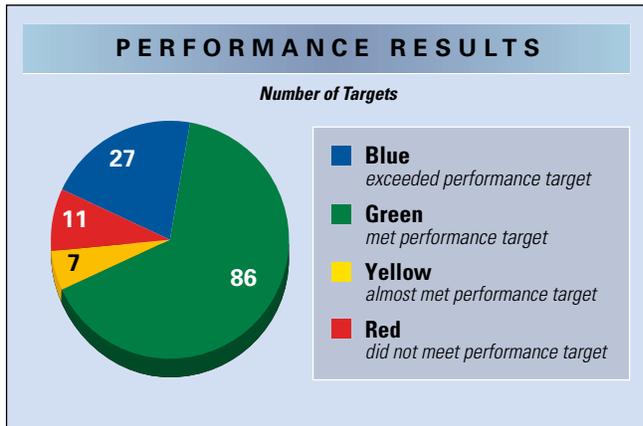


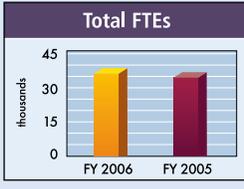
FY 2006 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 131 performance targets, 86 percent were at or above target, six percent slightly below target, and eight percent not on target. These results are slightly lower than last year, when 89 percent were at or above target. Below are the performance results by strategic goal and financial highlights. Achieving results in each of the strategic goals furthers the Department's mission. This summary provides a snapshot of the targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each performance goal.



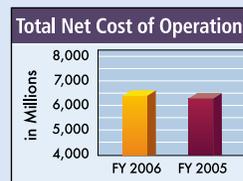
(Dollars In Millions) ¹	Percentage Change	FY 2006	FY 2005
For the Years Ended September 30, 2006 and 2005			
Obligations by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+3%	\$ 1,936.0	\$ 1,888.5
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+11%	2,719.4	2,456.5
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+11%	4,507.3	4,064.0
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	-9%	71.8	79.2
TOTAL OBLIGATIONS	+9%	\$ 9,234.5	\$ 8,488.2
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%	12,017	11,877
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+6%	10,582	10,022
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+8%	12,896	11,918
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+1%	295	292
TOTAL FTEs	+5%	35,790	34,109



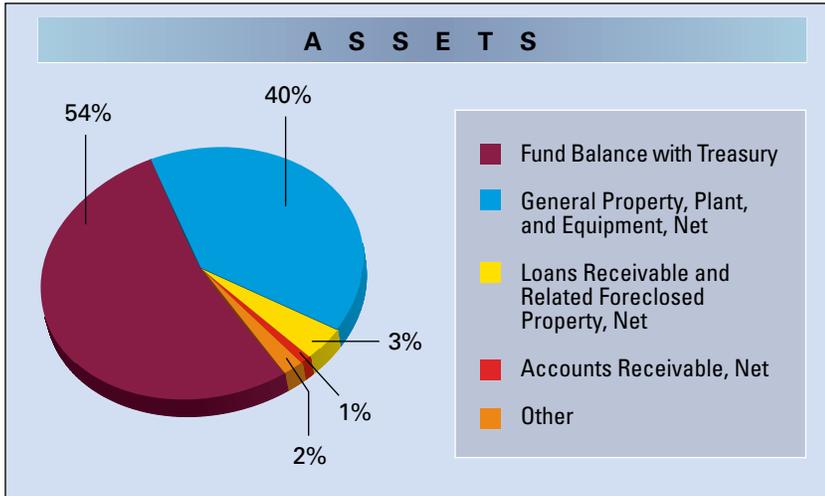
¹Performance obligations may differ from obligations shown in financial reports because they do not include one-time funds for unexpected events (e.g., Katrina) or reimbursable work that cannot be planned. In these cases, these obligations are not factored into bureau performance amounts.

FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	Percentage Change	FY 2006	FY 2005
As of September 30, 2006 and 2005			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	+3%	\$ 7,231,997	\$ 7,041,269
General Property, Plant, and Equipment, Net	+8%	5,299,093	4,927,707
Loans Receivable and Related Foreclosed Property, Net	+12%	467,985	417,509
Accounts Receivable, Net	+15%	145,906	126,754
Other	-1%	215,437	216,937
TOTAL ASSETS	+5%	\$13,360,418	\$12,730,176
LIABILITIES:			
Unearned Revenue	+8%	\$ 1,390,284	\$ 1,287,749
Federal Employee Benefits	+4%	589,964	569,114
Accounts Payable	-9%	364,250	399,957
Accrued Grants	+8%	420,588	388,679
Debt to Treasury	+18%	422,071	357,581
Accrued Payroll and Annual Leave	+5%	370,240	351,698
Other	-18%	333,519	407,211
TOTAL LIABILITIES	+3%	\$ 3,890,916	\$ 3,761,989
NET POSITION:			
Unexpended Appropriations	+2%	\$ 4,306,421	\$ 4,238,321
Cumulative Results of Operations	+9%	5,163,081	4,729,866
TOTAL NET POSITION	+6%	\$ 9,469,502	\$ 8,968,187
TOTAL LIABILITIES AND NET POSITION	+5%	\$13,360,418	\$12,730,176
For the Years Ended September 30, 2006 and 2005			
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>	+9%	\$ 1,816,282	\$ 1,672,505
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	-24%	707,220	931,507
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+5%	3,893,386	3,708,116
TOTAL NET COST OF OPERATIONS	+2%	\$ 6,416,888	\$ 6,312,128
Total Gross Costs	+5%	\$ 8,824,389	\$ 8,438,306
Total Earned Revenue	+13%	(2,407,501)	(2,126,178)
Total Net Cost Of Operations	+2%	\$ 6,416,888	\$ 6,312,128

