

PART II

If your agency operated any cost recovery arrangements in 1999-2000, please complete this part.

Please fill out a separate form for each sub-unit, cost recovery program or activity, or output or outcome for which you are reporting. Similar cost recovery arrangements may be reported in groups.

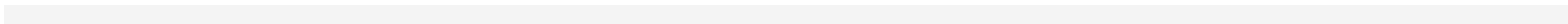
PART II(a)

Name of sub-unit, agency, program or activity, output or outcome

IP Australia

Section 4: Cost recovery arrangements in 1999-2000

Descriptive material	
4.1 Nature of cost recovery arrangement (eg. licence fee, service charge, hypothecated excise tax or levy etc)	Service charge
4.2 Basic description of arrangements: (Please attach any relevant documents.)	IP Australia operates on a full cost recovery basis and uses the revenue raised from charges for intellectual property services to fund its operations. IP Australia receives no funding from the Appropriation Bills. The standing appropriation for special accounts enables IP Australia to spend revenue received for intellectual property charges.
4.3 Who pays the cost recovery charges?	Users of the IP system - predominately applicants for IP rights (patents, trade marks, industrial designs)
4.4 Who benefits from the program or activity, output or outcome?	1) Primarily successful applicants 2 Business and industry; and 3) All Australians benefit from the effective use of intellectual property, particularly through increased innovation, investment and trade.
4.5 Do you attempt to measure these benefits? If YES, how?	Yes. Measures to monitor the effectiveness of the outcome mentioned in 4.4 are detailed in the Portfolio Budget Statements 2000-01
4.6 Are there alternate providers or substitutes for this program or activity, output or outcome? (Please describe)	Yes. Seeking an IP right is voluntary. A number of alternatives are available, such as: trade secrets and confidentiality agreements, maintaining a competitive advantage (in place of patents); and the common law tort of "passing off" (in place of registering a trade mark).
4.7 When was this cost recovery arrangement introduced?	1984 on a cash basis and 1993 on an accrual basis.



PART II(b)

Name of sub-unit, agency, program or activity, output or outcome

IP Australia

Program or activity, output or outcome cost recovery arrangements in 1999-2000 (continued)
(Please use \$'000)**Program or activity, output or outcome revenues**

4.8	Cost recovery revenue paid to CRF earmarked for appropriation to same agency	\$		
4.9	Cost recovery revenue paid to CRF earmarked for appropriation to a third party	\$		
4.10	Cost recovery revenue paid to CRF and not earmarked for particular appropriation	\$		
4.11	Cost recovery revenue paid to CRF (subtotal)	\$	0	
4.12	Cost recovery not paid into CRF	\$	72833	
4.13	Total cost recovery revenue	\$	72833	
4.14	Appropriations not related to cost recovery			\$
4.15	Other sources (interest)			\$ 1810
4.16	Total program or activity, output or outcome revenues			\$ 74643

Program or activity, output or outcome expenses

4.17	Direct expenses	\$	36 609
4.18	Indirect expenses (including corporate overheads) * plus IT & capital charges	\$	35 631
4.19	Third party expenses (a)	\$	
4.20	Total program or activity, output or outcome expenses	\$	72 240

Administration costs

4.21	What costs are associated with administering the cost recovery arrangements?	\$	
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CRF Consolidated Revenue Fund. Direct costs are those directly related to a particular program. Indirect costs include indirect agency overheads and general running costs. (a) Include third party costs where third parties are involved in a program or activity and their costs are being recovered as part of the cost recovery arrangements.

PART II(c)

Name of sub-unit, agency, program or activity, output or outcome

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Section 5: Institutional arrangements

- 5.1 What was the rationale for introducing these cost recovery arrangements? (Please attach sources, eg. legislative objects clauses, press releases, second reading speeches.)
- The Patents, Designs and Trade Mark Offices have a long history of user pays. Before 1984, the Offices recovered all normal operating costs through fee charges. In 1984, Government decided that the Offices should recover all the significant cash costs. In 1993, IP Australia moved to cost recovery on an accrual basis.
- 5.2 What was the legal basis for establishing these cost recovery arrangements: (Please name and attach relevant documents.)
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|---|--|
| Legislation (eg. s.31 of the Financial Management and Accountability Act, tax or levy acts) | S.31, s.20 and Regulations of the FMA Act. |
| Subordinate legislation (eg. regulations, standards) | |
| Co-regulation or quasi-regulation | |
| Commonwealth/State/Territory agreement | |
| Voluntary arrangements (eg. codes of practice) | |
| Other | |
- 5.3 Who was consulted about introducing these cost recovery arrangements? (Please name relevant bodies and describe the consultation arrangements.)
- | | |
|---|---|
| Commonwealth government (DOFA etc) | DoFA, DISR, Treasury and PM&C |
| Other governments (state, territory, local) | |
| Industry | Australian Manufacturer's Patent; Industrial Designs; Copyright and Trade Marks Association; Institute of Patent and Trade Mark Attorneys; Law Council of Australia |
| Consumers | As above |
| Other | Industrial Property Advisory Committee |

