consultation processes was shown to be a considerable driver of their satisfaction.

The Output has many and varied stakeholders, including Federal and State Government departments, businesses, professional and industry associations and universities and research organisations. Just under half of the survey respondents were satisfied that the Output had been achieving its objectives. However, there were some areas where improvements could be achieved,

including by increasing opportunities to provide feedback, explanations of the reasons for final policy decisions and degrees of consultation.

There was a high level of satisfaction with the Output's performance in terms of service attributes, including professionalism, timeliness, quality of information and knowledge and understanding of the relevant legislation.

### **Achievement of deadlines**

There was general satisfaction with the timeliness and handling of briefs and ministerial correspondence. All policy areas successfully met deadlines for briefs and ministerial correspondence, and responded rapidly to urgent issues.

### **Quantity and price**

Table 16: Output 2.2 quantity results, 2001–02

<b>Measured item</b>	<b>Quantity</b>
Ministerial briefs and correspondence	521
Other advice	1,864
Reports and publications	94
Consultations and negotiations	1,070
Contracts managed	51

Only the key products and services listed in Table 16 above were measured in 2001–02. These cost in total \$3.108 million.

# Output 2.3 Innovation Program Implementation and Management

## Contribution to Outcome 2

In 2001–02, Output 2.3 contributed to enhanced economic and social benefits by:

- designing programs that enabled the implementation of innovation policies; and
- managing, delivering and monitoring innovation programs.

## Priorities

### Implementing Backing Australia's Ability and other Budget initiatives

A major emphasis in 2001–02 was given to the implementation of *Backing Australia's Ability* initiatives (see also Output 2.1). These included additional and ongoing funding for the Cooperative Research Centres program, Major National Research Facilities and science elements of the Innovation Access Program, which were transferred to the Department of Education, Science and Training (DEST) following administrative changes after the 2001 Federal election. Information on those programs can be found in the DEST annual report.

Other significant elements implemented by AusIndustry were the Biotechnology Innovation Fund, Commercialising Emerging Technologies Program, Innovation Access Program – Industry, R&D Start Grants and Loans, R&D Tax Concession and the Pre-Seed Fund. Specific information, including performance information, on these programs is discussed below.

### Delivering programs and services

#### Innovation programs

The aim of innovation programs is to enhance innovation and research and development (R&D) performance in Australian business. The Industry Research and Development Board (the IR&D Board) administers the following innovation programs, with the exception of the Innovation Access Program and the Shipbuilding Innovation Scheme. More details of the IR&D Board's programs are given in its annual report.

### *Biotechnology Innovation Fund*

The Biotechnology Innovation Fund (BIF) is a key initiative arising from the Commonwealth Government's National Biotechnology Strategy (refer to Output 1.1), under which \$20 million was provided for the program from 1 July 2001 to 30 June 2004. Funding was doubled to \$40 million under the Prime Minister's Innovation Statement, *Backing Australia's Ability*. BIF is a merit based competitive grants program, conducted in funding rounds and designed to support biotechnology projects at the proof-of-concept stage.

The IR&D Board makes BIF funding decisions. Rounds one and two were assessed during 2001–02, with 136 applications for assistance considered, and funding of about \$12.2 million approved for 55 successful applicants. Round three closed in June 2002; 82 applications had been received and were expected to be considered in August 2002.

The large number of applications for the first three rounds demonstrated strong industry demand for this program, with application levels well above expectations and a good proportion of applications from start-up companies.

### *Commercialising Emerging Technologies*

The Commercialising Emerging Technologies (COMET) program aims to increase the commercialisation of innovative products, processes and services. It provides individuals, early-growth firms and spin-off companies with support to improve their potential for successful commercialisation.

The program commenced in November 1999 with funding of \$30 million, receiving additional funding of \$40 million, under *Backing Australia's Ability*, from 1 July 2001 to 30 June 2005. A national network of private sector contractors made up of business advisers and two national managers deliver the program. Decisions to provide assistance to customers are made by the COMET Review Panel, which comprises national managers and a departmental official as a delegate of the IR&D Board. During 2001–02, 247 applications for COMET assistance were approved, and \$12.1 million provided in support to 409 new and existing customers.

### *Innovation Access Program*

The Innovation Access Program was announced in *Backing Australia's Ability*, and replaced the Technology Diffusion Program. The program's goal is to promote innovation and competitiveness by increasing Australian access to global research and technologies and facilitate their uptake by Australian researchers and firms, particularly small- and medium-sized enterprises.

During the year the program undertook a range of strategic activities and implemented the International Research and Development and Technology Access grants. As well, transitional arrangements were implemented for Technology Diffusion Program customers. Grant funding of \$11.3 million was provided to 291 customers as a contribution to their projects.

As a result of the transfer of the science elements to DEST new program documentation was developed for Innovation Access Program – Industry grants, and customers were assisted with the transfer of activities.

In addition, a number of strategic activities, collectively funded with \$331,000 during the year, were funded under the program as discussed under Output 2.2.

#### *R&D Start Grants and Loans*

R&D Start Grants and Loans is a competitive, merit based grants and loans allocation program that supports businesses to undertake R&D and commercialisation.

The R&D Start Program has been a great success over the past five years in supporting industry R&D. About one thousand companies have received support through the program. During the past two years, interest in the program rose significantly – 374 grants were approved, to the total value of about \$357.5 million, during the 2000–01 and 2001–02 financial years.

This financial year AusIndustry experienced an unprecedented surge in demand for program funds. To meet that unexpectedly large call on funds, the Government allocated an additional \$40 million from uncommitted R&D Start funds from future years and in April 2002 new approvals were suspended until further funding becomes available. The program is funded until 2005–06.

Existing R&D Start commitments were not affected by the suspension of the program and 604 companies with R&D Start contracts continued to receive their payments. AusIndustry will monitor expenditure by grant holders closely with a view to resuming approvals for new grants as soon as possible in 2002–03.

#### *R&D Tax Concession*

The R&D Tax Concession provides an incentive for Australian companies to undertake R&D. It is designed to increase investment in R&D, with a view to fostering innovation and enhancing international competitiveness. Eligible companies can claim tax deductions for the 125 per cent R&D Tax Concession when lodging their annual tax returns. A priority in 2001–02 was the implementation of new administrative arrangements for the R&D Tax Concession's 175 per cent Premium (Incremental) Tax Concession and an R&D Tax Offset – a cash rebate for small companies.

As of 30 June 2002, 3,565 companies were registered for the 2000–01 financial year with reported R&D expenditure totalling a record level of \$5.266 billion. That represented about 95 per cent of the expected number of applications for registration for that financial year. The number of companies registered for 2000–01 is expected to be around 3,750.

#### *R&D tax syndication*

The IR&D Board continued its commitment to a detailed scrutiny of individual syndicates under the R&D Tax Concession. Syndication was closed to new entrants in 1996. From a portfolio of 246 registered syndicates, 29 were wound up in 2001–02 leaving a balance of 31 active syndicates at 30 June 2002.

#### *Shipbuilding Innovation Scheme*

The Shipbuilding Innovation Scheme aims to encourage a strengthened focus on product R&D and design innovation in the Australian shipbuilding

industry. The scheme provides registered shipbuilders with assistance equivalent to 50 per cent of eligible innovation expenditure incurred, up to a total of 2 per cent of eligible costs in the construction or modification of a bountiable vessel completed on or before 30 June 2004. Funding of about \$4 million was provided in 2001-02.

### **Venture capital programs**

Venture capital programs are aimed at enhancing the availability of venture capital for early-stage and patient equity capital for investment in small innovative firms. The IR&D Board administers these programs, with the exception of the Pooled Development Funds (PDF) program which is administered by the PDF Registration Board. The PDF Registration Board's annual report provides more information.

#### *Innovation Investment Fund*

The Innovation Investment Fund (IIF) is a venture capital program that invests in nine private sector venture capital funds to assist small companies in the early stages of development to commercialise the outcomes of Australia's strong research and development capability.

With the last two of the IIF's second round fund managers (Foundation Management and Newport CDIB Funds Management) becoming operational during 2001-02, nine managers are now licensed under the IIF program. Fourteen new IIF investee companies received funding under the program during 2001-02. A total of \$27.3 million of Commonwealth funds was invested under the program in 2001-02. This figure includes management fees.

#### *Pooled Development Funds*

PDFs are designed to support small- to medium-sized enterprises in increasing the supply of equity capital for growing Australian small- and medium-sized enterprises.

During 2001-02, PDFs provided more than \$90 million to assist the growth of Australian companies. Since the program began in July 1992 PDFs have invested more than \$550 million in Australian companies. As at 30 June 2002, there were 121 registered PDFs.

#### *Pre-Seed Fund*

The Commonwealth is providing \$72.7 million under the Pre-Seed Fund to assist the commercialisation of R&D undertaken by universities and public sector research agencies. With the addition of private sector capital, more than \$100 million will be available under the program for investment in eligible projects and companies. Following an extensive assessment process conducted during 2001-02, four private sector fund managers were selected to make the investments. These fund managers (Allen and Buckeridge Asset Management, Rothschild Genesis Fund, SciVentures and Starfish Ventures) are expected to become operational during the first quarter of the 2002-03 financial year.

### *Renewable Energy Equity Fund*

The Renewable Energy Equity Fund (REEF) is a specialist venture capital program that has invested in one private sector venture capital fund. It provides venture capital to assist companies to commercialise R&D in renewable energy technologies.

By 30 June 2002, the fund manager for REEF, CVC REEF Limited, had invested about \$6 million in five companies since commencing operations in November 2000.

## **Developing AusIndustry's organisational capability**

AusIndustry is the Department's innovation and industry program delivery Division. In 2001–02 it delivered around 25 programs (included in Outputs 1.3 and 2.3), worth about \$1.9 billion, through a wide range of delivery channels including by face-to-face contact, online via the AusIndustry Hotline (telephone number 13 28 46), and through consultants and business advisers. The organisation further strengthened its capabilities during 2001–02. Key initiatives (under both Outputs 1.3 and 2.3) included:

- establishment of regional offices in 14 regional areas of Australia in December 2001 – the regional offices are an extension of the AusIndustry capital city network, and will improve the support measures in place to increase Australia's innovative capability and make companies more competitive in the marketplace
- implementation of a comprehensive risk and compliance framework for AusIndustry products and services
- promulgation of conflict of interest guidelines for AusIndustry staff and promotion of the processes outlined in the guidelines
- implementation of additional functionality for management information systems servicing a number of programs, including the continued development of online capability (such as the electronic lodgment of applications), development of a generic data model for programs, and improvements to systems for a number of specific programs, such as COMET, BIF, Textiles, Clothing and Footwear Corporate Wear Register and Petroleum Products Freight Subsidy Scheme
- enhancement of staff skills and knowledge through a comprehensive induction package, greater use of intranet learning tools and new financial and legal training modules
- redesign of the AusIndustry website and successful retendering for the delivery of an AusIndustry Hotline service
- application of consistent standards for the content and language of all AusIndustry documentation.

## **Improving service to customers and stakeholders**

In order to improve customer service, a customer satisfaction survey for the BIF was undertaken. The survey completed the benchmark surveys of customers of AusIndustry's key programs for Output 2.3. Results and analysis were provided to program managers to enable them to undertake improvements to service delivery.

Initiatives to enhance awareness and access to programs by customers included:

- the expansion of the COMET network of consultant Business Advisers from 10 to 17 – the additional Business Advisers enabled the program to extend to regional areas including Northern Australia (served from Townsville), the Gold Coast and Tasmania
- information and awareness roadshows on *Backing Australia's Ability* initiatives
- an extensive program of customer visits, the development of information bulletins, and the distribution of a kit containing the 2001–02 R&D Tax Concession registration application form and application notes to 5,000 customers
- the increased use of online services and information – for example, electronic lodgment of applications was made available to R&D Tax Concession customers.

During 2001–02, AusIndustry completed a survey into the views and needs of key stakeholders. In particular, AusIndustry sought feedback from the IR&D Board, its committees and other expert panels to which it provides services. The survey revealed a very high level of satisfaction with the service provided by AusIndustry. Respondents (94 per cent) were satisfied with the quality of information and advice provided by AusIndustry to assist in making decisions or recommendations.

## **Performance information**

### **Summary of overall performance**

The performance of Output 2.3 in making its contribution to Outcome 2 was monitored at monthly intervals throughout the year, against quantity, quality and cost performance indicators.

The quality of services delivered under Output 2.3 was maintained at a high level, achieving 80 per cent satisfaction with the quality of staff service, and satisfaction with overall service delivery at about 77 per cent.

The quantity of services delivered, as measured by the number of customers assisted, increased by about 26 per cent in comparison to the previous year. Increases were across all programs, and increased take-up of the R&D Tax Concession was significant, as shown below.

AusIndustry's overall service delivery cost per customer for Output 2.3 was on a par with the previous year's.

Some case study examples of the benefits arising from assistance under this Output are provided below.

#### **Case Study 7 – COMET Supports Fuel Additive Cost Saver**

In 1996 New South Wales based Tye Atkinson, and Ross Gibson a computer programmer, recognised the potential for an accurate yet easy to use fuel additive dosing system, so they decided to establish FAT Systems to develop the project.

The resulting product is a low cost, highly-accurate dosing pump for delivering fuel additives to diesel systems, which allows transport operators to enjoy the benefits of fuel additives, regardless of location.

FAT Systems offer diesel users, particularly in the transport industry, several advantages over the use of standard diesel, including improved combustibility which allows fuel to burn more efficiently, cleaning and keeping clean critical fuel system components such as fuel pumps, fuel lines and injector tips. It also meets emission control requirements by reducing carbon dioxide and other greenhouse gas outputs.

Sales of fuel additives are increasing as more operators become convinced of the efficiency benefits they offer. FAT Systems received a Commonwealth Government COMET grant through AusIndustry to assist it to commercialise its fuel additive tanks. The \$52,000 grant, and the support of the COMET Business Adviser, helped the company with costs such as market research and business planning.

#### **Case Study 8 – Vehicle Identikit System Could Revolutionise Policing**

A former West Australian police officer, turned innovative software inventor, could change the way policing operations worldwide approach the issue of identifying the type of car used in a crime with the launch of the International Vehicle Identikit System (IVIS) in Perth.

IVIS, which is currently being offered to law enforcement agencies around Australia, was developed by Jason Barber through his company, Supersoftware, and has already been used successfully by West Australian police in a recent investigation.

The IVIS allows law enforcement agencies to identify vehicles used in crime by providing a database of 3D computer models which can be used to help a witness in the identification process. It allows easy customisation of the computer models, allowing for colour changes and adding of features to the vehicles, and will facilitate better communication between police and the community on the description of wanted vehicles.

It can be installed in existing police desktop and laptop computers, enabling instant broadcasting of high-quality 3D computer models, greatly assisting the vehicle identification process. The project was supported with a \$482,000 R&D Start grant by the Commonwealth Government, through AusIndustry.

### **Case Study 9 – Innovative Drill A Seabed Success Through IIF**

With venture capital support from Momentum, a fund manager for the IIF program, Sydney based company Benthic Geotech has developed an innovative device – the Portable Remotely Operated Drill or PROD, which can operate at depths to 2,000 metres below sea level.

PROD is a self-contained rotary drill rig that is lowered to the seabed from a winch on a ship. Once on the seabed, the PROD can drill and recover core samples to a depth of 135 metres through a mix of soft and hard seabed layers. Previously, this capability was obtainable only by using very expensive drill ships, which can cost millions of dollars to mobilise and hundreds of thousands per day in rates.

Since emerging from an extensive R&D phase, Benthic Geotech has won, and is and completing, several contracts to supply PRODs to the Australian oil and gas industry.

The company is also progressing relationships with international service providers in the oil and gas industry, and has entered into a joint venture deal with a European university to construct and operate a new PROD specifically for the scientific research market.

### **Case Study 10 – Analysis Equipment A Winner For Mining Industry**

In the mining and mineral processing industry, anything that saves time, money and wastage is bound to attract very positive attention. Adelaide based company Thermo Gamma-Metrics, an AusIndustry R&D Tax Concession recipient, has certainly done that, if its growth and export figures are anything to go by.

The company produces a range of analysis equipment for the mineral processing industry. The instrumentation uses x-ray fluorescence technology for measuring elements such as copper, lead, zinc, gold and platinum in mainly mineral slurries.

Monitoring with such equipment saves energy and reagent costs associated with grinding and other processing within these industries and contributes to a better understanding of the character and quality of particular process streams. Through such monitoring, mineral processing plant operators can make informed changes to ensure mineral product recovery specifications are met.

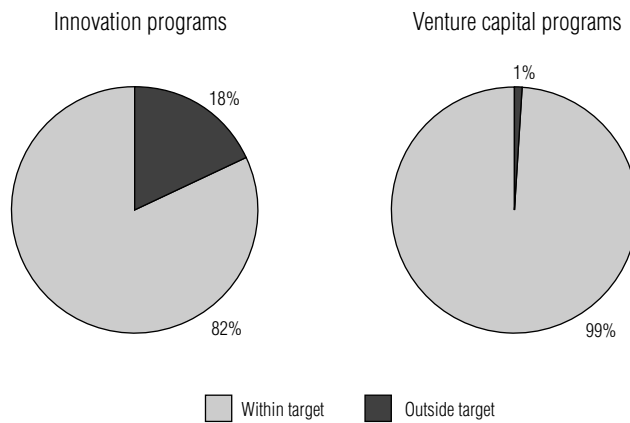
During the past three years Thermo Gamma-Metrics has chalked up more than \$30 million in export sales.

## Quality

### Key processes completed within time target

Approximately 5,700 key processes, or 83 per cent, were completed within time targets for Output 2.3; see figure 5 for a breakdown by the Output's two main types of service.

Figure 5: Proportion of key processes of completed within time targets, 2001–02



The timeliness reached by the whole Output 2.3 was similar to the previous year. The primary explanation for the lower performance in relation to innovation programs was the occurrence of delays in the agreement processes in the BIF and COMET programs.

### Customer satisfaction

Qualitative and quantitative information about customer satisfaction was obtained using structured telephone interviews. Results are shown in Table 17.

Table 17: Results of customer satisfaction surveys, 2001–02

	Overall service delivery			Staff service		
	Satisfied (per cent)	Neither satisfied nor dissatisfied (per cent)	Dissatisfied (per cent)	Satisfied (per cent)	Neither satisfied nor dissatisfied (per cent)	Dissatisfied (per cent)
<b>Innovation programs</b>	76	15	9	79	13	7
<b>Venture capital programs</b>	90	10	0	91	9	0

Note: Data from AusIndustry customer satisfaction surveys conducted to date.

Results of the customer surveys revealed a high level of customer satisfaction with staff service and compared favourably with available benchmarks for public sector service delivery. Customers consistently rated staff service more

highly than overall service delivery. The surveys indicated that customers valued staff professionalism, responsiveness and comprehensive advice making clear what is expected from customers. In addition, customers were generally more satisfied with venture capital programs than innovation programs. Detailed examination of the survey results explains these differences, which arose from areas for improvement in processes and information products.

## Quantity

Table 18: Customers assisted by each program, 2001–02<sup>a</sup>

<b>Program</b>	<b>Estimated number of customers assisted</b>
Biotechnology Innovation Fund	55
Commercialising Emerging Technologies	409
Innovation Access Program/Technology Diffusion Program	291
Innovation Investment Fund	31
Pooled Development Funds	121
Pre-Seed Fund <sup>b</sup>	not applicable
R&D Start Grants and Loans	821
R&D Tax Concession <sup>c</sup>	4,054
Renewable Energy Equity Fund	3
Shipbuilding Innovation Scheme	9
<b>Total</b>	<b>5,794</b>

a The composition of the Output has changed since 2000–01.

b No Pre-Seed Fund capital was drawn down.

c The number of registrations for the R&D Tax Concession refers to the number of companies registered in 2001–02 in respect of any applicable year of income.

Overall there was a 26 per cent increase in the estimated number of customers assisted from the estimated 4,600 customers assisted in the 2000–01 year.

The increase in the demand for the Output's services was mainly due to increasing numbers of customers accessing the R&D Tax Concession. At the end of 2001–02 the R&D Tax Concession recorded 4,054 customers (as measured by companies registered in the year), representing a 31 per cent increase compared with the previous year.

All other programs recorded increases in their numbers of customers in comparison with the previous year.

Table 19: Dollar values of program funds administered and estimated dollar values of concessions delivered, 2001–02

<b>Program</b>	<b>Program value (\$m)</b>
Biotechnology Innovation Fund	4.0
Commercialising Emerging Technologies	12.1
Innovation Access Program/Technology Diffusion Program	11.2 <sup>a</sup>
Innovation Investment Fund	27.3
Pooled Development Funds	5.0
Pre-Seed Fund	not applicable <sup>c</sup>
R&D Start Grants and Loans	221.4
R&D Tax Concession	460 <sup>b</sup>
Renewable Energy Equity Fund	1.1
Shipbuilding Innovation Scheme	4.0
<b>Total</b>	<b>746</b>

a The value for the Innovation Access Program does not include \$331,000 funds for strategic activities under the program.

b The value represents R&D Tax Concession estimated revenue forgone, from the 2001 Tax Expenditures Statement.

c No Pre-Seed Fund capital was drawn down.

The value of funds administered and value of benefits delivered are estimated to be \$746 million combined. This represents a decrease of 11 per cent below the estimated value of funds and benefits delivered in 2000–01. The primary reason for the decrease in funds administered was the transfer of science programs to DEST during the year.