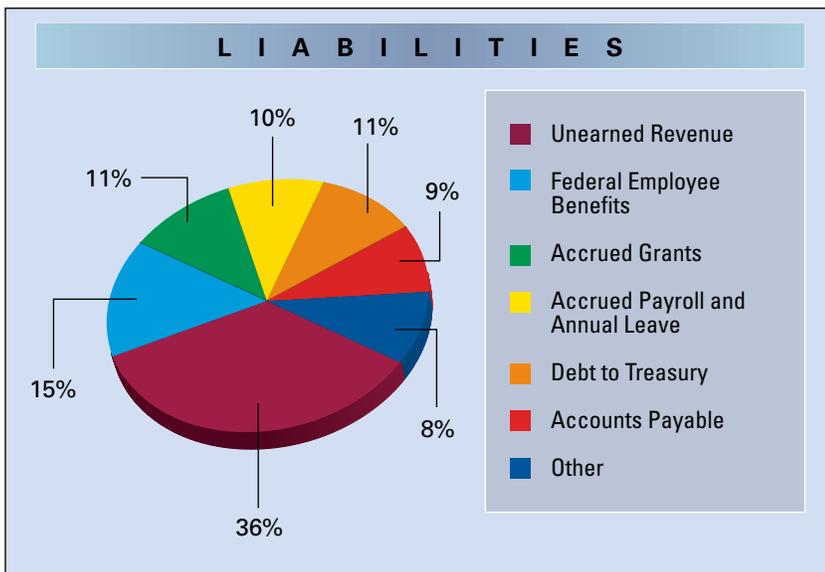


REVIEW OF FINANCIAL POSITION AND RESULTS



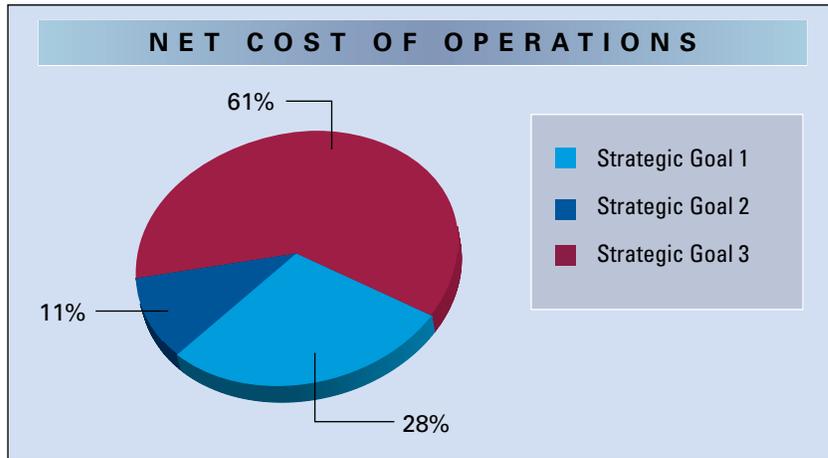
Assets

The Department had total assets of \$13.4 billion as of September 30, 2006. This represents an increase of \$630 million (five percent) over the previous year's total assets of \$12.7 billion. The increase is primarily the result of Fund Balance with Treasury increasing by \$191 million, which primarily resulted from higher Appropriations Received of \$287 million or 4.4%; and General Property, Plant, and Equipment, Net increasing by \$371 million, which primarily resulted from increase in Construction-Work-in-Progress of \$640 million, and a decrease of \$287 million in Satellites/Weather System Personal Property.



Liabilities

The Department had total liabilities of \$3.9 billion as of September 30, 2006. This represents an increase of \$128.9 million (3.4 percent) over the previous year's total liabilities of \$3.8 billion. The increase is primarily the result of Unearned Revenue increasing by \$102.5 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 \$64.5 million primarily due to increase in crab buyback program loans.



Net Cost of Operations

In FY 2006, Net Cost of Operations amounted to \$6.4 billion, which consists of Gross Costs of \$8.8 billion less Earned Revenue of \$2.4 billion. Strategic Goal 1 includes Gross Costs of \$2.1 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 \$4.2 billion related to observing, protecting, and managing the Earth's resources to promote environmental stewardship.



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; increasing the productivity of the U.S. economy; encouraging the economic growth that benefits all U.S. industries, workers, and consumers; enhancing technological leadership and environmental stewardship; and supporting market growth strategies. The plan puts forth broad objectives, targets specific outcomes, and identifies key challenges. The Department is currently in the process of updating its strategic plan for FY 2007 - FY 2012. The FY 2004 - FY 2009 strategic plan can be found at: <http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm>.

Bureau Annual Performance Plans (APP) provide the Department'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. Each plan is integrated with the President's budget submission to Congress, at the bureau level. Bureau FY 2007 APPs can be found at: <http://www.osec.doc.gov/bmi/budget/>.

This Performance and Accountability Report (PAR) provides a public accounting of the Department's FY 2006 performance results and completes the Department's performance management process. The Web address of the FY 2006 PAR is: <http://www.osec.doc.gov/bmi/budget/>.



MANAGEMENT DISCUSSION AND ANALYSIS

The appendices of the FY 2006 PAR provide details of the Department's performance and explanatory materials supporting the program results. The Department'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 U.S. public. Performance measures depict tangible progress by Department program activities toward these goals. The Department 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 the Department adds value to the U.S. economy. The FY 2006 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 Department bureau's own performance results to gain a comprehensive picture of the Department's accomplishments in FY 2006. More in-depth performance results for FY 2006 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

The Department 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.

Currently, the Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific performance measures for review each quarter, requiring that the bureaus provide all the data used for determining these measures, reviewing the measures for validity, and then developing recommendations for improving the measures.

Performance Controls and Procedures

Performance Data: The Department'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. Data can be divided into three types: Financial Data, Data Management Methods, and Data from Manual Processes. As of September 30, 2006, Department staff had reviewed 31 measures as described above. Some examples include: jobs created or retained (Economic Development Administration [EDA]), lead time of tornado warnings (National Oceanic and Atmospheric Administration [NOAA]), and trademark applications filed electronically (U.S. Patent and Trademark Office [USPTO]).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Data: As stated above, the Department has a high degree of confidence in its financial data. Normal audit and other financial management controls maintain the integrity of these data elements. During FY 2006 Consolidated Financial Statement audit, tests and review of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. Further, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123, and based on the results of this evaluation, the Department provided reasonable assurance that its internal control over financial reporting was operating effectively.

