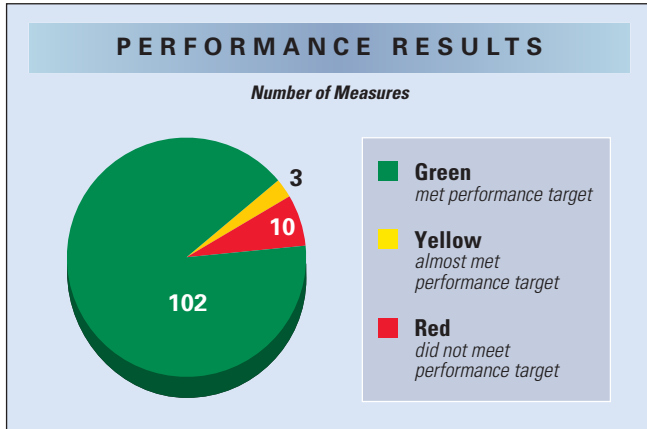


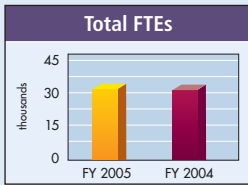
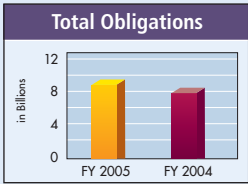
FY 2005 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 115 performance targets, 89 percent were at or above target, three percent slightly below target, and eight percent not on target. These results reflect better performance results than last year, when 84 percent were at or above target. Below are the performance results by strategic goal. Achieving results in each of the strategic goals furthers the Department's mission. This summary provides a snapshot of our targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each performance goal.

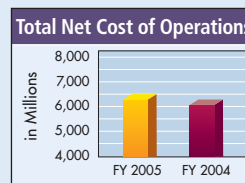
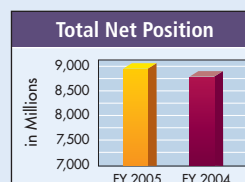
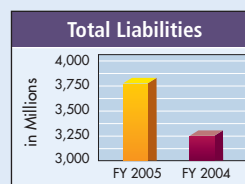
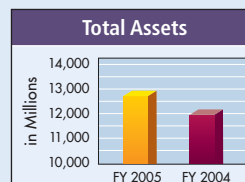


(Dollars In Millions)	Percentage Change	FY 2005	FY 2004
For the Period Ended September 30, 2005 and 2004			
Obligations by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+2%	\$ 1,888.5	\$ 1,854.0
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+14%	\$ 2,456.5	\$ 2,147.5
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+7%	\$ 4,064.0	\$ 3,802.0
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+3%	\$ 79.2	\$ 77.1
TOTAL OBLIGATIONS	+8%	\$ 8,488.2	\$ 7,880.6
Full Time Equivalents (FTEs) by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+1%	11,877	11,778
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	0%	10,022	10,005
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	0%	11,918	11,868
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	-3%	292	310
TOTAL FTEs	0%	34,109	33,961

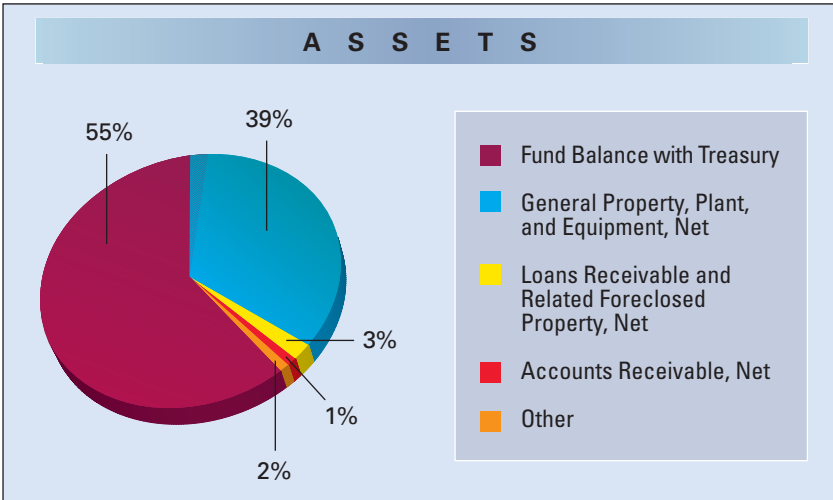


FINANCIAL HIGHLIGHTS

(Dollars In Millions)	Percentage Change	FY 2005	FY 2004
As of September 30, 2005 and 2004			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	+6%	\$ 7,041,269	\$ 6,652,727
General Property, Plant, and Equipment, Net	+6%	4,927,707	4,652,882
Loans Receivable and Related Foreclosed Property, Net	+32%	417,509	317,138
Accounts Receivable, Net	-12%	126,754	143,929
Other	+28%	216,937	169,631
TOTAL ASSETS	+7%	\$12,730,176	\$11,936,307
LIABILITIES:			
Unearned Revenue	+18%	\$ 1,287,749	\$ 1,088,142
Federal Employee Benefits	+2%	569,114	557,679
Accounts Payable	+23%	399,957	325,124
Accrued Grants	+11%	388,679	350,452
Debt to Treasury	+30%	357,581	274,426
Accrued Payroll and Annual Leave	+10%	351,698	321,114
Other	+22%	407,211	333,262
TOTAL LIABILITIES	+16%	\$ 3,761,989	\$ 3,250,199
NET POSITION:			
Unexpended Appropriations	+1%	\$ 4,238,321	\$ 4,209,311
Cumulative Results of Operations	+6%	4,729,866	4,476,797
TOTAL NET POSITION	+3%	\$ 8,968,187	\$ 8,686,108
TOTAL LIABILITIES AND NET POSITION	+7%	\$12,730,176	\$11,936,307
For the Years Ended September 30, 2005 and 2004			
Condensed Statements of Net Cost:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+3%	\$ 1,672,505	\$ 1,626,669
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+6%	931,507	875,061
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+3%	3,708,116	3,617,242
TOTAL NET COST OF OPERATIONS	+3%	\$ 6,312,128	\$ 6,118,972
Total Gross Costs	+4%	\$ 8,438,306	\$ 8,092,700
Total Earned Revenue	+4%	(2,126,178)	(1,973,728)
Total Net Cost Of Operations	+3%	\$ 6,312,128	\$ 6,118,972