All remaining programs increased their amounts of funds and benefits delivered, with the exception of REEF and the R&D Tax Concession estimate.

## Price

The prices per firm assisted for delivering Output 2.3 programs through AusIndustry are set out in Table 20 below.

Table 20: Price of service delivery, 2001–02

<b>Activity</b>	<b>Cost per firm assisted</b>
Innovation programs	\$4,510
Venture capital programs	\$13,660
Weighted average	\$4,760

The implementation of BIF, the industry grants elements of the Innovation Access Program and the new R&D Tax Concession premium and offset arrangements contributed to an increase in the cost per customer for the innovation programs. There was a sharp decrease in the cost per venture capital customer due to there being no further selection rounds for the IIF and reduced activity in the PDF program.

Another factor in the overall decrease in the cost per firm assisted was the transfer of science programs to DEST. The figures above do not include running costs (of about \$1.5 million) expended on the science programs before their transfer to DEST.



## **Output 2.4 Business Services**

### **Contribution to Outcome 2**

During 2001–02, Output 2.4 contributed to enhanced economic and social benefits (innovation, sustainable development and national security) through two scientific business units:

- the Australian Government Analytical Laboratories (AGAL), which provide chemical and biological services
- the Ionospheric Prediction Service (IPS), which provides radio and space services.

On 1 October 2001, Australia's national mapping agency, the Australian Surveying and Land Information Group, was transferred from Output 2.4 to the Australian Geological Survey Organisation, to create Geoscience Australia. Refer to Geoscience Australia's report on performance (from page 204) for further details.

### **Australian Government Analytical Laboratories**

#### **Priorities**

##### **Development and maintenance of chemical standards**

During 2001–02, AGAL's National Analytical Reference Laboratory continued its program to improve Australia's international competitiveness by providing mechanisms to link chemical measurement standards to those being maintained in other parts of the world. It contributed to international efforts under the Convention of the Metre for determining the reliability and accuracy of chemical measurements. In November 1999, the International Committee of Weights and Measures (CIPM) Mutual Recognition Arrangement (MRA) was signed by the directors of national metrology institutes. AGAL, through the Commonwealth Scientific and Industrial Research Organisation's National Measurement Laboratory, is a signatory to the MRA. The objectives set out in the MRA are to establish the degree of equivalence of national measurement standards, to provide mutual recognition of calibration and measurement certificates to thereby provide Governments and other parties with a secure technical foundation for wider agreements relating to international trade, commerce and regulatory affairs.

Substantial progress was made on the completion of international key comparisons and studies. As part of the process coordinated by the CIPM's Consultative Committee on the Amount of Substance (CCQM), Australian results of a high standard were entered into Appendix B of the database that supports the MRA. Australia thus became a full member of the CCQM. A highlight of this work was the acceptance of 32 calibration and measurement capabilities – namely, 26 Pure Substance Reference Material Claims and six Trace Inorganic and Trace Organic Isotope Dilution Mass Spectrometry Capabilities into Appendix C of the MRA database.

AGAL pursued other strategies to bolster Australia's chemical measurement capability. AGAL conducted five measurement uncertainty courses in Australia and a further four in the region, and developed an introductory web based course. AGAL also successfully conducted several proficiency testing programs for Australian and regional laboratories – four in the area of environmental studies, three in relation to food and three in relation to drugs.

Ten agrochemical, 13 forensic drug and six sports drug reference materials were prepared and certified during 2001–02.

## **Chemical and microbiological measurement**

During 2001–02, more than \$4 million was invested in capital equipment to support AGAL's capability and capacity.

During the financial year, AGAL achieved the first Australian accreditation to analyse soil, sediments, water and air monitoring filter cartridges for the presence of dioxins. Work continued towards extending the capability to test for dioxins and polychlorinated biphenyls to include emissions, ambient air and various food matrices.

AGAL developed and validated 14 new analytical methods, including, at the request of Commonwealth stakeholders, methods for determining the presence of harmful carcinogenic compounds in imported soy products and antibacterials in seafood.

AGAL continued working with the National Association of Testing Authorities (NATA) to develop guidelines for the testing of genetically modified organisms in food. It is anticipated that AGAL will receive accreditation in this area during 2002–03.

In late 2001–02, AGAL conducted a review of technologies for the detection of genetically modified material in commodities and food. The review will cover detection methods and their limits as well as sampling procedures.

## **Biological metrology**

During the past 10 years, international networking groups have collaborated to build an improved support infrastructure for chemical measurement. A major challenge identified by these groups is the need to expand this infrastructure to include biological measurement through a metrological approach.

During 2001–02, AGAL scientists participated in several international forums, including the Inter-American Metrology System (SIM) Week Chemical Metrology Workshop ‘Genetically Modified Foods: Measurement and Standards Needs’ in December 2001; the Second CCQM Working Group on Bioanalysis and a meeting with the Joint Food and Agriculture Organization/International Atomic Energy Agency (FAO/IAEA) Division in Vienna in April 2002. This participation provided an international perspective on biological metrology issues, and ensured that AGAL played an integral role in the development of an international biometrology network.

AGAL initiated a national biometrology awareness program with the publication of an article entitled ‘Addressing the issue of accurate measurement within biological systems’ in *Australasian Biotechnology*, the official journal of AusBiotech Limited, the peak body of the Australian biotechnology industry. A report entitled ‘Biometrology and biomeasurement: overview of current technologies and priorities for a biological measurement program in Australia’ was also published, in March 2002, as part of the AGAL Public Interest Program Report Series.

AGAL took steps to integrate the biometrology program with existing programs to capitalise on its current capabilities and expertise in biomeasurement techniques.

## **Other projects and issues**

During 2001–02, AGAL remained focused on supporting its stakeholders, serving its clients, and achieving its corporate goals. AGAL initiated plans to place greater emphasis on the market segments of its business and to build on relationships with its stakeholders and clients. AGAL will achieve these objectives by changing its operating model through the creation of four market segments: metrology in chemistry; food and biomeasurement; environment; and drugs. This model will better reflect AGAL’s core areas of operation, and will be supported by its laboratory infrastructure. The purpose of introducing a new operating model is to ensure AGAL is well placed to meet the needs of its stakeholders and clients in the future.

Additionally, AGAL undertook an internal review of its broad range of products and services as part of an ongoing process to improve service delivery and stakeholder support. Review outcomes will be used during 2002–03 to better align AGAL’s products and services with stakeholder and client needs.

## **Performance information**

### **Summary of overall performance**

During 2001–02 AGAL continued to enhance its capability and capacity. It extended its broad range of services, maintained its technical accreditations and quality systems certifications, responded to stakeholder and client needs and successfully negotiated a range of new, comprehensive service agreements. AGAL also initiated plans to change its operating model to better meet the needs of its stakeholders and clients and undertook an internal review of its products and services.

Highlights included:

- development of capability to detect animal protein in stockfeed, an important component of Australia's 'mad cow disease' control program
- rapid development of capability to detect the presence of harmful carcinogenic compounds in imported soy products
- demonstration of AGAL's and Australia's ongoing commitment and competence by gaining formal membership status of CCQM and appointment as Chair of the Technical Committee for the Amount of Substance of the Asia Pacific Metrology Program
- successful delivery of an AusAid-funded Government Sector Linkages Program project related to enhancement of food safety and laboratory capabilities in Indonesia.

### **Quality**

#### **Projects delivered on time**

All key qualitative performance indicators and key organisational development goals were fully or substantially achieved, within required timeframes, during 2001–02.

#### **Processes evaluated**

During 2001–02, AGAL maintained its comprehensive suite of technical accreditations and quality systems certifications. They included 32 audits, which covered the majority of AGAL's operations, and the maintenance of standards accreditations such as:

- NATA Certification Services International quality management systems certification to ISO 9001:1994
- NATA laboratory accreditation to ISO Guide 25, ISO/IEC 17025 or other relevant technical standard for laboratory testing
- NATA accreditation to Organisation for Economic Cooperation and Development Principles of Good Laboratory Practice for testing of agricultural and veterinary chemicals for international registration purposes

- NATA accreditation to International Laboratory Accreditation Cooperation (ILAC) Guide 12:2000 for the production and certification of reference materials
- NATA approval to ILAC Guide 13:2000 to provide proficiency testing schemes
- International Olympic Committee accreditation for drugs-in-sport testing
- American Society of Crime Laboratory Directors accreditation for forensic drugs testing.

### **Customers satisfied**

During 2001–02, AGAL continued to improve its service turnaround times, and provided more than 96 per cent of test results on time. AGAL launched its new customer service charter in August 2001; the 96 per cent achieved was better than the Service Charter target, set at 95 per cent.

The satisfaction of AGAL's around 2,000 customers was assessed through feedback received in letters of appreciation and support and during the negotiation of new service agreements with stakeholders and clients. Feedback was favourable.

### **Impact of programs and funding**

During 2001–02, AGAL provided support and knowledge dissemination to Government and industry through training courses, the presentation and publication of research results, contributions to the definition of standards, and participation on Commonwealth and industry working groups and committees.

In November 2001 an independent panel of international experts in chemical metrology conducted a peer review of AGAL's National Analytical Reference Laboratory (NARL). The panel assessed NARL's measurement capabilities and measurement services and the implementation of its underpinning quality system. The panel concluded that the projects undertaken since NARL's inception in 1997 had been highly successful in establishing and developing a world-class metrology in chemistry program which is able to provide chemical measurement services to support industry, facilitate trade and improve quality of life in Australia.

## **Quantity**

### **Number of services and products, by category**

AGAL issued more than 43,000 certificates of analysis and test reports covering its range of capabilities and capacities, including more than 1,300 certificates related to analysis for the presence of harmful carcinogenic compounds.

AGAL provided the following client services and stakeholder support:

- delivery of training courses (9)
- conduct of laboratory accreditation audits for NATA (37)

- development of standards (32).

In relation to studies, both national and international, AGAL conducted Australian quality assurance interlaboratory proficiency studies, and participated in:

- international interlaboratory comparisons (4)
- the coordination of regional interlaboratory studies (10)
- the development of international standards.

AGAL produced 32 reference standards for:

- pure chemical reference materials for agrochemicals, drugs-in-sport and forensic drugs
- matrix-specific reference materials.

AGAL's Scientific Services Laboratory provided the following services:

- coordination of appraisal and listing schemes
- testing of fire safety equipment and coatings (661)
- product supplier audits (51).

## **Price**

### **Cost per key business service**

The total cost of AGAL operations was \$33.4 million during 2001–02. AGAL generated significant fee-for-service revenue (including cost recovery), so that the direct cost to Government for AGAL in 2001–02 was \$9.6 million.

## **Ionospheric Prediction Service**

### **Priorities**

#### **Review of operations**

Besides providing the national space environment and radio propagation service, the Ionospheric Prediction Service (IPS) developed specialised services for industry and Government bodies, particularly Boeing Australia Limited, Telstra, the Department of Defence, the Australian Customs Service, Airservices Australia, the Bureau of Meteorology, the Australian Communications Authority (ACA), and the Victorian Channels Authority. IPS radio frequency advice supported military operations in East Timor and Afghanistan, and Australian coastal security patrols.

IPS assisted the ACA with radio frequency management advice and radio spectrum policy for international and regional negotiations.

A national survey of Australian IPS customers to help plan future customer services demonstrated high levels of customer satisfaction.

IPS conducted a review of its forecast operations during November 2001. The review panel consisted of representatives of customer, science, Government and overseas expert groups. The expertise and operations of IPS impressed the panel. The recommendations made for further improvements were:

- to develop life-cycle product portfolio management – putting the business case for adding and deleting products and services, based on a deeper understanding of customer value
- to develop systems and network strategic planning – developing a medium-term technology plan, based on product and service priorities
- to improve risk management – mitigating some of the inherent risks in IPS operations.

### **Upgrade of space weather monitoring network**

The optical system at the Culgoora solar observatory, which monitors space weather conditions on the sun and in interplanetary space, was automated during 2001–02. It is now operated during weekends and holiday periods without staff and provides uninterrupted alerts on space weather disturbances to customers.

### **Availability of real-time data and services**

Under a contract with Boeing Australia Limited, IPS set up an automated system for delivering scientific data on a near-real-time basis. This is essential for the proper management of radio frequencies to meet the radio communication needs of the Department of Defence under the Commonwealth High Frequency Modernisation Project. To satisfy the terms of the contract, IPS increased the reliability and timeliness of its data gathering network and data display systems.

## **Other projects and issues**

### **Website and software services**

The Internet was the major means by which IPS information was distributed during 2001–02. The IPS website was upgraded to improve the delivery of customer services. Appearance, navigation and search facilities were improved, and maintenance is now more easily achieved. Old and new websites were operated in parallel for a period of six weeks to gain customer feedback. Customers enthusiastically endorsed the changes.

An automatic system was developed and implemented to update information on the IPS website with email reports of observed auroral storms. A new service – the GEOSTAT (GEOmagnetic STorm Alert Tracking) system – was developed and implemented to alert customers of adverse geomagnetic conditions. It was promoted in Brisbane at the Australian Society of Exploration Geophysics conference held in August 2001. A paper on geomagnetic services

at IPS was presented in Vietnam at the International Association of Aeronomy and Geophysics conference, also held in August 2001.

New radio prediction software was developed and commenced being tested by selected customers with a view to its being released early in 2002–03.

Customer service activity (such as consultancy, training and Australian Space Forecast Centre data provision, monthly prediction and software services) over five years was analysed so that trends could be monitored and effective maintenance of IPS product life cycles undertaken.

## **Space weather monitoring network**

Radio conditions are gauged by means of equipment monitoring the electrified upper atmosphere (the ionosphere). Four such monitors were constructed to replace ageing equipment, as part of the planned improvement in service reliability. The reliability of the network in providing real-time data averaged 88 per cent uptime during 2001–02 – slightly below the target of 90 per cent. Every effort is being made to create a stable, reliable network, and the target of 90 per cent will remain for 2002–03.

## **Performance information**

### **Summary of overall performance**

Consolidation of improvements in accuracy, timeliness and reliability of data required for generating IPS services was achieved, with 83 per cent of key goals being achieved. The monitoring network was automated as far as possible and back-up equipment was introduced into the measurement and communications system to boost the reliability of the data network.

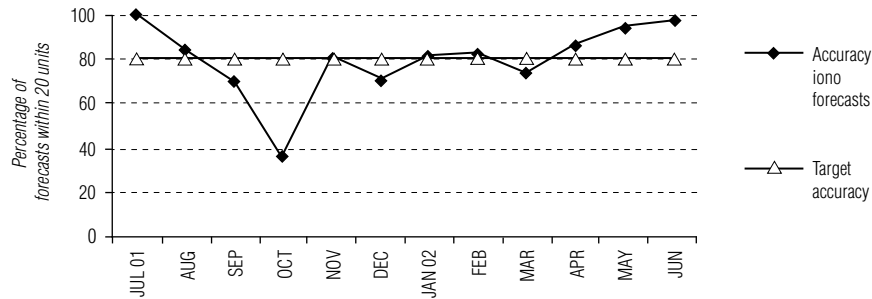
Delivery of services was improved by the upgrade of the IPS website, which will allow for better navigation and easier maintenance. Real-time service delivery via the Internet reached its highest recorded level – routine services via the Internet reached 198,000 and the website achieved 12.9 million hits during the year.

### **Quality**

#### **Accuracy of ionospheric forecasts**

The Australian T index indicates the radio frequencies that are supported by the ionosphere at any specified part of the cycle of solar activity. The measure of accuracy for ionospheric T-index forecasting is plus or minus 20 units of the actual value. This level of T-index variability is not normally detectable on most customer operations but it is a good indicator of forecast performance for an expert agency such as IPS. Figure 6 below shows the percentage of forecasts per month that were within accuracy limits. IPS achieved its target except during periods of intense space weather activity that created extremely erratic conditions.

Figure 6: Accuracy of IPS ionospheric forecasts, 2001–02



### Customers satisfied

IPS customers are surveyed by email every two years against the criteria of the IPS Service Charter. For the period 2001–02 the satisfaction level remained high. Of those surveyed, the customers rated the satisfaction themselves at +3.7 on a scale of -5 to +5. No complaints were recorded.

### Impact of programs and funding

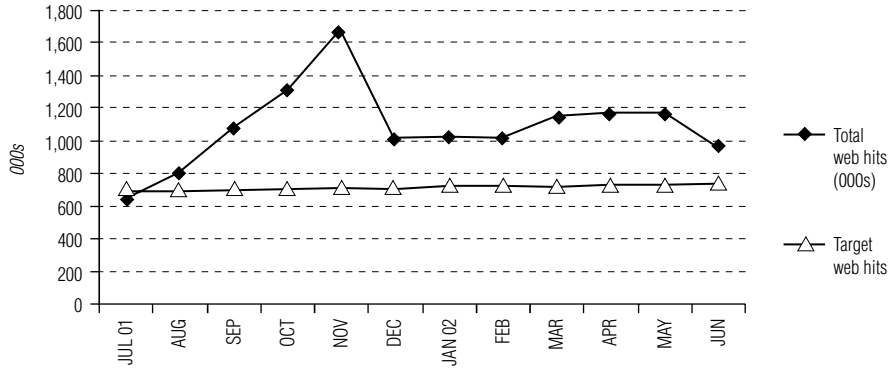
During the year IPS services to the Department of Defence, emergency services, the Australian Customs Service, Airservices Australia and other major customers allowed radio systems to be effectively used in situations, such as those which confronted the United Nations and police security forces in East Timor and security forces in the Persian Gulf region and Afghanistan. Specialised services provided advice on the more effective use of the aviation communication system within Australia and enhanced the maritime safety network. IPS also provided advice on international radio communications policy, some of which was used in ongoing negotiations of regional and global radio frequency allocations.

### Quantity

#### Number of services and products

Many IPS services and information maps were delivered via the website. The annual target for customer usage – 8.5 million accesses to information on the website – was exceeded; 12.9 million such accesses were made, 32 per cent more than the total for the previous year. Of these, 356,000 entries accessed key space weather pages provided on the IPS website. During the year, 198,000 routine services were delivered via email and the IPS website.

Figure 7: Total customer hits on IPS web pages, 2001–02

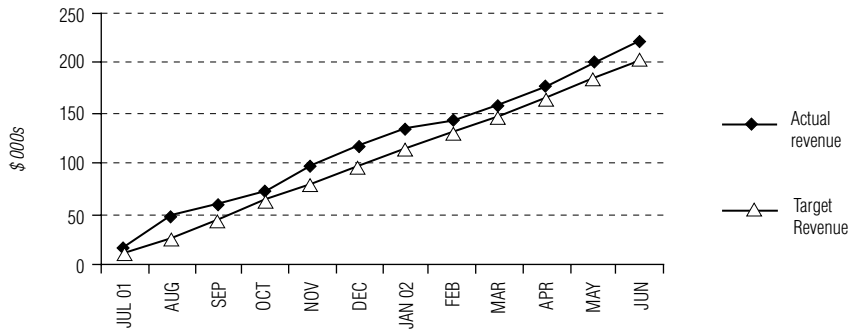


## Price

### Cost per key business service

The revenue target of \$200,000 was achieved; details are shown in Figure 8 below. The major consultancy task IPS carried out for private industry on behalf of the Department of Defence contributed to an increase of \$100,000 in cost recovery revenue over that of financial year 2000–01.

Figure 8: IPS revenue by month, 2001–02



# Management and Accountability in the Department

## Corporate governance

### Senior executives and their responsibilities

The Department experienced a change in Secretaries during the financial year. Russell Higgins was the Secretary and Chief Executive Officer to 18 January 2002, from which date Mark Paterson assumed responsibility for the Department.

Deputy Secretary responsibilities were realigned during the year and as at 30 June 2002 comprised responsibility for Divisional Business Units of the Department as follows:

- John Ryan oversees the Resources Division and Energy and Environment Division
- Tim Mackey oversees the Corporate Division, the Business Entry Point Division, the Analytical Division, Invest Australia and AusIndustry
- Patricia Scott oversees the Industry Competitiveness Division, the Innovation and Industry Policy Division, the Manufacturing, Engineering and Construction Division, Biotechnology Australia, the Office of Small Business; and the Tourism Division.

Refer to the Department's Organisation Chart on page 14–15 for further information.

### Senior management committees

Governance arrangements for the Department were revised during the financial year to move towards a more streamlined arrangement.

The senior decision-making body for the Department is the Executive Committee, which comprises the Secretary and the Deputy Secretaries. The Executive Committee meets each week to consider strategic high-level organisational issues.

In addition, each week there is a meeting of the Portfolio Managers, comprising the Secretary, Deputy Secretaries, heads of Divisional Business Units and heads of Geoscience Australia and IP Australia. The meeting considers a range of matters, including the monthly financial report, the monthly performance report, and current priorities and emerging issues.

It provides the Secretary with an opportunity to engage senior executives in discussion on matters which may have implications across the portfolio.

As required by the *Financial Management and Accountability Act 1997* (the FMA Act), the Department also operates an Audit Committee. The committee was responsible for overseeing the Department's Audit, Fraud Control and Risk Management Plans in 2001–02. It also advised the Secretary regarding the annual financial statements and the efficient, effective and ethical use of appropriated funds.