Performance Reviews: The Department also conducts quarterly performance reviews. During these reviews, bureau heads report to the Deputy Secretary on the current status of bureau performance, including PART results and efforts on the President's Management Agenda. They also report on the status of measures that will 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, the Department 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	Strategic Objective 1.1: 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	●
		Enhance U.S. competitiveness in domestic and international markets	●
		Broaden and deepen U.S. exporter base	●
		Increase access to the marketplace and financing for minority-owned businesses	●
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Identify and resolve unfair trade practices	●
		Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system	●
		Integrate non-U.S. actors to create a more effective global export control and treaty compliance system	●
		Eliminate illicit export activity outside the global export control and treaty compliance system	●
		Ensure continued U.S. technology leadership in industries that are essential to national security**	●
	Strategic Objective 1.3: 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%) ● = NOT APPLICABLE

** This goal had one measure—Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls. No assessments were completed until late in the fourth quarter, so data or estimated data will not be available before January 1, 2007. Results will be reported in the FY 2007 PAR.

(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 (IP), enhancing technical standards, and advancing measurement science	Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Promote innovation, facilitate trade, and ensure public safety and security 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	●
	Strategic Objective 2.2: 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	●
	Strategic Objective 2.3: 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	Strategic Objective 3.1: 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			●
Strategic Objective 3.2: 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%) ● = NOT APPLICABLE



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 the Department's most important results, challenges, and action plans by strategic goal. This list is not all inclusive.

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	Strategic Objective 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)	
		Number of market access and compliance cases completed (ITA)	
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Percent of licenses requiring interagency referral referred within nine days. (BIS)	
		Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge (BIS)	
		Strategic Objective 1.3: Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	
	Strategic Goal 2: Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science	Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	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)
		Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	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 Objective 2.3: Advance the development of global e-commerce and enhanced telecommunications and information services		Qualitative assessment and review of technical quality and merit using peer review (NIST)	
		Customer satisfaction with NTIS products and services (NTIS)	
		Patent allowance error rate (USPTO)	
		Trademark final action deficiency rate (USPTO)	
		IP technical activities completed (USPTO)	
Support new telecom and information technology by advocating Administration views in FCC docket filings and congressional proceedings (NTIA)			

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE MEASURES (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE
<p>Strategic Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship</p>	<p>Strategic Objective 3.1: Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs</p>	Tornado warnings lead time (minutes) (NOAA)
		Hurricane forecast track error (48 hours) (nautical miles) (NOAA)
		Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations (NOAA)
	<p>Strategic Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs</p>	Number of major stocks with an "unknown" stock status (NOAA)
		Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)
<p>Management Integration Goal: Achieve organizational and management excellence</p>		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 87 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) measures the results of its investments three, six, and nine years after the award date. EDA data indicate that investments made in FY 2003, FY 2000 and FY 1997 (three, six and nine years prior to FY 2006) generated \$4.94 billion in private investment and created or retained 105,206 jobs. EDA anticipates that investments made in FY 2006 will generate \$265 million by FY 2009, \$662 million by FY 2012, and \$1.324 billion by FY 2015. EDA expects that those same investments will create or retain 7,019 jobs by 2009, 17,548 jobs by FY 2012, and 35,097 jobs by FY 2015.



The Minority Business Development Agency (MBDA) responded to the Department's Gulf Coast Initiative by identifying competitive minority business enterprises (MBE) capable of competing for contract opportunities to rebuild New Orleans and the Mississippi Coast. The Agency reprogrammed funds, established a temporary Minority Business Enterprise Center (MBEC) in New Orleans, hired an area manager to work in the community, and funded a new Minority Business Opportunity Center (MBOC) to service Louisiana and Mississippi.

To further support this effort, MBDA developed a new demonstration program entitled "Business to Business (B2B) Partnership Linkages." These forums brought minority businesses together to form joint ventures that allowed them to compete for larger contracts that would normally go to large non-minority firms. MBDA invited other federal agencies to participate, identifying specific contracts that were being announced and to provide mentoring and technical assistance. Successful forums were held in New Orleans, Biloxi, and Washington, DC, with more scheduled for later in the year.

In response to the MBDA vision statement of reaching economic parity, a special report, "The State of Minority Business Enterprises," was presented at the 2006 National Minority Enterprise Week celebration. Between 1997 and 2002, the number of minority firms increased by 35 percent, significantly higher than the six percent gain by non-minority firms. Also, the annual receipts generated by MBEs increased by 13 percent compared to only a three percent growth of receipts for non-minorities. In addition, the number of paid employees grew by five percent compared to a decline of seven percent for non-minority businesses.

In the area of trade, the International Trade Administration (ITA) advanced two critical program priorities by its efforts to strengthen public-private promotion through leveraging public and private partnerships and by promoting U.S. exports in strategic and emerging markets. These priorities reinforced ITA's goal to broaden and deepen the export base. The President and the Secretary of Commerce rely upon ITA to advance free trade as a means to create opportunities for U.S. companies in recently negotiated Free Trade Agreements (FTA), as well as critical strategic and emerging markets. Government and industry have worked side-by-side



MANAGEMENT DISCUSSION AND ANALYSIS

to support passage of several FTAs, advance U.S. positions in the World Trade Organization (WTO), and to expand market access and promote U.S. exports in commercially strategic markets. These efforts have yielded the following results:

