



COVERSHEET

Minister	Hon Judith Collins KC	Portfolio	Science, Innovation and Technology
Title of Cabinet papers	The Science System Advisory Group and the University Advisory Group Driving Economic Growth through Science, Innovation and Technology Further Decisions to Drive Economic Growth through Science, Innovation and Technology	Date to be published	23 January 2025

List of documents that have been proactively released

Date	Title	Author
March 2024	The Science System Advisory Group and the University Advisory Group	Offices of the Minister for Science, Innovation and Technology, and of the Minister for Tertiary Education and Skills
20 March 2024	The Science System Advisory Group and the University Advisory Group ECO-24-MIN-0030 Minute	Cabinet Office
September 2024	Driving Economic Growth through Science Innovation and Technology	Office of the Minister for Science, Innovation and Technology
September 2024	Appendix Two FINAL SSAG Report	MBIE
31 October 2024	Driving Economic Growth through Science Innovation and Technology ECO-24-MIN-0242 Minute	Cabinet Office
November 2024	Further Decisions to Drive Economic Growth through Science, Innovation and Technology	Office of the Minister for Science, Innovation and Technology
5 November 2024	Further Decisions to Drive Economic Growth through Science, Innovation and Technology ECO-24-MIN-0302 Minute	Cabinet Office
16 December 2024	Further Decisions to Drive Economic Growth through Science, Innovation and Technology CAB-24-MIN-0504.02 Minute	Cabinet Office

Information redacted

YES / ~~NO~~ (please select)

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Some information has been withheld for the reason of confidentiality

In Confidence

Office of the Minister of Science, Innovation and Technology

Cabinet Economic Policy Committee

Further decisions to drive economic growth through science, innovation and technology

Proposal

- 1 To seek Cabinet’s agreement to further decisions to enable the science, innovation and technology (SI&T) system to focus on science with a purpose, and drive economic growth.

Background

- 2 On 25 March 2024, Cabinet agreed to establish the Science System Advisory Group (SSAG). The SSAG reported back to us in July, and on 18 November 2024 Cabinet discussed and agreed an initial response to the report, including a first tranche of reforms [ECO-24-MIN-0242 refers].
- 3 Cabinet agreed to:
 - 3.1 establish a Prime Minister’s Science, Innovation and Technology Advisory Council (PMSITAC);
 - 3.2 progress work to establish a new investment attraction agency, Invest New Zealand, and refocus New Zealand Trade and Enterprise to be a strong export-oriented agency, with its current investment function to be transferred to Invest New Zealand;
 - 3.3 disestablish Callaghan Innovation and redistribute its most important functions to other parts of the SI&T system and stopping others;
 - 3.4 progress work to establish three new public research organisations focused on bio-economy, earth sciences, and health and forensic science services, by consolidating or repurposing the existing Crown Research Institutes; and
 - 3.5 progress work to establish a new advanced technology-focused public research organisation to deliver research and build capabilities and commercial outreach in areas such as artificial intelligence, synthetic biology, aerospace, medical technology, and quantum technology.

Public Research Organisations

- 4 We have agreed to establish four adaptive and focussed public research organisations focused on the Bioeconomy, Earth sciences, and Health and Forensic Sciences

(created by merging or repurposing existing Crown Research Institutes), and Advanced Technologies (a new organisation).

5 I propose the following parameters to guide the establishment of PROs:

Parameters for establishing Public Research Organisations	
Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	<p>Undertake research in priority areas, including those identified by government, that have long-term economic, environmental and health impact that can benefit New Zealand.</p> <p>Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.</p> <p>Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.</p>
Working scope statements	<p>Bioeconomy PRO: Drive innovation and enhance the value of New Zealand’s bioeconomy, fostering economic growth and ensuring environmental prosperity.</p> <p>Earth sciences PRO: Foster economic and environmental resilience in New Zealand through sustainable resource use, energy innovation, climate science and effective hazard mitigation.</p> <p>Health and Forensic Sciences PRO: Enhance and protect New Zealand’s public health and justice systems through scientific and research services, to support economic growth, health innovation, forensic impact and to improve health and forensic outcomes for people and communities.</p> <p>Advanced Technology PRO: Grow New Zealand's economy by translating innovative ideas into commercial applications, and achieving technological breakthroughs, that transform our industries and markets. Laser focus on future tech and research.</p>
Design principles	<p>National Benefit: Public Research Organisations will always aim to maximise the long-term benefit to New Zealand. While the emphasis will shift to commercialisation and delivering economic outcomes, PROs will still need to deliver critical public good knowledge and services.</p> <p>Adaptable and Responsive to Government: Public Research Organisations will deliver to government priorities for science innovation and technology.</p> <p>Accountability: Transparency between public funding and activity in Public Research Organisations, with appropriate cost recovery models.</p> <p>Rationalisation, alignment and coordination: with mechanisms to prioritise, avoid unnecessary duplication, resolve trade-offs and support consistency and coordination within and between research organisations.</p> <p>Partnership with private investors: PROs will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

6 I expect to develop new legislation with effective, future focussed policy settings to support the new organisations. PROs should be making the long-term investments that will be needed to deliver on priorities set by the PMSITAC. Subject to more detailed

policy work, I expect new legislation to establish PROs as Crown agents that can be directed to give effect to government policy.