## **Corporate and business plans**

The Senior Executive Service (SES) members of the portfolio met on a number of occasions during 2001–02 to consider the strategic direction of the Department, including the future policy and service delivery priorities; the development of an information technology strategy; and the best approach to financial reporting. These considerations will be reflected in a revised Corporate Plan 2002-2005 for the Department, which was in preparation at the time of reporting.

Divisional Business Plans are developed at a level below the Corporate Plan and the business planning process then cascades to plans for work units and individual performance agreements.

Performance measures were developed to measure performance of agreed departmental Outcomes and Outputs. On a monthly basis, the Department uses a 'Traffic Light' reporting tool to report on and oversight performance against its Outputs. The tool allows a green, amber or red light to be assigned for each key performance area, depending on whether its performance is on track, experiencing difficulty or performing poorly.

During the financial year, the Department conducted a survey of its stakeholders and continued its survey of program customers. The survey results were considered positive; action was undertaken to enhance overall performance in a commitment to continuously improving service delivery and Outcome and Output performance.

## **Business risk and fraud management**

To strengthen the financial management framework, the Department has prepared for:

- implementation of E-Workflow (the electronic approval of purchase requisitions) from 1 July 2002; and
- the continuation of an accreditation scheme for all financial delegates approving proposals to spend public money - 216 delegates were accredited during 2001-02 and it is planned to extend the scheme to other types of delegations in 2002-03.

Last year the Department undertook a major risk assessment of the Department, including consideration of fraud risks. Risk Management Plans

were developed with risk management strategies to manage identified risks. The Fraud Control Plan was also developed with fraud control strategies identified.

The Department commenced a major training exercise in fraud awareness which will continue into the 2002–03 financial year. It is intended that the majority of the staff in the Department will attend fraud awareness sessions, designed to further enhance staff awareness of fraud risks, the need to be vigilant and the need to be alert to the possibility of potential fraud when undertaking day-to-day responsibilities.

## **Ethical standards**

The Department maintains appropriate ethical standards through the Chief Executive Instructions and human resource management policies and procedures. The Department provides induction training which, in particular, provides fraud awareness training, and highlights the requirements of the Australian Public Service (APS) Values and Code of Conduct, which address ethical values required of all APS staff.

AusIndustry has also developed Conflict of Interest Guidelines which alert staff to the need to be aware of situations which might give rise to a potential conflict of interest (real or perceived). The Guidelines include procedures in place to proactively manage any potential conflicts of interest so as to meet the high ethical standards required of APS staff.

## **External scrutiny**

### **Judicial or tribunal decisions**

There were no judicial decisions or decisions of administrative tribunals that had, or may have, a significant impact on the operations of the Department in 2001–02.

### **Auditor-General reports**

The Auditor-General did not issue any reports specific to the Department during this financial year. However, cross-agency Auditor-General reports tabled in the Parliament in 2001–02 and involving the Department are listed below. The Department's Audit Committee monitored the implementation of the Auditor-General's recommendations for the Department. Other agencies within the portfolio monitored the implementation through their respective audit committees.

Australian National Audit Office (ANAO) Audit Report No. 33: *Senate Order of 20 June 2001 to February 2002*

The audit focused on the requirement for all agencies operating under the FMA Act to list contracts more than \$100,000 on the Internet and to note whether the contracts contained any confidentiality provisions. The Senate Order also

requested the ANAO to conduct an examination of a number of such contracts, and indicate whether any inappropriate use of confidentiality provisions was detected in that examination. The ANAO concluded that agencies had appropriate processes for determining whether information in contracts was confidential and further guidance being put in place would promote appropriate use of confidentiality provisions in contracts in the future.

ANAO Audit Report No. 18: *Performance Information in Portfolio Budget Statements*

The objective of the audit was to assess the appropriateness of the performance information in the selected Portfolio Budget Statements, the reporting of performance information in annual reports, and agency arrangements to identify and collect such information. The ANAO concluded that, whilst agencies had placed considerable emphasis on developing useful performance information, there were opportunities to enhance the links between outcomes, outputs and performance indicators.

ANAO Audit Report No. 15: *Agencies' Oversight of Works Australia Client Advances*

The purpose of this audit was to examine oversight of the post-sale contractual arrangements for each of the 307 Commonwealth client advances totalling \$43.7 million transferred to the purchaser. It found the relevant financial security arrangements over the Works Australia client advances had been effectively administered in accordance with the terms and conditions of the Works Australia Sale Agreement made by the Department of Finance and Administration.

ANAO Audit Report No. 12: *Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*

The audit was designed to examine and draw out the experience of agencies' Financial Management Information System (FMIS) implementations and distil lessons learned during that process, for future reference. ANAO concluded that several agencies had not selected an FMIS which was appropriate to their size and complexity and several had not effectively managed the implementation process.

ANAO Audit Report No. 11: *Administration of the Federation Fund Program*

The objective of the audit was to determine the extent to which the administration of the Federation Fund program met identified better practice in relation to policy development and program planning; the process of calling for, assessing, approving and announcing proposals; and ongoing program and project management. ANAO outlined a range of administrative improvement opportunities to enhance the achievement of program outcomes for any similar program which might arise in the future.

ANAO Audit Report No. 10: *Management of Bank Accounts by Agencies*

The objectives of the audit were to determine whether agencies had implemented appropriate risk management strategies for the new banking arrangements which came into operation on 1 July 1999, and whether cash

funds were being managed in accordance with the appropriate legislation, the Commonwealth's agency banking guidance and generally accepted accounting practices. ANAO concluded that the internal control framework established by agencies to manage bank accounts was generally satisfactory.

## **Ombudsman reports**

An investigation commenced by the Ombudsman in 2000–01 into the handling by the Department of a request for a concession to apply to the commercial importation of orthopaedic footwear continued in 2001–02. The Department has provided information and comments to assist the Ombudsman's Inquiry, which was continuing at the time this annual report was published.

## **Parliamentary committee reports**

The Department appeared before, and made a number of submissions to, inquiries by parliamentary committees during the year, as described below.

- The Department coordinated input for the Government's response to the House of Representatives Standing Committee on Industry, Science and Resources on increasing value-adding to Australian raw materials.
- In September 2001, the Department made a submission to the Senate Rural and Regional Affairs and Transport Legislation Committee for its inquiry into the Motor Vehicle Standards Amendment Bill 2001. The Department also subsequently attended a hearing conducted by the committee. In its report, the committee recommended that the Bill be enacted without amendment, and that the committee might make supplementary comments on the related regulations.
- The Senate Economics Legislation Committee Inquiry into the Taxation Laws Amendment (Research and Development) Bill 2001 dealt with the new R&D Tax Concession measures announced in the Government's commitment to innovation *Backing Australia's Ability*. The Department made a submission to, and appeared before, the committee. The committee reported on 19 September 2001 and the legislation was passed, with amendments, on 27 September 2001.
- An officer of the Department appeared before the Joint Standing Committee on Treaties on 12 July 2002 to provide information relating to the Timor Sea Treaty signed by Australia and East Timor on 20 May 2002 in Dili. The committee's consideration forms part of the parliamentary process for ratifying the treaty.
- Officers from the Department appeared before the House of Representatives Standing Committee on Industry and Resources on 16 May 2002 to provide information on key issues regarding the resources sector.
- Staff attended the Joint Standing Committee on Treaties on 27 August 2001 to provide information on radioactive waste management in relation to the agreement between Australia and the Argentine Republic concerning cooperation in the peaceful uses of nuclear energy.

- The Senate Employment, Workplace Relations and Education Legislation Committee inquired into the provisions of five Bills to amend the *Workplace Relations Act 1996*. The committee tabled its report on 15 May 2002. On 27 June 2002, the Senate debated but did not pass the Workplace Relations Amendment (Fair Dismissal) Bill 2002. It had not considered the other four Bills prior to the end of financial year 2001–02.
- The Department made contributions to the inquiry by the Senate Employment, Workplace Relations and Education References Committee into small business employment. The committee was still in the evidence gathering phase of its inquiry at the end of financial year 2001–02, and is due to report in November 2002.
- The Senate Economics Committee inquired into the impact of public liability and professional indemnity insurance cost increases. The committee was still in the evidence gathering phase of its inquiry at the end of financial year 2001–02, and is due to report at the end of August 2002.
- The Joint Standing Committee on Treaties considered the proposed bilateral agreement with Russia on cooperation in the field of the exploration and use of outer space for peaceful purposes.
- The performance of the Department was scrutinised at Estimates hearings conducted by the Senate Economics Legislation Committee in February and June 2002. The reports tabled by the Senate Economics Legislation Committee subsequent to the Estimates hearings were not critical of the Department's performance.

## **Management of human resources**

The Department continued to monitor and review its human resource strategies, policies and procedures during 2001–02 to ensure it was well placed to attract and retain the best employees. The establishment of the Workplace Relations Committee as the primary staff consultative forum resulted in the finalisation of several important human resource policies, in particular, the Review of Actions Policy, Managing Underperformance Policy and Home Based Work Policy, as well as the new Occupational Health and Safety Agreement.

### **Workforce planning, staff retention and turnover**

#### **Recruitment**

Building on the introduction of a revised selection policy and procedures in February 2000, the Department continued to promote streamlined processes and flexibility in employee recruitment. During 2001–02, the Department developed a 'Recruitment and Selection' good practice pamphlet for distribution to employees involved in selection processes, provided training for employees involved in recruitment and selection and developed a checklist to assist selection advisory committees through the recruitment and selection process.

## **Relocation**

The Department underwent a reorganisation in the latter part of 2001–02. A small team was established in April 2002 to relocate approximately 120 ongoing employees and as at 30 June 2002 48 ongoing employees were awaiting placement. The relocation process is expected to be completed by the end of July 2002 and has been achieved through a combination of job matching and natural attrition.

## **Performance management**

The Department has a performance management system called Performance, Planning and Review (PPR) in place as an integral part of its business model. The main purpose of the PPR framework is to foster a performance culture within the Department by linking organisational effort to corporate outcomes and identifying, measuring and improving performance against corporate goals.

## **Organisational data**

The Department continues to actively examine a range of statistical information that assists with its ongoing management of staff needs and trends.

## **Service delivery**

The Information and Employment Services Section within the Department's Business Services Group provides services and advice to managers and employees in relation to employment matters including: recruitment; occupational health and safety; conditions of service; and information services (including library, records and research services).

## **Learning and development**

### **Leadership Development Program**

The Leadership Development Program – consisting of a residential program and a follow-up learning integration day – was completed, with a further four groups participating in 2001–02, making a total of 13 groups and 287 staff from management (SES to Executive Level 1) positions having completed the program since its inception. The program was evaluated in February 2002. Program relevance and quality were found to be very high, and the degree of transfer of learning from the program to work situations was rated as high.

### **Master of Management (Industry Strategy)**

Twenty-three employees from the second group graduated from the Master of Management (Industry Strategy) program, jointly provided by the Department and the Australian National University, in April 2002. Twenty-four employees from the third group are currently completing their second and final year of the program, whilst 22 employees formed a fourth group and commenced their first year of the program in March 2002.

## **Pathways**

During 2001–02 the Department successfully piloted three Pathways Programs and one Partnership Day. Each Pathways Program was a three-day, off-site program for APS to Executive Level 1 staff, designed to develop skills in the areas of change management, relationship management, working in teams, career management and better understanding the business of the Department. The Partnership Day was a one-day, off-site program designed to develop managers' and supervisors' skills in providing feedback, mentoring and coaching.

## **Graduate recruitment**

In December 2001, 31 graduates successfully completed the Graduate Development Program and consequently were placed within the Department. Thirty-six new graduates commenced the program in February 2002.

## **Indigenous cadetships**

During 2001–02, the Department sponsored three Indigenous undergraduate students under its Indigenous Cadetship Program. In December 2001, one former Indigenous cadet, having completed the Graduate Development Program, was successfully placed within the Department.

## **Staff development opportunities**

Staff were also able to participate in the departmental Induction Program and the APS Senior Women in Management Program. The Department is currently investigating its options for a management equity program. Staff had access to other development opportunities through the Studies Assistance Program. Staff were also able to participate in a wide range of training and development activities which were organised by divisions to cater for specific developmental needs.

## **Senior executive remuneration**

During late 2001–02, the then Secretary negotiated new three-year Australian Workplace Agreements (AWAs) with the Department's SES. The new AWAs provided a simplified remuneration package including an increased 'at risk' component based upon each individual's performance. Remuneration increases were determined having regard for the outcomes reported in the Department of Employment and Workplace Relations' SES Remuneration Survey and increases provided to non-SES staff through the Department's certified agreement.

## **Certified agreements and Australian Workplace Agreements**

The Department's current certified agreement is due to expire in September 2003 and consultation on a successor agreement will commence in March 2003. The main features of the current agreement are streamlined leave provisions, a learning and development strategy, flexible home based work arrangements, and family assistance arrangements, including a vacation child care subsidy.

The Workplace Relations Committee (WRC), the joint employee and management consultative committee established under the current certified agreement, meets on a regular basis and has successfully progressed a number of issues. The WRC developed a new Occupational Health and Safety Agreement, together with new policy and procedures, revised the Department's home based work policy, and developed new underperformance and review of actions procedures.

Non-salary benefit items provided by the Department to employees through the certified agreement include:

- salary packaging provisions, such as novated car leases and superannuation
- the option of home based work under temporary or regular arrangements
- financial assistance with external study at tertiary and higher education institutions
- professional development opportunities through the Masters in Management (Industry Strategy)
- a \$100 subsidy for health related lifestyle activities for ongoing employees.

The certified agreement of the Australian Government Analytical Laboratories (AGAL) has a nominal expiry date of 31 December 2002. Under the conditions of the certified agreement, AGAL is required to commence consultations on a successor agreement before 1 October 2002.

AWAs are made available to non-SES staff at all levels on a case-by-case basis. An AWA may be offered to a non-SES employee if they are required to perform duties which are more demanding or complex than those generally undertaken by other employees at the relevant classification, or if due to market forces the employee's skills warrant greater remuneration than is provided for in the certified agreement. One hundred and twenty three non-SES employees are parties to AWAs. All SES employees are covered by AWAs.

Table 21: Australian Workplace Agreement and certified agreement coverage by classification, June 2002

APS classification	CA coverage	AWA coverage	Salary Range (\$)	
			Minimum	Maximum
APS Level 1	13	-	25,125	30,487
APS Level 2	80	-	30,079	34,470
APS Level 3	97	2	34,590	42,712
APS Level 4	120	7	39,098	46,670
APS Level 5	171	2	40,612	48,070
APS Level 6	352	8	47,101	64,606
Executive Level 1	374	36	60,381	80,304
Executive Level 2	146	68	69,642	93,399
Senior Executive Band 1	-	49	88,408	109,179
Senior Executive Band 2	-	16	105,187	131,700
Senior Executive Band 3	-	8	128,169	148,625
Associate Secretary	-	1	-	-

Note: Includes information for inoperative employees.

SES information includes IP Australia and Geoscience Australia.

The Associate Secretary details are not shown for privacy reasons.

Table 22: Total number of ongoing and non-ongoing employees, by classification and location, June 2002

APS classification	ACT	NSW	Vic	Qld	SA	WA	Tas	Over-seas	Total
APS Level 1	5	7	-	1	-	-	-	-	13
APS Level 2	64	10	4	-	-	2	-	-	80
APS Level 3	68	16	7	1	1	5	1	-	99
APS Level 4	109	5	4	3	1	5	-	-	127
APS Level 5	110	27	22	5	3	4	1	1	173
APS Level 6	219	60	46	5	10	18	2	-	360
Executive Level 1	331	37	20	5	6	8	3	-	410
Executive Level 2	174	18	12	2	1	5	1	1	214
Senior Executive Band 1	38	1	1	-	-	-	-	1	41
Senior Executive Band 2	14	-	1	-	-	-	-	-	15
Senior Executive Band 3	6	-	-	-	-	-	-	1	7*
Associate Secretary	1	-	-	-	-	-	-	-	1
Secretary	1	-	-	-	-	-	-	-	1
<b>Total</b>	<b>1,140</b>	<b>181</b>	<b>117</b>	<b>22</b>	<b>22</b>	<b>47</b>	<b>8</b>	<b>4</b>	<b>1,541</b>

Note: Includes inoperative employees.

\* This total incorrectly appeared as "411" on page 129 of the 2000-2001 Annual Report. The correct figure was 4.

Table 23: Total number of ongoing employees, by classification and gender, June 2002

APS classification	Female	Male	Total
APS Level 1	8	1	9
APS Level 2	49	28	77
APS Level 3	62	18	80
APS Level 4	88	29	117
APS Level 5	102	65	167
APS Level 6	149	201	350
Executive Level 1	157	239	396
Executive Level 2	48	148	196
Senior Executive Band 1	9	31	40
Senior Executive Band 2	3	11	14
Senior Executive Band 3	1	6	7
Associate Secretary	-	1	1
Secretary	-	1	-
<b>Total</b>	<b>676</b>	<b>778</b>	<b>1,454</b>

Note: Includes inoperative employees.

Table 24: Total number of non-ongoing employees, by classification and gender, June 2002

APS classification	Female	Male	Total
APS Level 1	1	3	4
APS Level 2	2	1	3
APS Level 3	13	6	19
APS Level 4	7	3	10
APS Level 5	3	3	6
APS Level 6	7	3	10
Executive Level 1	5	9	14
Executive Level 2	1	17	18
Senior Executive Band 1	1	-	1
Senior Executive Band 2	1	-	1
Senior Executive Band 3	-	-	-
Associate Secretary	-	-	-
Secretary	-	1	1
<b>Total</b>	<b>41</b>	<b>46</b>	<b>87</b>

Note: Includes inoperative employees.

Table 25: Total number of full-time and part-time employees, by classification, June 2002

APS classification	Full-time	Part-time	Total
APS Level 1	12	1	13
APS Level 2	75	5	80
APS Level 3	88	11	99
APS Level 4	115	12	127
APS Level 5	159	14	173
APS Level 6	338	22	360
Executive Level 1	377	33	410
Executive Level 2	210	4	214
Senior Executive Band 1	39	2	41
Senior Executive Band 2	15	-	15
Senior Executive Band 3	7	-	7
Associate Secretary	1	-	1
Secretary	1	-	1
<b>Total</b>	<b>1,437</b>	<b>104</b>	<b>1,541</b>

Note: Includes inoperative employees.

Table 26: Total number of full-time and part-time employees, by gender, June 2002

Gender	Full-time	Part-time	Total
Female	625	92	717
Male	812	12	824
<b>Total</b>	<b>1,437</b>	<b>104</b>	<b>1,541</b>

Note: Includes inoperative employees.

Table 27: Performance pay, 1 July 2001- 30 June 2002

APS classification	No. of recipients	Aggregate	Bonus payments		
			Average	Minimum	Maximum
Executive Level 1	8	27,900	3,487	843	6,930
Executive Level 2	15	70,658	4,710	703	8,200
Senior Executive Band 1	69	304,153	4,408	1,547	15,750
Senior Executive Band 2					
Senior Executive Band 3					

Note: SES figures combined to ensure non-identification of individual recipients.  
SES figures include IP Australia and Geoscience Australia.

## Commonwealth Disability Strategy

The Department has responsibilities in the following roles, for performance reporting purposes, under the Commonwealth Disability Strategy.

### Employer role

The Department has included performance indicators within its Workplace Diversity Operational Plan to ensure it meets its employer obligations under the Commonwealth Disability Strategy. During the year, the Department took the necessary steps to fully meet these performance indicators.

### Purchaser role

Companies tendering to provide services to the Department must demonstrate that they comply with the *Disability Discrimination Act 1992*. This is a requirement in both the Department's standard request for tender document and the Department's contracts.

For open tenders the Department advertises in national newspapers and on the Government advertising website. Interested parties can contact the Department in a variety of ways (including telephone, fax, email and post) to obtain tender documentation, in either hard copy or electronic format.

### Policy adviser role

The Department recognises its responsibility to develop policies in consultation with people with disabilities where appropriate. The Australian Building Codes Board (ABCB) is working closely with representatives of national bodies representing the needs of people with disabilities, and other stakeholders, to deliver improved cost-effective access to buildings throughout Australia. The ABCB's Building Access Policy Committee, which advises the board on these matters, has a number of representatives of the Disability Discrimination Act Standards Project – a project, supported by the Attorney-General, to develop standards under the Act – closely involved in this important work. In early 2003 the ABCB will release for public comment proposals for change in access to public buildings. Input from the disability sector about these proposals will be most welcome during the extensive public consultation period planned.

The Department provides all media release announcements in accessible electronic formats on its website at the time of the announcement. Announcement documentation is also made available in other formats on request. The Department does not record the nature of any such requests or the time taken to provide documents on request.

Major reports are also made available on the Department's website, to ensure ease of access for people with any of a range of disabilities, and for people in regional areas.

## **Discretionary grants**

The Department administered many industry and innovation grant programs in 2001-02. Two of the programs were classed as discretionary grant programs:

- the Regional Tourism Program
- the National Innovation and Awareness Strategy Program.

IP Australia and Geoscience Australia did not administer grant programs in 2001-02.

As per the Administrative Arrangements Order announced on 26 November 2001, some discretionary grants programs previously administered by the Department were transferred to the Department of Education, Science and Training.

Details of the discretionary grants recipients can be obtained through the Department's website or by telephoning the Department on 1800 024 095.

## **Purchasing**

During 2001-02 the Department undertook its procurement in accordance with the Commonwealth Procurement Guidelines and the additional requirements of its Chief Executive Instructions.