- ◆ **Chile** — In Chile, total bilateral trade between the United States and Chile rose 85 percent since the U.S.-Chile FTA went into effect in January 2004. The United States exported \$5.2 billion in goods in 2005, a 91 percent increase over 2003.
- ◆ **Central America Free Trade Agreement - Dominican Republic (CAFTA-DR)** — This FTA created the second-largest U.S. export market in Latin America, behind only Mexico, and the 10th largest U.S. export market in the world. The United States exported almost \$16 billion in goods to the five Central American countries and the Dominican Republic in 2004, more than all exports to Russia, India, and Indonesia combined. U.S. export growth to the CAFTA-DR region has outperformed overall U.S. exports during the past five years.
- ◆ **India** — Twenty-five years ago U.S. total bilateral trade was only \$2.8 billion. By 2005, that had increased nearly tenfold to \$27 billion. U.S. exports to India have nearly doubled in the last three years from \$4.1 billion in 2002 to over \$8 billion in 2006. ITA continues to advance an enhanced U.S. India commercial dialogue, launched this past spring by Under Secretary Franklin Lavin. He and India's Secretary of Commerce S.N. Menon agreed that the commercial dialogue should be elevated, enhanced, and expanded and that it would demonstrate greater engagement by the two private sectors. The expanded agenda for the commercial dialogue now addresses standards, intellectual property rights (IPR) enforcement, antidumping and countervailing duty (AD/CVD) procedures, and commercial opportunities for small and medium-sized enterprises.
- ◆ **China** — Since 2001, when China joined the WTO, U.S. exports to China have grown five times faster than they have to the rest of the world, and China has gone from being the ninth largest to the fourth largest export market for U.S. farmers, ranchers, manufacturers, and service providers. U.S. exports to China increased by an impressive 21 percent in 2005, building on similar growth in prior years. This has made China the fastest growing U.S. export market among U.S. major trading partners in 2006.

ITA has remained committed in FY 2006 to address the removal of existing trade barriers and compliance with negotiated trade agreements. ITA through its Import Administration (IA) program enforces U.S. trade laws and works extensively with U.S. businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies. During the past year, IA has negotiated and has started implementing two key agreements, one on Mexican cement and one on Canadian softwood lumber.

- ◆ **Mexican Cement** — The Mexican Cement Agreement resolved a long-standing trade dispute between the United States and Mexico over imports of cement while at the same time providing improved market access for U.S. cement producers into the Mexican market. IA negotiated the agreement to reach a settlement of this long-standing trade dispute. Over the past two years, U.S. consumers, particularly in the south, complained of shortages of cement. Last summer's Gulf Coast hurricanes exacerbated this situation and played a role in



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.

reaching this settlement. Now, cement shortages that impact consumers in the U.S. south have been eased by a measured entry of Mexican cement into the U.S. market. These imports also assisted with efforts to rebuild in the hurricane-ravaged Gulf Coast region. The agreement has helped to ensure that resources will be available in the event of future disaster. The long-term impact of this agreement includes market-liberalization, including improved access to the Mexican market for U.S. cement producers. If the Mexican exporters comply with the agreement's terms, after three years the antidumping duty order against Mexico (in place for 16 years) will be revoked, effectively resolving a trade dispute between Mexico and the United States.

◆ **Softwood Lumber Agreement** – The United States and Canada have a largely dispute-free trade relationship. One of the irritants is a 20-year dispute over the trade of softwood lumber. Both sides have made repeated attempts to negotiate a solution. Under the terms of the agreement announced by Secretary Gutierrez in late April 2006, the United States and Canada ended all litigation over softwood lumber and provided for unrestricted trade in the favorable market conditions the industries have enjoyed for the last several years and which exist today.

In FY 2006, the Department served U.S. security needs and U.S. exporters by strengthening and streamlining the dual-use export control system, and ensuring the timely review of all license applications.

The Department published a major rule updating high performance computer export requirements in FY 2006 that will contribute to U.S. competitiveness consistent with U.S. national security interests. The Department also promoted U.S. competitiveness by establishing the Deemed Export Advisory Committee (DEAC) in June 2006 to review and provide recommendations to the Secretary on possible changes to regulations governing the unauthorized transfers of technology or source code within the United States ("deemed exports") in a manner permitting U.S. businesses, universities, and research institutions access to the highly skilled people they need to sustain the U.S. innovation economy.

The Department also published a proposed export policy rule in the Federal Register in July 2006 that will facilitate U.S. exports to civilian enterprises in China while ensuring that sensitive U.S. technologies do not increase Chinese military capabilities. The rule is open to public comment until early November, after which the Department will promulgate the final regulation. The proposed rule achieves two important and complementary objectives: supporting U.S. companies in competing in the vast Chinese market for civilian technology while preventing the export of technologies that contribute to China's military modernization.



Under Secretary David McCormick and Chinese Ministry of Commerce Vice Minister Ma Xinhong sign papers establishing the U.S.-China High Technology and Strategic Trade Working Group under the JCCT.

The Department also advanced trade consistent with national security through an industry outreach program to facilitate compliance with U.S. export controls. In FY 2006, the Department conducted 53 seminars to respond to a variety of exporter needs, including 5 seminars in other countries. They included 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.

Improved targeting of enforcement resources led to 872 actions that resulted in a deterrence or prevention of a violation and cases which resulted in a criminal and/or administrative charge. 79 percent of these successes were in the priority areas of weapons of mass destruction (WMD), terrorism, and military diversion. The outcome was 34 convictions, and the imposition of \$3 million in fines for



MANAGEMENT DISCUSSION AND ANALYSIS

criminal export violations; prosecution of 104 administrative cases (95 enforcement and nine antiboycott) and the imposition of \$13.1 million in administrative penalties; and completion of more than 942 end-use verifications overseas to confirm compliance with export license requirements.

The Department completed all FY 2006 planned activities and operations related to the 2006 Census Test. Building on the results of the 2004 Census Test, the use and evaluation of the hand held computer for both new and improved functionality being studied in the 2006 Census Test will ultimately inform the requirements for the use of these devices in the 2008 Dress Rehearsal and the 2010 Census. The test also will provide important information regarding coverage improvement and coverage measurement methodologies, the use of a multi-language guide, replacement questionnaire delivery strategies, group quarters enumeration operations, and improved methodologies for conducting enumeration operations on American Indian reservations. Two major automation contracts were awarded during FY 2006—the Decennial Response Integration System (DRIS) contract (October 2005) and the Field Data Collection Automation (FDCA) contract (March 2006).

