



CPVO

Community Plant Variety Office

2010/2011

Strategic Plan Implementation Report



A Message from the President

On behalf of the staff of the Community Plant Variety Office, it is my great pleasure to present to you our first update on the implementation of the CPVO strategic plan 2010-2015.

As we have reached the end of the first reporting period for the strategic plan, this report highlights our key accomplishments.

We will continue our efforts towards achieving excellence and we look forward to working with you towards achieving our vision for the future.

Sincerely,

Martin EKVAD
PRESIDENT



“Our mission is to foster innovation in plant varieties by high quality processing of applications for Community plant variety rights at affordable costs while providing policy guidance and assistance in the exercise of these rights for the benefit of stakeholders.”

Contents

Introduction	3
From vision to action	3
1. Optimising the system	8
2. International cooperation	10
3. Enforcement	13
4. Organisational excellence	14
Going forward	16

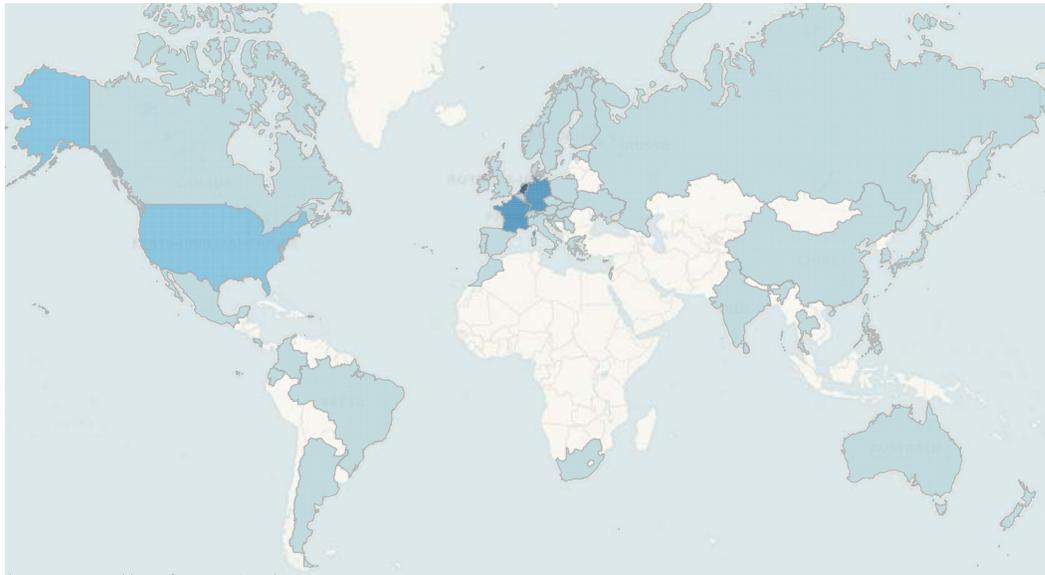
Introduction

The Community Plant Variety Office “Strategic Plan 2010-2015” identified ambitious strategic goals and policy objectives for the Office. In the plan, the Office also committed itself to providing updates on the achievement of these goals and objectives at the end of 2011, 2013 and 2015, thereby allowing the Administrative Council and other stakeholders to understand the evolution of the Office and its impact on PVR in Europe and beyond.

The purpose of the present report is to show the advancement of the Office at year-end 2011 in relation to each of the defined objectives. The key relevant and measurable indicators are explained for each objective.

From vision to action

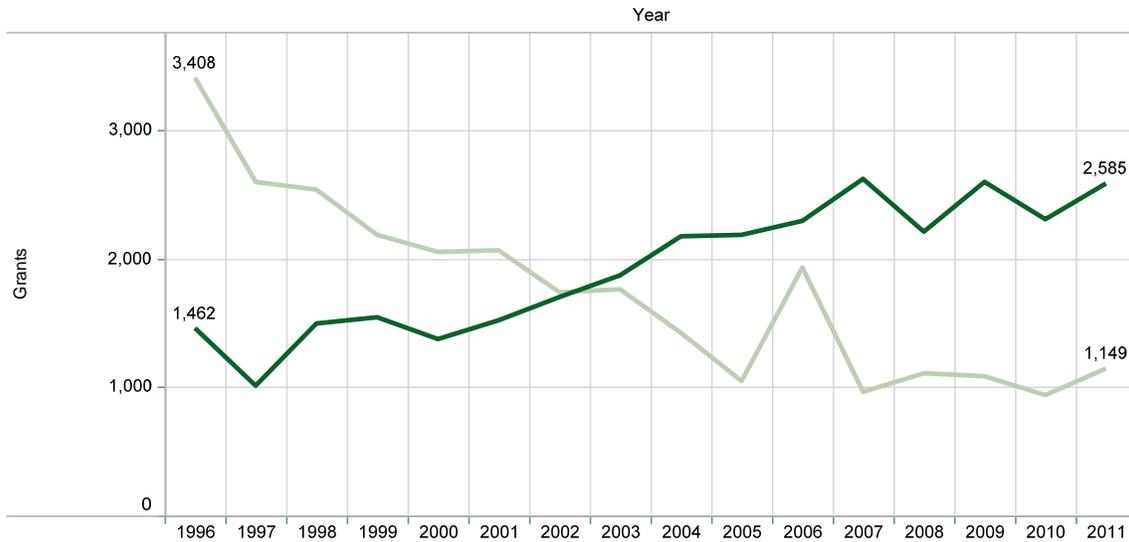
A clear indication of achievement of the mission of the CPVO and a confirmation of the confidence in the system comes from the **total number of titles granted**.