The core 'principle' – as defined in the Commonwealth Procurement Guidelines – applied in the Department's procurement is 'value for money', underpinned by the following supporting 'principles':

- efficiency and effectiveness
- accountability and transparency
- ethics
- industry development.

The Department has put in place procurement practices to ensure that its procurement is efficient and effective. During 2001-02 it used a range of procurement methods, depending on which was most appropriate to the situation. For information technology, major office machines and telecommunications purchases the Department used the Government Endorsed Supplier Arrangements.

The Department reported all purchases of \$2,000 and more in the Commonwealth Gazette.

The Department complied fully with the Senate Order on departmental and agency contracts, which required a list of contracts to the value of \$100,000 or more, which were not fully performed or which had been entered into in the previous 12 months, to be displayed on the Internet, with access available through the Department's home page.

The Department's procedural rules require purchasing officials to comply with the Code of Ethics for Government Procurement.

Commonwealth agencies are required to source at least 10 per cent of their purchases from small- and medium-sized enterprises (SMEs). The most recent analysis of the Department's purchasing, conducted by the Department of Finance and Administration for the 2000–01 financial year, found 47.5 per cent of purchases had been sourced from SMEs.

## **Assets management**

Assets managed by the Department include office equipment, plant and related equipment, furniture and fittings, and computer software and equipment.

The Department has implemented initiatives such as revised procedural rules and more frequent stocktakes that have improved the efficiency and effectiveness of its asset management. The initiatives have established a high level of accountability and responsibility for the financial management of assets.

## **Consultants, competitive tendering and contracting**

In 2001–02, 154 consultants were engaged by the Department. Total expenditure on consultants was \$11,562,960. Table 28 provides a detailed breakdown by departmental division.

The Department engaged the consultants to provide specialist advice and services necessary to ensure effective program delivery. All proposals to engage a consultant required the endorsement of the relevant delegate. In selecting a consultant, managers complied with the Commonwealth core purchasing principles and policies.

Various purchasing methods were adopted in 2001–02, including public advertisement or open tender, limited or restricted tender, and sole supplier or direct engagement.

The Department used comprehensive Chief Executive Instructions to govern its purchasing activities in relation to ongoing consultancies.

More information about the consultancy services used by the Department in 2001–02 may be obtained from the Department's website or by telephoning the Department on 1800 024 095.

During 2001–02, the department did not undertake any market testing activity.

Table 28: Consultancies by division

Division/area	Consultants engaged during 2001–02			Consultants engaged before 2001–02	
	No.	Contract value	Expenditure 2001–02	No.	Expenditure 2001–02
Analytical	7	\$281,220	\$250,836	3	\$31,696
AusIndustry	7	\$618,669	\$557,660	5	\$434,500
Australian Building Codes Board	22	\$736,091	\$525,375	7	\$350,695
Biotechnology Australia	5	\$91,245	\$78,349	2	\$25,818
Bureau of Tourism Research	1	\$11,950	\$8,608	3	\$1,355,947
COAG Market Review	2	\$144,381	\$144,381	-	-
Corporate	25	\$1,790,101	\$1,105,183	8	\$986,376
Business Entry Point	11	\$349,502	\$334,606	-	-
Energy and Environment	24	\$2,361,104	\$1,002,645	20	\$1,985,723
Industry Competitiveness	14	\$377,233	\$361,345	11	\$521,363
Innovation and Industry Policy	12	\$486,262	\$382,260	-	-
Invest Australia	5	\$381,083	\$81,295	3	\$125,471
Manufacturing, Engineering and Construction	1	\$22,000	\$22,000	2	\$62,576
Office of Small Business	7	\$494,970	\$357,470	1	\$2,938
Resources	7	\$372,560	\$151,737	4	\$157,957
Tourism	4	\$158,150	\$158,150	-	-
<b>TOTAL</b>	<b>154</b>	<b>\$8,676,521</b>	<b>\$5,521,900</b>	<b>69</b>	<b>\$6,041,060</b>



# IP Australia

## Outcome and Output

IP Australia has one Outcome:

***Australians benefit from the effective use of intellectual property, in particular through increased innovation, investment and trade.***

During the year 2001–02, IP Australia contributed to Outcome 1 through the following five outputs:

Output 1: Patents

Output 2: Designs

Output 3: Trade marks

Output 4: Public information and awareness

Output 5: Program development.

## Contribution to Outcome

IP Australia's outputs reflect the Government's desire to provide an effective intellectual property system in Australia and internationally, resulting in enhanced industrial development and improved living standards for all Australians.

Patent rights stimulate investment and trade by providing incentives to invent and to transfer technology. Design rights provide an incentive to individuals and industry to create and innovate. Trade marks allow traders to build and protect business reputations, enabling them to increase their sales and the value of their investments; at the same time, consumers benefit from the trade mark system through confidence in the origin and quality of goods and services. IP Australia's public information and awareness efforts are concerned with ensuring Australians are aware of the benefits of intellectual property protection and of how to manage it as an important element of their business assets. Program development output represents the conduct of intellectual property research, the development of intellectual property policy and Australian influence in international activities.

## Overall achievement

### ***Backing Australia's Ability***

The Prime Minister's Innovation Statement *Backing Australia's Ability* of January 2001 provided for several intellectual property initiatives, which IP Australia implemented during the year. A specific provision for the establishment of an intellectual property research centre was completed with the selection and appointment of Melbourne University to manage the Intellectual Property Research Institute of Australia. The institute will provide independent interdisciplinary research on intellectual property matters to promote healthy public debate on key intellectual property issues and assist in the development of policy and best commercial practice in the use of intellectual property. Legislative and information and awareness initiatives proposed in *Backing Australia's Ability*, which IP Australia implemented during the year, are covered below.

### **Legislative achievements**

The *Patents Amendment Act 2001* was passed by Parliament in September 2001 and came into force on 1 April 2002. It strengthens the examination of the novelty and inventiveness requirements of the *Patents Act 1990*, thus implementing a key aspect of *Backing Australia's Ability*. It also implements relevant recommendations – in particular, the introduction of a patent grace period – of the review of intellectual property legislation under the Competition Principles Agreement that were agreed to by the Government. Supporting Patents Regulations came into force on 1 April 2002.

A further *Backing Australia's Ability* initiative was the release of an exposure draft of a new Designs Bill for public comment in May 2001. During the year IP Australia received comment on the exposure draft and held meetings with key stakeholders. As a result of these comments and discussions, the Bill was redrafted; it is expected to be introduced into Parliament during the spring session of 2002.

The *Olympic Insignia Protection Amendment Act 2001* was passed by Parliament in September 2001 and came into force on 28 October 2001. It protects against unauthorised commercial use for advertising or promotional purposes that suggests a sponsorship or sponsorship-like association with Olympic bodies, athletes, teams or events, as well as protecting and furthering the position of Australia as a leading participant in, and supporter of, the world Olympic movement.

The *ISR Legislation Amendment (Application of Criminal Code) Act 2001* was passed by Parliament in September 2001 and came into force on 2 October 2001. It made consequential amendments to certain offence provisions in the legislation that IP Australia administers to reflect the application of the *Criminal Code Act 1995*.

The *Trade Marks and Other Legislation Amendment Act 2001* was passed by Parliament in August 2001 and came into force on 19 September 2001. It followed a review of the implementation of the *Trade Marks Act 1995* and contains a series of minor amendments to streamline procedures and remove anomalies and ambiguities identified since the Trade Marks Act came into operation. The consequential Trade Marks Amendment Regulations also came into force on 19 September 2001.

The Intellectual Property Laws Amendment Bill, introduced into Parliament on 27 June 2002, will amend the disclosure provisions of the Patents Act and the extension of time provisions of the Trade Marks, Patents and Designs Acts.

## **Public information and awareness**

IP Australia continued to raise intellectual property awareness in the community through leading-edge, targeted public information and awareness programs. Several products and services were developed to serve the unique needs of the education, small business and business advisers sectors.

Two *Backing Australia's Ability* initiatives relating to public information and awareness were completed during the year. The *IP Toolbox* is a comprehensive and interactive resource for business; IP Access is a web portal developed in consultation with other Government agencies with a role in intellectual property. Both products, developed to serve the unique needs of the education, small business and business advisers sectors, are of a high quality and have been well received.

## **International activities**

IP Australia plays a significant role in the international intellectual property arena. Of particular significance this year was obtaining the endorsement of the Pacific Islands Forum Trade Ministers Meeting held in July 2001 for the World Intellectual Property Organization (WIPO)–Australia Regionally Focused Action Plan, proposed as a means to develop the intellectual property systems of Pacific Islands Forum countries. The three-year plan, which began in October 2001, represents a major initiative in regional technical assistance. IP Australia is the lead agency for Australia's role in the work under the plan. IP Australia distributed a questionnaire on current administrative systems, conducted a regional workshop about legislation, and drafted a public education strategy.

IP Australia has taken an active part on the world intellectual property stage through the WIPO in seeking to find solutions to possible legal problems arising from the new area of e-commerce, especially in relation to inadvertent infringement of trade marks registered in foreign jurisdictions. The General Assemblies of the Member States of WIPO in September 2001 agreed to guidelines relating to the treatment of trade marks on the Internet.

## **Quality management**

IP Australia continued to explore ways to improve its quality management, including pursuing further opportunities for benchmarking with overseas intellectual property offices, to enhance the quality of IP Australia's products and services.

An integral part of the quality management framework is to continually improve the effectiveness of the quality management system. Benchmarking exercises with other patent offices are one strategy IP Australia has used to identify process improvements. Exchanges of information between offices have yielded valuable information in identifying best practice, especially in respect of the searching and examination of patent applications.

IP Australia has exchanged information with the United Kingdom Patent Office, the Korean Intellectual Property Office and the Japanese Patent Office about procedures for patent search and examination. Such exchanges of information can be used as the basis from which to explore the feasibility of mutual recognition of search results between offices. This helps to reduce the duplication of work between offices and leads to savings in costs and time for users of the patent system.

IP Australia will participate in a benchmarking study on trade marks and quality coordinated by the Office for the Harmonization of the Internal Market. Other participating countries include: Germany, France, the United Kingdom, the United States, Switzerland, Denmark and Benelux (Belgium, the Netherlands and Luxembourg). The output of the first phase of the study will be individual country reports and a summary document.

## **Customers**

IP Australia aims to become a cohesive, customer focused organisation that acts as a single entity rather than related elements. A key priority has been to simplify processes and ensure consistency across the organisation. The Customer Service Centre was established and now provides a single entry point for email, fax and telephone inquiries into the Canberra office.

IP Australia is committed to becoming a customer driven organisation that makes sound decisions by having effective relationships with stakeholders and a strong understanding of customer views and behaviours. To achieve this goal the organisation implemented a market research program supporting business decisions and better identifying the organisation's customer base. A stakeholder relationship framework was developed, the customer charter review commenced and feedback reviews were undertaken. An ongoing customer management strategy will be delivered through the State Office Network.

The organisation undertook significant work to develop new services to better meet customer needs and to take advantage of new technologies in 2001–02.

## **Review of prices**

Under IP Australia's financial framework agreement with the Department of Finance and Administration, IP Australia is required to set its fees and charges so that, over time, it recovers all costs. The fee structures are designed to cover the cost of regulation over the full life of each intellectual property right.

In 2002 IP Australia undertook a review of the fee structure, which identified potential improvements to current arrangements that will benefit both customers and users of the intellectual property system, consistent with Government policy.

The effects of the new fee structure are expected to:

- encourage entry to the intellectual property system, by keeping initial filing fees relatively low and removing unnecessary complexity
- encourage customers to deal with IP Australia online, and recognise associated administrative savings
- encourage customers to choose processing options which avoid rework
- recover a greater proportion of costs at a point where value adding occurs, and where further expenditure by the customer is discretionary
- revise patent and trade mark attorney regulation fees to better reflect the real cost of the activity
- meet the full cost of IP Australia on an accrual basis.

During the review of fees, IP Australia conducted substantial consultation with user groups and advisory bodies including the Law Council of Australia, the Australian Manufacturers, Patents, Industrial Designs, Copyright and Trade Marks Association, the Institute of Patent and Trade Marks Attorneys of Australia, and the Advisory Council on Intellectual Property (ACIP).

It is expected that the new fee structure will come into force on 1 September 2002.

## **IP Australia's online agenda**

In 2001–02, IP Australia developed and implemented several information systems to support the introduction of its new business model. These included the successful implementation of scanning processes to convert paper lodgments to electronic records, electronic case files for patents and trade marks, a system to support the business workflows of front offices and administration areas, online services, electronic journals and a trial of electronic data exchange to support an e-commerce strategy.

In addition, the Madrid Protocol system, which incorporates electronic exchange of information with WIPO for trade marks, was implemented.

Important steps forward were achieved in information and records management. Shortcomings in this area were identified in a Commonwealth Ombudsman's report in 2000–01. Major achievements in 2001–02 included the implementation of a new Chief Executive Instruction (CEI17) and supporting

policies for information and records management and the successful piloting of the Business Records, Information and Knowledge system for managing electronic records.

IP Australia was recognised in an Australian National Audit Office report on record keeping (Audit Report No. 45 of 2001–02) as an example of an organisation successfully undergoing transition in the strategic development of information management and record keeping.

Information technology (IT) security was a prominent area of activity in 2001–02, as reflected in the release of comprehensive security policies and awareness-raising activities involving all staff.

IP Australia’s IT infrastructure capacity and availability has become increasingly important as the agency transitions its core processing systems from a mainframe platform to the newer mid-range environment. During 2001–02, IP Australia implemented the required infrastructure, including by outsourcing firewall services, to support the new business model.

IP Australia continued to enjoy high levels of IT system availability and reliability in 2001–02. Most infrastructure was available for more than 99 per cent of its scheduled time available, as measured on a round-the-clock basis.

## Meeting business needs

### Increase in applications for intellectual property rights

<b>Indicators</b>	<p>Increase in number of Australian applications for intellectual property rights to be greater than gross domestic product growth</p> <p>Growth of applications in Australia compared to growth of applications internationally*</p> <p>Customer satisfaction</p> <p>* This indicator was changed in 2001–02 to give a broader dimension to the measure of growth in Australian applications by comparing against international standards</p>
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### Australian comparisons

In 2001–02, there was a small increase in Australian applications for patents and a decrease in applications for both designs and trademarks. However, the growth in patent applications was not greater than that of gross domestic product. The levelling off in applications for patents and designs compared to the previous year was largely the result of a worldwide economic slowdown.

Exceptionally strong growth in the number of trade mark applications was experienced in 1999–2000 and a record number of applications were received. The strong growth during that year was due to a number of factors including

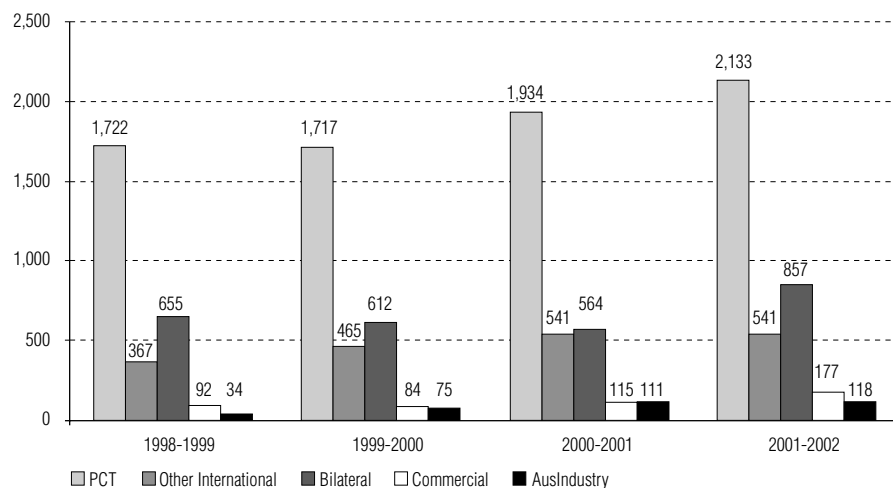
the ‘dot-com’ boom, the Sydney Olympic Games and an information campaign conducted during the introduction of the goods and services tax. Since 1999–2000, numbers of trade mark applications have declined in relative terms.

### Patents

In 2001–02, 16,503 Patent Cooperation Treaty (PCT) applications entered the ‘national phase’, indicating a commitment by applicants to proceed with their patent applications in Australia. The number of applications entering this phase represented a 2.5 per cent increase over 2000–01 numbers. Another 6,029 non-PCT applications comprising standard patent applications were filed directly with IP Australia, which represented a decrease of 6 per cent in comparison to the total for the previous financial year.

In May 2001 the innovation patent system was introduced to replace the petty patent system. In 2001–02, 1,067 innovation patent applications were filed directly with IP Australia. This was almost double the number of petty patent applications lodged in previous years, indicating that the new system is better meeting the needs of the market.

Figure 9: Growth in search requests by category, from 1998–99 to 2001–02



Note: ‘PCT’ represents applications lodged under the Patent Cooperation Treaty.

Figure 9 illustrates the commitment of IP Australia to assisting the industrial development of Australia and demonstrates IP Australia’s responsiveness to the needs of the market place.

Figure 9 shows the variation in type and number of patent searches conducted by IP Australia over the last four years. Searches conducted on behalf of AusIndustry assist Australian companies in their R&D efforts and identify intellectual property opportunities. Bilateral searches are conducted on behalf of countries in the Asia–Pacific region, assisting them in having intellectual property regimes which are comparable with Australia’s, which in turn assists Australians trading in these markets.

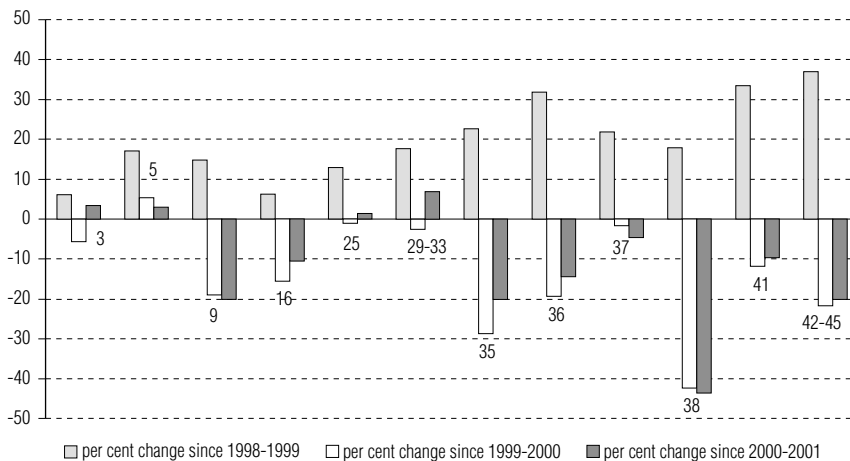
## Trade marks

In 2001–02 there were 37,307 trade mark applications filed comprising 60,741 classes of goods and services, representing a decrease in the number of classes of 8 per cent compared to the number in the previous year. Figure 10 illustrates the major changes in demand, by business sector. The most significant decline in demand for 2001–02 was experienced in the telecommunications sector.

As a benefit of Australia's accession to the Madrid Protocol in July 2001, Australian businesses can now file international applications, through a streamlined process, in the other 54 signatory countries. In 2001–02, 164 Australian applications were received from local applicants seeking registration in foreign jurisdictions, while 2,459 applications were received from overseas applicants seeking registration in Australia. Nearly 25 per cent of overseas applications were received from Germany.

Figure 10 shows the percentage change in the number of applications in 2001–02 when compared to the three previous years. All sectors increased on 1998–99, but only pharmaceuticals increased against the extraordinary year 1999–2000. The biggest change has been in the telecommunications industry with a decrease of more than 40 per cent since 1999–2000. The food industry was the most prolific in 2001–02 compared with the previous year whilst cosmetics, pharmaceuticals and clothing showed some increase in the same period.

Figure 10: Changes in number of trade mark applications received, by sector, past three years compared to 2001–02



Note: The numerals used represent the international classification of goods and services:

- 3 – cosmetics & cleaning preparations
- 5 – pharmaceuticals
- 9 – scientific and electrical apparatus
- 16 – paper materials and printed matter
- 25 – clothing
- 29–33 – food and drink
- 35 – retailing
- 36 – financial services
- 37 – building and construction
- 38 – telecommunications
- 41 – education, entertainment and sport
- 42–45 – research and design, food and accommodation, and medical and personal services.

## International comparisons

The most recent summary figures available from WIPO cover application activity for 1999. In the following list, these data are compared to WIPO's application activity data for 1998.

- For the 118 countries listed by WIPO, the overall number of patent applications increased by 20.3 per cent. For the same period, the number of applications in Australia increased by 9.8 per cent.
- For the 80 countries listed by WIPO the overall number of design applications increased by 5.6 per cent. For the same period, the number of applications in Australia increased by 6.5 per cent.
- For the 105 countries listed by WIPO the overall number of trade mark applications increased by 11.3 per cent. For the same period, the number of applications in Australia increased by around 23.4 per cent.