5.4	What guidelines were consulted when establishing these cost recovery arrangements? (Please attach source of information, guidelines etc.)	DoFA guidelines on costing of government activities (current at that time). Trust Account guidelines.
5.5	Which agency is responsible for the following activities? (Please name relevant agency)	
	Policy setting	IP Australia, DISR, DFAT
	Price setting	IP Australia
	Administration	IP Australia
	Revenue collection	IP Australia
5.6	Is there any ongoing consultation about these cost recovery arrangements? With whom? (Please name relevant bodies.)	
	Commonwealth government (DOFA etc)	DoFA, ORR, DISR
	Other governments (state, territory, local)	
	Industry	Australian Manufacturer's Patent, Industrial Designs, Copyright and Trade Marks Association; Institute of Patent and Trade Mark Attorneys; Law Council of Australia
	Consumers	As above plus, Client surveys, Inventors Associations
	Other	Advisory Council on Intellectual Property
5.7	Please describe these consultation arrangements.	Regular discussions, correspondence, client surveys
5.8	Have the cost recovery arrangements been formally reviewed? What was the outcome? (Please attach copy of review)	IP Australia's cost recovery arrangements were reviewed by ANAO in 1999 - see www.anao.gov.au . The arrangements are also currently being reviewed jointly by DoFA and IP Australia.

PART II(d)

Name of sub-unit, agency, program or activity, output or outcome

IP Australia

Section 6: Price setting arrangements

6.1 How are these cost recovery charges determined? (Please attach any relevant documents)

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| (i) How are charges set? (eg. by formula in legislation or based on 'market prices') | At a level to achieve full cost recovery for services on an aggregate level. They are also structured to gain maximum advantage for Australian businesses, while at the same time complying with international agreements. |
| (ii) Are charges directly related to the costs of particular activities, outcomes or outputs, or charged on some other basis? (eg. levies on users' turnover, profits or assets) | Charges relate to the costs. |

6.2 If charges are directly related to the costs of particular activities, outputs or outcomes:

- | | |
|--|---------------------------------------|
| (i) What costs do charges aim to recover? (eg. only direct costs or indirect costs such as overheads) | All costs |
| (ii) What proportion of these costs do charges aim to recover? (%) | 100% |
| (iii) Does the charging regime require assets to be valued? (eg. to allow the calculation of user cost of capital or return on assets) | Yes |
| (iv) If 'YES' to (iii), on what basis are assets valued? (eg. historic, replacement, deprival or replacement cost) | replacement, deprival |
| (v) Do charges include a user cost of capital? | Yes |
| (vi) If 'YES' to (iv), how is it calculated? | This is performed by the valuer (AVO) |
| (vii) Do charges include return on assets? (eg. profit) | No |
| (viii) If 'YES' to (vii), on what basis? | |
| (ix) Do charges discriminate between types of users? | No |
| (x) If 'YES' to (ix), on what basis? | |

(xi)	Do charges allow for access and equity considerations (eg. waivers, discounts)?	No
(xii)	If 'YES' to (xi), on what basis?	
(xiii)	Other (Please describe other significant features)	
6.3	How are indirect costs allocated for cost recovery arrangements? (eg. activity based costing, according to share of direct costs or other rule.)	Allocation exercise based on cost drivers. Activity based costing currently being implemented
6.4	Are there any price controls on these charges?	Not directly, but the Financial Framework Agreement with DoFA under the FMA requires fees to be at least comparable with other countries; fee increases to be less than the CPI; and fees set to recover total costs.
6.5	How often is the level of charges changed?	Two fee changes since October 1994, both reductions, with no fee increases. Fees reviewed annually.
6.6	What happens if revenue recovered is greater than costs incurred?	Surplus is retained in IP Australia for future contingencies.

End of Part II. Thank you for your cooperation. Please return the questionnaire and attachments to the Commission (see front sheet for instructions)