Number of titles
1 9 999

At the year-end 2011, a total of 30 919 titles had been granted by the CPVO. Clearly, the CPVO is a European body with a global outreach as illustrated by the map above that shows the countries of residence of title holders and the volume of titles granted by the CPVO held in these countries.

Evolution of PBR : EU and CPVO 1996-2011

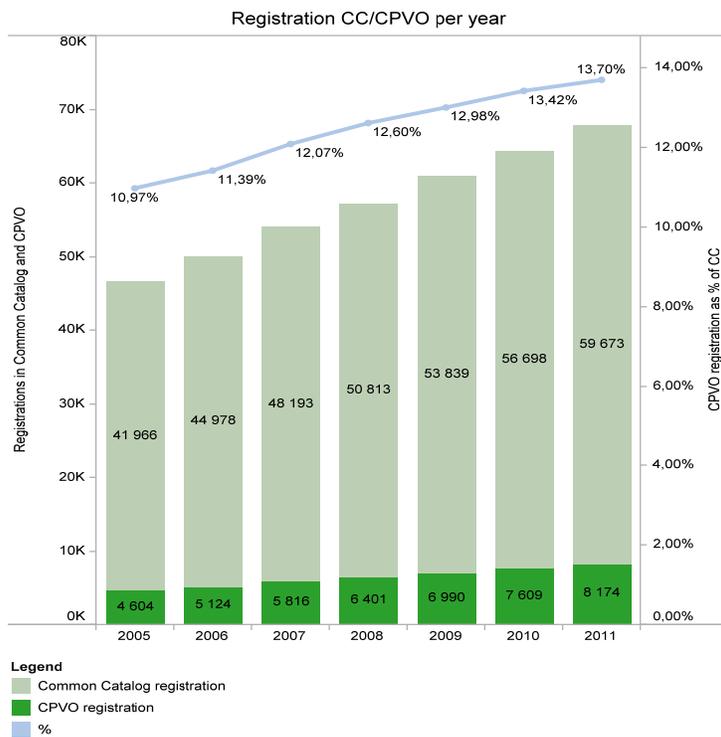


Organisation

- CPVO
- EU MS

Source: CPVO and UPOV data

The evolution of the number of titles of plant variety rights yearly granted in EU Member States and at CPVO illustrates that the Community plant variety rights system has reached its goals: to provide an efficient tool for the protection of plant varieties in the EU. Where breeders had previously to apply in various countries, it is now possible to get a protection covering the 27 EU member states with one procedure and one decision.



Does this mean that the CPVO has fostered innovation and created an incentive for the creation of new varieties? As can be seen above, the total number of titles granted in 1996 was more important than the same figure in 2011. However, it is clear that the same variety got granted plant variety rights in various Member States at the same time before the Community plant variety right system became fully established and it is difficult to draw a conclusion.

For agricultural and vegetable species, marketing Directives make it compulsory to register varieties in the so-called Common catalogue before they are marketed. When varieties are no longer commercialized, they are removed from this catalogue. The graph illustrates over the past few years an estimation of the number of varieties registered in the common catalogue and the proportion of those which have been the subject of an application for Community plant variety rights. This graph suggests that the

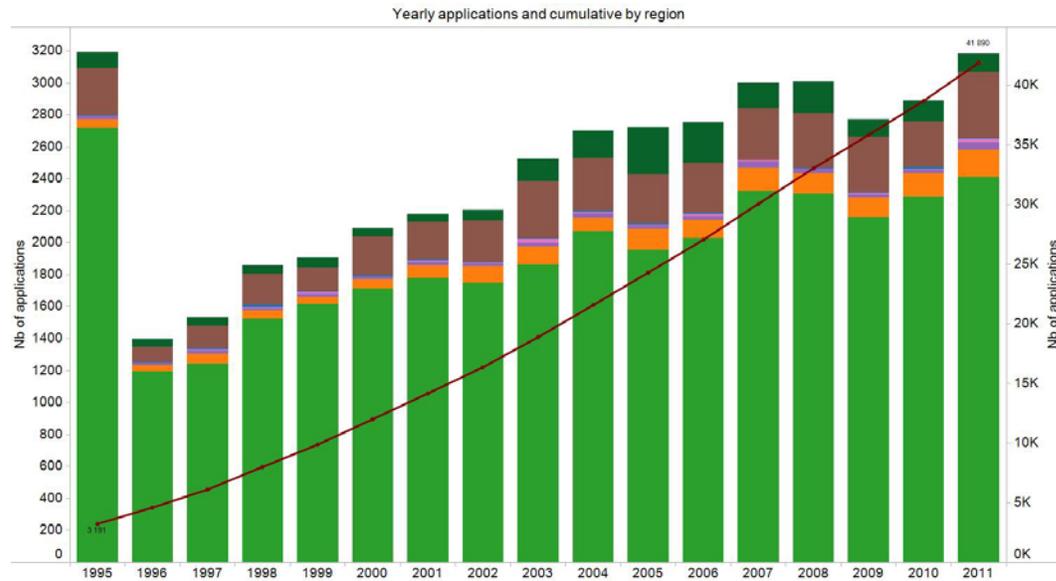
number of new varieties available on the market increases at a higher pace than the number of varieties disappearing from the catalogue, giving evidence for an intensification of breeding activities.

The graph also suggests that the proportion of varieties registered in the Common catalogue which have been the subject of an application for Community plant variety rights globally increases. The situation is extremely different from species to species: more than 60% of the new varieties of lettuce or potato registered in the past few years have been the subject of an application for Community plant variety rights whilst only between 5 and 10% for species where varieties are hybrids like tomato, sunflower or maize are protected.

