

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2004-2005 ADDITIONAL ESTIMATES HEARING

**Outcome:** CSIRO  
**Output Group:** CSIRO

#### DEST Question No. E558\_05

Senator Carr provided in writing.

#### Question:

What is the value of contracts that have been negotiated by CSIRO scientists that are with BD&C for clearance?

#### Answer:

CSIRO has provided the following response.

#### *Business Development and Commercialisation - Value of contracts*

Currently, most contracts negotiated by CSIRO scientists do not proceed to BD&C for "clearance", but instead proceed on the basis of a new standard form contract system - "FastTrack™". Development of the FastTrack system was a significant investment made by the corporate BD&C group over the past 2 years to simplify and facilitate CSIRO's contracts with its clients. The system was designed in a bottom-up manner, to permit the majority (by number) of CSIRO's contracts with clients and partners to be approved by the Delegate within a matter of several days (and not requiring referral to BD&C). The system currently holds 18 different agreement types, with capacity for further expansion. It was rolled out to Divisions during 2004 and fully implemented with effect from January 2005. Since its inception (very first pilot in June 2003), 966 FastTrack contracts have been approved and signed by clients and over 800 staff from 21 divisions have been trained to use the system, 376 of which regularly use the system. In the period between going fully operational on January 2005 to February 2005, clients have signed 233 contracts (and there were a further 187 being turned around in the process with clients at the end of February). It is estimated that in a 'normal' month, there would be approximately 160 agreements processed, approved and ready for clients to sign. Most contracts negotiated by CSIRO scientists can be handled by the "FastTrack™" system, which has resulted in a 90% reduction in the contract negotiation turnaround time with clients.

Contracts that are required to be referred to BD&C are contracts that have a lifetime value exceeding \$1.5 million or involve the formation of complex structures (e.g. joint ventures or company formations), and these are considered by the Commercial Executive (ComEx) Committee. Although scientists will usually be involved in technical negotiations with clients and partners, it would be atypical for CSIRO scientists to have principal carriage of negotiation of such contracts. For these contracts, the ComEx Committee makes a recommendation to the Chief Executive, or the Board, in relation to the transaction. In the last quarter of the 2004 calendar year, the ComEx Committee considered for approval 13 such transactions, which had a value (total lifetime value to all parties) of \$78 million.

Occasionally, some other contracts are referred to BD&C because of some unusual aspect that is beyond the delegation of the Chief (e.g., contains certain uncapped indemnities being granted by CSIRO). At the end of January 2005, a number of contracts with clients (including with Rural Development Corporations and some Commonwealth Government departments) had been referred to BD&C, due to an indemnity and warranty clause in the

client's contract with CSIRO granting to the client an inappropriate uncapped indemnity. CSIRO needed to implement *Financial Management Guidance No. 6 – Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort, September 2003* promulgated by the Department of Finance and Administration. For such contracts, the role of the corporate BD&C group is more than "approval". Corporate BD&C, in collaboration with the Divisional commercial and legal staff, enter into negotiations with the clients to modify the warranty and indemnity clauses to bring these into compliance with this *Guidance*. These contracts had a total lifetime value to all contractual parties of \$25.053 million. Since February, CSIRO has successfully completed negotiations in relation to standard form contracts with several clients, including Meat and Livestock Australia, Australian Wool Innovation, the Fisheries RDC and the Australian Centre for International Agricultural Research.