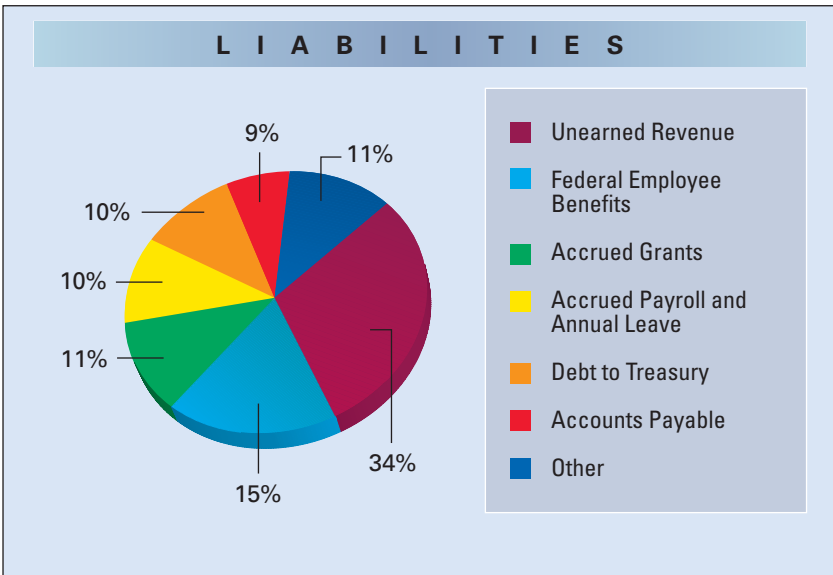


REVIEW OF FINANCIAL POSITION AND RESULTS



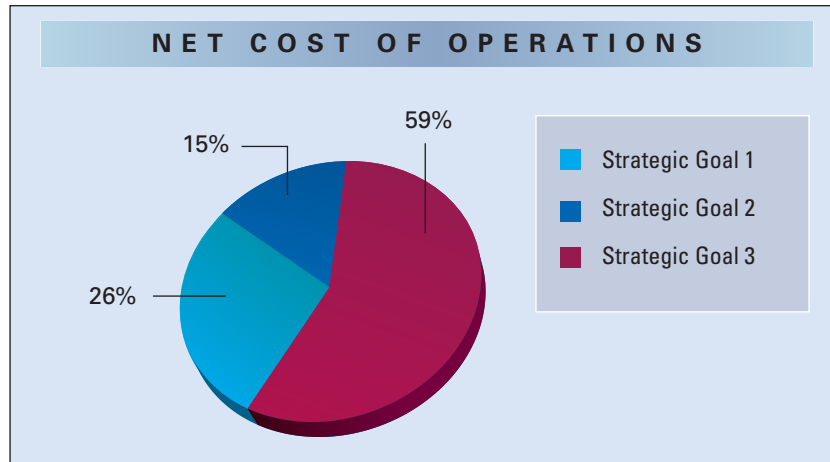
Assets

The Department had total assets of \$12.7 billion as of September 30, 2005. This represents an increase of \$793.8 million (seven percent) over the previous year's total assets of \$11.9 billion. The increase is primarily the result of Fund Balance with Treasury increasing by \$389 million, which primarily resulted from higher Appropriations Received of \$362 million or 5.9 percent; and General Property, Plant, and Equipment (PP&E), Net increasing by \$275 million, which primarily resulted from increase in Construction-Work-in-Progress of \$270 million or 10.8 percent.



Liabilities

The Department had total liabilities of \$3.8 billion as of September 30, 2005. This represents an increase of \$511.7 million (16 percent) over the previous year's total liabilities of \$3.3 billion. The increase is primarily the result of Unearned Revenue increasing by \$199.6 million, which primarily resulted from increased patent and trademark application and user fees that are pending action; and the result of Debt to Treasury increasing by \$83 million primarily due to increase in crab buyback program loans.



Net Cost of Operations

In FY 2005, Net Cost of Operations amounted to \$6.3 billion, which consists of Gross Costs of \$8.4 billion less Earned Revenue of \$2.1 billion. Strategic Goal 1 includes Gross Costs of \$2.0 billion related to providing information and tools to maximize U.S. competitiveness and enable economic growth. Strategic Goal 2 includes Gross Costs of \$2.5 billion related to fostering science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science. Strategic Goal 3 includes Gross Costs of \$3.9 billion related to observing, protecting, and managing the Earth's resources to promote environmental stewardship.

Other Financial Information

All other financial information such as the introduction letter from the Department's Chief Financial Officer (CFO), financial management discussion and analysis, debt management, payment practices, the audited financial statements and other supplementary information, and the independent auditors' report can be found starting on page 151 of the Financial Section.



THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

Management Strategic Framework, Performance Planning, and Reporting at a Glance

Performance Management Process

An overall performance management process ensures that performance feedback, accountability, performance results, corrective action, and performance planning occur.



The Department's Strategic Plan provides a comprehensive vision for fostering the conditions that create jobs; increase the productivity of the American economy; encourage the economic growth that benefits all U.S. industries, workers, and consumers; enhance technological leadership and environmental stewardship; and support market growth strategies. The plan puts forth broad objectives, targets specific outcomes and identifies key challenges. The strategic plan released in FY 2003 can be found at: http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm.

The Department's Annual Performance Plan (APP) provides the Department of Commerce's bureau-specific performance goals and measures that align with the Department's strategic goals and objectives. These performance goals, are linked with the resource requirements for the past, current, and upcoming fiscal years. The Plan is integrated with the President's budget submission to Congress. The Department-wide FY 2006 APPs can be found at: http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm.

This Department's Performance and Accountability Report (PAR) provides a public accounting of Commerce's FY 2005 performance results and completes the Department's performance management process. The Web address of the FY 2005 PAR is: http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm.



MANAGEMENT DISCUSSION AND ANALYSIS

The appendices of the FY 2005 PAR provide details of the Department's performance and explanatory materials supporting the program results. Commerce's goal structure has three levels. Strategic goals describe outcomes that emerge from the Department's mission. Each of these goals in turn has outcome goals or objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve more than one Department bureau. Within each strategic objective are performance goals tied to specific bureaus that support each outcome goal and provide program-level clarity of purpose. Each has associated indicators and targets to measure the Department's impact on a continuous basis.

How the Department Selects Its Performance Goals and Measures

Performance goals articulated in the introductory material for each goal in the APP are aimed at achieving one or more strategic outcomes, and convey a sense of how the Department creates value for the American public. Performance measures, depict tangible progress by Commerce program activities towards these goals. Commerce has tailored performance measures to be more outcome-oriented (described in the next section). When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of Department programs, and are meant to broadly illustrate how Commerce adds value to the U.S. economy. The FY 2005 PAR depicts a top-level, integrated system for managing for results within the Department, and is not an exhaustive treatment of all Department programs and activities. This report must also be read with each Commerce bureau's own performance results to gain a comprehensive picture of Commerce's accomplishments in FY 2005. More in-depth performance results for FY 2005 and prior years are available in Appendix A, and other information about the bureaus can be found on individual bureau Web sites. The directory of Web sites is located on the back cover of this report and provides a good foundation for researching additional information.

Performance Validation and Verification

Commerce uses a broad range of performance goals and measures to make reporting useful and reliable. It is imperative to demonstrate that performance measures are backed by accurate and reliable data; valid data are important to support management decisions on a day-to-day basis. The data and the means to validate and verify the measures are also diverse. A general discussion of the Department's process follows. The APPs of each bureau provide the data validation and verification tables for each measure and describe how the data are validated and verified. They can be found at <http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm>.

Currently, the Department reviews its performance validation and verification processes to ensure that the performance data are accurate. These reviews are based on the Office of Inspector General's (OIG) identification of the Department's strategic planning and performance measurement efforts as a management challenge. Specifically, OIG recommended that the Department continue to improve upon its strategic planning and performance measurement in accordance with the Government Performance and Results Act (GPRA). As a result of this recommendation, Commerce developed a new quarterly performance monitoring process that provides reviews of performance measurement data as well as the measures themselves. Departmental staff review bureau performance data on a quarterly basis. These reviews involve selecting different performance measures each quarter, requiring that the bureaus provide all the data used for determining the actuals for these measures, reviewing the measures for validity, and then making recommendations for improving the measures.



Performance Controls and Procedures

Performance Data: Commerce's performance measurement data are collected by its 13 bureaus, each with systems to manage their data validation and verification processes. Some of these are automated systems and others are manual processes. The validity of the data is certified by each bureau's Chief Financial Officer (CFO) and Under Secretary, and can be divided into three types: Financial Data, Data Management Methods, and Data from Manual Processes. The controls and procedures used to validate and verify the data can be found in the validation and verification tables in the FY 2006 APPs at: <http://www.osec.doc.gov/bmi/budget/FY2006APP.htm>. As of September 30, 2005, Department staff reviewed 20 measures. Some examples include: jobs created or retained (EDA), lead time of tornado warnings (NOAA), and trademark applications filed electronically (USPTO).

Financial Data: As stated above, the Department has a high degree of confidence in its financial data. Normal audit and other financial controls maintain the integrity of these data elements. During the FY 2005 consolidated financial statement audit, tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers Act.