A majority of new varieties is therefore still put on the market without plant variety rights and it is an objective of the Office to understand better why this is the case and possibly contribute to an increase in the protection of new varieties by rendering the system more attractive.

Applications: All CPVO since inception

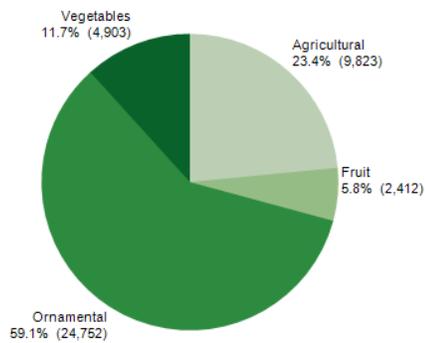
The graph below shows that since opening in 1995, the CPVO has had a steady stream of applications resulting in a total of 41 890 at end of year 2011.



- World Region**
- Africa
 - South America
 - Near / Middle East
 - Asia Pacific
 - Europe - Non EU
 - North America
 - Europe - EU

These applications are split among crop sectors as follows;

Total number of applications 1995 - 2011: 41,890 files



It is clear that the ornamental sector is by far the most important sector in terms of total numbers of applications, with almost of 60% of applications since the beginning of the Office.

The breakdown between crop sector applications has been rather stable since 1996.

The total number of applications received is however only part of the picture. In order to fulfil its mission, four objectives have been identified for the Office.

- OPTIMISE Community plant variety rights system, quality and costs
- IMPROVE international cooperation
- CONTRIBUTE to the enforcement of Community variety rights
- ACHIEVE organisational excellence

For each of the above objectives, a series of initiatives have been elaborated. The present document provides an update on the state of play for the initiatives.

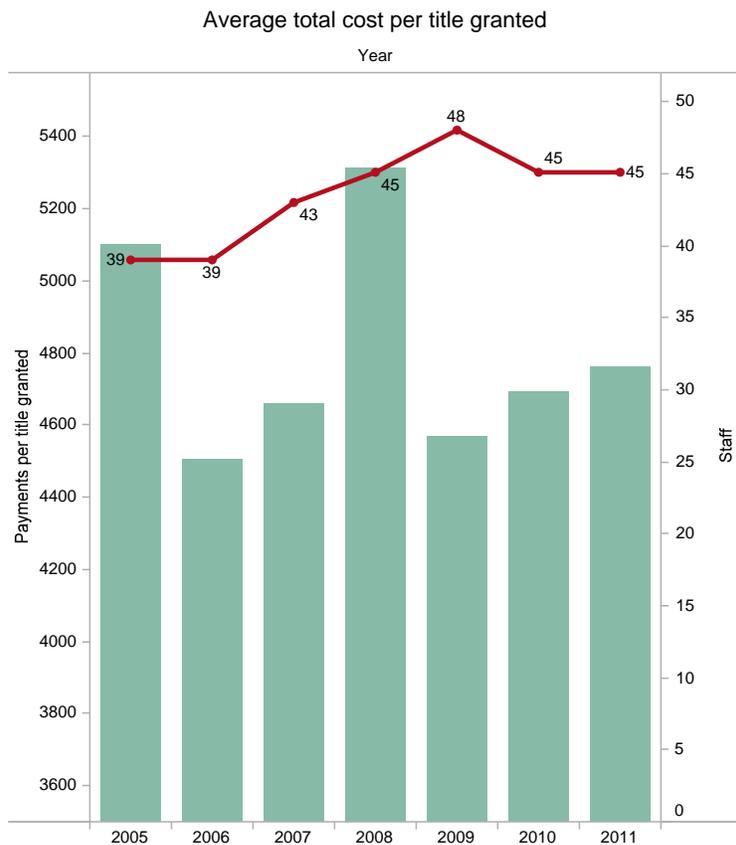
1. Optimizing the system

The first management objective defined in the strategic plan covers the optimizing of the CPVR system, its quality and the cost. In a nutshell, this means supporting a high level of innovation in plant varieties through a high quality system with well managed costs.

Indicators:

1. Average cost per decision (grant of title)

The CPVO costs can be largely broken down into three categories: staff, administration and examination/report costs. Tight management of the budget for each of these elements is of critical importance in order to provide the best value for stakeholders



It can be clearly seen from the graph opposite¹ that the average cost to the CPVO per title granted has remained under control. Indeed, the payments per title in 2011 are lower than for 2005. This result has been achieved largely through ongoing productivity improvements in dealing with applications. For **operational costs**, the office organizes a “Cost Audit” of the examination offices every two years. The purpose of this audit is to determine the costs of the examination offices for DUS tests. On the basis of these audits, the CPVO fixes the level of remuneration for the examination offices.

It is important to remember that the CPVO does not immediately pass on the full cost of examinations to the breeder, as the examination fees cover only about 80% of examination costs. The remaining 20% are covered by other fees and income from interests.

For **administrative costs** there has been a reduction in the amount per decision granted over the past few years. Indeed, since the purchase and refurbishing of the building at 9 Foch, the amount has fallen

dramatically and ongoing efforts are made in order to ensure tight management of this element of the CPVO budget.

The CPVO is subject to the Staff Regulations of the European Institutions and as such, increases due to inflation and seniority of staff are imposed. Nevertheless, the Office, has managed to keep the level of **staff costs** under control.

¹ This graph shows the total amount of payments each year divided by the total number of new titles granted in that year (the green bar)

2. Cost per year of holding a Community Plant Variety Right.

Processing applications for new varieties in the CPVO can be managed either through the launch of an examination to determine whether the variety meets the DUS criteria² or, where the examination has already been carried out in a Member State, through the purchase of the report made by the examination office.

