



# Budgetary Aspects of Establishing and Operating an Efficient and Development-Orientated IP Administration: Financial Sustainability; Financial Accountability; Cost Recovery.

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# Financial Sustainability - Funding Source

- IP Australia is a self funded government organisation operating on a cost recovery basis. Our funding is independent of the general taxpayer funded Government budget
- We alone utilise our fee revenue – the funds are retained in a Special Account for IP rights administration
- Over 96% of our revenue comprises fees charged to customers for services provided both under our legislation and international agreements



Australian Government

IP Australia

# Accountability and the Legislative Environment

*The legal authority for IPA to prescribe fees and charges*

- *Patents Act 1990;*
- *Patents Regulations 1991;*
- *Trade Marks Act & Regulations 1995;*
- *Plant Breeder's Rights Act & Regulations 1994;*
- *Designs Act 2003;*
- *Designs Regulations 2004.*

Financial Management to comply with

- Financial Management Administration Act 1997



Australian Government

IP Australia

# Accountability and the Legislative Environment

## Financial Management Administration Act Requirements

- Australian & International Accounting Standards
- Monthly and annual reporting (Budget & Actual)
- Budget Management Framework
- Efficient and effective use of public money
- Procurement guidelines & mandatory provisions
- Cost recovery guidelines & mandatory provisions



# Accountability and Stakeholders

- Industry groups
- Attorneys and Customer Groups
- The Australian Public
- International IP Offices and organisations
- The global IP market



# Cost Recovery and Accountability

- Under the governments cost recovery arrangements IPA is scheduled to undertake a full cost recovery – fee review every three years
- IPA cost recovers at the customer group level (Patents, TM, Designs, PBR, Professional Standards Board) to avoid cross subsidisation
- The budgeted and actual surplus is monitored by the central government for compliance with cost recovery principles.



# Cost Recovery Issues

- Determining the activity level at which it is cost effective to cost recover, and removing cost subsidisation across different activity lines.
- Better alignment of fees across customers and cost of effort within a particular product stream
- Developing an effective detailed costing model for allocation of direct and indirect costs.
- Risks associated with over or under recovery



# Cost Recovery Issues

- Spreading the cost of regulation over the life of the product to support innovation.
- Ensuring all relevant stakeholder groups are consulted
- Increasing transparency, accountability and ensuring that all decisions are adequately publicised.
- Training of staff in the cost recovery requirements, and project planning to effectively implement the cost recovery review and fee changes in line with the government's guidelines.



# Cost Recovery and Sustainability

When setting fees to cost recover other issues need to be taken into account:

- Our obligations in the international market, and international competition
- Changes in the economy that may impact demand for services
- Fee changes impacting customer behavior
- Accurately forecasting sales volumes as well as price, in matching revenues with expenses



# Cost Recovery and Sustainability

When setting fees to cost recover other issues need to be taken into account:

- Marginal costing for information and educational products and services, to assist in the dissemination of information
- Regulatory fees for filing and examination do not completely cover costs for these actions, costs are recovered later through charging of renewal fees
- Other fees for service such as those charged under international agreements are set to recover costs



# Cost Recovery and Sustainability

Investment in systems is funded from IP Australia revenue and retained earnings

- We have planned considerable investment in IT systems over the next 5 years
- Mixture of strategic and minor projects, and maintenance work
- Change to customer focus from IP Rights administration focus
- Resource capability and skills shortage limitations are leading to outsourcing of project work



# Issues Impacting on Cost Recovery

- Regulatory environment and autonomy of the IP office
- Financial system maturity and data capture of the IP office
- Various funding arrangements of the IP office
- Level of liaison with industry and stakeholder groups



# Further Assistance

Assistance can be provided on:

- Explaining the principles of cost recovery and how IP Australia has applied them.
- Providing information on cost recovery processes.
- Providing information on data capture, and cost allocation
- Contact details:

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Questions?



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