Performance Reviews: The Department also conducts quarterly performance reviews. These reviews involve a bureau head (or representative) reporting on the current status of bureau performance, including planned and achieved priorities and accomplishments. They also report on the status of measures that eventually appear at the end of the year in this report.

Future Enhancements to Financial and Performance Information

The Department is continuously making improvements in its financial and performance data, particularly in integrating the information. As demonstrated by its efforts in improving internal processes, Commerce is building on its existing Commerce Business System (CBS) to bring these two data sets together.

**MOST IMPORTANT RESULTS AND THE FUTURE:
PERFORMANCE, PRIORITIES, AND CHALLENGES**

The Department's three diverse strategic goals and a Department-wide management integration goal promote the mission of the Department through the various actions of each bureau. What follows is a table summarizing the performance results that were achieved by the Department and a table listing the key measures of the Department. A goal is said to have been met if 100 percent of the targets of its corresponding measures were achieved, significantly met if 75 percent to 99 percent of its targets were achieved, and not met if less than 75 percent of its targets were achieved.

SUMMARY OF PERFORMANCE RESULTS

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE GOAL	STATUS*
Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers	Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Increase private enterprise and job creation in economically distressed communities	●
		Improve community capacity to achieve and sustain economic growth	●
		Strengthen U.S. industries	●
		Expand U.S. exporter base	●
		Increase access to the marketplace and financing for minority-owned businesses	●
	Advance responsible economic growth and trade while protecting American security	Ensure fair competition in international trade	●
		Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system	●
		Ensure U.S. industry compliance with the Chemical Weapons Convention (CWC) agreement	●
		Prevent illegal exports and identify violators of export prohibitions and restrictions for prosecution	●
		Enhance the export and transit controls of nations seeking to improve their export control system	●
	Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments	●
		Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%)

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF PERFORMANCE RESULTS (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE GOAL	STATUS*
Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science	Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the nation's measurements and standards infrastructure	●
		Accelerate private investment in and development of high-risk, broad-impact technologies	●
		Raise the productivity and competitiveness of small manufacturers	●
		Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities	●
	Protect intellectual property and improve the patent and trademark system	Improve the quality of patent products and services and optimize patent processing time	●
		Improve the quality of trademark products and services and optimize trademark processing time	●
		Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide	●
	Advance the development of global e-commerce and enhanced telecommunications and information services	Ensure that the allocation of radio spectrum provides the greatest benefit to all people	●
		Promote the availability, and support new sources, of advanced telecommunications	●
	Strategic Goal 3: Observe, protect and manage the Earth's resources to promote environmental stewardship	Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs	Serve society's needs for weather and water information
Understand climate variability and change to enhance society's ability to plan and respond			●
Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs		Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management	●
		Support the nation's commerce with information for safe, efficient, and environmentally sound transportation	●
Management Integration Goal: Achieve organizational and management excellence		Identify and effectively manage human and material resources critical to the success of the Department's strategic goals	●
		Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%)



MANAGEMENT DISCUSSION AND ANALYSIS

The following is a listing of the key measures of each of the bureaus in the Department. After this list is a discussion of our most important results, challenges, and action plans by strategic goal.

KEY PERFORMANCE MEASURES		
STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE
Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers	1.1 Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Private sector dollars invested in distressed communities as a result of EDA investments (EDA)
		Jobs created or retained in distressed communities as a result of EDA investments (EDA)
		Percentage of undertaken advocacy actions completed successfully (ITA)
		Dollar value of contract awards obtained (MBDA)
		Dollar value of financial awards obtained (MBDA)
	1.2 Advance responsible economic growth and trade while protecting American security	Number of MAC cases completed (ITA)
		Median processing time for referral of export licenses to other agencies (days) (BIS)
		Number of investigative actions that result in the prevention of a violation and cases which result in a criminal and/or administrative prosecution (BIS)
	1.3 Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (Census)
		Release data products for Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (Census)
		Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (BEA)
		Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale) (BEA)
Accuracy: Percent of GDP estimates correct (BEA)		
Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards and advancing measurement science	2.1 Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Qualitative assessment and review of technical quality and merit using peer review (NIST)
		Customer satisfaction with NTIS products and services (NTIS)
	2.2 Protect intellectual property and improve the patent and trademark system	Patent allowance error rate (USPTO)
		Trademark final action deficiency rate (USPTO)
		Technical assistance activities completed (USPTO)
	2.3 Advance the development of global e-commerce and enhanced telecommunications and information services	Support new telecom and information technology by advocating Administration views in FCC docket filings and Congressional proceedings (NTIA)

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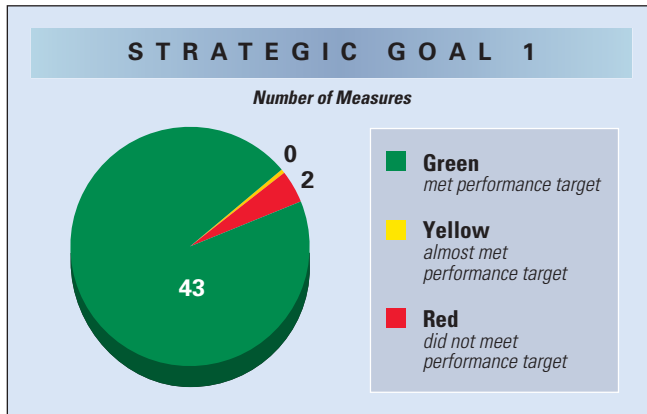
MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE MEASURES (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE
Strategic Goal 3: Observe, protect and manage the Earth's resources to promote environmental stewardship	3.1 Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs	Lead time of severe weather warnings for tornadoes (NOAA)
		Hurricane forecast track error (48 hours) (NOAA)
		Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations (NOAA)
	3.2 Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs	Number of major stocks with an "unknown" stock status (NOAA)
Management Integration Goal: Achieve organizational and management excellence		Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)
		Improve the management of information technology (DM)
		Percentage of OIG recommendations accepted by departmental and bureau management (OIG)

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers



Most Important Results

The Department achieved success in 96 percent of the targets that were set. Such achievements can be measured through the many activities that support this goal.

The Economic Development Administration (EDA) tracks the results of their investments in three, six, and nine-year intervals. EDA data indicate that investments made in FY 1999 and FY 2002 (six and three years prior to FY 2005) generated \$3.57 billion in private investment and created or retained 67,046 jobs. EDA anticipates that investments made in FY 2005 will generate \$270 million by FY 2008,

\$674 million by FY 2011, and \$1.349 billion by FY 2014. EDA expects that those same investments will create or retain 7,251 jobs by FY 2008, 18,128 jobs by FY 2011, and 36,255 jobs by FY 2014.

New strategic public and private sector partnerships that the Minority Business Development Agency (MBDA) established helped MBDA leverage its resources and add value to the services provided by the Minority Business Development Centers (MBDC) and the Minority Business Opportunity Committees (MBOC). These partnerships identified many successful opportunities and provided value-added resources to support the services of the MBDCs and MBOCs. Partnerships MBDA made with the National Urban League, the U.S. Department of Agriculture (USDA), Microsoft, Forbes, and the Kauffman Foundation will strengthen minority participation by leveraging resources and providing valuable assistance to grow firms.

The MBDA Portal has successfully become a virtual business center offering new tools, services, and a message board for information exchange for Minority Business Enterprises (MBE) to better compete in the worldwide economy. Continuous improvements provide new enhancements and sources of information and technology to improve the services available. The portal serves as an information clearinghouse and the center for referral of opportunities and resources to registered minority firms.

In FY 2005, the Department implemented key aspects of the Next Steps in Strategic Partnership, which have transformed the U.S.-India strategic trade relationship by freeing approximately \$35 million in exports to India from licensing requirements.