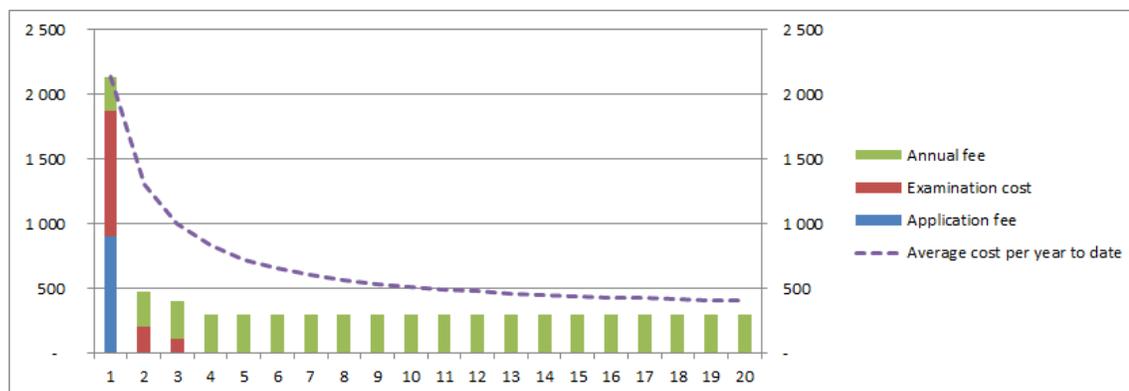
For applicants, costs for plant variety rights fall into three broad categories: application fees (for the processing of an application by the CPVO), examination or report fees and finally annual fees.

In 2013, application shall be reduced following a request of the Administrative Council from € 900 to € 650, reflecting significant productivity gains within the Office even in the face of increasing demand.

For examinations which are carried out by an examination office, the total cost depends on the number of growing periods and also on the particular species being tested. In order to ensure that initial costs are manageable for breeders, the CPVO charges its clients less than the actual cost of the examinations. Thus the full costs of processing applications are as such, partially pre-financed by the CPVO with recovery in later years through other fees and income from interests.

For the breeder, the average cost (covering all applications, both those processed by examination and those processed using purchased examination reports) looks as follows:

Costs to breeders for CPVR



As can be seen, the breeder in the initial period has costs for applications (€ 900 and soon to be € 650), examinations (65% of applications are by examination and the rest by takeover of a report) and finally once the title has been granted, an annual fee of € 300. What can be seen quite clearly from the graph is that the average annual cost falls over time to under € 500.

3. Quality of decisions

Since its inception in 1995, overall only 0.3% of the decisions granting or refusing titles were subject to appeal by applicants or third parties (about 10% of negative decisions were challenged). This leaves hardly any margin for further improvement of the quality of decisions by the CPVO.

² Distinct, Uniform and Stable

2. International co-operation

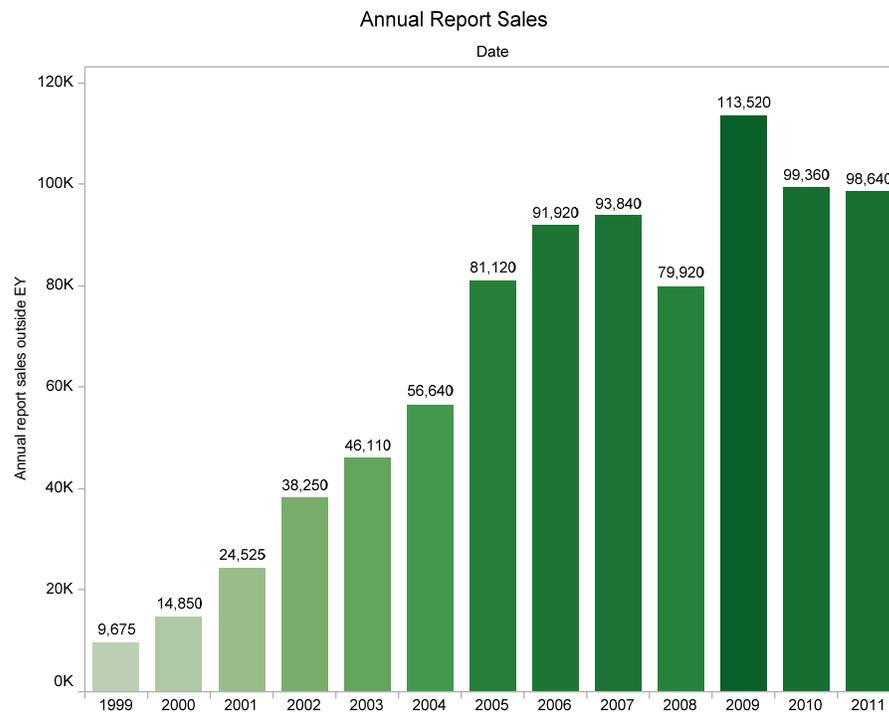
Many of the varieties protected by the Community system have a market outside Europe and it is clearly in the interests of breeders of these varieties to have easy access to these outside markets. The cooperation under the UPOV umbrella has as its objective the harmonization of the processing of PVP applications as well as the technical assessment of candidate varieties on a world-wide scale. Furthermore, harmonization of administrative procedures and testing methods is of great interest to breeders who wish to protect their varieties outside Europe.

A significant number of initiatives have been made by the CPVO in order to improve such cooperation, including, but not limited to, the hosting of UPOV working groups, organization of expert meetings on Community level, participation in international seminars within and outside the EU, reception of non-EU delegations etc.