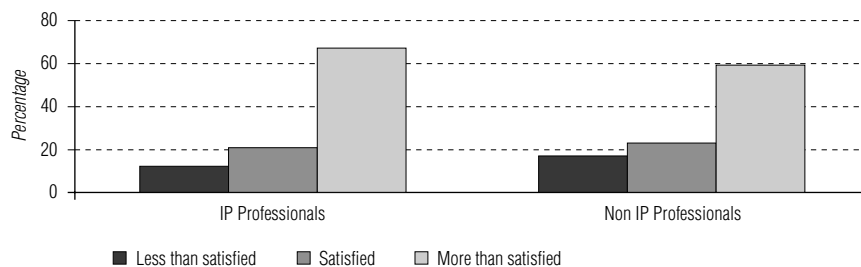
The increases in Australian trade mark and design applications for the period 1 January 1998 to 31 December 1999 are above the international average. The increase in Australian patent application activity for the same period was below the international average.

## Customer satisfaction

IP Australia undertook significant work in 2001–02 to segment its customer base and identify the products and services that customers value. This research will be used to effectively tailor existing services to customer needs, and develop future services and initiatives. These ongoing activities will ensure that the organisation continues to deliver high-quality customer service.

IP Australia conducted an email survey of customers who were asked to express the extent of their satisfaction with their most recent contact with IP Australia during 2001–02. As Figure 11 shows, intellectual property (IP) professionals and non-professionals had similarly high levels of satisfaction with their overall relationships with IP Australia.

Figure 11: Percentage of customers satisfied with their relationship with IP Australia and with its services



Note: IP professionals include attorneys, lawyers or other agents acting on behalf of applicants for patents, trade marks and designs.

Non IP professionals include all other respondents such as representatives of small businesses.

## Impact on innovation, investment and trade

<b>Indicator</b>	IP Australia will conduct periodic research studies to measure and report on this
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During 2001–02 IP Australia was instrumental in establishing the Intellectual Property Research Institute of Australia. IP Australia is committed to being a major supporter of the institute for the next four years. The institute will undertake a range of research studies in this field.

## Cost-effective operations

<b>Indicator</b>	Achievement of cost recovery on an accrual basis over time Prices of services are internationally comparable Increase in prices is less than inflation
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IP Australia's financial performance for 2001–02 shows an operating deficit of \$1.8 million compared with the predicted surplus of \$4.3 million reported in the Commonwealth Budget. This is mainly due to a shortfall in revenue of \$6 million. Total expenses remained comparative, even after a \$3 million write-off not originally forecast.

The budget for 2002–03 provides for achievement of cost recovery, with only a small operating surplus. It is expected that IP Australia will achieve cost recovery despite the impact of volatile demand in recent times and major system re-developments.

IP Australia aims to keep its charges internationally comparable. The ongoing study by IP Australia of the international comparability of official fees shows that Australia is currently the sixth least expensive (having been seventh in 2000–01) out of 29 Organisation for Economic Cooperation and Development countries in terms of patent fees, and fifteenth (sixteenth in 2000–01) in terms of trade mark fees.

Over the past five years, IP Australia introduced substantial reductions in fees and charges. This has resulted in a 20 per cent reduction in prices over this time, which is significantly below the inflation rate.

## Financial performance

IP Australia has reported a net operating deficit of \$1.8 million for 2001–02. The deficit was \$14.2 million less than the previous year, due to an increase in revenue of \$3.7 million, a reduction in depreciation of \$4.3 million, and less write-down of assets.

The most significant factor that contributed to the deficit in 2001–02 was a \$3 million write-off of a receivable relating to pre 1993–94 long service leave, which had the effect of increasing operating expenses by this amount.

A capital charge of \$3.5 million was paid during 2001–02.

## Output costs

Table 29: IP Australia's budgeted and actual unit costs for its five outputs in 2001-02

Output	Cost per unit of output Budget 2001-02 *	Cost per unit of output Actual 2001-02 *	% variance
Patents	\$279	\$307	10%
Designs	\$1129	\$710	(37%)
Trade Marks	\$240	\$283	17.9%
Public Information and Awareness	\$1.995m	\$2.119m	6%
Program Development	\$4.358m	\$4.116m	(5.6%)

\* excludes capital charge and re-calculated using activity based costing

Table 30: Summary of resourcing for Outcome 1 in 2001-02

### Total Resources for Outcome 1

	(1) Budget* 2001-02 \$'000	(2) Actual 2001-02 \$'000	Variation (column 2 minus column 1)	Budget** 2002-03 \$'000
<b>Revenue from other Sources</b>	<b>88 981</b>	<b>82 904</b>	<b>(6 077)</b>	<b>91 168</b>
<b>Expenses of Outputs</b>				
<b>Output 1</b> - Patents	47 114	49 143	2 029	48 741
<b>Output 2</b> - Designs	3 273	2 297	(976)	2 605
<b>Output 3</b> - Trade Marks	27 988	27 029	(959)	28 629
<b>Output 4</b> - Public Information and Awareness	1 995	2 119	124	2 412
<b>Output 5</b> - Program Development	4 358	4 116	(242)	5 448
<b>Total operating expenses of outputs</b>	<b>84 728</b>	<b>84 705</b>	<b>(23)</b>	<b>87 835</b>
<b>Surplus</b>	4 253	(1 801)	(6 054)	3 333
<b>TOTAL FOR OUTCOME 1</b>	<b>88 981</b>	<b>82 904</b>	<b>(6 077)</b>	<b>91 168</b>
<b>Staff Years (Number)</b>	<b>799</b>	<b>788</b>	<b>(11)</b>	<b>785</b>

\*excludes capital charge and re-calculated using activity based costing

\*\*Budget prior to additional estimates

## Output performance

The efficiency and cost-effectiveness of IP Australia's delivery of Outputs 1 to 5 in 2001–02 are described below.

### Output 1 Patents

#### Quality

Target	2000–01	2001–02
Patents first reports to be issued within five months from request for examination	27.4 per cent (7.03 months to first report)	6.04 per cent (8.39 months to first report)
Patent acceptance to be within three reports on average	2.08 reports	2.08 reports
Number of patent oppositions filed to be within 2 per cent of acceptances	1.32 per cent	1.2 per cent

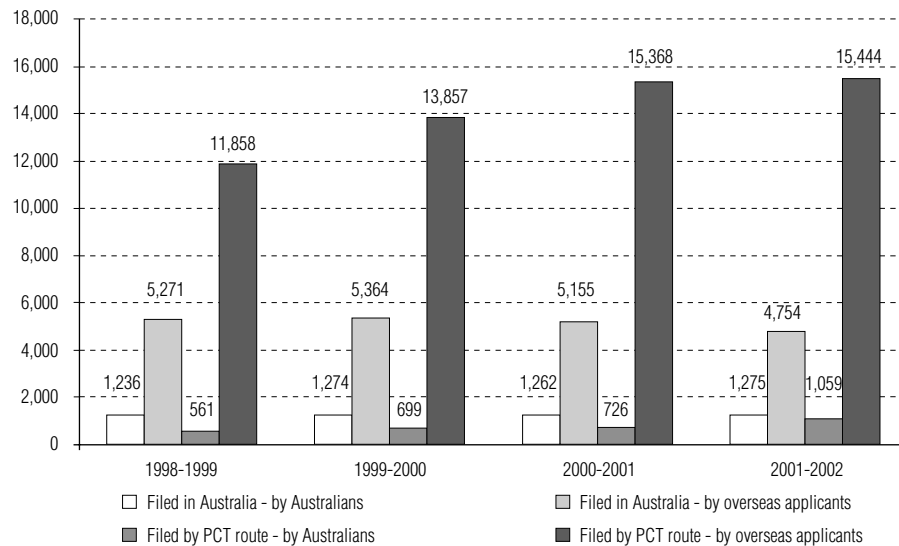
The percentage figure for patents first reports for 2001–02 was lower than last year's, due to a decision to reallocate resources to manage the unexpected increase in workload for other products described below.

IP Australia is committed to ensuring that the Australian Patent System is based on international best practice. The ISO 9000 quality management framework, an internationally recognised standard, has been applied in the patent examination area. This approach stresses that quality arises from all aspects of the business. With the introduction of the new ISO 9000:2000 standard IP Australia has extended its approach to include all aspects of the patents process and will be extending it to other business processes in the future. This will ensure that IP Australia has robust systems in place to measure and assess quality. For example, as part of this approach, a new quality checking process to improve the assurance of quality in the patent examination process was introduced during the year.

External benchmarking exercises were also carried out in conjunction with other intellectual property offices. An integral part of this exchange of information has been via a search exchange program conducted with the United Kingdom Patent Office. This has enabled us to compare directly the quality of our international searches with those of the United Kingdom office. Five search exchange exercises involving three distinct areas of technology were undertaken and the results indicate that the two national offices produce searches of comparable quality. Similar informal exchanges with Korean Intellectual Property Office and the Japanese Patent Office have also shown many similarities of approach between offices.

Figure 12 illustrates the workload in patents, and shows that filings by the PCT route from overseas applicants continue to be the main source of applications for IP Australia.

Figure 12: Growth in standard patent applications, by category, from 1998–99 to 2001–02



Note: 'PCT' represents applications lodged under the Patent Cooperation Treaty (PCT).

## Quantity

<b>Target</b>	6,800 complete applications
	18,000 national patent entries
	21,000 examinations
	3,700 international searches

During 2001–02, IP Australia received 6,029 complete applications; 16,503 applications entered the 'national phase'; while 3,693 international searches were completed and 17,193 examinations of national applications were conducted. Even though the number of examinations conducted compared with that in 2000–01 shows a modest increase, the target for 2001–02 was not achieved due to examiner resources being allocated to other products and the training of new staff.

During the year, 64 hearings related to patents and designs were conducted and 71 hearings decisions were issued.

In 2001–02, IP Australia conducted patent services for countries in the Asia Pacific region as follows:

- 94 international searches for Singapore and 244 for New Zealand
- 1,202 patent applications examined from Singapore
- 87 international type patent searches (commercial searches) for New Zealand patent attorneys on a cost recovery basis
- a number of search and examination activities for other patent offices – including those in Hong Kong, Fiji and Thailand – as well as for WIPO.

## Price

<b>Target</b>	\$279 cost per unit (variation from PBS is due to a recalculation using activity based costing and the exclusion of capital charge)
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The cost per unit in 2001–02 was \$307, a 9 per cent increase compared with the 2000–01 per unit cost of \$281 (activity based costing was not used in the 2000–01 calculations). The variation is due to a reduction in expected filings, training of new staff, and higher than planned expenditure on implementation of new electronic systems.

## Output 2 Designs

### Quality

Target	2000–01	2001–02
Designs first reports to be issued within 6.5 months	54 per cent	100 per cent

Through increased examination output, the backlog of designs applications was reduced. All applications for 2001–02 were examined within the 6.5-month target timeframe.

IP Australia publishes the *Australian Official Journal of Designs*. During 2001–02, work was undertaken on the design and development of an electronic version of the journal. The ‘e-journal’ is designed to make the journal data, currently published only in hard copy form, more widely and easily accessible over the Internet. The e-journal system is expected to be implemented in July 2002.

Version II of the Australian Design Data Searching system, offering more advanced features for searching IP Australia’s designs database, was released in August 2001. Representations of registered designs can now be viewed online, via the Internet. Where representations are available, thumbnail graphics of the main views of a design are shown in the search result list. A full set of representations in numerous sizes, including Portable Document Format (PDF) versions for high-quality printing at actual size, is provided for each registered design. Currently, representations are available for designs registered from 1 February 2001 onwards. The addition of designs registered prior to February 2001 will commence shortly.

### Quantity

<b>Target</b>	Applications for design registrations expected to be about 4,400
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During 2001–02, 4,044 applications for design registrations were received.

## Price

<b>Target</b>	\$1,129 cost per unit (variation from PBS is due to a recalculation using activity based costing and the exclusion of capital charge)
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The cost per unit in 2001–02 was \$710, a 16 per cent decrease compared with the 2000–01 per unit costs of \$846 (activity based costing was not used in the 2000–01 calculations).

The target cost for 2001–02 was based on the expected introduction of new systems to support the introduction of new legislation for designs. As the new legislation was not passed, these developments did not take place hence the cost per unit for 2001–02 was significantly lower than planned.

## Output 3 Trade marks

### Quality

<b>Target</b>	<b>2000–01</b>	<b>2001–02</b>
Trade marks first reports to be issued within two months	6.6 months	3.7 months
Trade marks to be indexed within five working days from date of filing	7.5 working days	4.4 working days
85 per cent of acceptances to be within three reports	97.9 per cent	97.5 per cent
Searches for business names to be within one working day	98.0 per cent	98.2 per cent
Fewer than 1 per cent of applications granted an extension of time for error or omissions	0.6 per cent	0.8 per cent

Customers have benefited substantially from improvements in two timeliness indicators. The reduction in indexing time by three days ensures more timely information on the trade marks database which improves the accuracy of customers' search outcomes. The time to issue a first report was reduced by more than three months and at 30 June 2002 was 3.5 months. The reduction in time to first reports gives businesses an earlier indication of the acceptability of their mark.

The other quality measures are well within target levels. The high proportion of acceptances within three reports (97.5 per cent compared with the target of 85 per cent) is the result of effective communication with customers.

### Quantity

<b>Target</b>	81,000 applications (new filing classes) 55,000 registrations 11,000 renewals
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There were 37,307 trade marks applications for a total of 60,741 applications (new filing classes), 51,373 registrations and 5,458 renewals in 2001–02. These were all well below target figures. Classes in applications were 8 per cent

below the previous year's, with monthly figures reaching a low during December 2001 and January 2002. Registrations increased 12 per cent compared with 2000–01, reflecting the increase in intakes of examiners in 2000–01. The number of renewals was low because of the effect of changes to the *Trade Marks Act 1995*, which increased the initial registration period from seven years to ten. A return to previous levels of renewals is expected in 2003–04.

### Price

<b>Target</b>	\$240 cost per unit (variation from PBS is due to a recalculation using activity based costing and the exclusion of capital charge)
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The cost per unit in 2001–02 remained stable at \$283 compared with the previous year (activity based costing was not used in the 2000–01 calculations). The increase in actual cost for 2001–02 compared with target cost was due mainly to decreased volume of applications, registrations and renewals and greater than expected indirect costs.

## Output 4 Public information and awareness

### Quality

<b>Targets</b>	Stakeholders' satisfaction with seminars/workshops and information material provided  Brochures and information kits are relevant and easy to use.
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Targets have changed this year to better reflect performance indicators and data collection.

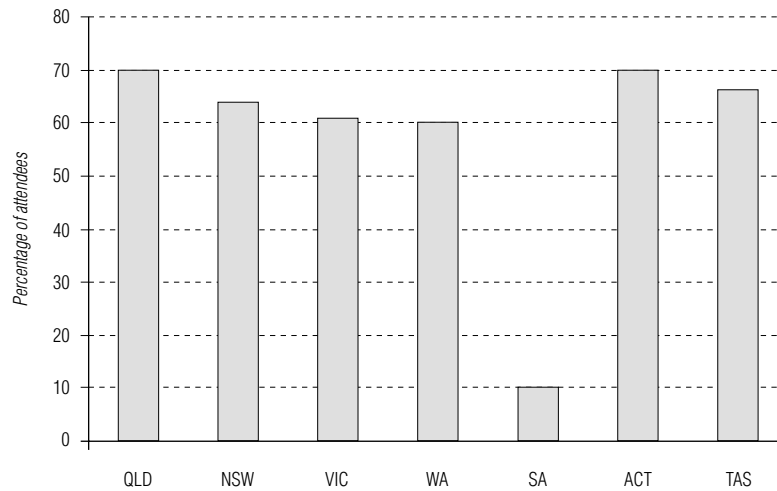
IP Australia continued to attract strong interest and high attendance at seminars and workshops. In 2001–02, 28 seminars and workshops were conducted around Australia. Feedback after each event was collected to measure customer satisfaction for the tertiary and small business sectors.

The results of the feedback indicated that customers were satisfied with IP Australia's intellectual property seminars. The results also identified opportunities for IP Australia to expand its programs.

IP Australia's brochures and information kits were updated this financial year to ensure information is relevant and current. Updates incorporated changes in legislation and fees as well as formal and anecdotal customer feedback, resulting in improved legibility, accuracy and comprehension.

Figure 13 was created using qualitative feedback received during the Small Business Seminar Series.

Figure 13: Percentage of attendees, by State, rating Small Business Seminars 'above average' in 2001–02



## Quantity

<b>Targets</b>	<p>Number of registrations for relationship marketing campaigns and seminars</p> <p>Number of hits on existing and new websites</p> <p>Number of educational and commercial products ordered from campaigns.</p>
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Table 31 below provides details of the performance of Output 4 in relation to IP Australia's key target sectors: the tertiary education sector, the school sector and small- and medium-sized enterprises.

Table 31: Certain public information and awareness activities and stakeholder responses during 2001–02

Activity	Tertiary education sector	School education sector	Small and medium enterprises	Total
Registrations for relationship marketing	7,478	0	487	7,965 <sup>a</sup>
Web sessions	0	64,515		1,809,376
IP Australia			1,675,194 <sup>b</sup>	
IP Access			69,667	
Products ordered from campaigns	21,000	1,600	1,250	23,850

a Figure does not include registrations for relationship marketing campaigns with 650 intellectual property professionals and 210 international intellectual property offices.

b Total is based on the estimated average monthly figure for 2001–02 of all IP Australia websites.

IP Australia distributed 207,500 brochures and information kits across all target groups during 2001–02. Positive feedback was received concerning the quality

of awareness and educational materials from all sectors. Brochures and information kits are regularly reviewed to ensure information and content remains current and relevant.

Last year saw strong growth in the number of registrations made by customers on the IP Professor and InnovatED websites. During 2001–02 IP Professor received 529 registrations, an increase of 85 per cent from 2000–01, while InnovatED received 306 applications, an increase of 91 per cent from 2000–01. Once registered, customers received quarterly newsletters on intellectual property developments in the sector. Customers may also register their interest in participating in IP Australia activities such as writing lesson plans for the InnovatED site, or speaking at functions associated with the IP Professor site. The increased registrations show ongoing success in the target markets.

### Price

<b>Target</b>	Cost of output \$2.0 million (variation from PBS is due to a recalculation using activity based costing and the exclusion of capital charge)
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The total cost for 2001–02 was \$2.1 million, a 49.5 per cent decrease compared with the 2000–01 cost. This decrease was the result of more clearly defining contributing activities for the output using activity based costing. Variation from the target figure of \$2.0 million was due to increased marketing activity including the launch of the IP Portal and costs involved in the promotion of the IP Toolbox.

## Output 5 Program development

### Quality

<b>Targets</b>	Positive feedback from Minister and other stakeholders including Advisory Council on Intellectual Property (ACIP), Professional Standards Board (PSB) meetings and Government  Influential presence at international level, in particular in the Asia-Pacific region.
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Feedback from the Minister and other stakeholders was consistently good throughout the year. The quality of IP Australia’s briefings to the Minister is rated on a scale of 1 to 5, with 3 being ‘effective’ and 4 being ‘very good’. During 2001–02, the average rating was 3.7.

Throughout the year, IP Australia played a significant role in the international intellectual property arena. Significant activities included:

- participating in Asia–Pacific Economic Cooperation (APEC) Intellectual Property Rights Experts Group meetings in Chinese Taipei and Hong Kong
- hosting the Japanese Inventors Association visit to IP Australia for discussions on the Madrid Protocol

- leading the Australian delegation to the WIPO General Assembly in Geneva in September
- participating in negotiations on the draft chapter on intellectual property in the Australia–Singapore Free Trade Agreement
- reviving discussion on the Draft Agreement on Cooperation in Scientific and Technological Development between the Australian and Indonesian Governments
- providing briefing and other input for Australia’s preparation for the World Trade Organization ministerial meeting in Doha in November 2001, with particular emphasis on the issue of access to medicines and its implications for the patents system
- leading the Australian delegation to the second and third meetings of the WIPO Intergovernmental Committee on Intellectual Property and Traditional Knowledge, Genetic Resources and Folklore
- making representations to Turkish Intellectual Property Institute regarding the use of ‘ANZAK’ as a trade mark in Turkey, resulting in the Turkish authorities’ acceptance that such registration be refused
- participating in a meeting of the Convention on Biological Diversity Ad Hoc Open-ended Working Group on Access and Benefit Sharing in Bonn
- participating in a third meeting of the Food and Agriculture Organization commission on genetic resources for food and agriculture in Rome
- hosting a one-week training course in intellectual property for Indonesian officials under the Indonesian–Australian Specialised Training Project Phase II Program
- working with the Department of Foreign Affairs and Trade on developing Australia’s consultation on technical cooperation with the Association of South-East Asian Nations (ASEAN) Free Trade Area Intellectual Property Working Group.

### Quantity

<b>Targets</b>	Extent of intellectual property research commissioned Number of ACIP and PSB meetings supported Number of submissions, briefs, ministerial responses and legislative changes prepared Number of international technical assistance missions
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During the year IP Australia:

- completed the selection process for the Intellectual Property Research Institute of Australia and concluded the contract with Melbourne University for establishment of the institute
- supported the preparation of the R&D Intellectual Property Scoreboard 2001

- continued funding the intellectual property rights demand modelling study, which included a refinement to the model to enhance the accuracy of its predictions
- supported three meetings of ACIP and 19 meetings of ACIP's five working groups
- supported three meetings of the Professional Standards Board for Patent and Trade Marks Attorneys
- prepared 80 replies to ministerial correspondence and 71 ministerial briefings
- prepared the Patents Amendment Bill 2001, the Olympic Insignia Protection Amendment Bill 2001, the Industry, Science and Resources Legislation Amendment (Application of Criminal Code) Bill 2001, and the Trade Marks and Other Legislation Amendment Bill 2001, which were subsequently enacted
- prepared Trade Marks Amendment Regulations, which give effect to recommendations of a post-implementation review of the trade marks legislation
- received comment on the exposure draft of the new Designs Bill and held meetings with key commercial stakeholders to update discussions on exclusion of spare parts options, in consequence of which the Bill was redrafted
- provided technical assistance to intellectual property offices in Samoa, India and Indonesia via training programs and visits by IP Australia experts
- participated in or delivered papers to regional and international symposiums on a range of topics including the international policy agenda, best-practice business re-engineering, intellectual property and biotechnology, intellectual property in agriculture, patenting of genetic material, developments in Australia's patent and trade marks systems, benchmarking patent examination processes, pendency reduction, document and data management in a modern intellectual property organisation, and public awareness and education activities.