The Department published two major rules in FY 2005 that will contribute to U.S. competitiveness consistent with U.S. national security interests. In July 2005, the Department published a rule updating controls on certain goods and technology in accordance with U.S. commitments under a multilateral export control regime. The rule updated controls on a wide range of controlled items, including certain computer software and technology to control only the most sensitive items and also placed controls on night vision-related components to protect U.S. national security. The Department also responded to the U.S. policy changes related to Libya and the lifting of sanctions with a new rule (March 2005) that lifted certain restrictions on items used by U.S. persons in Libya.

The Department advances trade while promoting national security with an industry outreach program to facilitate compliance with U.S. export controls. In FY 2005, the Department conducted 39 seminars to respond to a variety of exporter needs. They



MANAGEMENT DISCUSSION AND ANALYSIS

include programs on the major elements of the U.S. dual-use export control system; programs that explain exporter obligations under the Export Administration Regulations (EAR); and special topic seminars, on exporter obligations, doing business with key trading partners, or technologies and deemed exports (export controls for technology transfers in the United States).

Enforcement accomplishments for FY 2005 resulted in 31 convictions, and the imposition of \$7.7 million in fines for criminal export violations; prosecution of 74 administrative cases and the imposition of \$6.8 million in administrative penalties; and completion of more than 500 post-shipment verifications overseas to confirm compliance with export license requirements.



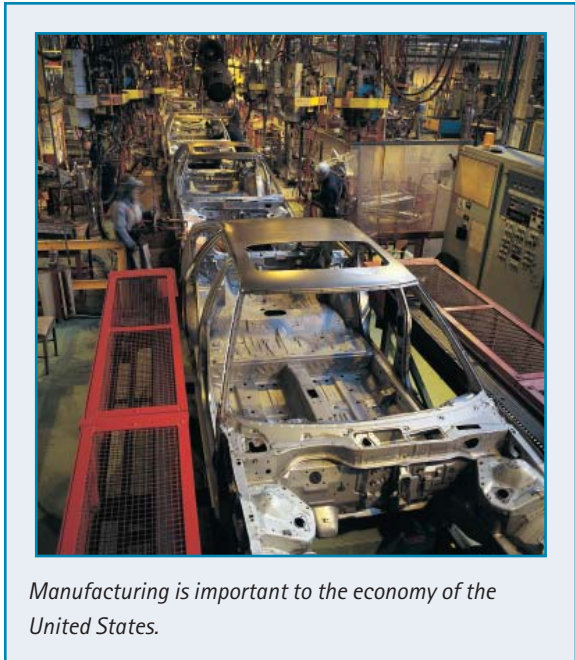
United States and India held talks on stimulating high-technology commerce, focusing on trade facilitation and on ways to enhance the security of bilateral high-technology trade.

The Department successfully remedied 40 deficiencies in the national export control systems of countries receiving technological assistance under the Export Control and Border Security program. Some highlights include: Kazakhstan and Romania passed legislation to improve their respective export control legal frameworks and bring them up to international standards; Armenia adopted a national control list that meets international standards; and more than 170 Russian customs officials from more than 70 customs posts, ports, airports, and other customs entities were trained in use of the Product Identification Tool (PIT). This tool assists customs officials to identify dual-use items by sight to better monitor which products require a license and which do not. Cyprus, Turkey, and Kazakhstan made high-level commitments to work with the Bureau of Industry Security (BIS) to develop and deploy an indigenous version of the PIT to train their respective customs officials. BIS deployed industry awareness programs and internal control program software tools in more than 400 Russian, Ukrainian, Romanian, and Kazakh enterprises.

In 2005, the Department made a commitment to support the participation in the Security and Prosperity Partnership (SPP) in North America. The SPP is another opportunity to build more open, more secure societies and more competitive business communities for stronger economies. ITA also continued its commitment toward helping U.S. businesses to gain market access in China through participating in the U.S.-China Joint Commission on Commerce and Trade (JCCT). ITA, in close coordination with the United States Trade Representative (USTR) and other agencies, has adopted an aggressive and multi-pronged approach to ensure that China honors its World Trade Organization (WTO) commitments and that U.S. companies benefit from these opportunities.

In 2005, Market Access and Compliance (MAC) was key in the passage of the Central American - Dominican Republic Free Trade Agreement (CAFTA-DR). MAC also created an Intellectual Property Rights (IPR) Enforcement Unit, which aggressively enforces trade agreements with specific attention to IPR. In addition, MAC continued to work closely with the USTR and the U.S. Patent and Trademark Office (USPTO) to investigate and resolve IPR violations of U.S. negotiated trade agreements.

In 2005, the Import Administration (IA) created an Unfair Trade Practices Team which tracks, detects, and confronts unfair competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA was also able to focus and sharpen expertise on China through its China Compliance office to ensure that China adheres to its accession requirements under the WTO.



The Department successfully completed updates to geographic reference features for all planned counties for FY 2005. Improving the Census Bureau's geographic data is important in order to improve accuracy, reduce operational risk, and contain the cost of the 2010 Census. Census data are used for the apportionment of seats in the U.S. House of Representatives and for the distribution of billions of dollars in federal funds to states and localities.

In FY 2005, Census released all targeted data products for the economic programs on schedule. This included 116 principal economic indicator releases, the Annual Survey of Manufactures, the Annual Trade Survey, the Annual Retail Trade Survey, the Service Annual Survey, 883 geographic area series reports from the 2002 Economic Census, two reports from the 2002 Survey of Business Owners, and preliminary data from the 2002 Business Expense Survey. These statistics are critical to understanding the condition and performance of the U.S. economy and are used extensively by government and private-sector decisionmakers. Census Bureau surveys and census results also are used in other important federal measures of economic activity, including the producer price indexes

and measures of industrial production. The Department also met the targeted response rates and released all data products on time for the demographic surveys, such as the Survey of Income and Program Participation (SIPP) and Current Population Survey. These data are used to make policy decisions and allocate federal program funds that support schools, employment services, housing assistance, hospital services, and programs for the elderly and disabled. The data are also used to modify programs such as Social Security, Medicare, and Medicaid.

The Department's Bureau of Economic Analysis (BEA), within ESA, has made significant gains in improving the economic information used as the basis for important decisions by business leaders, policymakers and the American public. One of the most important changes in 2005 was the incorporation of data from the Census Bureau's Quarterly Services Survey (QSS). This new and important data source provides detailed quarterly estimates for some of the nation's largest and most volatile industries. By providing this information quarterly rather than annually or once every five years, the Department is able to provide users with more accurate and earlier estimates on which to base decisions. The Department also continues to meet the demands of users for more current and timely economic statistics. In the past year, the Department accelerated the release of local area industry data by four months, produced prototype gross state product estimates with a 12-month acceleration, and again provided summary estimates on the operations of multinational companies four months ahead of schedule.

EDA uses the Balanced Scorecard (BSC) approach to emphasize cause and effect relationships. Integration of management, performance, and budget is critical to achieving timely financial improvements and enhancing performance. At the highest level, the BSC is a framework that helps translate strategy into operational objectives that drive both behavior and performance at the operational level. The BSC is a value-added management process that provides a critical tool for getting from vision to execution. BSC analysis and review provides regional directors with opportunities to enhance performance and crucial information to target their performance improvement actions. Improved responsiveness to applicants and grantees is one result of this process at the regional level.



In FY 2004, EDA helped establish the Economic Development Information Coalition (EDIC) to expand its information dissemination efforts. During FY 2005 and with EDA's continued support, EDIC continues to produce a monthly e-newsletter, a quarterly magazine, and six satellite broadcasts. The magazine and e-newsletter are distributed to about 6,000 people. The satellite broadcasts are generally available for viewing in 80 to 100 locations and attract about 3,000 to 4,000 viewers. While there is no way to track the actual number of viewers, an agreement reached with DISH NETWORK makes these telecasts available to 9.85 million subscribers. In addition, the Association of Public Television Stations (APTS) promoted the Economic Development Today telecast to affiliate stations nationwide. APTS represents 80 percent of the market of public television stations. Finally, the broadcasts are also shown as Webcasts after the actual airing which attracts even more viewers. EDA will also hold a symposium in September 2005 to focus on leading edge economic development strategies.