In some cases the international cooperation has resulted in the CPVO entering into memorandum of understandings with non-EU countries.

A number of trends clearly show that the international element to the Community system is thriving:

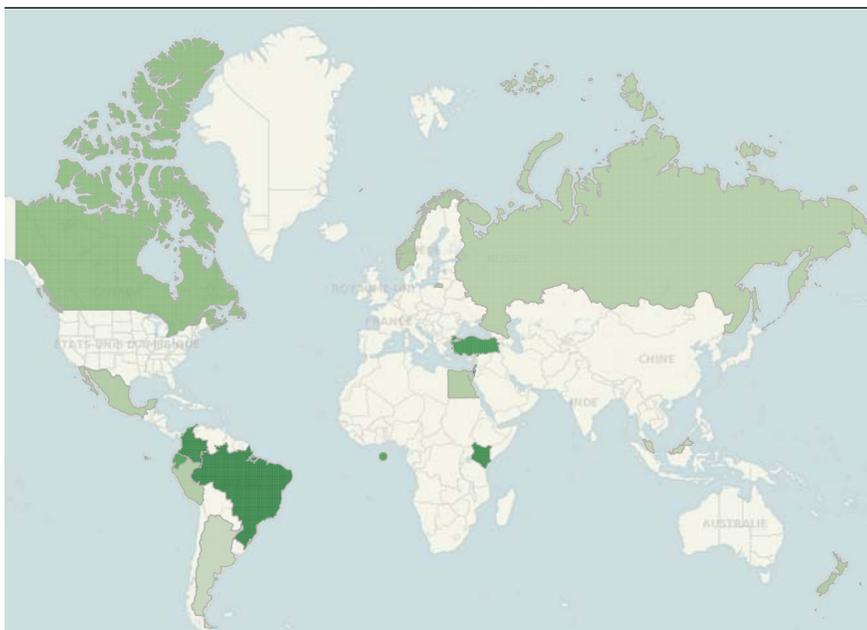
1. Annual sales of reports



The table above shows the value of sales of reports to outside the EU area from 1999-2011. The level of sales has stabilized in the past 5 years.

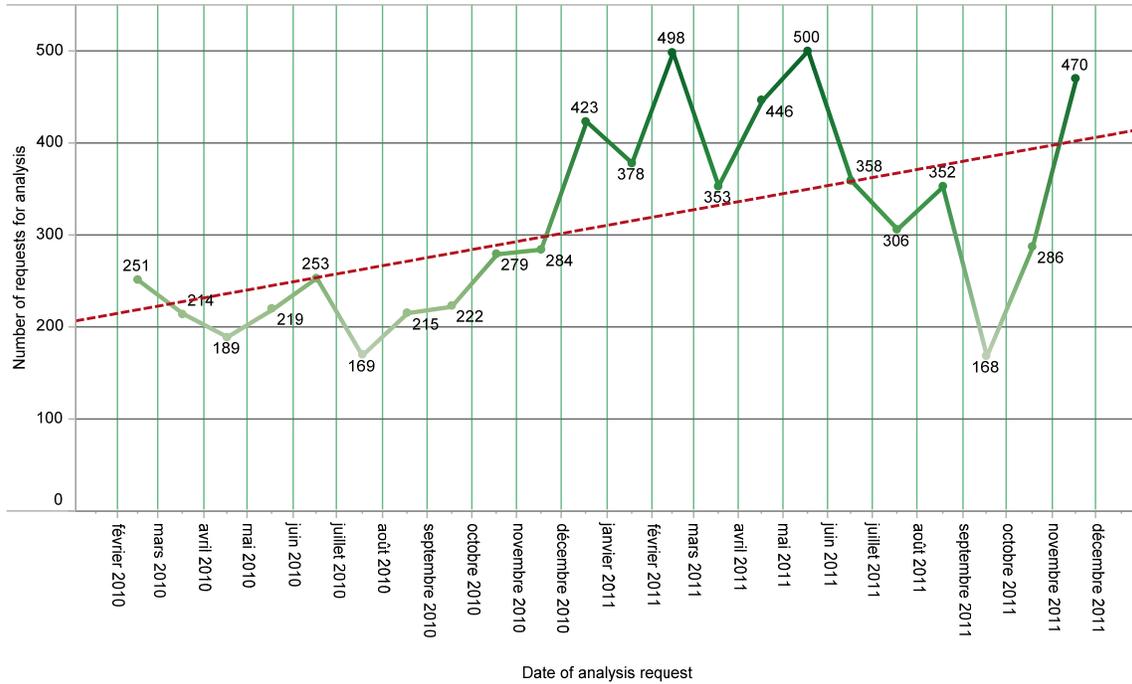
For 2011 alone, the reach of countries where reports were sold was significant and broad based.

Non-EU report sales by country 2011



2. Number of denomination tests requested

The CPVO has acquired an important role at EU level in the field of variety denominations, setting up guidelines adopted by its Administrative Council. The CPVO has through cooperation with the Commission ensured that the same rules apply as to the suitability of denominations used for the marketing of varieties of agricultural and vegetable species in the EU. It turned out that although the rules were the same, there was a need for further harmonization and the office launched in 2010 a project whereby EU Member States can freely ask for the advice from the CPVO as to the suitability of proposals for variety denominations via a web based system. A further indicator of the international impact of the CPVO activities is the number of requests for denomination advice made to the CPVO.