### Price

<b>Target</b>	Cost of output \$4.4 million (variation from PBS is due to a recalculation using activity based costing and the exclusion of capital charge)
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The total cost for 2001–02 was \$4.1 million. While there were increased costs for Program Development in 2001-02 due to the implementation of the IP Research Centre, delay to the start of such funding contributed to the variation from the target figure of \$4.4 million. Note that activity based costing was not used in the 2000–01 calculations

### **Meeting customer service standards**

IP Australia has undertaken to review its customer service charter every three years and began a review process in early 2002. The new charter will be delivered in late 2002 after extensive customer and staff consultation. The current charter is available to customers at all State offices, from the IP Australia website and upon request from the Customer Support Centre.

IP Australia's performance against customer service standards for 2001–02 appears below.

Table 32: Achievement of IP Australia's customer service standards in 2001–02

<b>Target</b>	<b>Average achieved</b>
Issue international search reports for patents within nine weeks of initial request	72.8 per cent
Conduct searches of the trade marks register of business names applicants within one working day	96.6 per cent
Issue decisions within three months of holding hearings for patents	65.2 per cent
Issue decisions within three months of holding hearings for trade marks	99.5 per cent
Publicly available databases to be available to registered users from 7.30 a.m. to 8.00 p.m. weekdays (Eastern Standard Time)	99.9 per cent

There was a general improvement in service delivery in relation to all the performance targets during the year, demonstrating IP Australia's commitment to high-quality customer service.

### **Customer feedback**

IP Australia undertook a comprehensive review of the avenues and business processes that support customer feedback in the organisation. The review found there were inadequacies in the way the organisation solicits and responds to customer feedback, and proposed a number of measures to address these issues.

In 2002–03 IP Australia will trial a number of recommendations to increase feedback collection and improve the business processes that resolve feedback issues.

During 2001–02, IP Australia received 324 items of feedback from customers and staff: 187 complaints, 124 compliments and 13 suggestions. This is an increase of 122 reports from the previous financial year. The number of customer feedback reports increased by 60 per cent over the period.

### **Customer consultation**

IP Australia is pursuing a more strategic relationship with its external stakeholders. A comprehensive consultation strategy is being developed to maximise the benefits of continuing high-level dialogue with stakeholders. During 2001–02 the organisation consulted customers on a variety of issues including new products and services, customer service standards and stronger communication channels with the organisation. The information gathered helped IP Australia develop products and services that customers will use and value.

# **Management and accountability in IP Australia**

## **Corporate governance**

### **Senior executives**

Refer to the organisational chart on pages 14 and 15 for the names and titles of IP Australia's senior executives and their responsibilities.

### **Senior management committees**

Two management committee structures play a key role in the governance of IP Australia.

The Executive Management Committee, comprising all seven senior executive members, meets weekly to provide high-level strategic direction for IP Australia.

Project boards, comprising the Director General (chair), the Chief Information Officer, Customer Service Manager and another member of the senior executive, are responsible for the high-level management of major projects. Three boards operated in 2001–02: Corporate, Patent and Designs, and Trade Marks. These boards were delegated the decision-making powers of the full Executive.

### **Corporate and operational plans**

In September 2001, IP Australia's senior executive members met to consider the key objectives and priorities for the following year. As part of that process, the Corporate Plan for 2001–04 was reviewed and medium- to long-term objectives reaffirmed. A Statement of Key Objectives and Priorities for 2002–03 was established, providing direction in the development of business unit operational plans.

The business unit operational plans, prepared in accordance with a common set of guidelines, outline strategies, projects and activities that will be undertaken by each business unit in order to achieve the required outputs, consistent with the corporate plan. Business unit plans include estimates of the resources required, in terms of both staff and funding levels required, to achieve the corporate goals and objectives. Business unit plans are used as the basis for developing plans for sections and work units and for designing individual performance feedback agreements. Monthly and quarterly performance reports from each business unit report against the major strategies, activities and projects contained in these plans.

### **Internal audit arrangements**

There was significant enhancement of the internal audit function during the year to produce value-added outcomes for IP Australia in corporate governance, operations and new initiatives. Currently, internal audit activities are outsourced; IP Australia's increased in-house capacity enables it to coordinate and manage contractors and add greater value by:

- providing independent advice on improving financial management processes, knowledge management and controls over new electronic commerce initiatives
- developing internal audit processes to match better practice
- enhancing the role and operations of the Audit Committee
- providing strategic advice on risk and fraud management
- ensuring integration of risk management with planning, operation and reporting activities in IP Australia.

### **Risk management**

IP Australia's risk management culture was enhanced through formalisation of our risk management policy, framework and profile. A comprehensive business risk register and risk treatment plan are being developed following extensive review and validation of the risk assessments undertaken in IP Australia. These will be supported by the business units' risk management plans.

### **Audit and review activities**

IP Australia's strategic internal audit plan focuses on key risk areas identified in the risk assessments. In 2001–02 IP Australia's internal audit activities focused on gap analysis of corporate governance; performance and compliance reviews; review of State offices; and review of, and advice on enhancement in, financial management and accountability.

### **Fraud control**

IP Australia's fraud control plan was finalised in 2001–02 in accordance with the Commonwealth's Fraud Control Guidelines. The plan provides for appropriate fraud prevention, detection, investigation and reporting processes that meet the needs of IP Australia in managing and preventing fraud. Fraud risk assessments are currently being updated and will be followed by fraud risk awareness training.

### **Ethical standards**

IP Australia employees have ready access to the Australian Public Service (APS) Values and Code of Conduct via the agency's intranet site. The documents are widely cross-referenced in relation to a significant number of management guidelines, policy documents and other reference materials concerning, for example, recruitment, probation, induction, whistleblowing, diversity and the acceptance of gifts or other benefits.

The results of an employee opinion survey conducted in October 2001 indicated that employees were performing well in upholding the APS Code of Conduct; this behaviour was ranked as one of IP Australia's top 10 performance items.

## Remuneration for Senior Executive Service officers

Senior executives' remuneration is negotiated by the Secretary of the Department of Industry, Tourism and Resources under Australian Workplace Agreements (AWAs).

## External scrutiny

The judicial decisions and Administrative Appeals Tribunal decisions in 2001–02 that impacted on the operations of IP Australia are described below.

*Boehringer Ingelheim International GmbH v. Commissioner of Patents* [2001] FCA 647

This matter involved an application to extend the term of a patent under section 70 of the *Patents Act 1990* where the claims of the patent concerned a nasal spray container. The Commissioner's delegate refused to grant Boehringer an extension of term of this patent on the grounds that none of the claims defined a pharmaceutical substance 'per se' as required by section 70(2)(a). This decision was upheld on appeal by both a single judge of the Federal Court (Heerey J) in December 2001 and the full bench. The court found that the words 'per se' should not be 'read out of s. 70(2)(a)'.

*New England Biolabs Inc. v. Commissioner of Patents* [2001] FCA 787

This matter concerned an Administrative Decision Judicial Review of the Commissioner's decision to grant leave to amend a particular complete specification under section 104 of the *Patents Act 1990*. The court found that the Commissioner should have granted leave to amend but noted that the Commissioner failed to prepare and issue a proper report as required by Regulations 10.2(1) and (2). While the court concluded that this failure was not fatal to the application, the Commissioner has changed some internal forms in light of the comments made by the court.

*Le Cordon Bleu BV v. Cordon Bleu International Ltee* [2000] FCA 1587 *Renaud Cointreau v. Cordon Bleu International Ltee* [2001] FCA 1170.

Figure 14: French Trade Mark No. 485578



In 1997 the Registrar's delegate decided cross oppositions between a Canadian company, *Cordon Bleu International Ltee*, and a French organisation, *Renaud Cointreau & Cie*. The Canadian trade mark, 474808, is the term 'CORDON BLEU'. The French trade marks are 485578, the rosette device shown at left, and 611209, the word 'CORDON'. Opposition against 474808 and 611209 was dismissed, and the delegate said the rosette

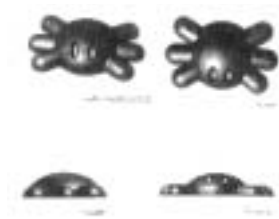
device could be registered subject to a restriction of the goods. On a cross-appeal, however, Justice Heerey found for the Canadian company on grounds of deceptive similarity, and on the likelihood of deception or confusion – 485578 and 611209 were refused. The French company's appeal was dismissed and its application for leave to appeal to the full bench of the Federal Court was dismissed in August 2001. These actions proceeded under the *Trade Marks Act 1955*.

*Kenman Kandy Australia Pty Ltd v. The Registrar of Trade Marks* [2001] FCA 1047

In October 2000, a delegate of the Registrar rejected trade mark application number 783465. This is a shape mark defined in the application by the statement:

The trade mark consists of the three-dimensional shape of the goods as shown in the representations attached to the application form.

Figure 15 Trade Mark Application No. 783465



The representation is shown at left. The application was appealed to the Federal Court and dismissed. Wilcox J found that the trade mark was not inherently adapted to distinguish. This matter was taken on to the full bench of the Federal Court and argued in respect of both leave to appeal and the substantive issues. At the end of the financial year the judgment had not been handed down.

*Winton Shire Council v. Lomas* [2002] FCA 288 and [2002] FCA 696

On an appeal to the Federal Court the delegate's decision to dismiss opposition was partially overturned on the basis of fresh evidence supporting Winton Shire Council's claim to proprietorship in the trade mark 'WALTZING MATILDA'. Leave is being sought to take the matter on to the full bench of the Federal Court.

## Management of human resources

IP Australia experienced a gradual upward trend in staffing numbers during the period June to December 2001, including a significant increase in the number of non-ongoing staff. Since January 2002 there has been a gradual decline in staffing numbers due in part to decreasing workload in the Trade Mark Business Unit. Numbers of separations remained relatively constant during the financial year, although they trended upwards in the latter part of the year.

Implementation of the IP Australia Certified Agreement 2000–02 continued during 2001–02. Major areas of focus for this year were as follows:

- implementation of broadbanding in selected areas
- integration of work level standards and the work level skills framework into an enhanced performance management process
- introduction of formal business unit level consultation
- provision of a carer's room.

Non-salary benefits provided by IP Australia to its employees are as follows:

- Employees can choose to receive up to 50 per cent of their salary in the form of non-cash benefits through salary sacrificing arrangements such as additional superannuation or novated car leases

- Assistance is provided to employees to undertake formal courses of study at tertiary and higher education institutions, and other vocational educational courses
- A carers' room is available to enable employees to attend the workplace while caring for their dependants in emergency situations or for other prescribed purposes – for example, for nursing mothers
- The option of home based work is available under specific corporate principles and guidelines
- Extra dependant care costs may be authorised to reimburse costs incurred arising from additional family care arrangements made necessary in exceptional work circumstances
- A performance bonus that is assessed from an agreed formula in the certified agreement is available to all staff to recognise and reward organisational performance improvement.

Non-Senior Executive Service (SES) employees on AWAs have access to the terms and conditions of employment in the IP Australia Certified Agreement 2000–02. Remuneration conditions may be varied using one or more of the following conditions: a skills and task loading; a performance bonus of up to 10 per cent of the employee's actual salary; an attraction/retention allowance; and other benefits as negotiated with the Director General.

The Certified Agreement 2000–02 expires on 30 September 2002. Negotiations for a replacement agreement under section 170 LJ of the *Workplace Relations Act 1996* have commenced.

### **Staff development**

The agency's key training and development strategies during 2001–02 included:

- introduction of the Performance Management Policy, incorporating work level standards and a work level skills framework
- executive learning programs and personal effectiveness programs
- coaching for managers
- ongoing training and development resulting from individual development agreements
- ongoing training and development to support broadbanding in the Trade Marks Business Unit
- ongoing support to staff through the studies assistance scheme
- support for staff undertaking the Public Service Management Course and the Senior Women in Management course.

During 2001–02, 498 individual development agreements were reached with employees. These identified 774 non-technical training needs, including 289 training needs resulting from the introduction of broadbanding in the Trade Marks Business Unit.

Evaluations of training courses conducted during the year identified the level of participant satisfaction at 93.3 per cent for in-house training courses delivered specifically for IP Australia staff and 78.8 per cent for public courses delivered by external providers.

The studies assistance scheme provided support to 59 participants in Semester 2, 2001, and to 58 participants in Semester 1, 2002. This support included a time allocation for study, lecture attendance and examinations, and reimbursement of 50 per cent to 100 per cent of course fees.

### Productivity gains

Productivity gains are measured on an organisation-wide basis; if performance, as measured by a formula agreed in the certified agreement, is positive, staff receive a bonus. Following three years of bonuses being paid, no bonus was paid in 2001–02 for performance in the 2000–01 financial year.

### Staffing statistics

Tables 33–38 provide employee statistics for IP Australia as at 30 June 2002.

Information relating to IP Australia's seven SES employees covered by AWAs is included in the Department of Industry, Tourism and Resources section of this annual report.

Table 33: Total number of ongoing and non-ongoing IP Australia employees, by classification and location

APS classification	ACT	NSW	Vic	Qld	SA	WA	Tas	Total
APS Level 1	2	–	–	–	–	–	–	2
APS Level 2	60	–	–	–	–	–	–	60
APS Level 3	58	1	2	1	–	–	1	63
APS Level 4	55	3	4	4	3	3	1	73
APS Level 5	41	2	1	1	–	–	1	46
APS Level 6	94	–	–	1	1	1	–	97
Electronic Records Administration Level 3	10	–	–	–	–	–	–	10
Electronic Records Administration Level 4	4	–	–	–	–	–	–	4
Electronic Records Administration Level 5	3	–	–	–	–	–	–	3
Electronic Records Administration Level 6	1	–	–	–	–	–	–	1
Trade Mark Examiner Level 3	–	–	–	–	–	–	–	–
Trade Mark Examiner Level 4	20	–	–	–	–	–	–	20
Trade Mark Examiner Level 5	45	–	–	–	–	–	–	45
Trade Mark Examiner Level 6	29	–	–	–	–	–	–	29
Examiner of Patents	145	–	–	–	–	–	–	145
Executive Level 1	142	1	1	–	–	–	–	144
Executive Level 2	65	–	–	–	–	–	–	65
Senior Executive Service Band 1	6	–	–	–	–	–	–	6
Senior Executive Service Band 2	1	–	–	–	–	–	–	1
<b>Total</b>	<b>781</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>814</b>

Note: Includes inoperative employees.

Table 34: Total number of ongoing IP Australia staff, by classification and gender

APS classification	Female	Male	Total
APS Level 1	1	1	2
APS Level 2	27	9	36
APS Level 3	34	11	45
APS Level 4	35	31	66
APS Level 5	34	12	46
APS Level 6	45	46	91
Electronic Records Administration Level 3	7	3	10
Electronic Records Administration Level 4	2	2	4
Electronic Records Administration Level 5	3	–	3
Electronic Records Administration Level 6	1	–	1
Trade Mark Examiner Level 3	–	–	–
Trade Mark Examiner Level 4	9	11	20
Trade Mark Examiner Level 5	35	10	45
Trade Mark Examiner Level 6	18	11	29
Examiner of Patents	39	106	145
Executive Level 1	51	93	144
Executive Level 2	24	41	65
Senior Executive Service Band 1	3	3	6
Senior Executive Service Band 2	–	1	1
<b>Total</b>	<b>368</b>	<b>391</b>	<b>759</b>

Note: Includes inoperative employees.

Table 35: Total number of non-ongoing IP Australia employees, by classification and gender

APS classification	Female	Male	Total
APS Level 1	–	–	–
APS Level 2	13	11	24
APS Level 3	13	5	18
APS Level 4	5	2	7
APS Level 5	–	–	–
APS Level 6	5	1	6
Electronic Records Administration Level 3	–	–	–
Electronic Records Administration Level 4	–	–	–
Electronic Records Administration Level 5	–	–	–
Electronic Records Administration Level 6	–	–	–
Trade Mark Examiner Level 3	–	–	–
Trade Mark Examiner Level 4	–	–	–
Trade Mark Examiner Level 5	–	–	–
Trade Mark Examiner Level 6	–	–	–
Examiner of Patents	–	–	–
Executive Level 1	–	–	–
Executive Level 2	–	–	–
Senior Executive Service Band 1	–	–	–
Senior Executive Service Band 2	–	–	–
<b>Total</b>	<b>36</b>	<b>19</b>	<b>55</b>

Note: Includes inoperative employees.

Table 36: Total number of full-time and part-time IP Australia employees, by classification

APS classification	Full-time	Part-time	Total
APS Level 1	2	–	2
APS Level 2	57	3	60
APS Level 3	49	14	63
APS Level 4	67	6	73
APS Level 5	44	2	46
APS Level 6	91	6	97
Electronic Records Administration Level 3	10	–	10
Electronic Records Administration Level 4	4	–	4
Electronic Records Administration Level 5	3	–	3
Electronic Records Administration Level 6	1	–	1
Trade Mark Examiner Level 3	0	–	–
Trade Mark Examiner Level 4	20	–	20
Trade Mark Examiner Level 5	40	5	45
Trade Mark Examiner Level 6	26	3	29
Examiner of Patents	135	10	145
Executive Level 1	135	9	144
Executive Level 2	64	1	65
Senior Executive Service Band 1	6	–	6
Senior Executive Service Band 2	1	–	1
<b>Total</b>	<b>755</b>	<b>59</b>	<b>814</b>

Note: Includes inoperative employees.

Table 37: Total number of full-time and part-time employees, by gender

Gender	Full-time	Part-time	Total
Female	352	52	404
Male	403	7	410
<b>Total</b>	<b>755</b>	<b>59</b>	<b>814</b>

Note: Includes inoperative employees.

Table 38: Details of certified agreement and Australian Workplace Agreement coverage and salary ranges

APS classification	CA coverage	AWA coverage	Salary range* (\$)	
			Minimum	Maximum
APS Level 1	2	–	27,745	30,665
APS Level 2	60	–	31,400	34,820
APS Level 3	63	–	35,765	38,601
APS Level 4	73	–	39,861	43,281
APS Level 5	46	–	44,460	47,145
APS Level 6	97	–	48,020	55,160
Electronic Records Administration Level 3	10	–	35,765	38,601
Electronic Records Administration Level 4	4	–	39,861	43,281
Electronic Records Administration Level 5	3	–	44,460	47,145
Electronic Records Administration Level 6	1	–	48,020	55,160
Trade Mark Examiner Level 3	–	–	35,765	38,601
Trade Mark Examiner Level 4	20	–	39,861	43,281
Trade Mark Examiner Level 5	45	–	44,460	47,145
Trade Mark Examiner Level 6	29	–	48,020	55,160
Examiner of Patents	145	–	36,850	55,160
Executive Level 1	140	3	62,544	67,548
Executive Level 2	58	8	71,000	85,686
<b>Total</b>	<b>796</b>	<b>11</b>		

Notes: SES information is included with the data for the Department of Industry, Tourism and Resources.

\*Total salary package used for superannuation purposes.

### Performance pay

During 2001–02, performance pay was received by four Executive Level 2 employees. The total value of performance payments made was \$24,485.

### Purchasing

IP Australia's Central Purchasing Unit undertakes most of the organisation's purchasing. The Chief Executive Instructions provide detailed procedures to achieve compliant and efficient purchasing practices. IP Australia seeks to obtain best value for money and compliance with the four supporting principles of the Commonwealth Procurement Guidelines in all its purchasing activities. The most effective purchasing method is used for each particular circumstance. During 2001–02, particular emphasis was given to extending e-procurement as a means of increasing purchasing efficiency.

### Assets management

Effective whole-of-life management of assets makes a substantial contribution to the operation of the organisation. In particular, IT assets, including capital hardware and software, are becoming an increasingly significant aspect of IP Australia's strategic business. All assets, including office fit-outs, plant and office machines, are managed on an assets module of the financial management system.

To promote better IT asset management practices, IP Australia:

- engaged PricewaterhouseCoopers to undertake a review, completed in March 2002, of practices for classifying, tracking and capitalising expenditure on internally developed software assets
- used a new effort-recording and project-reporting system to track Information Management and E Solutions (IMES) expenditure by activity over the full 2001–02 financial year; this system may be extended to other areas in 2002–03
- engaged Deloitte Touche Tohmatsu to review and advise on issues relating to desktop IT acquisition and management, to be finalised in 2002–03.

### **Asset management plans**

IP Australia's asset management principles and procedures are contained in the Chief Executive Instructions and associated Procedural Rules. Asset holdings are reviewed annually to ensure cost-effective, whole-of-life asset utilisation and the management of software was under review at the end of 2001–02.

