



NOTE PRINTING AUSTRALIA

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the RBA. Based at Craigieburn, NPA prints currency notes for Australia and a number of other countries on *Guardian*[®] polymer substrate. It was the pioneer of polymer banknote technology and remains the world's leading printer in this field.

NPA is headed by a Board comprising chairman Graeme Thompson (formerly a Deputy Governor of the RBA and now Chief Executive Officer of the Australian Prudential Regulation Authority), Dick Warburton (a non-executive member of the Reserve Bank Board), Les Austin (an Assistant Governor of the RBA) and Mark Bethwaite. The NPA Board oversees its operations under broad policy direction from the Reserve Bank Board. NPA's Chief Executive is John Leckenby.

During 1999/2000 NPA produced 656 million polymer notes, which was more than double the previous year's figure. As a result, profit was above the level of recent years and produced an unusually high rate of return. Because of a build-up of notes for Y2K, which were subsequently not required, plus continuing proof of much longer life for polymer notes, there will be a significantly reduced need for the production of Australian notes over the next three years, after which production should settle to a more consistent pattern. Of the total production last year, 30 per cent was for Australia - including the additional contingency order for Y2K purposes - with the remaining 70 per cent to meet export orders. In addition, NPA subcontracted some production to two other overseas printers to

ensure customer needs were met at a time when its own capacity was stretched. For a time in the second half of 1999 the plant was running 24 hours a day, seven days a week. The exceptional efforts of staff throughout the year, and this period in particular, were greatly appreciated by the NPA Board and senior management.

Over the period 1992 to 1996, Australia progressively converted its entire note issue from paper to polymer. New Zealand has subsequently followed suit and a growing number of other countries have commissioned NPA to print commemorative or circulating notes. This export business is expanding as the superiority of polymer over paper becomes more widely recognised. This superiority is based on polymer's longer life, greater protection against counterfeiting, improved cleanliness, ease of machine-processing and recycling capability.

The table below summarises NPA's export record. Early successes were mainly in the Asia Pacific region, but in the past year this has extended to Europe. NPA has three overseas marketing offices - covering the Americas, Europe/Middle East/Africa, and Asia - with the Pacific region serviced from Craigieburn. These offices have a sizeable list of potential new customers.



Reserve Bank Board members inspecting the printing works at Note Printing Australia, Craigieburn, Victoria.

POLYMER NOTES EXPORT ORDERS

YEAR OF FIRST ISSUE	CUSTOMER	DENOMINATION
1990	Singapore	50 Dollar
1992	Western Samoa	2 Tala
1992	Papua New Guinea	2 Kina
1992	Kuwait	1 Dinar
1994	Indonesia	50 000 Rupiah
1996	Brunei Darussalam	1, 5, 10 Dollar
1996	Thailand	50, 500 Baht
1997	Thailand	50 Baht
1998	Sri Lanka	200 Rupee
1998	Malaysia	50 Ringgit
1999	New Zealand	5, 10, 20, 50 & 100 Dollar 10 Dollar Millennium Note
1999	Papua New Guinea	50 Kina
1999	Romania	2 000 Lei
1999	Indonesia	100 000 Rupiah
2000	Papua New Guinea	2, 10, 50 Kina



NPA's close involvement in Australia's move to polymer notes means it can provide comprehensive support to overseas central banks moving to polymer technology. This assistance includes advice on introducing new notes to the community and training in note-processing, note-handling and storage. NPA can also supply high-level authentication systems to other issuers.

An important element of NPA's strategy, both domestically and internationally, is to maintain its leadership in security and other technology associated with polymer. It has an active research and development program in partnership with the CSIRO and others. Five patent applications were lodged during the year and a number of provisional patents lodged in the previous year have moved to the national examination stage.

The pressures on production facilities during 1999/2000 revealed NPA's vulnerability to ageing machinery. Consequently the NPA Board approved a substantial capital investment program including a new overcoating press, a new simultan press and further upgrades to numbering equipment. When this program is complete all key processes will have back-up.

NPA has been improving its efficiency over recent years. These efforts have borne fruit in increasing export sales and the ability to handle short-term pressures on capacity, as was well demonstrated during the past year. However, the trend decline in NPA's base load annual production for Australia due to the substantially increased life of polymer notes means that even greater flexibility will be desirable in future. Near the end of the year a

new program was commenced to reduce costs and further improve efficiency, and discussions were held with staff about more flexibility in employment arrangements.

NPA's systems are subject to regular external audit and NPA maintains its ISO 9001 certification. A comprehensive risk management process was instituted during the year.

SECURENCY

Securrency Pty Ltd is the company formed in 1996 as a joint venture between the RBA and UCB Films PLC, a manufacturer of polypropylene films. Securrency markets and supplies its press-ready polymer substrate, *Guardian*[®], to NPA, and to countries with their own note printing plants but wishing to introduce polymer notes. It produces *Guardian*[®] by applying unique coatings and security features to clear films manufactured by UCB. It also markets and supplies an alternate polymer substrate, Sentinel, to overseas printers for other high-security documents, such as land titles.

Securrency's Board comprises three representatives of the RBA, three appointed by UCB and the Managing Director (a non-voting member). Its offices and plant are located at Craigieburn, close to NPA's operations and to a UCB films plant that was commissioned in 1999.

Securrency's main customers for security products using polymer substrate - other than those supplied with currency notes through NPA - are shown in the following table.

SECURENCY EXPORT CUSTOMERS

YEAR OF ISSUE	CUSTOMER	PRODUCT
1998	Bank of Thailand	50 Baht
1999	Central Bank of China, Taiwan	50 NT Dollar
1999	China Engraving & Printing Works, Taiwan	Land Title
1999	National Bank of Belgium	UCB Share Certificate
1999	Central Bank of Brazil	10 Reais
1999	Canadian Bank Note Company	Northern Bank 5 Pound

A major achievement in the past year was to secure an order for substrate to be used for a circulating note in Brazil, the first polymer note to be issued in the Americas. In conjunction with a Canadian printer, Securrency also secured an order from Northern Bank in the United Kingdom for a commemorative/circulating polymer note. Several other overseas note printers have run trials with Securrency's *Guardian*® and are considering conversion from paper. All of the polymer notes issued in the world to date have been on this material.

Included in Securrency's investment program that commenced in July 1998, the upgrade of its production facility was completed during the year with the latest equipment installed and commissioned. This equipment is now in full production and allows for the manufacture of a greater range of security features.

As part of the expansion of the business, a flexible enterprise bargaining agreement was negotiated with the AMWU Printing Division and certified by the Australian Industrial Relations Commission during the year. The establishment of the agreement has been key to expansion plans and has enabled the employment of more than 30 additional staff during the year.