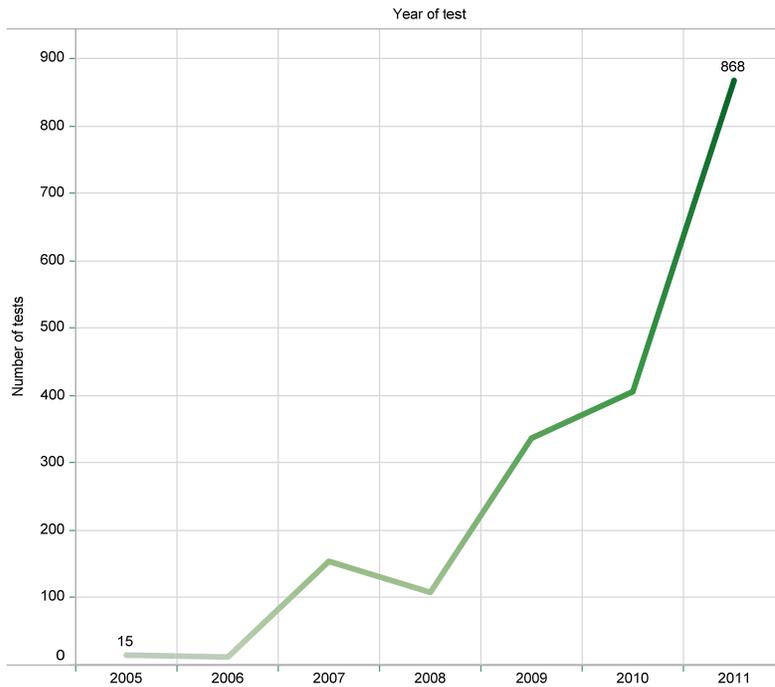


It can be clearly seen from the above that the number of requests for denomination tests has been steadily increasing over the past two years.

3. Annual usage statistics of database for 3rd countries

The CPVO developed in 2005 a web based database for the purpose of testing proposals for variety denominations for similarity, the CPVO Variety Finder. This database has been regularly promoted and more and more non-EU authorities use the tool in their procedures.

Tests for non-eu countries



3. Enforcement

The role of the CPVO in the enforcement of Community rights is first and foremost one of communicating with our stakeholders. Breeders need to know their rights and be continually updated on legal developments within the PVR system. This awareness raising also extends to other stakeholders such as enforcement authorities, judges, lawyers, custom services but also the users of protected varieties such as producers and farmers.

In the period 2004 to 2011, the CPVO organized seven seminars in Brussels, Warsaw, Madrid, Sofia, Bucharest, Athens and Hamburg

Although EU legislation provides for legal tools in order to enforce intellectual property rights it is national courts that are competent to hear enforcement cases. The Office has organized several regional enforcement seminars where the effectiveness of enforcement in various Member States has been discussed.

The Office organized in 2010 a working group to address the problems breeders face in collecting royalties for farm saved seeds. Breeders' organizations, farmers organizations, seed processors, Member States and the Commission participated in the working group.

For objective 3 the measures listed in the strategic plan are either simple in- or output measures rather than measures of a result (number of seminars, of articles, of interviews, of visitors and of open days) or one-off events (proposals to concentrate courts, FSS seed legislation, storing of DNA samples). The DNA sample collection might become, in the future, a means of measuring the CPVO contribution to enforcement through the number of requests for DNA material to be used for enforcement in the event that such material is asked for with some frequency and that more and more species are covered. However, right now it is difficult to tell to what extent the efforts deployed by the CPVO succeed really in contributing to enforcement and to what extent they really make a difference in comparison to the previous situation.

We have nevertheless some indications that the efforts made has led to concrete results. We believe that in a couple of cases Member States changed national legislation on enforcement following discussions held in seminars. We also believe that the discussions between all stakeholders in the framework of the farm saved seed working group has led to a better understanding of the problems and possible ways to improve the situation were suggested and forwarded to the evaluator. As regards the seminars, the feedback from breeders' organizations is very positive and there is a demand for the CPVO to continue with such activities.

It may be envisaged that the CPVO proposes a plan to the Administrative Council, for the remaining period of the Strategic plan, on measures to be taken by the CPVO in the area of enforcement.

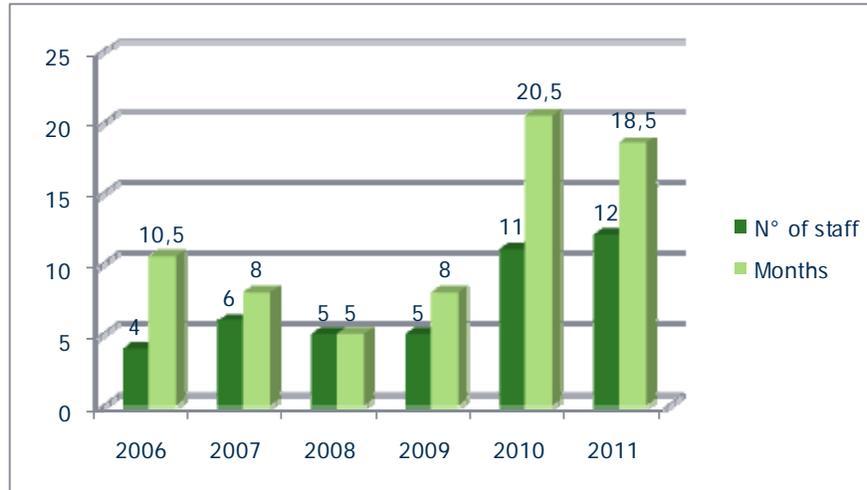
4. Organizational excellence

Achievement of the three previous objectives with the highest levels of quality and efficiency is only possible with a vibrant workforce focused on sound resource management using the latest available technologies. In this regard, the CPVO continually aims to remain an employer of choice with a culture of high performance.