The Department successfully completed updates to geographic reference features for all planned counties for FY 2006. 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 addition, for economic programs, all data products were released on schedule and targeted response rates were met. The economic releases included 123 principal economic indicators, the Annual Survey of Manufactures, the Annual Trade Survey, the Annual Retail Trade Survey, the Service Annual Survey, the Annual Public Employment Survey and 51 reports from the 2002 Economic Census. 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 met its target to achieve at least 90 percent of the planned response rates and released all data products on time for the demographic surveys. These data are used to make policy decisions about programs 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 the Economics and Statistics Administration (ESA), has made significant gains in improving the economic information used as the basis for important decisions by business leaders, policymakers and the U.S. public. In 2006, BEA considerably improved the accuracy and relevance of its economic data through such efforts as introducing the preliminary research and development (R&D) satellite accounts, expanding the geographic detail on U.S. international transactions, and concluding a successful joint effort with the Federal Reserve to publish integrated estimates of the national income and product accounts (NIPA) and flow of funds. BEA also incorporated data from the Census Bureau's FY 2006 expansion of the 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 began enumeration of Group Quarters and expanded the number of geographies published by nearly tenfold.

Leading the federal economic development agenda: EDA focuses its resources on proven, high-value, cutting-edge economic development activities and techniques promoted by academic and leading practitioners. EDA achieves success by emphasizing regionalism, innovation, and entrepreneurship as the building blocks for successful economic development.

Managing export controls to maximize security with minimum impact on U.S. competitiveness: The global trading system must rest on a firm foundation of security, including the security provided by export controls. The Department will continue to strengthen and streamline the dual-use export control system, improve its process for writing the regulations that translate law and policy into rules for exporters, prioritize its enforcement capabilities on the most important threats, and conduct in-depth studies of strategic industries, with the intention of tailoring export controls to meet the twin challenges of security and competitiveness.

Trade relations with China: The Department in close coordination with the U.S. Trade Representative (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. The Department will deploy its full resources to open China's markets to U.S. exporters, while denying China the use of U.S.-origin technologies to support its military build-up.

Deemed export controls: The Department will conduct a thorough review of deemed export policy to ensure that it meets U.S. security needs while promoting the competitiveness of U.S. research. In this review, it will draw upon the findings of the newly established DEAC.

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.

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 its 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 the Department alone. The Department must find more effective ways of collaborating with the business world, industry experts, researchers, and policymakers.



STRATEGIC GOAL 2

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

Most Important Results

The Department achieved success in 95 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 IP with representatives from many countries throughout the world, including those in which the United States is negotiating or has negotiated FTAs.

The U.S. Patent and Trademark Office (USPTO) strives to meet its goals of reducing pendency through an approach that includes hiring sufficient numbers of new examiners, retention of experienced staff, outsourcing, exploring work sharing with other patent offices, process reform through revised rules of practice, and training. In FY 2006 1,218 new patent examiners were hired. Additionally, USPTO has completed an agreement with the Australian Intellectual Property Office that competitively awarded a contract for Patent Cooperation Treaty (PCT) searches in FY 2007 and beyond, which will free examiners to focus on the examination of national applications. In January 2006, USPTO launched an academy approach to training entry-level patent examiners aimed at graduating examiners sufficiently skilled to produce quality examinations with reduced oversight. New employees are given in-depth training for up to eight months that combines technical and legal instruction, practical applications, small group study, and one-on-one assistance with real applications. The goal is for competency to improve and attritions of new hires to decrease. Approximately 600 new examiners participated in this program in 2006.



Two of the measures USPTO uses to gauge patent quality are the allowance error rate and the in-process examination compliance rate. In FY 2006, efforts to improve quality resulted in an allowance error rate of 3.5 percent, 12.5 percent better than the goal of 4.0 percent. At 90 percent in-process examination compliance, USPTO exceeded its goal of 86 percent.

The public Patent Application and Information Retrieval (PAIR) offers the public an advanced electronic portal for PDF viewing, downloading, and printing an array of information and documents for patent applications not covered by confidentiality laws. Public PAIR also offers a quick-click feature for ordering certified copies of patent applications and application files. The private PAIR system allows applicants access to the file history of their applications. In FY 2006, over 24.1 million search requests were made in public PAIR, and 2.7 million requests in private PAIR. In March 2006, USPTO fully deployed an enhanced electronic filing system (EFS-Web). The system was designed with extensive applicant input to improve the ease of e-filing. E-filing reduces errors and expedites processing by eliminating the scanning and indexing required for paper applications. USPTO met its FY 2006 goal of 10.0 percent of patent applications filed electronically.

The Department's National Institute of Standards and Technology (NIST) has long been one of the world's foremost research laboratories for measurement science and standards. Its reputation was further enhanced when John L. (Jan) Hall was named a



MANAGEMENT DISCUSSION AND ANALYSIS

co-recipient of the 2005 Nobel Prize in Physics in October for his work at NIST to develop the laser as a precision measurement tool. With this achievement, NIST is now the home to three Nobel Laureates.

In March, NIST physicists—building on a precision laser calibration technique developed by Hall—announced a highly sensitive new tool for real-time chemical analysis, even in minuscule gas samples. Their new technology could dramatically enhance the speed and accuracy of chemistry laboratories, environmental monitoring stations, security sites screening for explosives or biochemical weapons, and medical offices where a patient's breath could be analyzed to monitor disease.

NIST researchers also continued to push the limits of quantum physics and quantum information technology (IT), announcing in December a groundbreaking quantum experiment that set a new record for simultaneously confining individual atoms and controlling their quantum states—work that impacts the design of quantum computers and could lead to improved precision instruments such as atomic clocks. In June NIST researchers announced the development of a novel electromagnetic “trap” for ions that may lead to practical quantum computers.