The Future: Performance, Priorities, and Challenges

Continue to meet the needs of the fast growing population: The Department will develop products and services through customer survey feedback such as the American Customer Satisfaction Index (ACSI). The Department will further expand the Strategic Growth Initiative for medium to large size MBEs, while continuing to provide the same level of service for the smaller MBEs. Beginning in FY 2006, the Census Bureau's ACS will begin enumeration of Group Quarters and expand the number of geographies published by nearly ten fold.

Leading the federal economic development agenda: The Department will promote innovation and competitiveness to prepare U.S. regions for growth and success in the worldwide economy.

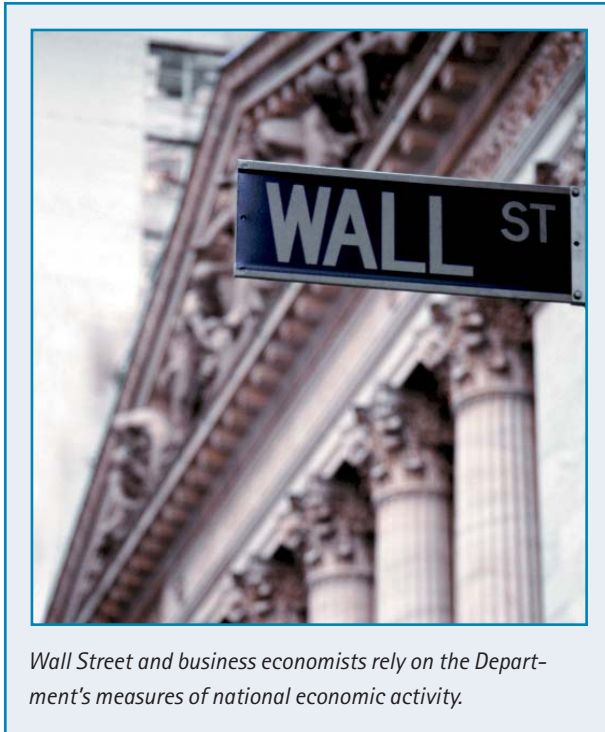
Updating and adapting the export control system: The Department will continue to strengthen and streamline the dual-use export control system. Further, the Department will continue to improve its process for writing the regulations that translate law and policy into rules for exporters, while also managing the rising number and complexity of licensing applications and other export control requests. The Department will continue to improve its enforcement capabilities by prioritizing its efforts, working with other federal law enforcement and intelligence agencies, and increasing outreach with industry to create a robust enforcement environment.

Meeting needs for quality information: The Department will make improvements in the use of state-of-the-art technology in data collection, processing, and dissemination in order to stay ahead of demand from policymakers for information of emerging economic and societal trends.

Trade relations with China: The Department in close coordination with the USTR and other agencies, has adopted an aggressive and multi-pronged approach to ensure that China honors its WTO commitments and that U.S. companies benefit from these opportunities. Additionally, IA is focusing and sharpening expertise in China through the China Compliance office that devotes more resources to China and cases /issues unique to non-market economies.

Expanding global IPR enforcement: ITA is focusing resources to enforce U.S. negotiated trade agreements, uphold the U.S. Strategy Targeting Organized Piracy (STOP), and combat violators of IPR around the world. ITA will pursue perpetrators along the entire chain, including manufacturers and importers, and will exert pressure on countries where problems are found. ITA works with U.S. industry and coordinates with other Commerce Bureaus and U.S. agencies, including USPTO and the U.S. Food and Drug Administration (FDA), to investigate allegations of piracy and to help resolve market access and trade compliance cases.

Strengthen federal trade promotion programs and cooperation: In 2004, ITA reorganized its trade promotion functions under the Assistant Secretary for Trade Promotion and the Director General of the US&FCS. With this significant realignment of resources came the mandate to increase and improve trade promotion activities for U.S. businesses, especially SMEs that rely on federal and



other assistance programs to successfully compete in the global marketplace. Utilizing the 2004 National Export Strategy, the Secretary of Commerce announced a multi-year national trade promotion agenda to better leverage federal trade promotion programs in commercially significant markets and areas where Free Trade Agreements (FTA) have been established.

Continue to accurately measure a constantly and rapidly changing U.S. economy: The U.S. economy is constantly changing and becoming increasingly complex. The Department must be responsive to these changes. To meet this challenge, the Department must better understand how the economy is changing, recognize how these changes are affecting our programs and methods, identify emerging and lessening data needs, and satisfy changing customer needs. Issues of immediate attention are the measurement of pensions, medical costs, and other fringe benefits and the continued expansion of service industry coverage. Program improvement, however, is a daunting task and not one that can be done by us alone. The Department must find more effective ways of collaborating with the business world, industry experts, researchers and policymakers.

Understanding the economic phenomenon known as offshoring: The past year has seen an increased interest in the issue of offshore outsourcing. The Department has provided detailed information on the operations of multinational companies to help inform part of this debate. Expanding these data to provide more information to help understand the economics of offshore outsourcing will be a challenge.

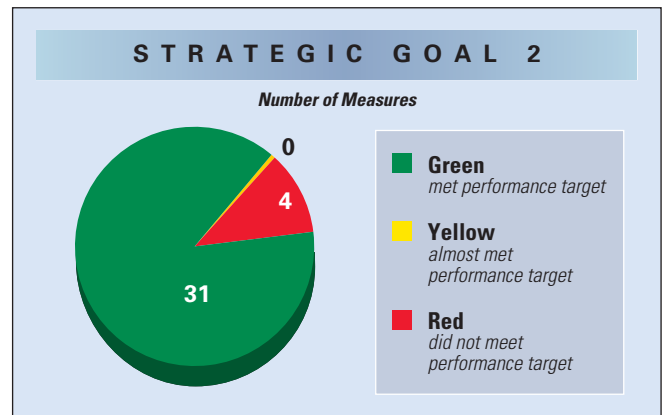
STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

Most Important Results

The Department achieved success in 89 percent of the targets that were set.

The Department has begun efforts to strengthen IPR for enhancing protection for copyrights, geographical indications, patents, trademarks, trade secrets and other forms of IPR with representatives from many countries throughout the world, including those in which the United States is negotiating or has negotiated FTAs¹.



¹ Countries include China, Brazil, Paraguay, Mexico, Eastern Europe, the Republic of Korea, the Philippines, and many other countries. Countries in which the United States is negotiating or has negotiated FTAs include Morocco, Bahrain, the Central American countries, Australia, Panama, the Andean countries, Thailand, the Southern Africa Customs Union, Chile, Jordan, and Singapore.



MANAGEMENT DISCUSSION AND ANALYSIS

USPTO developed a new pre-appeal brief conference pilot program that offers applicants a way to request a panel of managers and examiners to formally review application rejections before they file an appeal brief. USPTO anticipates that the change will save patent applicants at least \$30 million annually. Introduction of the pre-appeal brief conference was made to fulfill the President's Management Agenda (PMA) mandate for a more citizen-centered, results-oriented government. USPTO initiated a program to ensure that applications filed under existing provisions to request expedited examination for certain subject matter areas or under circumstances are acted on in a timely manner. The USPTO goal is to revise the accelerated examination provision to provide guaranteed final examiner disposition within 12 months if applicants share a greater burden in assisting the examiner. Any subject matter is eligible for this provision of expedited examination.

