

EDUCATION, SCIENCE AND TRAINING

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

Outcome: CSIRO
Output Group: CSIRO

DEST Question No. E747_05

Senator Carr provided in writing.

Question:

How much revenue has been generated from private sector sources or by commercialisation of IP this financial year? (This excludes revenue from state or federal governments, their agencies or from universities.)

Answer:

CSIRO has provided the following response.

Business Development and Commercialisation -Revenue generated

CSIRO earns revenues from two quite different relationships with clients that carry very different obligations in relation to the use of these revenues by CSIRO.

The first source of revenues are co-investment, consulting and services contracts. Earning these revenues invariably requires CSIRO to conduct further research and development activity and/or provide consulting services for the client, and the revenues are contractually committed to conduct of that activity. CSIRO's business development activities are directed towards clients for these activities. Although a licence (or option to take a future licence) to CSIRO's intellectual property may be granted as part of a co-investment, consulting or services transaction, the revenues are payable for the conduct of the research and development activity and/or consulting service.

It should be noted that CSIRO's co-investment, consulting and services activities are directed to both government and non-government clients, with the government sector being prominent accounts - Four of CSIRO's top five clients in 2003/04 were Commonwealth Government departments, State Governments and the Rural Development Corporations. CSIRO's business strategy has been to focus on growing these top customer segments. In 2003/04, revenues from CSIRO's top 50 customers increased very significantly (up 12.8% as compared to 2002/03 and 31.8% as compared to 2001/02). Furthermore, the forward contractual commitments indicated that this strategy is now gaining traction with these clients with impact on revenues over the next 2-3 years. The strategy is now being extended to the private sector clients, and it is anticipated that the impact on revenues from private sector sources will emerge over the next 3-4 year period.

The revenues generated from co-investment, consulting and services conducted for non-government clients during this Financial Year are shown in the Table below. Revenues generated during 2002/03 and 2003/04 from these activities are disclosed in CSIRO's Annual Report 2003/04 on page 39 at Figure 3 and are included in the Table.

Revenues generated by CSIRO during this financial year are shown in the Table below.

Source of Co-investment, Consulting and Services revenues	2002/03 \$ million	2003/04 \$ million	2003/04	YTD 2004/05 to end of February \$ million
			CSIRO Group (Note1) \$ million	
Australian Private Sector	77.8	79.6	83.1	44.8
Overseas Entities	34.3	33.0	33.0	16.3
Revenue generated	112.1	112.6	116.1	61.1

Note 1: CSIRO Group includes CSIRO and its 50% interest in the external revenue of the Food Science Australia joint venture

The second source of income is from commercialisation of CSIRO's intellectual property. In most cases, this involves licensing or assignment of CSIRO's existing intellectual property (such as patents, plant breeders rights or software). Income earned through these activities are payment for the IP rights granted by CSIRO (eg, licence fees and royalties payable on product sales). Receipt of this revenue does not generally require CSIRO to conduct further research and development activities, and the use of the funds is at CSIRO's discretion. In 2003/04, CSIRO posted a record result of \$22 million income from its intellectual property and equity portfolios, up by 60% on the previous year.

Revenues generated by CSIRO during this financial year from commercialisation of intellectual property are shown in the Table below. Revenues generated during 2002/03 and 2003/04 from these activities are included in the Table.

Source	2002/03 \$ million	2003/04 \$ million	2003/04	YTD 2004/05 to end of February \$ million	2004/05 Budget \$ million
			CSIRO Group (Note1) \$ million		
Intellectual Property – Royalty and Licence revenues and Gain/Loss on sales	13.8	22.0	22.1	9.4	28.3

Note 1: CSIRO Group includes CSIRO and its 50% interest in the external revenue of the Food Science Australia joint venture