The Technology Administration/Under Secretary (TA/US) issued a report on recycling of electronic products that detailed how a patchwork of state laws governing waste management and recycling issues could potentially impact the competitiveness of the U.S. technology industry. Disparate requirements can lead to uncertainties, inefficiencies, and high compliance costs that could impede U.S. industry's ability to compete and innovate. The report found that although the electronics industry agrees on the need for a national recycling system, there is no consensus among stakeholders over how to achieve a national system of electronics recycling. The report includes descriptions of recycling laws and programs throughout the country and the world, and provides comments received from 44 companies, associations, state and local agencies, and others engaged on this issue.

TA/US continued its efforts to advance the commercialization of emerging and promising Radio Frequency Identification (RFID) technology through its leadership on the Department RFID Working Group and joint leadership with the Department of Defense (DOD) on the RFID Intra-Government Council. TA/US actively advanced U.S. interests in discussions with government officials in China and the European Commission.

In FY 2006, the National Technical Information Service (NTIS) built on the strategic plan it updated in 2005 to launch strategic initiatives in human capital and in business process re-engineering of mission critical processes. NTIS continues to develop a detailed strategic roadmap that responds to changes in the information acquisition and dissemination environment. NTIS's strategic plan supports both the President's Management Agenda (PMA) and the Department's strategic plan.

In FY 2006, NTIS maintained its status as an Office of Personnel Management (OPM) approved provider of e-learning and knowledge management solutions. NTIS worked with OPM's Human Resources Line of Business (HR LOB)/Human Resources Development (HRD) program, formerly the e-Training Initiative, towards realizing its vision to create a premier e-learning environment that supports the federal workforce and advances the accomplishment of Agency missions through simplified and one-stop access to high quality e-learning products, services, and performance support tools. As an approved service provider, NTIS has developed joint venture partnerships with industry, in order to provide federal agencies with the best-of-breed e-learning and knowledge management solutions, in a secure government-hosted environment. NTIS has also established distribution agreements with E-Cornell and the University of Management and Technology (UMT) in order to provide discounted tuition for online certificate programs in management training and executive development as part of an initiative to provide a rigorous, scalable, and cost-effective learning to government employees.

The Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) provided information to assist coordination in the 1710-1755 MHz band, to facilitate the transition of this band from federal government use to non-federal use. Specifically, guidance was provided to assist Advanced Wireless Service (AWS)



MANAGEMENT DISCUSSION AND ANALYSIS

licensees in this band to begin implementing service during the transition of federal operations from the band while providing interference protection to incumbent federal government operations until they have been relocated to other frequency bands or technologies.

NTIA released the final report on the technical and economic issues related to Internet Protocol version 6 (IPv6) adoption in the United States, including the appropriate role of government, international interoperability, security in transition, and costs and benefits of IPv6 deployment. The report was developed by the IPv6 Task Force, led by NTIA and NIST.

NTIA began extensive preparations for the administration of programs established by the Digital Television Transition and Public Safety Fund, created by the Deficit Reduction Act of 2005. This fund receives offsetting receipts from the auction of electromagnetic spectrum recovered from discontinued analog television signals, and provides funding for several programs from these receipts. Programs authorized by the act include the Digital-to-Analog Converter Box Voucher Program, Public Safety Interoperable Communications Grants, New York City 9/11 Digital Transition, Assistance to Low-Power Television Stations, National Alert and Tsunami Warning Program, and Enhanced 9-1-1 Service Support.

The Future: Performance, Priorities, and Challenges

Use the President's American Competitiveness Initiative to help the United States to drive and take advantage of the increased pace of technological change: The Department will ensure that NIST continues to fulfill its mission to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve U.S. quality of life. Technological innovation is vital to U.S. economic growth, the nation's industries, and U.S. workers. The Department's key role in the American Competitiveness Initiative, which strives to keep the nation strong and secure by ensuring that the United States continues to lead the world in science and technology (S&T), reflects the importance of innovation to its economic future. NIST will continue to conduct high-priority research, identify technical measurement barriers to innovation, and transfer technical knowledge developed to the private sector as part of efforts to drive this initiative. Next-generation measurement and standards needs require NIST to focus its long-term research efforts on specific interdisciplinary technology areas where inadequate technical infrastructure is a barrier to innovation, commercialization, and public benefit.

Program priorities are developed through interactions with internal and external stakeholders in industry, academia, and other federal agencies. For example, the new NIST-private sector assessment of the U.S. Measurement System (USMS) is fundamental to identifying critical barriers to technological innovation and shaping NIST's future research priorities.

As S&T advances, the need for more sophisticated and demanding measurement science and standards grows. NIST can develop and provide these capabilities and services only in environmentally stable and safe research and measurement laboratories. In order to successfully fulfill the requirements of its mission, NIST must continue to invest in improving its facilities and infrastructure.

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 people do in their lives. The Department will continue its efforts to lead the way in the next-generation Internet Protocols, ultra wideband technology (UWB), wireless broadband applications, and wireless sensor technologies.

STRATEGIC GOAL 3

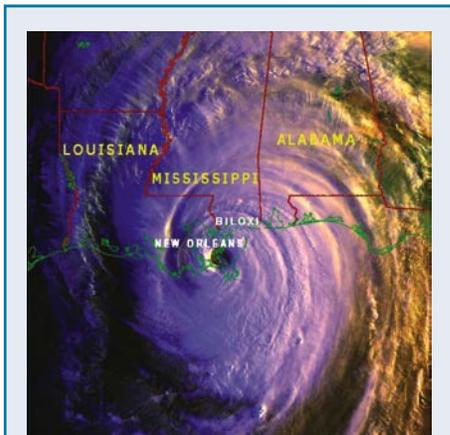
Observe, protect, and manage the Earth’s resources to promote environmental stewardship

Most Important Results

The Department achieved success in 77 percent of the targets that were set.