### **Consultants, competitive tendering and contracting**

In 2001–02, IP Australia initiated a two-stage process for the market testing of the provision of human resource management and financial services. The first stage, a call for expressions of interest, is nearing completion. If a decision is made to proceed, then the next stage will be a request for tender for a short list of potential suppliers.

In 2001–02, IP Australia engaged consultants to provide specialist advice and services. Thirty-nine consultants were engaged at a total cost of \$5,167,877. Four of those consultancies were in progress from previous years and 35 were for consultancy services contracts let during the year. Details of these consultancies may be obtained from the Department of Industry, Tourism and Resource's website or by contacting the Department on 1800 024 095.

During 2001–02, IP Australia undertook the following competitive tendering and contracting arrangements in excess of \$100,000. All contracts were based on achieving value for money.

- Unisys Australia Limited was engaged to undertake system design, development and implementation activities for the New Patent Solution Project. The contract commenced on 11 February 2002 and will conclude on completion of contractual obligations.
- Hermes Precisa Australia was engaged to deliver scanning services for scanning patent documents in Sydney, Melbourne and Brisbane for transmission to Canberra into the New Patent Solution system. The contract commenced on 15 February 2002 for an initial term of three years.
- SecureNet was engaged to provide a managed firewall and gateway service for IP Australia's IT systems. The contract commenced 21 December 2001 for an initial term of three years.

### **Access provisions for Auditor General in contracts**

The following contracts over \$100,000 do not provide for the Auditor General to have access to the contractor's premises:

- Tempo Cleaning Services' \$349,459 contract for cleaning IP Australia buildings – the contract was prepared by an external legal firm and the clause was left out unintentionally
- Derwent Information Limited's \$529,801 contract for a database licence – the contractor's premises are in England.

### **Commonwealth Disability Strategy**

IP Australia is continuing the implementation of the Commonwealth Disability Strategy through the IP Australia Disability Action Plan and the Customer Service Charter. Qualitative outcomes demonstrate compliance with the action objectives and IP Australia's commitment to providing a workplace that facilitates employment practices consistent with the *Disability Discrimination Act 1992*.

As an employer, IP Australia:

- has accessible accommodation in all locations
- uses a range of methods for advertising vacancies
- promotes the TTY phone as a resource
- has flexible working conditions
- includes a course on managing diversity in its training and development program
- provides specialised equipment for employees with disabilities to enable them to perform to the best of their ability.

As a provider of services, IP Australia:

- has a customer service charter in place that commits the agency to addressing the special needs of customers to enable them to access the services provided
- places information for customers on the agency's website
- provides mechanisms for all customers to provide feedback or make complaints about the quality of service provided.

As a purchaser of services, IP Australia uses standard conditions of contract, for long-form contracts for services and consultancies, which include a clear statement that the successful tenderer must comply with the *Disability Discrimination Act 1992*.

# Geoscience Australia

## Outcome and Output

Geoscience Australia has one Outcome:

***Enhanced potential for the Australian community to obtain economic, social and environmental benefits through the application of first-class geoscientific research and information.***

Geoscience Australia contributes to that Outcome through a single Output:

Output 1: Geoscientific research and information that meets Australia's geoscientific needs.

## Contribution to Outcome

Geoscience Australia provides geoscientific research and information through:

- petroleum exploration promotion and technical advice
- marine zone geoscience
- mineral exploration promotion and technical advice
- geohazards and geomagnetism information
- spatial information services.

The economic, social and environmental benefits to the Australian community of Geoscience Australia's programs and services include:

- enhanced global attractiveness and effectiveness of Australia's offshore and onshore exploration
- improved resource management and environmental protection
- safer communities and transportation
- other benefits flowing from enhanced access to geographic, geohazard and geomagnetism information.

# Priorities

## Petroleum and mineral resources

<b>Indicator</b>	Impact on the level of the global exploration market investing in Australia  Exploration companies' behaviour is influenced by Geoscience Australia's research and information products
<b>Measures</b>	Percentage of global exploration investment market investing in Australian mineral and petroleum exploration opportunities  Australia maintains or increases its market share

### Enhancing knowledge of petroleum resources

#### *Frontier studies*

The declining outlook for oil and condensate production, and its impact on the balance of payments, underpins the rationale for Geoscience Australia's work undertaken in frontier basins to attract industry exploration investment to, in turn, maximise the opportunity for the discovery of a new oil province.

In 2001–02, Geoscience Australia led a study of the Bass and Durroon Basins, in partnership with Mineral Resources Tasmania, the National Centre for Petroleum Geology and Geophysics, and Biostrata Proprietary Limited. This was part of the Commonwealth-funded Western Tasmania Regional Minerals Program designed to boost exploration in northern and western Tasmania. Highlights of this work included producing a new basin model and tectonostratigraphic scheme that will underpin new exploration concepts and acreage promotion. Geochemical and hydrocarbon charge studies have identified the generation of oil and gas from coaly source rocks and the existence of palaeo-oil columns in areas of the basin that were previously perceived as 'not prospective'.

Another geoscience research survey was carried out, on the research vessel RV *Franklin* in late 2001, to investigate the geological framework and petroleum potential of the poorly known Fairway Basin on the eastern flank of the Lord Howe Rise. The seismic profiles and seabed samples that were collected showed that the basin extends 600 kilometres south into Australian territory from New Caledonian territory and has some petroleum potential.

The first stage of a major study integrating geological and exploration data for all offshore Australian basins was completed, with documentation ready for capture into information management systems that will underpin future prospectivity studies and acreage promotion in frontier areas.

In 2001–02, Geoscience Australia released three new Australia-wide fundamental datasets comprising bathymetry and topography; gravity; and magnetic anomalies. These major datasets can be used to underpin regional assessments of the geological evolution and petroleum potential of the continent.

### *Other studies*

Geoscience Australia conducted two major collaborative studies with industry offshore of north-western Australia to analyse and characterise recent oil and gas discoveries and to determine the timing of oil and gas generation and expulsion. These studies will lead to a better understanding of the distribution and relative economic significance of the region's petroleum systems.

The impact of this work began to be realised when the Blacktip Gas Field was discovered in the Bonaparte Gulf through exploration undertaken on the basis of previous technical work done in the area by Geoscience Australia.

A series of reconstructed tectonic and palaeogeographic maps was generated for the North and North-west Australian Plate Margin, for 19 time intervals from 290 million years ago to the present. The maps and accompanying report will provide a basis for regional assessment of the petroleum potential of the region, including particularly the distribution of potential source and reservoir facies.

As a participant in the Australian Petroleum Cooperative Research Centre, Geoscience Australia further developed scenarios for the geological sequestration of carbon dioxide emissions from gas fields and from industry more generally. An earlier generic economic model for geological sequestration in Australia was updated to take into account matching of source sites and potential sink sites. Preliminary findings enabled the relative attractiveness of potential injection sites to be ranked. The research is ongoing.

### *Annual review*

In 2001–02, Geoscience Australia carried out its annual review of Australia's hydrocarbon reserves, resources and production. The title of this review is *Oil and Gas Resources of Australia 2000*. The review found that crude oil reserves had declined from 1,724 million barrels in 1999 to 1,660 million barrels in 2000 (the most recent period for which figures were available) – a very low total, when compared with the recent high point of 2,046 million barrels in 1995.

Condensate reserves were found to have grown significantly and, at 114 trillion cubic feet, constituted a very significant energy resource. Condensate reserves now exceed those of crude oil. Only 787.75 million of the 2,164 million barrels of condensate reserves discovered were in production, or about to commence production, at the time of the review.

On average, the combined production of crude oil and condensate is expected to exceed 341 thousand barrels per day in five years' time – a low expectation, compared with production of 720 thousand barrels per day in 2000 and around 550 thousand barrels per day in the late 1990s. The review attributed this to the decline in oil reserves and the constrained rate of development of condensate reserves.

## Enhancing knowledge of mineral resources

Geoscience Australia has three major projects under the National Geoscience Agreement (NGA), a collaborative arrangement between Commonwealth and State/Territory geological survey organisations. These are the Norseman–Wiluna Synthesis Project in Western Australia, the Northern Australian Project in the Northern Territory and Western Australia, and the Gawler Craton Project in South Australia. All have completed major data acquisition phases and have begun to generate exciting new ideas and insights that have stimulated a re-evaluation of the prospectivity of each of the regions.

The Norseman–Wiluna Synthesis Project collected over 430 line kilometres of seismic reflection data in the Leonora–Laverton region of the Eastern Goldfields and Officer Basin. The work was carried out in collaboration with the Predictive Mineral Discovery Cooperative Research Centre, the Geological Survey of Western Australia, and industry. The work was undertaken using the Major National Research Facility ANSIR (Australian National Seismic Imaging Resource). For the first time, the results provided an image of the subsurface geology of the region. The results will be integrated with other datasets, including comprehensive geophysical, geochronological and geochemical data, to build a 3D model of the region.

In the Northern Australian Project, extensive dating of carefully selected samples raised questions concerning the validity of the exploration model being used to explore for gold in the Tanami region. A combination of techniques was used in an attempt to determine the age of mineralisation at Callie, the major gold deposit in the area. The samples, with a suggested age of 1,735 million years, are considerably younger than the granites in the region. Further work will test these initial results, which have significant implications for exploration models and strategies.

Other dating in the Arunta complex provided new insights into the regional tectonic history that, in turn, led to a major revision of the event stratigraphy, with implications for the prospectivity of the southern Northern Territory.

In South Australia, results from airborne geophysical surveys in two areas of the Gawler Craton (a ‘craton’ being an area of the Earth’s crust, invariably part of a continent, which is no longer affected by orogenic activity) provided insights into problems associated with exploration in covered terrains. At Tunkillia, an airborne electromagnetic survey provided a view of a complex calcrete gold anomaly that explained, in part, some of the controls on the dispersion of the gold in the regolith, thus giving explorers a way to target drilling programs when following up similar gold anomalies.

In the Eastern Gawler Province, novel work identified three pervasive fluids as contributing to the alteration systems that host the major copper, gold and uranium deposits in the region. Within these alteration systems it was possible to determine which of the fluids carried the gold and copper. This work is contributing significantly to an understanding of the mineral system operating in this major iron-oxide, copper and gold province that will have application to other areas of similar potential, such as the Mount Isa region.

## **Promoting petroleum and mineral resources**

### *Petroleum acreage release*

Geoscience Australia provided technical support for the petroleum exploration acreage release announced by Minister Macfarlane in April 2002. Technical presentations were given at the annual Australian Petroleum Production and Exploration Association (APPEA) conference, held in Adelaide, and to international audiences in the United States, China, Korea and Japan. The presentations were an important means of alerting international companies to, and encouraging them to consider, exploration opportunities in Australia. Significant innovations this year were the availability of comprehensive data, in digital format, on wells pertaining to the release areas; and the launch at the APPEA conference of online access to a number of Geoscience Australia's databases on reservoirs, organic geochemistry and biostratigraphy.

Geoscience Australia gave technical presentations of major scientific outcomes of studies in the Great Australian Bight region, at both national and international conferences, to further encourage international companies to consider the region for exploration and to support the 2002 release of gazetted areas of offshore southern Australia.

### *Petroleum exploration market share*

Geoscience Australia's *Quarterly Review of Petroleum Exploration Activity* showed that in the calendar year 2001 exploration activity by the industry in the offshore acreage continued at levels broadly similar to those of calendar year 2000, with 61 exploration wells drilled. A notable feature was the increase in exploration drilling in the onshore areas, with 67 wells drilled – many more than the 38 drilled in the previous year. Australia's proportion of the global exploration investment market remains constant at around 0.7 per cent of world exploration expenditure.

However, exploration success in hydrocarbon discovery declined for offshore wells, dropping from an historical average of around 1:5 to 1:12. As in the previous year, most oil discoveries were relatively small and were made in the Carnarvon Basin.

This lack of success in the discovery of major oil accumulations underpins the perception of declining prospectivity for oil in established oil-producing areas of Australia, and emphasises the urgent need to discover a significant oil province in frontier areas – the aim of Geoscience Australia's frontier activities.

### *Conferences and cooperation in minerals research*

Geoscience Australia coordinated Australia's presence at two major conferences in 2001–02:

- the Mining 2001 International Mining Conference and Trade Show in Melbourne, in November 2001
- the Prospectors and Developers Association of Canada (PDAC) Annual International Convention Trade Show and Investors Exchange in Toronto, Canada, March 2001.

The agency also coordinated associated technical visits to mining and exploration companies and mining analysts in Vancouver and Toronto.

Geoscience Australia's report entitled *Australian Mineral Exploration: A Review of Exploration for the Year 2000* was released at the PDAC convention. This publication has become the definitive summary of annual exploration activity in Australia.

### *Minerals exploration market share*

The minerals exploration industry continued to experience low commodity prices and a lack of exploration success during 2001–02. Exploration expenditure in Australia followed the global pattern and reached a 20-year low in real terms. The downward trend appears to have levelled off and stabilised, but this will only be confirmed over the next year. Despite these pressures, Australia held its position as the most favoured country in the world for minerals exploration and maintained its share of global exploration expenditure at around 17 to 18 per cent. The major driver of exploration in Australia continues to be the search for gold, with around 60 per cent of exploration expenditure directed to it.

## **Delivering information to stakeholders**

### *Delivering advice to Government*

Geoscience Australia advised the Government on the technical aspects of administering the offshore petroleum industry. The advice helped to improve resource management and environmental protection.

Geoscience Australia provided minerals exploration and technical advice to the Department and other Government agencies with interests in exploration and mining activity in Australia. The advice related to exploration and development programs; environmental impacts; technical aspects of legislation; reserves and resources; and the performance of the industry.

### *Delivering advice to all stakeholders*

Geoscience Australia's annual review of the petroleum industry, *Oil and Gas Resources of Australia*, was made available on the Internet for the first time.

Access to a range of geoscientific information was enhanced through a joint Commonwealth, State and Northern Territory geological survey initiative to develop a Government geoscience Internet portal. The portal was launched in November 2001, and forms an important component of the emerging Australian Spatial Data Infrastructure, providing public access to fundamental geoscience datasets held by the Government custodians. In September 2001, the Government released a new spatial data policy, including a revised pricing policy for spatial data that made data available free of cost if obtained via the Internet or at the cost of transfer if obtained by other media. This policy triggered a flood of demand for major products, particularly geophysical datasets.

## Marine zone geoscience

<b>Indicator</b>	Impact on resource management and environmental protection Government agencies commission Geoscience Australia to undertake marine zone geoscience projects
<b>Measures</b>	Improved understanding and management of Australia's marine zone Take-up of Geoscience Australia's geoscience information by organisations concerned with land use and the environment Percentage technical acceptance of Australia's claim under the United Nations Convention on the Law of the Sea

### Enhancing knowledge of the marine zone

Geoscience Australia completed geological framework studies for the Kerguelen Plateau, the Naturaliste Plateau, the South Tasman Rise and the Lord Howe Rise. These studies provided supporting information required for the definition of the outer limit of Australia's 'continental shelf', under Article 76 of the United Nations Convention on the Law of the Sea (UNCLOS), as well as forming a foundation for understanding the potential economic and environmental values of these frontier areas.

In 2001–02, Geoscience Australia continued to compile and analyse data, provide advice and prepare reports supporting the definition of the legal outer limits of Australia's marine jurisdiction under UNCLOS. A submission working group was established, with representatives from Geoscience Australia, the Department of Foreign Affairs and Trade (DFAT), the Attorney-General's Department and the Royal Australian Navy Hydrographic Office. Australia plans to submit its case for legal extensions to its continental shelf to the United Nations Commission on the Limits of the Continental Shelf by November 2004.

April 2002 saw the completion of the second of two surveys undertaken under contract to collect deep-seismic data along the continental margin of the Australian Antarctic Territory (AAT) under a Service Level Agreement with the Department of Finance and Administration. The surveys (totalling 20,000 line kilometres of seismic data) were aimed at defining the shape of the AAT continental margin and its underlying geology. The Commonwealth will require the survey data if it decides to lodge an UNCLOS submission delineating the 'extended continental shelf' off the AAT.

Geoscience Australia also completed a research survey in the Torres Strait aboard the RV *Franklin* in early 2002. The survey, conducted in preparation for the next phase of regional marine planning, collected oceanographic, seabed and sub-seabed information designed to study the enormous sediment transport from the Fly River in Papua New Guinea. It showed that the sediments were not moving far south and hence not burying the northernmost reefs of the Great Barrier Reef.

## **Delivering information to stakeholders**

### *Delivering advice to inform marine planning*

Geoscience Australia contributed geoscience information for the South-east Regional Marine Plan being developed by the National Oceans Office under the Government's oceans policy. Geoscience Australia is the key provider of geoscience information to underpin this marine planning project which is the first of its kind undertaken anywhere in the world. 'Marine planning' involves the erection of a structured and orderly process for ecosystem-based allocation of resource access and use in the marine environment across and within sectors. Geoscience Australia provided information on seabed bathymetry, sediments and acoustic facies, and interpreted geomorphological units, predictions of sediment mobility derived from computer models and background geological data. In cooperation with the Commonwealth Scientific and Industrial Research Organisation, Geoscience Australia scientists produced a predictive map for the distribution of major ecosystems.

### *Delivering advice to inform waterway and estuary management*

Geoscience Australia continued to make important contributions to the understanding and management of Australia's estuaries and coastal waterways. The agency successfully completed research on Lake Wollumboola in New South Wales, the Swan Estuary in Western Australia and estuaries of south-western Western Australia. Whilst providing insights into local management issues, they also provided test beds for understanding the pathways for nutrient cycling by microbial processes in contrasting environments.

Through its participation in the Cooperative Research Centre for Coastal Zone and Estuarine Waterway Management, Geoscience Australia was a major contributor to the National Estuaries Project. In 2001–02 the project investigated the types of physical and geochemical parameters that can be used to indicate the health of an estuary; the usefulness of conceptual models of estuarine processes for environmental management; and the application of remote sensing methods to assessing estuary health.

Following the recommendations of the Government's Marine Science and Technology Plan, Geoscience Australia took the lead in establishing the Australian National Marine Data Group, under the auspices of the heads of marine agencies, to develop standards and processes to improve the sharing of data concerning the marine environment. For this purpose, a practitioners' workshop was organised in May 2002.

## Geohazards and geomagnetism

<b>Indicator</b>	Impact of geohazards information and advice upon communities Clients use Geoscience Australia's geohazard risk assessments as part of their decision-making processes
<b>Measures</b>	Reduced adverse impacts of geohazards upon communities Geohazard assessments lead to update of relevant standards (for example, building codes) Take-up of Geoscience Australia geoscience information by organisations concerned with land use and environmental issues

### Enhancing knowledge of geohazards and geomagnetism

#### *Risk assessment tools*

Two Geoscience Australia projects – the Risk Modelling Project and the Cities Project – worked closely together to produce tools for natural hazard risk assessment in Australian cities. A comprehensive earthquake-risk modelling assessment framework was completed and used in the Newcastle and Lake Macquarie region (site of the 1989 earthquake disaster). This innovative assessment represented the most detailed and robust study of earthquake risk produced for any Australian city to date. Although the risk posed by earthquakes in Australia is not as great as that in tectonically 'active' regions (such as Japan or New Zealand), it is still a significant long-term issue for the communities of Newcastle and Lake Macquarie. The study found that because much of the risk is due to earthquake events that occur relatively infrequently, some of the best strategies for mitigating this risk are long-term, and may include enforcing Australia's building codes and adequately insuring against earthquake damage.

Risk assessment tools were developed also for storm surge, cyclones, other severe winds, floods, landslides and coastal erosion. A comprehensive report entitled *Natural Hazards and the Risks they Pose to South-East Queensland* was released in August 2001 in Brisbane. This report and the risk assessment tools have been points of reference for projects undertaken in the South-East Queensland region under the Commonwealth's Natural Disaster Risk Management Studies program. In relation to the South-East Queensland study, Cities Project personnel were also consulted by the Queensland Department of Emergency Services to assist with the draft State planning policy for natural disaster mitigation and development assessment.

#### *Seismic studies*

The Cities Project covering Perth (and the South-west Coastal Zone) was launched in Perth in July 2001. The launch, attended by 54 representatives from local and State Government, marked the beginning of several key activities in Perth that were completed during the year. A Cities Project workshop attracted 72 participants from local and State Government, utility companies, consulting firms (mostly in engineering), and universities.

In addition, a microtremor survey of Perth and Northam was completed, involving collection of readings at more than 3,000 locations. Collection and interpretation of the data were completed in record time, largely owing to important modifications to hardware and software. Seismic cone penetrometer tests were completed at 16 sites in the Perth metropolitan area, aimed at gathering geotechnical and seismic shear-wave velocity data. Detailed information on more than 1,000 buildings in Perth's central business district, essential services (such as police and ambulance services), and the electric power distribution network was also collected by field teams, using geographic information systems (GIS) and the Global Positioning System (GPS). The information from these surveys will provide a better understanding of earthquake shaking in Perth.

A sequence of many thousands of small to moderate earthquakes followed a Magnitude 5 earthquake at Burakin, Western Australia, in September 2001. An array of seismographs was installed to record these events, and another was installed for a swarm of small earthquakes which occurred at Sutton, New South Wales.