USPTO began Trilateral Document Access (TDA) to facilitate access by patent examiners to the content of published patent applications stored in participating foreign IP offices' application document image systems. The first phase, File Wrapper Access, allows examiners to compare foreign application documents to the application under review and assist in the possibility of future worksharing efforts. Also, the prototype of TDA Priority Document Exchange has been deployed to facilitate automatic electronic retrieval of priority documents between participating foreign IP offices.

Significant progress has been made in the seven years since electronic filing of trademark applications first became available. More than 85 percent of the applications for registration of a trademark were filed electronically in FY 2005 up from 38 percent in FY 2002. USPTO has continued to enhance its trademark electronic filing system by expanding the number and type of transactions that can be completed online, and by offering reduced fees to encourage electronic communications. Twenty-six electronic forms are now available through the award-winning Trademark Electronic Application System (TEAS). USPTO established more options for filing for a trademark registration, consistent with its *21st Century Strategic Plan*, to create financial and market-based incentives and encourage greater participation in the U.S. trademark system. Trademark owners can now select the option that best meets their needs—with higher fees for filing on paper. USPTO achieved a major milestone in maximizing electronic tools to make the trademark registration process fully transparent to the public. Anyone with Internet access anywhere in the world can review documents in the official trademark application file, including all decisions made by trademark examining attorneys and their reasons for making them through the Trademark Document Retrieval (TDR) system.

The Department's National Institute of Standards and Technology (NIST) researchers performed experiments aimed at improving emergency radio communications at the old Washington Convention Center in Washington, D.C., before, during, and after its implosion in December 2004. The work, which supports public safety programs of the U.S. departments of Homeland Security (DHS) and Justice (DOJ), is intended to help improve the communications capabilities of first responders. First responders who rely on radio communications often lose signals in shielded or complex environments, such as the basements or elevator shafts of buildings. It also is very difficult to detect radio signals through the dense rubble of a building that has collapsed as a result of a natural disaster or terrorist attack. NIST researchers hope to develop reliable, cost-effective tools that can be retrofitted to existing radio systems to assist emergency personnel in locating and perhaps communicating with rescuers and other survivors trapped inside a collapsed building.

For the first time, NIST researchers used chip-scale refrigerators capable of reaching temperatures as low as 100 millikelvin to cool bulk objects. The solid-state refrigerators can be used to cool cryogenic sensors in highly sensitive instruments for semiconductor defect analysis and astronomical research, for example.

New quantum calculations and computer models show that carbon nanotubes "decorated" with titanium or other transition metals can latch on to hydrogen molecules in numbers more than adequate for efficient hydrogen storage, a capability key to long-term efforts to develop fuel cells, an affordable non-polluting alternative to gasoline. Using established quantum physics theory, the NIST researchers predicted that hydrogen can amass in amounts equivalent to eight percent of the weight of titanium-

decorated single walled carbon nanotubes. That's one-third better than the six percent minimum storage-capacity requirement set by the FreedomCar Research Partnership involving the Department of Energy (DOE) and the nation's Big Three automakers.

The Office of Technology Policy (OTP) advanced the commercialization of emerging and promising Radio Frequency Identification (RFID) technology. OTP convened a workshop on "RFID in 2005: Technology and Industry Perspectives," that brought together leading industry, private sector, government experts, and other interested parties to discuss the latest advances, efforts to further develop the technology, current and future applications, and privacy and security concerns. OTP subsequently wrote and issued a report on "RFID: Opportunities and Challenges in Implementation." OTP's efforts to advance the development and commercialization of RFID technology also include leadership on the Commerce RFID Working Group and joint leadership with the Department of Defense (DOD) on the RFID Intra-Government Council. OTP participated in an RFID workshop hosted by the U.S. Chamber of Commerce on RFID where the then Acting Deputy Secretary Sampson provided a keynote address and Deputy Assistant Secretary / Chief Privacy Officer (DAS/CPO) Caprio moderated a panel on privacy and security. OTP sent out an informational mailing to members of Congress to increase awareness of the Department's efforts in developing a dialogue with stakeholders on RFID technology.

OTP developed and launched in collaboration with State Science and Technology Institute (SSTI) a Web-based, online resource for how to build a technology-based economy, called Technology-Based Economic Development Resource Center (Tbed). Tbed provides links to more than 1,300 strategic plans, best practices, research on entrepreneurship, and impact analyses.

OTP successfully laid the groundwork for the first meeting of the U.S.-Russia Innovation Council on High Technology in Moscow, established to promote bilateral public and private sector cooperation in stimulating commercial science and technology (S&T) innovation and entrepreneurship. Prior to the meeting, OTP led the effort to develop the Terms of Reference for the Council, established and chaired an interagency group responsible for selecting U.S. business members to the Council, and organized the first meeting as U.S. Secretariat and Co-Chair of the Council. Four focus groups were established at the meeting to provide input to the Council for the next meeting in early 2006.

In FY 2005, the Wage Determinations Online Program Web site (<http://www.wdol.gov>) has been selected as a 2005 Intergovernmental Solution Awards (ISA) finalist by the American Council for Technology (ACT). The Web site was developed by the National Technical Information Service (NTIS) as a cooperative effort with an Office of Management and Budget (OMB)-sponsored Interagency Working Group (including representatives from the Department of Labor (DOL), DOD, General Services Administration (GSA), DOE, and other agencies) to improve the wage determination process.



NIST electrical engineers Chris Holloway and Galen Koepke place transmitters in a protected air vent at the old Washington Convention Center prior to the implosion of the building. The experiments were performed to help improve the communication capabilities for emergency first responders.



In FY 2005, NTIS was selected by the Office of Personnel Management (OPM) as a 2005 ISA finalist for the ACT e-Training Initiative program in support of the PMA.

In a "Memorandum for the Heads of Executive Departments and Agencies" dated November 30, 2004, the President directed that Commerce develop a Spectrum Reform initiative implementation plan in FY 2005 to address the recommendations contained in a two-part series of reports released by the Secretary of Commerce. This initiative will fundamentally change the business of spectrum management over the next five years.

Among its broadband-related activities, the Department provided technical guidance to the Federal Communications Commission (FCC) for the responsible deployment of broadband over power line (BPL) systems, contributing significantly toward fulfillment of affordable broadband Internet access for all Americans by 2007. Broadband technology opens up new opportunities for telemedicine, long distance education, and countless other services that will foster investment, improve productivity, and promote job producing economic growth. NTIA has taken the lead in the areas of next-generation Internet Protocols, ultra wideband technology, wireless broadband applications, wireless sensor technologies, and child-friendly Internet content.

The Future: Performance, Priorities, and Challenges

Providing the technology infrastructure for U.S. business: The Department will ensure that NIST continues to fulfill its role as the nation's Measurement Institute and remains a world leader in the most critical matters of measurement science, measurement services, and standards. NIST will focus strategically on critical areas by developing a roadmap of U.S. measurement needs, providing for these needs through the U.S. Measurement System (USMS) project, and linking NIST decisions on funding, facilities, staffing, and competencies to those critical areas. NIST will continue to strengthen its partnerships with industry, other agencies, and academia; and increase awareness, appreciation, and support among stakeholders and customers for NIST's role in strengthening U.S. technological innovation. The effective development and use of standards among manufacturers and the service sector will improve the effectiveness and efficiency of U.S. technology, enable greater interoperability, help all business in the supply chain to work together better and promote international trade practices that are more fair and open.

USPTO's patent and trademark operations are rapidly moving to eliminate paper documents from their processes: Electronic communications will continue to be improved, encouraging more applicants to do business electronically with the delivery of Web-based text and image search systems. Patent and trademark operations have made significant progress in achieving the long-term goal to create an e-government operation, and the Office now relies exclusively on trademark data submitted or captured electronically to support examination, publish documents, and print registrations.