National Weather Service (NWS) Response to Hurricane Katrina

The devastation left in Katrina's wake over southeast Louisiana and coastal Mississippi was immense. The storm surge ravaged coastal Mississippi, and several levee breaches occurred in and around New Orleans. The levee breaches and overtopping resulted in floodwaters of 15 to 20 feet covering about 80 percent of the city. The catastrophic damage and loss of life inflicted by this hurricane is staggering, with an estimated 1,353 direct fatalities and 275,000 homes damaged or destroyed. Total economic losses could be greater than \$100 billion. These impacts make Katrina the costliest hurricane in U.S. history and one of the five deadliest hurricanes to ever strike the United States.



Satellite image of Hurricane Katrina passing over the Gulf Coast.

A follow-up service assessment found that the National Weather Service (NWS) performed admirably, before, during, and after Katrina. The products and services provided by NWS offices were particularly accurate and timely, and they contributed significantly to critical customer decision-making. The hurricane forecast track error was considerably better than average through the five-day forecast period. Lead times on hurricane watches and warnings for Louisiana, Mississippi, Alabama, and the Florida panhandle were eight hours above average. A noteworthy moment for NWS came when the Weather Forecast Office (WFO) in New Orleans/Baton Rouge issued a statement one day prior to Katrina's landfall that emphasized the likely impacts of the hurricane on southeast Louisiana and coastal Mississippi. Due to the unprecedented detail and foreboding nature of the language used, the statement helped reinforce the actions of emergency management officials as they coordinated one of the largest evacuations in U.S. history. The NWS actions leading up to Katrina's landfall and the efforts of the NWS tropical cyclone outreach program over the



NOAA image of red pencil urchin found among the more than 7,000 species in the new Northwestern Hawaiian Islands Marine National Monument.

"Along with the two national wildlife refuges already in the area, this national monument provides permanent protection and conservation for the extraordinary natural resources and wildlife of the Northwestern Hawaiian Islands. Relatively untouched by human activities, these isolated waters and coral reefs provide vital habitat for the endangered Hawaiian monk seal, the threatened Hawaiian green sea turtle and other rare marine species."

Dirk Kempthorne,
Secretary, Department of Interior

last two decades contributed to these high evacuation rates and undoubtedly saved many lives.

During extremely difficult working conditions, the ingenuity, dedication, and sheer will of NWS employees enabled the provision of products and services even as infrastructure and backup systems failed. Incident meteorologists served a vital role in the aftermath of Katrina by establishing portable communications systems and weather observing systems to mitigate critical outages. Most importantly, service backup operations were transparent to most users and partners as high quality products and services were provided by alternate offices.

President Sets Aside Largest Marine Conservation Area On Earth

Northwestern Hawaiian Islands Marine National Monument Encompasses Nearly 140,000 Square Miles

The Administration created the world's largest marine conservation area off the coast of the North Western Hawaiian Islands in order to permanently protect the area's pristine coral reefs and unique marine species. The Northwestern Hawaiian Islands Marine National Monument encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The monument will be managed by the Department of the Interior's (DOI) U.S. Fish and Wildlife Service and the Department's National Oceanic and Atmospheric Administration (NOAA), in close coordination with the State of Hawaii.

"This is a landmark achievement for conservation, protection and enhancement of the Northwestern Hawaiian Islands," said Department Secretary Carlos Gutierrez. "Approximately one quarter of the species here are found nowhere else in the world and a marine national monument will provide comprehensive, permanent protection to this region."

New NOAA Environmental Satellite Launched, Reaches Orbit

NOAA and the National Aeronautics and Space Administration (NASA) officials confirmed that a new geostationary operational environmental satellite, designed to track hurricanes and other severe weather impacting the nation, successfully reached orbit. The first signal acquisition occurred six hours and 30 minutes after the launch, at the Air Force Tracking Station, Diego Garcia, located in the Indian Ocean.



Image of NOAA GOES-13 satellite being launched from the Cape Canaveral Air Force Station in Florida aboard a Boeing Delta IV rocket trailing a plume of smoke as it roars through the thin cloud cover on its way to space.

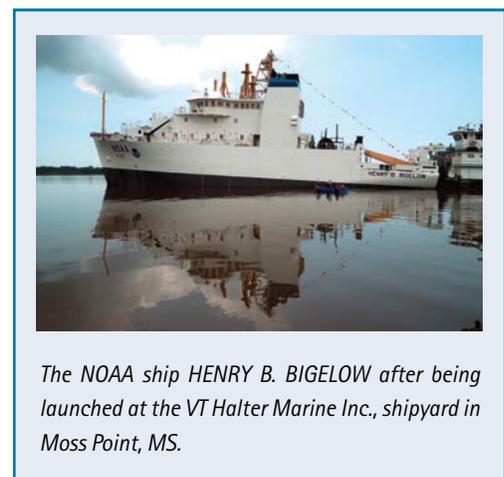
The NOAA satellite, GOES-13, will supply data critical for fast, accurate forecasts and warnings for severe weather, including tornadoes, winter storms, and hurricanes (after a period of on-orbit storage). Additionally, it will detect solar storm activity, relay distress signals from emergency beacons, monitor the oceans, and scan the landscape for the latest drought and flood conditions.

This satellite will serve the nation by monitoring conditions that trigger dangerous weather, and it will serve the world by contributing vast amounts of observational data, as part of its contribution to the Global Earth Observation System of Systems (GEOSS).

***NOAA Accepts Delivery Of New Fisheries Survey Vessel (FSV)
Advanced Capabilities Provide Unique Fisheries Research Platform***

NOAA took delivery of HENRY B. BIGELOW, one of a new class of FSVs being built under contract with VT Halter Marine Inc., in Pascagoula, MS. The vessel will support NOAA research efforts in conservation and management of fisheries and marine ecosystems primarily in northeastern U.S. waters, replacing the 45-year-old ALBATROSS IV. The ship will be home ported in New England, although a permanent base has not been named. The ship will be based temporarily at Naval Station Newport, in Newport, RI.