Several new studies were begun in 2001–02 to enhance understanding of Australian earthquakes to provide better estimates of hazards to urban communities. The use of satellite data to identify surface faulting and to measure precise elevation changes due to earthquakes and stress in the affected rocks was tested. Trenching across fault scarps at Hyden, Western Australia and Echuca, Victoria provided quartz-rich samples for Optically Stimulated Luminescence dating (analysis of these samples will establish the age and recurrence rate of the large earthquakes that formed these features). High-resolution aeromagnetic data were collected across the Hyden scarp revealing many potential faults below surface sediments. An array of GPS stations was established across the South-west Seismic Zone in Western Australia as part of a long-term campaign to measure deformation of the region associated with its high seismicity. Detecting changes in deformation could lead to estimates of the likelihood of earthquakes taking place in a particular area.

### *Nuclear monitoring*

Australia has a strong commitment to the establishment of a global verification system for monitoring the Comprehensive Nuclear Test Ban Treaty (CTBT) and its entry into force. This year, Geoscience Australia completed several technical and scientific tasks to meet Australia's treaty obligations.

Key elements of the global CTBT verification system are the recording stations that are able to monitor nuclear explosions in all environments. Geoscience Australia will be responsible for 11 such stations. Two of these are seismic stations that were upgraded to CTBT standards during 2001–02. A hydroacoustic station in Western Australia was commissioned, and construction of an infrasound station in Tasmania was started. Legislative requirements ranging from environmental to land access issues were met, thus allowing for the establishment of these and future stations.

Technical advice in support of DFAT was provided throughout the year, including in two cases of particular note. First, a high-level Government-to-Government meeting was held to encourage Vietnam to ratify the CTBT. Second, representations were made at meetings of State Parties to the Treaty to ensure that Australia's interests were not compromised.

Research was completed that allows the location of Australian seismic events recorded on the verification system to be identified at the level required in the CTBT. In addition, a meeting was chaired and a report written on strategies to further discriminate between natural events and nuclear explosions.

### *Upgrade of facilities*

Significant advances were made during the year in developing the operational capability of the Australian National Geophysical Network and the use of information derived from it. These included the upgrade of three seismic stations to real-time digital systems, and their incorporation into the round-the-clock earthquake-alert system; the successful completion of an AusAID project to establish and upgrade two geomagnetic observatories in Indonesia; and the successful completion of the continental Australian component of the magnetic survey. The data contribute to the Australian Geomagnetic Reference Field Model for the 2005 epoch – this model is valid for the period 2000–10.

### **Delivering information to stakeholders**

Safety and security were issues of prominence in Australia during the course of the year. The Council of Australian Governments (COAG) had agreed in June 2001 to undertake a review of natural disaster relief and mitigation arrangements in Australia. Geoscience Australia participated in several meetings arranged under the auspices of the relevant COAG High Level Group, which included representatives of the Commonwealth Government, State and Territory Governments, and local Government.

Geoscience Australia's submission to the review focused on the importance of vulnerability and risk assessments and of spatial information and its usages, including discussions of the collection of fundamental georisk datasets, use of the Internet, disaster information networks, and post-disaster information collection. A national lecture tour by James E. Hall (from the New York City GIS Utility–Plan Graphics Incorporated) brought to public attention the importance of GIS and spatial-data analysis in emergency services' response to the 11 September 2001 terrorist attacks in New York.

Geoscience Australia initiated the concept of an Australian Disaster Information Network (AusDIN) and developed it, in conjunction with Emergency Management Australia (EMA) and key State and Territory emergency management agencies, to a stage where responsibility for further development of an AusDIN Internet portal could be transferred to the Attorney-General's Department. Much of the development during the year was undertaken through the auspices of a national, multi-agency AusDIN portal working group.

Information on Australian earthquakes was provided during the year to the media, engineering and insurance clients, State and Territory Governments, educational institutions and the general public. Real-time alerts of potentially damaging earthquakes were sent to EMA about three times per month. Media releases were sent to national and local media outlets and news services following 34 'significant' earthquakes. 'Significant' earthquakes are defined as Australian earthquakes with magnitudes of 3.5 or greater, Australian region earthquakes with magnitudes of 6 or greater, and Southern Hemisphere earthquakes with magnitudes of 7 or greater. Information on all recent earthquakes is now available online via the Geoscience Australia website, and information on earthquakes notified to EMA is available typically within an hour of the event taking place.

## Spatial information services

<b>Indicator</b>	Impact of geomagnetism information and advice upon maritime transport and aviation  Geoscience Australia's mapping products are used by communities, individuals and companies in Australia and overseas
<b>Measures</b>	Zero navigational errors caused by failure to properly update changes to geomagnetism standards  Implementation of new outsourcing arrangements for the national mapping program  Development of e-commerce facilities enabling customers to purchase maps and packaged products  Implementation of the new Commonwealth spatial data pricing and access policy and associated administrative arrangements

## Enhancing spatial information services

When Geoscience Australia replaced the Australian Geological Survey Organisation (AGSO), in October 2001, the Australian Surveying and Land Information Group (AUSLIG), Australia's national mapping agency, became the National Mapping Division of the new organisation. This restructure ensured an integrated approach to information provision in the specialist subject areas previously covered by AUSLIG without compromising quality or accountability.

These organisational changes interrupted the implementation of new distribution channels and outsourcing arrangements for national mapping services, as discussed in more detail under 'Performance' below.

## **Delivering information to stakeholders**

### *Office of Spatial Data Management*

Geoscience Australia and the Department of Defence have cooperated to put new contractual arrangements in place for the delivery of national mapping products. The arrangements, consisting of a panel of five contractors and a facilities manager, will benefit both agencies and are consistent with the recommendations made in the Spatial Information Industry Action Agenda. The private sector will benefit from gaining greater access to the results of Defence work.

In September 2001, the then Minister, Senator Minchin, announced the Government's endorsement of a Commonwealth policy on spatial data access and pricing, including significant three-tier, cross-portfolio policy administrative arrangements. Following the Federal election, Geoscience Australia established the new Commonwealth Office of Spatial Data Management (OSDM), which in turn established in December a cross-portfolio Commonwealth Spatial Data Policy Executive, comprising representatives at the level of Chief Executive Officer or Deputy Secretary level from across the Commonwealth Government.

The Commonwealth Spatial Data Management Group, with a cross-portfolio membership at senior executive level, and associated working groups were subsequently established by the OSDM in the third quarter. Policy stakeholder feedback about Geoscience Australia's implementation of the new policy and its establishment of the new administrative arrangements was positive throughout the year.

### *Delivering information to the transport and aviation sectors*

The necessary information reaches these sectors through the Internet via Geoscience Australia's website, by File Transfer Protocol, and by mailouts of charts and software. Confirmation has been received that there were no navigational errors caused by failure to update during the year.

### *Delivering information to the community*

In October 2001, Geoscience Australia market tested the provision of an e-commerce facility to provide online ordering for the sale and distribution of maps and packaged products. The contract for the facility was awarded to Information Victoria, which began providing this service in January 2002. Access to this sales facility is through the Geoscience Australia website, within the National Mapping Division pages.

## **Financial position at 30 June 2002**

Geoscience Australia's total revenue for 2001-02 was \$110 million. This is an increase of \$39 million over 2000-01. Appropriation revenue increased by \$20.3 million following the merger with AUSLIG. Net assets of \$16.4 million arising from the merger were accounted for as revenue on advice from the Australian National Audit Office (ANAO).

Total expenses of \$96 million were \$25 million greater than 2000-01. Operating expenses increased by \$23 million following the merger. Geoscience Australia recognised \$2.7 million in expenses from the transfer of plant assets to ANU under section 43 of the *Financial Management and Accountability Act 1997*.

The merger with the former AUSLIG has strengthened Geoscience Australia's financial position particularly in relation to cash and property, plant and equipment assets.

Table 39: Geoscience Australia total resources for Outcome 1

	(1) Budget* 2001-02 \$'000	(2) Actual 2001-02 \$'000	Variation column (2) - (1) \$'000	Budget 2002-03** \$'000
<b>Administered expenses (including 3rd party outputs)</b>				
Total administered expenses	20	20	0	20
Price of Departmental Outputs	70,625	110,372	39,747	97,158
<b>Output 1. Geoscientific research and information</b>	70,645	110,392	39,747	97,178
<b>Revenue from Government (appropriation)</b>	<b>63,381</b>	<b>83,681</b>	<b>20,300</b>	<b>89,016</b>
Revenue from other sources	7,244	26,691	19,947	8,142
<b>Total price for Output</b>	<b>70,625</b>	<b>110,372</b>	<b>39,747</b>	<b>97,158</b>
Total for Outcome 1 (Total price of Output and administered expenses)	<b>70,645</b>	<b>110,392</b>	<b>39,747</b>	<b>97,178</b>
Staffing	<b>435</b>	<b>502</b>	<b>67</b>	<b>530</b>

Notes:

\*Full-year budget including additional estimates.

\*\*Budget prior to additional estimates.

## Performance

### Quality

<b>Measure</b>	Clients and stakeholders rate Geoscience Australia's research and information highly
	All projects are delivered on or ahead of schedule

### Stakeholder feedback

Clients and stakeholders regularly provide feedback on the quality of Geoscience Australia's research and information through regular meetings with Geoscience Australia's senior management team, professional review of scientific papers, informal discussion at conferences and direct feedback to project teams.

In 2001-02 Geoscience Australia's research and information continued to be rated highly. Examples included the following.

- The Australian Geomechanical Association viewed as world-class Geoscience Australia's research on the development of a landslide hazard model and its application to Wollongong, New South Wales.

- The Perth Cities Project continued to receive very positive feedback from key stakeholders in emergency management and was well received by the Perth community.
- Geoscience Australia's report and seminars on the 2002 exploration acreage release were very favourably received by the Australian and international petroleum industries.
- Phil Symonds, leader of Geoscience Australia's work in providing data supporting the definition of Australia's marine jurisdiction under UNCLOS, was elected to the United Nations Commission on the Limits of the Continental Shelf, reflecting the high regard in which Geoscience Australia's work in this field is held.

### **Timeliness**

In terms of timeliness, 85 per cent of the 203 geoscience project outputs were delivered on or ahead of schedule. A further 4 per cent were delivered within the financial year, although later than planned. The remaining 11 per cent were delayed and will be incorporated into the 2002–03 work program. Reasons for delays included revised client requirements, changing internal priorities and staffing issues.

All National Mapping Division outputs were delivered within the required timeframes, with the following exceptions.

- Distribution support systems were to be redeveloped and e-commerce facilities implemented for maps and packaged products. E-commerce facilities have been implemented; however, following the merger of AGSO and AUSLIG, the initial request for tender (RFT) for the redevelopment of distribution support systems was terminated. A revised RFT, which encompasses all Geoscience Australia products, will be released in 2002–03.
- New outsourcing arrangements for the production of national topographical mapping were delayed by protracted negotiations with potential contractors. The length of the negotiations reflected the complexity and scope of the contractual arrangements. Contracts are now in place with a panel of five contractors. Negotiations for the provision of facilities management services for the mapping program have been concluded and the contract awaits execution.

### **Quantity**

<b>Measure</b>	At least 40 geoscience projects undertaken
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During 2001–02, Geoscience Australia undertook 50 separate geoscience projects, comprising 203 specific outputs. These outputs included technical advice, scientific studies, reports, datasets and maps.

The generation of spatial information products by the National Mapping Division is summarised in Table 40.

Table 40: Quantity of spatial information and products generated, 2001–02

Target quantity	Quantity achieved
80 1:250,000 scale map work units	120
78,000 satellite scenes	81,394
8,400 satellite laser ranging passes	11,756
4,600 GPS files	5,062

## Price

<b>Measure</b>	Total price of \$110.392 million
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The price of Geoscience Australia’s geoscientific research and information in 2001–02 was \$110.392 million.

The production costs of spatial information and products generated by the National Mapping Division are summarised in Table 41. The costs are below target due to the competitive arrangements established with the contract panel and the achievement of efficiencies as the panel members became familiar with the production requirements.

Table 41: Price of spatial information products and services generated, 2001–02

Target price	Price achieved
Average cost per 1:250 000 scale map work unit less than \$110,000	\$85,124
Average cost per satellite scene less than \$30	\$28
Average cost per satellite laser ranging pass less than \$230	\$149
Average cost per GPS file less than \$170	\$159

## Customer service charter

Geoscience Australia focuses on delivering quality services to Australian businesses and maintaining contact with its diverse customer base through various business and industry networks and the community. At all times Geoscience Australia aims for excellence in its delivery of information and advice.

Geoscience Australia aims to provide high-quality services and products that meet client specifications and assist customers to communicate their needs.

Geoscience Australia is committed to providing the best possible service within manageable quality and timeliness standards. The agency intends to continually improve its standards in response to customer requirements and ongoing feedback. Geoscience Australia’s service charter can be found online.

# Management and accountability in Geoscience Australia

## Corporate governance

### *Senior executives and their responsibilities*

Geoscience Australia's Executive Board comprises the Chief Executive Officer, all division chiefs, the Chief Scientist, the General Manager Corporate Branch, and the Head of the Corporate Information Management and Access Unit. It meets at least six times per year to consider strategic issues.

Geoscience Australia's Senior Management Committee consists of the Executive Board and all Group Leaders. It meets four times a year to consider the operations of the organisation and suggestions for improvement. Normally, a December meeting reviews the current year's operations, previews the coming financial year in the budget context and receives staff suggestions for improvements. Its work is supported by seven committees, the committees for: finance; human resources; occupational health and safety; security; audit and risk management; diversity; and workplace relations.

Further details of the organisational structure and names of executives are provided in Chart 2 on pages 14 and 15.

### *Corporate and operational plans*

Geoscience Australia's 2001–02 work program outlined the specific projects and activities to be undertaken during the year that contribute to the agency's Outcome. The Executive Board formally reviewed progress against this program quarterly.

### *Internal audit arrangements*

During the year Geoscience Australia completed the second year of its initial three-year audit plan. The role of the Audit and Risk Management committee was expanded to include oversight of risk management arrangements for Geoscience Australia. Both compliance and performance audits were carried out and the Audit and Risk Management committee took an active role in ensuring that audit recommendations were implemented.

### *Ethical standards*

Geoscience Australia continued to encourage adherence to the ethical standards contained in the Australian Public Service (APS) Values and Code of Conduct, and maintained a comprehensive set of Chief Executive Instructions covering issues such as official travel, procurement of goods and services, accounting for public monies, official hospitality, business catering and gifts, use of Commonwealth vehicles, and fraud control and reporting. All employees have ready access to these documents via the agency's intranet site.

### *Senior executive remuneration*

The nature and amount of remuneration paid to Geoscience Australia's 11 Senior Executive Service (SES) and equivalent senior executives is determined under individual Australian Workplace Agreements (AWAs).

## **External scrutiny**

Geoscience Australia was one of five agencies to participate in the Australian National Audit Office's audit of agency management of software licensing in 2001–02. The audit report was tabled in Parliament in December 2001.

During the year there were no judicial decisions or decisions of administrative tribunals relevant to Geoscience Australia. Nor did any Parliamentary Committee or the Commonwealth Ombudsman conduct any investigations into Geoscience Australia operations.

Information on Geoscience Australia's Freedom of Information procedures and policies is in Appendix 1.

## **Management of human resources**

Geoscience Australia recognises that its people are its primary and most important resource. Geoscience Australia provides fair and equitable conditions of employment in a safe and secure environment, rewards high performance, invests in personal and professional development and strongly encourages a proper balance between home and work life.

### *Staffing statistics*

At 30 June 2002, Geoscience Australia had 569 staff members. In the 2001–02 financial year, there were 69 commencements (25 ongoing, 44 non-ongoing) and 81 cessations (53 ongoing, 28 non-ongoing) of Geoscience Australia staff members. Of the cessations, 27 took the form of voluntary redundancies. Therefore, the organisation had a turnover rate equivalent to 5.3 per cent of ongoing staff, excluding voluntary redundancies.

Table 42: Geoscience Australia staff by classification, 2000–01

<b>APS employees</b>	<b>30 June 2001</b>	<b>30 June 2002</b>
Band 1	75	96
Band 2	184	237
Band 3	160	206
SES equivalent	7	7
SES	2	4
Full-time	428	544
Part-time	17	25
Male	322	399
Female	123	170
Ongoing	382	492
Non-ongoing	63	77
<b>Total</b>	<b>445</b>	<b>569</b>

The increase in staff numbers during the year was due to the merger of AGSO and AUSLIG.

All staff are based in Canberra, though small numbers may be located elsewhere on temporary assignment.

*Certified Agreement, salaries and performance based pay*

At 30 June 2002, 537 staff were covered by the organisation's Certified Agreement. The agreement expired on that date. Negotiations commenced between senior executives, general staff and union representatives in February 2002 with a view to having a replacement agreement in place as soon as possible.

Thirty-two staff were covered by AWAs: 21 non-SES staff and 11 SES and equivalent staff.

Table 43: Salary ranges for Geoscience Australia employees, 2000–01

	Number of staff	Salary minimum	Salary maximum
Band 1	75	\$25,525	\$42,420
Band 2	184	\$43,966	\$56,213
Band 3	160	\$58,869	\$97,682
AWA	26	\$66,564	\$142,473

During the year, some staff employed under AWAs were entitled to performance based pay. Table 44 shows the aggregate amounts paid and numbers of staff members who received performance based pay.

Table 44: Performance based pay allocations for Geoscience Australia employees, 2001–02

	Band 3	SES or equivalent
Number of staff paid	6	9
Aggregate payment	\$24,978	\$47,976
Average payment	\$4,163	\$5,331

*Training and development*

The key training and development strategy across the organisation was the Output Leaders Development Program. This program addressed identified skills shortages in a number of areas (including leadership and client interaction) as well as identifying those middle-level managers best suited to additional development. Approximately one-third of staff participated in the program, with core participants presenting findings on their project work to the Senior Management Committee in December 2001. A number of these findings were subsequently implemented, and the better performers in the program have since been encouraged to consider how the organisation can best assist them as a group in their ongoing development.

Geoscience Australia continued to be involved in the Graduate Certificate in Management program conducted through the Australian Graduate Management Consortium. The consortium is a joint initiative of the University

of Western Sydney, Hawkesbury; Technical and Further Education New South Wales; and the Canberra Institute of Technology. The one-year certificate program includes units in:

- management skills and concepts
- managing operations and change
- managing people
- managing financial information.

Thirty Geoscience Australia employees have either completed or are in the process of completing the certificate.

Geoscience Australia continued its graduate recruitment program, with 12 new graduates commencing in 2002. This followed the successful retention of eight of the nine graduates recruited in 2001. Features of the program are:

- a choice of varied work placements across the organisation
- participation in the Australian Public Service Commission Graduate Development Seminar Series and other developmental programs (internal and external)
- support from senior-level mentors
- fortnightly meetings with the General Manager Corporate Branch and the Chief Scientist.

### *Workforce planning*

The graduate recruitment program is an essential part of Geoscience Australia's workforce planning strategy. It is designed to bring young, talented people into the organisation and prepare them for leadership roles over the ensuing 10 years. The graduate program is coupled with the ongoing leadership development program for existing staff, leaving Geoscience Australia well placed to address issues of succession planning in a structured and strategic manner that will meet the organisation's workforce needs for the present and future.

## **Commonwealth Disability Strategy**

Geoscience Australia continued its disability awareness activities during the past year. Information on positions vacant was made available to potential applicants in electronic form, both on the intranet and on the Internet. Position details were also faxed or posted on request. The information included the advice that arrangements would be made to accommodate any applicant who had special requirements in the selection process.

During the year, staff from Koomarri, a job match organisation for people with disabilities, addressed the Diversity Committee. The discussion highlighted the work opportunities that might be made available for staff with disabilities and noted that Koomari workers could be used on a contract basis to carry out certain tasks.

Quotations are sought from organisations utilising staff with disabilities when Geoscience Australia seeks to outsource work such as printing and collating.

The Occupational Health and Safety program (discussed in more detail in Appendix 3) assesses new staff at their workstations on commencement. Appropriate ergonomic or therapeutic equipment is provided following an assessment. Types of equipment that are provided include keyboards, special chairs, sit/stand stools and ergonomic computer mice.

No complaints or grievances concerning disability issues were raised by staff in 2001–02. However, should staff or the public wish to raise an issue, there are identified means for them to do so through the Chief Executive Officer or the Occupational Health and Safety and Diversity Committees.

Information on Geoscience Australia's occupational health and safety performance is in Appendix 3.

## **Assets management**

Geoscience Australia continued close management of its asset base during 2001–02. The major activity undertaken during the year was to transfer assets from ANSIR (Australian National Seismic Imaging Resource) to the Australian National University under section 43 of the *Financial Management and Accountability Act 1997*. The assets had a written down value of \$2.7 million at 30 June 2002.

## **Purchasing**

In 2001–02, Geoscience Australia complied with the Commonwealth Procurement Guidelines for all its purchases and in the engagement of consultants and service providers.

The 'principle' - as defined in the Commonwealth Procurement Guidelines - adhered to was 'value for money'. This core principle was underpinned by four supporting elements:

- efficiency and effectiveness
- accountability and transparency
- ethics
- industry development.

## **Consultants, competitive tendering and contracting**

During the year, Geoscience Australia engaged consultants to provide specialist advice and services necessary to ensure effective output delivery. Twenty-five consultants were engaged at a total value of \$800,600. Details of consultancies valued at \$100,000 or more are available on Geoscience Australia's website.

Geoscience Australia commenced the market testing of its information technology from its position as a single agency (as opposed to being part of a cluster arrangement).