Indicators:

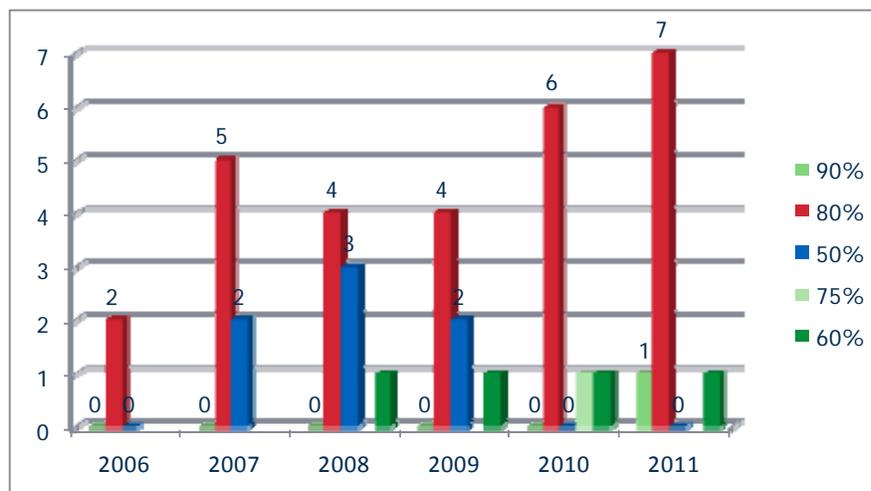
1. Human resources

Parental leave has been a possibility for CPVO staff since 2004, when this was introduced in the Staff Regulations. Since then, more and more staff members make use of this right to reconcile professional and private life.



Part-time and arrangements to secure continuity of service.

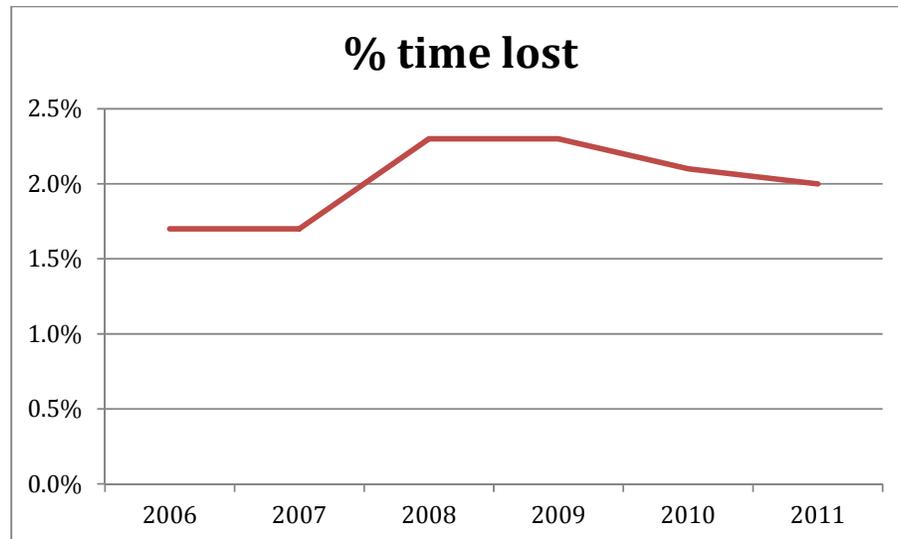
Part-time was also introduced in the Staff Regulations in 2004, and many CPVO staff members have used this possibility to better reconcile professional and private life, and as a result stay more motivated at work. The continuity of service is assured by colleagues. In 2010 and 2011, 6 and 7 staff members, respectively, worked 80% of full time equivalent. The scheme has been working well.



Absenteeism

As an indicator for staff motivation the percentage of overall working time lost through absences for medical reasons can be used. In 2011, the total number of days lost for medical reasons was 212

days. This represents 2,0% of the total working days during 2011 and makes an average of 4,6 days per post. In order to fully appreciate these figures it is important to remember that staff is entitled to stay away from work for medical reasons for up to 12 days per year (5% of working time) without a medical certificate being required. Absenteeism is at very low level indeed over the whole period.



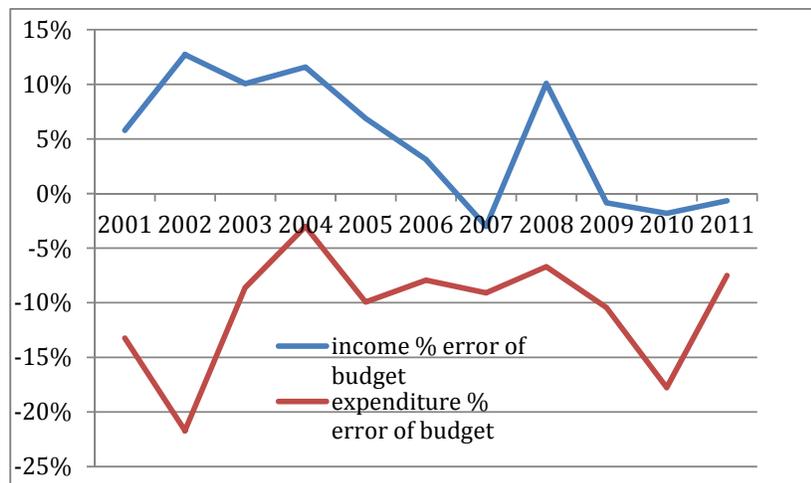
2. IT

The strategic plan identified, tentatively, an indicator "annual IT expense as percentage of revenue". Upon close scrutiny and in the absence of relevant benchmarks it was found that this indicator is not very relevant

Another indicator "Annual percentage availability of critical IT systems" was also found not to be relevant, as until now experience has shown that it is close to 100%. For an organization relying so strongly on well-functioning IT resources as is the case for the CPVO this is, of course, excellent.