Like its sister ship OSCAR DYSON, BIGELOW's high-tech capabilities make it one of the most advanced fisheries research ships in the world. The advanced capabilities of HENRY B. BIGELOW will enable NOAA to conduct its fisheries research and assessment mission in New England with greater accuracy and cost efficiency.



The NOAA ship HENRY B. BIGELOW after being launched at the VT Halter Marine Inc., shipyard in Moss Point, MS.

Senator Gregg stated, "The HENRY B. BIGELOW is going to have a tremendous impact on the way scientists and researchers study the health of our marine environment, especially in the Gulf of Maine and the northeast. And it is a fitting tribute to the kids from Winnacunnet that this vessel, bearing the name they chose to honor one of the most respected oceanographers in the northeast, is now going to be used off our shores."

HENRY B. BIGELOW is the second of four 208-foot FSVs to be delivered by VT Halter Marine, with the third ship, PISCES, and the as-yet unnamed fourth ship in various stages of construction. Together, these ships will expand the capabilities of the NOAA fleet greatly by meeting data collection requirements of the National Marine Fisheries Service (NMFS), as well as providing a cutting-edge, low acoustic signature. The FSV will have the ability to perform hydro-acoustic surveys of fish, and also will be able to conduct bottom and mid-water trawls while running physical and biological-oceanographic sampling during a single deployment—a combined capability unavailable in the private sector.

The Future: Performance, Priorities, and Challenges

Advancing understanding of climate variability, potential responses, and options: The Department continues its work to develop a predictive understanding of the global climate system. The Department will continue to 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



MANAGEMENT DISCUSSION AND ANALYSIS

(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: The Department will work to improve the accuracy and lead time of warnings all severe weather events. At the same time, it will work to improve the accuracy of predictions of daily weather patterns.

Advancing ecosystem approaches to management: The Department will promote 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, the Department 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.

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. The Department 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 the reliance on the ocean, 95 percent of the ocean remains unexplored—unseen by human eyes. The Department 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.

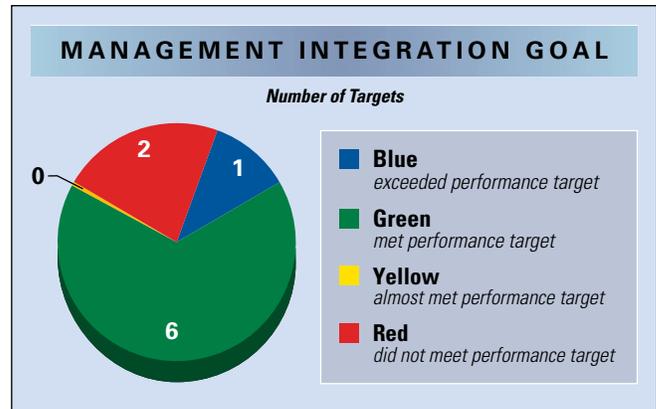
MANAGEMENT INTEGRATION GOAL

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 eighth consecutive year, and obligated almost half of its contracting resources to small businesses. In the field of human resources, it implemented a five-tier performance appraisal system in more than half of the Department. The Department's Learning Management System (LMS), which provides one-stop access to more than 1,600 e-learning courses, made possible the timely training of some 2,000 managers on developing performance work plans for the new appraisal system.



The Future: Performance, Priorities, and Challenges

Promoting information security throughout the Department: Overcoming the threat to the security of 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 by the Deputy Secretary has fostered greater accountability for delivering program performance, but the Department must continue to strengthen the link between budget and performance to ensure it is making effective use of public funds.

In recognition of growing budget constraints, in FY 2006 the Department undertook a review of administrative processes and activities to ensure that it is optimizing the quality and effectiveness of service delivery to its clients, customers, and ultimately, to the U.S. taxpayer. The Department is reviewing contracts, grants, acquisitions, human resources operations, accounts payable, travel and library services, and real property to identify sound opportunities for improved service.

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 2006, the Department continued to focus on professionalizing the acquisition workforce through training and certification of contracting officers' representatives and technical representatives. 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.



STAKEHOLDERS AND CROSSCUTTING PROGRAMS

The Department has numerous crosscutting programs involving multiple bureaus: other federal, state, and local agencies; foreign government; and private enterprise. Federal programs dealing with economic and technological development, the natural environment, international trade, and demographic and economic statistics play a major role in advancing the welfare of all Americans. Commerce continues to work with other government agencies in furthering efforts in these areas for the American public. Examples of crosscutting programs external to the Department's bureaus include the following federal, state, local, and international agencies:

DEPARTMENT OF COMMERCE BUREAU ACTIVITIES	OTHER FEDERAL AGENCIES AND ORGANIZATIONS ¹	
Export controls	Federal Emergency Management Agency/Homeland Security	Federal Reserve Board
Improvements to highways and railroads	Department of Defense	Bureau of Justice Statistics
Improvements to the environment	Department of Energy	Agency for Health Care Research and Quality
Economic distress and recovery efforts	Department of Justice	Bureau of Transportation Statistics
Tracking the U.S. economy through GDP and other statistics	Department of State	Department of Health and Human Services
Market access/improvements	Department of Treasury	Federal Aviation Administration
Research	Environmental Protection Agency	Food and Drug Administration
Telecommunications	Department of Labor	National Institutes of Health
Technology transfer	Department of Housing and Urban Development	Federal Communications Commission
Trade policies	Department of Agriculture	National Science Foundation
Environmental programs	Delta Regional Authority	Department of Homeland Security
Homeland security	Indian Tribes	European Patent Office
Patents and trademarks and intellectual property	Department of Transportation	States
Defense industrial base activities	Small Business Administration	Other Countries and Organizations
Chemical Weapons Convention compliance	Agency for International Development	U.S. Coast Guard
Economic development	Department of Education	U.S. Postal Service
Minority-owned business development	Customs/Border and Transportation Security/ Homeland Security	Central Intelligence Agency
Measurements and standards		Bureau of Immigration
		Federal Bureau of Investigation

¹ Note: This is not an all-inclusive listing.