

Note for file 25/2/46

MARSIC - OFFSETS PRESENTATION  
BY CRAY 5 DEC 84

Present.

- General Manager Cray UK
- Marketing Manager Cray UK
- DEPSEC DAS Canberra
- DAS Melbourne
- DAS Melbourne
- DIMP

Cray presented their 'offsets' proposal (draft) as per attached photocopied pages.

The Cray 'offsets' contained all the 'Australian Content' items and very little offsets.

In response to a question from [redacted] advised that Cray had proposed nothing more than what might be considered 'normal' in respect of overseas sales.

A general discussion ensued which in part was 'sales' talk and tutorial in regard to super-computers. It was in fact exploratory discussions aimed at attempting to identify an area where direct offsets had potential. Some notes on some <sup>topics</sup> ~~aspects~~ mentioned follow:

- Only 80 Cray systems.
- Cray do not market Application Software.  
Most Cray customers hold their Applications Software to themselves; eg our community, the oil industry, presumably also the atomic industry. Therefore there was no business prospects in Cray letting contracts for application SW or Aust SW Home to market to other Cray customers.
- However Cray would market operating system SW developed in Australia. There was little prospect of this until Cray Aust had lifted its business to sustain an office of approx 20 people. CRAY UK, CRAY Germany<sup>?</sup> and Cray France (last had just made the man) were examples.
- To get into the Cray operating software it is desirable to have a Cray in Aust for 'public' customers; ie ~~the prospects~~ <sup>the prospects</sup> of SW development when DSD has the only Cray is extremely limited.
- <sup>that if</sup> suggested / Australia seismic data was classified he could sell some Crays for oil exploration and the prospects for Aust SW developed for Cray to be marketed world wide would increase dramatically !!
- Cray will buy chips anywhere they can get the right chips able to perform reliably at high speed. This is a specialized market and CRAY was turning

to inhouse development.

encouraged us to consider it a <sup>national</sup> strategic asset. Cray were required to obtain an export licence. As such it should be considered to be in a different category to many other items of equipment of lower technology.

Cray people stated that <sup>(TECHSTAT)</sup> did not think Cray could get chips in Australia, on the PM's committee on Technology.

DIMP offered to investigate possible Aust companies participation

Cray did not display any interest said they had investigated.

Followed up 7 Dec with a need for Cray to improve - their efforts. Said they would try to offset to fly out for discussion before Xmas if necessary. Said we have to receive their formal proposal before matter could be taken further. Dec 92

Dec 92

Dec 92

had mentioned earlier in the day that some efforts had been arranged as a 'Deed of Agreement' which was incorporated as part of the Contract.

had to submit his report on Effects before Xmas.

said 'Deeds of Agreement' were regularly used with FMS purchases.

# 1. AUSTRALIAN SUBSIDIARY

- o All local support
- o Australian Nationals
- o Self-sufficient, autonomous company
- o Fully trained in Cray products, techniques & services

≡ TRANSFERRED TECHNOLOGY

## DOES:

Hardware / Software Maintenance  
Customer Support (1st + 2nd level)  
Regional Marketing  
Local Training  
Negotiation

## USES LOCAL:

Admin, Finance, legal, Insurance, Salaries (incl Burden)  
Accommodation, Travel, Transport, Telecoms, Supplies,  
Sub-contractors (Techway), Taxes, Duties (Co + personal)

## OVERSEAS:

Crason - USA, UK,

## SUMMARY:

6-7 Staff

1 Manager

2 Analysts

3 Engineers

1 Secretary

+ Contracted Services.

<u>TOTALS</u>	A\$ 1.2M ~ 5YRS
	A\$ 2.0M ~ 10YRS.

MANPOWER COSTING

o SALARY (GROSS) A\$40K

o OVERHEAD (BURDEN)

- Taxation
- Expenses / Travel etc
- Training
- Pension
- Insurance
- Medical
- Profit sharing
- Rent
- Services (Utilities)
- Recruitment

= 50% - 100%

o TOTAL SAY A\$60k pa. at 6-7 staff.  
A\$80k pa at 2 staff.

PURCHASE PRICE

LOCAL CONTENT:

STAFF

- $3\frac{1}{2}$  STAFF  $\times$  5YRS = A\$ 1.21M 5YRS
- $(3\frac{1}{2}$  STAFF  $\times$  5YRS) + (2 STAFF  $\times$  5YRS) = A\$ 2.01M 10YRS.

OTHER COSTS - ONE TIME

- SITE PLANNING / PREPARATION
  - INSTALLATION
  - ACCEPTANCE TESTS
- } = A\$ 0.20M

OTHER COSTS - RECURRENT

- OVERSEAS VISITORS (UK, USA)
  - ASSIGNEES / SPECIALISTS
  - TRAINING
- } A\$ 0.15 M. over 3yrs.

TOTAL ~ A\$ 1.5M - A\$ 2.5M 5-10YRS

CRAY : 15% INCOME goes on R&D

SOFTWARE & TECHNOLOGY

A\$  
VALUE

\* VALUE OF CRAY SOFTWARE COST > \$40 TO DATE

I.E. 80 INSTALLATIONS @ \$1/2M PER SITE (MVS = 300,000) 575,00

\* VALUE OF 5% OF REVENUE INVESTED IN FUTURE SOFTWARE

I.E. \$1/2M OVER 4/5YRS AGAIN 575,00

\* TECHNOLOGY IN XMP + 10% OF REVENUE INVESTED IN FUTURE HARDWARE, AVAILABLE TO CUSTOMERS OF AUSTRALIAN SUBSIDIARY = \$1M over 4/5yrs. 1,150,0

\* EDUCATION MATERIALS Say 50,0

\* DIAGNOSTIC MATERIALS. Say 50,0

TOTAL VALUE 7A\$1.2M

## MAINTENANCE

### SPARES

- FULL SET OF SPARES (INC MODULES) HELD LOCALLY
- NATIONAL SPARES (MAJOR)
- REPAIR OF MODULES ON SITE
- LOCALLY SOURCED CONSUMABLES
- LOCAL FINANCE OF SPARES HOLDING IK
- LOCAL INSURANCE OF SPARES
- SHIPPING (PARTIAL)
- 50% OF MAINTENANCE EXPENSES (SPENT LOCAL)

### STAFF

- 3 ENGINEERS
- RECRUITMENT
  - 12 MONTHS TRAINING (UK & USA) + EXPENSES
  - SHARE IN LOCAL OVERHEAD
  - TRAVEL, COMMS
  - ASSIGNEES TO AUSTRALIA  $\leq$  12 MTHS  $\leq$  2 STAFF

### OTHER

- TOOLS, TESTER, RIGS, <sup>IR</sup> SCANNERS
- DIAGNOSTICS
- REMOTE ASSISTANCE

TOTAL.  $\sim$  50% OF MAINTENANCE REVENUE  
 $\equiv$  SA1.2M OVER 3-5 YRS.



PRICE

LIST PRICE 'MOS' A\$ 11,406,800

LIST PRICE 'BI-POLAR' A\$ 12,039,300

DSD PRICE 'BI-POLAR' A\$ 10,040,690

DSD BENEFIT A\$ 1,998,700

SUMMARY.

PURCHASE PRICE OFFSET  $\approx$  A\$ 1.5 M 3/5 YRS

SOFTWARE & TECHNOLOGY  $\approx$  A\$ 1.2 M 3/5 YRS

MAINTENANCE OFFSET  $\approx$  A\$ 1.2 M over 3/5 YRS

TOTAL OFFSET  $\approx$  A\$ 3.9 M