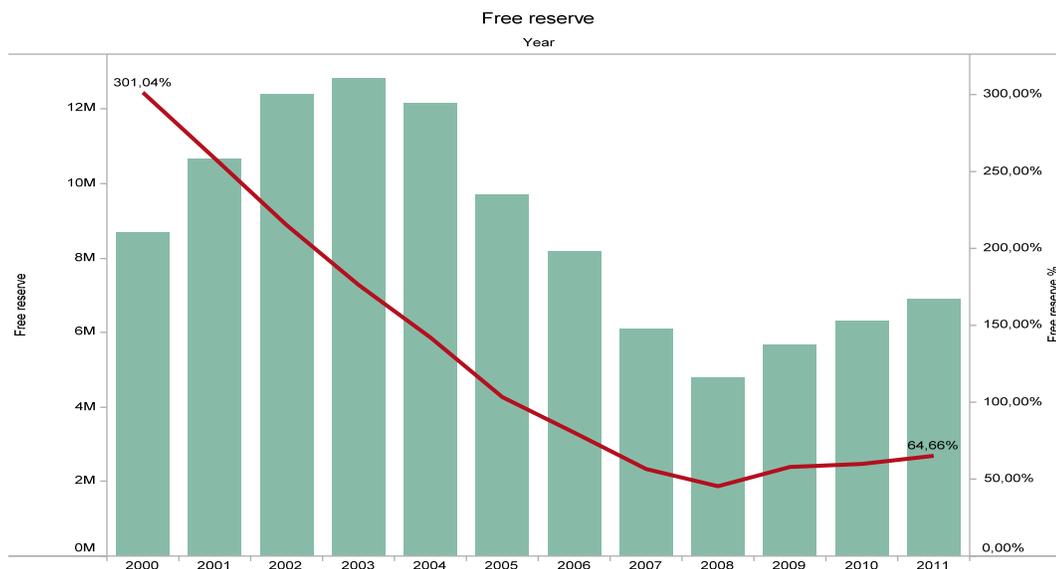
3. Effectiveness of revenue forecasts

An indicator for the quality of budgeting is the difference of actual annual revenue and budgeted revenue in percent of the budgeted revenue. With the exception of the former record year 2008 (in terms of applications) the difference was minimal in recent years. For comparison, a similar indicator is displayed for expenditures where the difference between budgeted and actual expenditure tends to higher than is the case for income. This reflects a deliberate policy of leaving a spending margin of overall about 10% for the sake of efficient management. With the exception of 2010 the difference between actual expenditure and forecast is less than 10% in recent years. The lower than foreseen spending in 2010 was due to some suppliers issuing invoices later than foreseen.



4. Free reserve

The Office aims to manage its resources in line with the principle of sound financial management. In particular, it aims to balance the budget. One indicator of the efficiency of this budget balancing is the



level of the free reserve. The so-called "free reserve³" can be seen in the graph above to be significantly lower than its peak levels of 2002-2004. Furthermore, as a percentage of income, the free reserve has fallen from 300% in 2000 to its current, relatively stable range of 50-65%. This reserve should fall even further in the future due to the reduction in application fees and also the increase in costs for examinations which came into force in the beginning of 2011.

Going forward

The extent to which the CPVO is successful in its mission of fostering innovation is difficult to measure, as plant breeders' rights are only one factor among others that participate in the decision to invest in breeding activities. Nevertheless, one may take the growing number of applications as a positive sign.

With regard to optimizing quality and cost of the Community plant variety system we are close to an optimum and will make every effort to come even closer to it. The costs for breeders have been stable in recent years and even decreasing in real terms. A further decrease of the level of the application fee is scheduled for 2013. The quality of decisions is extremely high considering the very low number of cases in which decisions are

³ This is the total treasury of the Office less the amount foreseen to be paid for future examinations for all ongoing applications

successfully challenged. Quality decisions are obviously based on quality examinations. Improving the technical quality of tests is an on-going process to which the CPVO contributes through expert groups and research and development. The quality audit system ascertains that all entrusted examination offices meet a high level of minimum standards.

International co-operation is a long term endeavour that will be continued in order that CPVO stakeholders can fully benefit of the advantages of the UPOV convention.

Being able to enforce plant breeders' rights is a key to the success to of the system although the CPVO has no direct responsibility in this field. Nevertheless, the CPVO will continue tendering relevant advice to the European Commission and the legislator whenever there is an opportunity for improving the system in this respect. It will also continue its awareness raising activities.

Organisational excellence is a process rather than a state. Expectations of staff with regard to the way the organization functions and how to reconcile professional and personal life evolve. In order to preserve staff morale at its current high level the Office cannot but respond to those expectations. Information technologies are characterized by their built-in obsolescence and we have no choice but continue our efforts to stay on top. The CPVO has shown its capability of making good forecasts. However, one must be very cautious, as the economic crisis seems far from being behind us. The free financial reserve is certainly an advantage in uncertain economic times; however, it should not grow.

As regards the implementation of the system at large, one could cite the main conclusions of the recent evaluation which states;

"The evaluation has concluded that the CPVR system functions well overall, that stakeholders are happy with it and that they wish to retain the system in its current form, albeit with some carefully targeted adjustments."

Implementation of the strategic plan during its first two years, all in all, went well. The four goals have proven to cover essential processes that remain fully relevant for the years ahead.