Furthering radio spectrum policy for 21st century: The Department will better manage the nation's airwaves, enhance homeland and economic security, increase benefits to consumers, and ensure U.S. leadership in high-technology innovations.

Ensuring broader availability and support for new sources of advanced telecommunications and information. Furthering technology will continue to open new opportunities for everything we do in our lives. The Department will continue its efforts to lead the way in the next-generation Internet Protocols, ultra wideband technology, wireless broadband applications, wireless sensor technologies, and child-friendly Internet content.

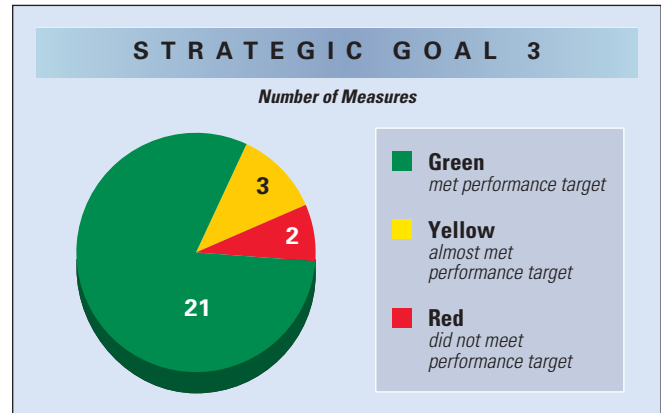
STRATEGIC GOAL 3

Observe, protect and manage the Earth's resources to promote environmental stewardship

Most Important Results

The Department achieved success in 81 percent of the targets that were set.

NOAA Provided Critical Information and Support Before and After Hurricane Katrina: Within 48 hours of landfall on the central Gulf coast, all NOAA National Hurricane Center forecasts indicated that Katrina would come ashore in southeastern Louisiana with a hurricane intensity of at least a level 4. NOAA accurately predicted the path of this hurricane well in advance of landfall, enabling governments to initiate mass evacuations. During Katrina, NOAA collected accurate tide and current information on storm surge that will be invaluable to engineers planning the recovery and rebuilding of the coasts according to standards safe for people and the environment. NOAA provided thousands of before and after Katrina images using high-resolution aerial photography that provided critical help to damage assessment teams and emergency recovery operations. Google Earth and GlobeXplorer companies integrated the imagery into their web services allowing the public to use these images to begin assessing impacts and damages and the insurance industry to expedite claims assessments. NOAA's mapping and charting services acted immediately after the storm to find navigation obstructions that might impede maritime commerce and delivery of critical supplies to stricken populations. NOAA analyzed satellite imagery of the area to determine coastal impacts (e.g., amount of land inundated and wetland loss.) NOAA assisted the State of Louisiana Department of Wildlife and Fisheries Enforcement agents in security and safety matters involving marine rescues through the provision of NOAA enforcement agents and vessels. NOAA determined a commercial fishery failure and a fishery resource disaster in the Gulf of Mexico which will enable additional assistance to be delivered. Further, NOAA helped provide emergency response for more than 200 hazard incidents, including several Superfund hazardous waste sites.



The Department Led the Advancement of Integrated Earth Observations Systems: The Department led the approval and is leading the implementation of the *Strategic Plan for the US Integrated Earth Observation System* through the U.S. Group on Earth Observations (USGEO). USGEO, a standing subcommittee of the White House Committee on Environment and Natural Resources composed of 15 federal agencies and three White House offices, created the plan which was released in April 2005. The Department then led a U.S. Public Engagement Workshop in May 2005 to discuss the plan and its implementation. On a parallel track, the Department continued to provide international leadership in Earth observations and helped to facilitate international agreement on the Global Earth Observation System of Systems (GEOSS). The 10-year implementation plan was adopted at the third Global Earth Observation Summit, held in February 2005 in Brussels. By adopting the plan, the nations have accomplished the first phase of realizing the goal of a comprehensive, integrated, and sustained Earth observation system. The Department also played a vital role in the establishment of the permanent Group on Earth Observations (GEO) through membership on its Executive Committee and in the successful transition of its Secretariat from the United States to Geneva, Switzerland.

NOAA Begins Expansion of U.S. Tsunami Warning Program; Accurately Predicts West Coast Tsunami:

In response to the December 26, 2004 Indian Ocean tsunami, NOAA has taken actions to expand the U.S. Tsunami Warning Program. The multi-year implementation plan, developed after receiving supplemental funding in FY 2005, will improve the Tsunami Warning and Mitigation System and Tsunami Forecast System. Among the steps taken in FY 2005, NOAA now provides 24 hours a day, seven days a week (24/7) operations at NOAA Tsunami Warning Centers, seismic monitoring, and improved community preparedness through the Tsunami Ready program. NOAA also utilized the experimental Tsunami Forecast System to accurately predict a tsunami just off the coast of Oregon following an approximately 7.2 magnitude earthquake off of the northern California coast in June. The accurate forecast and measurement of the resulting tsunami enabled NOAA's Alaska Tsunami Warning Center to cancel its warning for the Oregon coast, which was issued five minutes after the earthquake struck.



Max Mayfield, Director of NOAA's National Hurricane Center, briefed President Bush on Hurricane Frances at the Miami center.

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NOAA Assists the IPCC Fourth Assessment Report on Climate Change: NOAA's new "state-of-the-art" coupled climate model (CM2) provided massive amounts of data to the world's research communities for the IPCC Fourth Assessment Report on Climate Change (2007). The CM2 model was evaluated and revealed to be one of the best in the world by a variety of measures. This accomplishment represents the culmination of an intensive effort by the Geophysical Fluid Dynamic Laboratory (GFDL) scientists over the last several years to construct this climate model. The experiment was begun using two initial conditions: one representing present-day climate, and one from 1860. To assess the effects of global warming, two scenarios were created; the first ran increasing atmospheric carbon dioxide (CO₂) concentrations one percent per year until it reached twice the concentration relative to present day and the second was run increasing atmospheric concentrations of CO₂ one percent per year until it reached four times the concentration relative to present day. Nearly 500 gigabytes of data have been shipped to the Program for Climate Model Diagnosis and Intercomparison (PCMDI) on a large computer disk. NOAA/GFDL was the first organization to ship nearly 500 gigabytes of model data from a state-of-the-art model.

Exploration Of South Pacific finds new species; sets records for NOAA undersea research and ocean exploration:

Hawaii Undersea Research Laboratory (HURL) and Ocean Exploration completed the longest and most-challenging ocean expedition in HURL's 25-year history. The ship traveled 10,000 nautical miles and the Pisces submersibles made 67 dives, one as deep as 1,820 meters on Brothers undersea volcano. The results included the discovery and advancement of knowledge about that largely unknown oceanic region. The nearly five-month-long international expedition to explore the South Pacific produced many discoveries, including numerous suspected new species, new ranges for known species, measurements of the diversity of marine life, and more data about undersea volcanoes and the rare interface of life based on sunlight with chemosynthetic organisms.

Rebuilt fish stocks: As a result of the Department's efforts to conserve and manage the nation's fishery resources, one formerly overfished fish stock, Pacific Whiting, was fully rebuilt in only two years. In addition, six stocks are no longer considered to be overfished, and overfishing has been eliminated on three stocks. Overfished and/or overfishing determinations were made for 20 stocks whose status was previously unknown. The percentage of stocks with a known population status that are not overfished



MANAGEMENT DISCUSSION AND ANALYSIS

increased from 64 percent to 72 percent, while the percentage of stocks with a known fishing rate that are not subject to overfishing has increased from 79 percent to 81 percent.

Recovering Threatened and Endangered Salmonids: The Department's efforts to conserve and recover the nation's protected resources have made steady and sometimes dramatic progress. In recent years, the abundance of both hatchery-reared and naturally spawning populations of listed salmon and steelhead has generally increased. This increase in abundance is likely due to changes in ocean conditions; improvements to habitat from restoration efforts; and changes in harvest regimes, hydropower operations, and hatchery practices implemented since the listings occurred. Improvements are seen in many salmon populations—16 of 26 species or evolutionarily significant units (ESU) of Pacific salmon are stable or increasing, six more than had been anticipated for this time.

National Digital Forecast Database (NDFD) adds additional forecast elements and expands: In FY 2005 two new experimental elements, relative humidity and apparent temperature, were added to the NDFD for the lower 48 states, Puerto Rico, Hawaii, and Guam. This is the first expansion of NDFD. The elements were added in response to land management, emergency response, and public health officials who requested relative humidity, wind chill, and heat indices be added to the digital database. The National Weather Service (NWS) also upgraded six experimental elements to operational status for Puerto Rico and Hawaii. These six forecast elements are already operational for the lower 48 states and will be operational for Guam later in 2005. NOAA customers continue to be excited about these products and are utilizing the NDFD in their decision-making and as part of their business.

The Future: Performance, Priorities, and Challenges

Advancing understanding of climate variability, potential responses, and options: The Department will work to develop a predictive understanding of the global climate system, with quantified uncertainties sufficient for making informed and reasoned decisions. The Department will also target climate-sensitive sectors and the climate literate public and help them to more effectively incorporate the Department's climate products into their everyday planning and decision-making processes. These efforts involve building integrated atmospheric and oceanic climate observing systems, including expansion of the global ocean observing system in support of the Integrated Ocean Observing System (IOOS)/Global Ocean Observing System; improving analyses and attribution of climate trends for improved models and forecasts; understanding the impacts of climate variability and change on marine ecosystems (e.g. fish stocks); and expanding regional decision support climate information and services to a variety of economic sectors (e.g. agriculture, energy providers).

Improving accuracy and timeliness of weather and water information: As the Department has seen from the hurricanes that have struck U.S. coastal areas this fall, accurate hurricane projections are essential in the saving of lives and mitigating property damage. The Department will work to improve the accuracy and lead time of all severe weather events. At the same time, it will work to improve the accuracy of daily weather patterns.

Advancing the place-based ecosystem approach to management: This approach will improve resource management by advancing understanding of ecosystems through better simulation and predictive models, environmental observing, and gathering of information needed for social and economic indicators. To facilitate this, the Department will engage with partners to bridge existing governance structures to achieve regional objectives by implementing cooperative strategies to improve ecosystem health and productivity. Recognizing the vulnerability of the coasts and stressors on ecosystems, NOAA will promote the smart development on the coasts, and the protection and restoration of marine and coastal habitats and biodiversity. With population expected to grow by five to eight percent in the next five years, NOAA will guide coastal managers in balancing the benefits of economic growth with managing and mitigating the impacts of growth on coastal environments and helping to resolve increasing conflicts in competition for land and water resources.



MANAGEMENT DISCUSSION AND ANALYSIS

Improving integration and accuracy of marine, aviation, and surface transportation information: A safe, efficient, and environmentally sound transportation network is crucial to the nation's economic strength. NOAA will work to provide accurate and timely weather information to promote the safe transport of goods. Transportation weather information supports the reduction of weather related crashes and incidents in the air, at sea, and on land.

Improving and expanding knowledge of the world's oceans through deep-sea exploration: The ocean is the lifeblood of Earth, covering more than 70 percent of the planet's surface, driving weather, regulating temperature and ultimately, supporting all living organisms. Throughout history, the ocean has been a vital source of sustenance, transport, commerce, growth and inspiration. Yet for all of our reliance on the ocean, 95 percent of the ocean remains unexplored—unseen by human eyes. NOAA explores the oceans for the purpose of discovery and advancement of knowledge, supporting missions to investigate and document unknown and poorly known areas of the ocean.

Revolutionizing understanding of how earth works through the GEOSS: Sixty countries, the European Commission, and more than 40 international organizations are supporting the development of a GEOSS that, over the next decade, will revolutionize the understanding of Earth and how it works. With benefits as broad as the planet itself, the U.S.-led initiative promises to make people and economies around the globe healthier, safer, and better equipped to manage basic daily needs. The aim is to make 21st century technology as interrelated as the planet it observes, predicts, and protects providing the science on which sound policy and decision-making must be built. The United States, led in major part by the Department, is spearheading such a system, domestically and around the world.

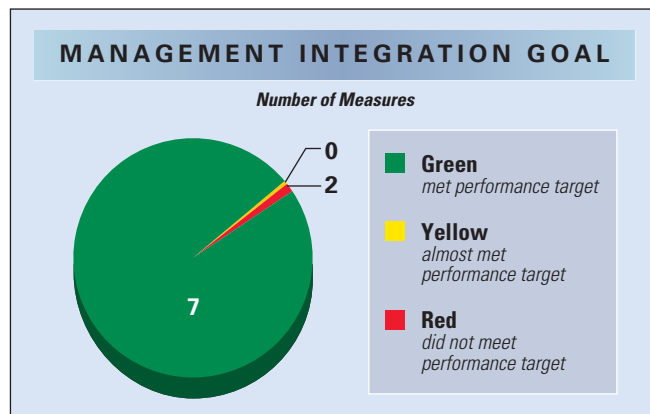
MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

Most Important Results

The Department achieved success in 78 percent of the targets that were set for this goal.

The Department received an unqualified audit opinion for the seventh consecutive year, and obligated 62 percent of its contracting resources to small businesses. In order to keep pace with changing competency needs, the Department continued to refine the Learning Management System (LMS), which provides diverse Department audiences with one-stop access to more than 1,200 off-the-shelf and customized e-learning courses anytime and anywhere, via the Internet. Combining course-authoring capability, storage of employee training information, and automation of individual development plans, the LMS ensures that the Department will be able to quickly respond to urgent, mandated, or other customized training needs as well as more comprehensive training solutions.





MANAGEMENT DISCUSSION AND ANALYSIS

To assist managers in assuring that program performance plays a role in decisions about their programs, the Department's executive information system, the Consolidated Reporting System (CRS), for the first time included performance data in addition to financial, procurement, human resources, and grants information. CRS allows managers to extract the data they need without having to rely on other people's schedules or availability, and provides a comprehensive picture of the status of human and material resources and performance.

The Future: Performance, Priorities, and Challenges

Promoting information security throughout the Department: In today's world, overcoming the threat to the security of the information that organizations generate and use remains a constant challenge. Although the Department has made much progress over the last few years in improving information security, it will continue to develop and implement security controls for its systems and will equip its personnel with the necessary training to administer systems securely and effectively.

Improving budget and performance integration: To ensure that taxpayers are receiving an appropriate return on investment, the Department must continue to assess the relationship between funds spent and performance outcomes. The establishment of quarterly monitoring has fostered greater accountability for delivering program performance, but the Department must continue to evaluate the link between budget and performance to ensure it is making the best possible use of public funds.

Effectively managing Departmental and bureau acquisition processes: The Department is continually challenged to maintain an effective business environment in which administrative costs are minimized and contract cost avoidance is maximized. During FY 2005, the Department embarked upon a major communications program to reach out to the acquisition and program communities, focusing on acquisition planning, training of contracting officers' representatives, and development of a performance-based acquisition enterprise. Towards those ends, the Department developed a training program for contracting officers' representatives that requires expertise in business/industry, general management, project management, and procurement. In addition, a contracting officer representative element must be included in the performance plans of individuals who spend more than 20 percent of their time working on contracts. The increasing expertise of the Department's acquisition workforce will contribute to positive results when feasibility studies of all major commercial functions are conducted and competitions to be held in the next several fiscal years are identified.