- 7 Cabinet will have an opportunity to consider the detailed design of PROs, including the appropriate entity forms, when I seek agreement to the policy settings for new legislation covering PROs in the new year.
- 8 CRI chairs have written to me to indicate that they are supportive of the proposed changes and to consolidate like-oriented CRIs. They have offered their support in assisting with the transition, and to oversee and guide the process.
- 9 I intend to write back to them and invite them to consider putting a merger proposition to the shareholding Ministers. I will outline my expected parameters, as set out in the table above.
- 10 I consider it likely that the CRIs boards will, upon performing the necessarily due diligence, decide to propose the mergers. This would be the fastest way to effect the necessary reforms. The CRI merger process will be an opportunity to inform upcoming legislative changes.

Invest NZ

- 11 Invest NZ will be a one-stop-shop for attracting highly productive investment, creating a streamlined experience that makes investment easier for investors. It will focus on investments outside of public infrastructure, which is the remit of the National Infrastructure Agency. However, it will closely coordinate with other key agencies (including the Overseas Investment Agency) to ensure a comprehensive and aligned cross-government approach to attracting inward investment into New Zealand.
- 12 IDA Ireland offers a strong example of an effective investment promotion agency that has been able to attract major international technology companies to establish their European headquarters in Ireland. It utilises a strategic focus and concierge approach that develops investible propositions and helps customers navigate regulatory pathways, facilitates conversations about government policies, and attracts and builds talent.
- 13 Drawing on, and learning from this model, Invest NZ's functions could include a focus on priorities and strategic planning, maintaining a network of global investors (including via offshore teams), prospectus development, match-making for investors, feasibility analysis, and post investment support.
- 14 Invest NZ will work closely with both government and industry to identify and target impactful inbound investment. I will report back to Cabinet to confirm Invest NZ's specific functions in early 2025. I expect that a representative from IDA Ireland will inform the development of InvestNZ.
- 15 I intend for InvestNZ to function differently to other Government entities, if we are to truly attract high levels of investment we will need experience from the private sector, specifically from those with experience in investment banking, private equity and venture capital. This will require both a change in expected remuneration and culture.

- 16 I propose that InvestNZ has clear incentives for employees to ensure that the Government is paying for performance. This will likely include higher remuneration for employees and/or paid incentives for individual performance based on how much capital they have attracted into New Zealand.
- 17 Further work will need to be done on how this new culture can be actualised, but I intend for this new approach to performance to be signalled during the announcement for the reforms. As part of this work, Officials will also explore the potential for cost recovery options.
- 18 I propose that Invest NZ be established as an Autonomous Crown Entity (ACE), with enabling legislation passed as soon as practicable and the entity coming into effect in the second half of 2025. Establishing Invest NZ as an ACE is in line with international best practice to provide autonomy to investment promotion agencies and will provide long-term stability to support investor confidence.
- 19 This will be a rapid transition to a new entity. I will work closely with the Ministers for Economic Development and Trade to ensure that MBIE and NZTE are closely coordinated through this transition. We have already agreed that NZTE will incubate Invest NZ and run its establishment process. This will allow a smooth transition from current service delivery into the new settings, with Invest NZ scaling up steadily as funding becomes available from other sources.

Callaghan Innovation

- 20 We have agreed to disestablish Callaghan Innovation. I have now directed officials as to which of Callaghan Innovation's existing functions are important to retain and redistribute to other entities. This includes retaining the administration of and funding for business innovation and R&D grants and programmes, responsibility and funding for providing technical assessments and business engagement essential for the robust operation of the Research and Development Tax Incentive, and the specifically funded initiatives that support businesses to tap into research expertise. I also intend for some specific programmes targeted at supporting founders and start-ups to continue.
- 21 My expectation is that all other of Callaghan Innovation's innovation capability and advisory services to business will cease as the entity is disestablished. This includes, for example, capital education and one-to-one business coaching. I understand these activities are progressively under review within Callaghan Innovation and some, such as Better by Lean, are already due to wind down.
- 22 I intend to progress an assessment of the capabilities within the Research and Development Solutions group of Callaghan Innovation for alignment with our future SI&T priorities and the benefits of actively retaining and redistributing these capabilities as Callaghan Innovation is disestablished.
- 23 I am also exploring the most appropriate organisation for the Measurement Standards Laboratory to be housed. As previously noted, I am exploring commercial options to retain the Gracefield Innovation Quarter and continuing science and technology activities on the site.

Intellectual Property Rules

- 24 Under New Zealand's current rules, research organisations own IP generated through publicly funded research contracts (with some exceptions). This is consistent with policies in most countries.
- 25 Under this structure, research institutions are the key decision-makers in whether to commercialise research. In many cases organisations are incentivised to maximise the short-term benefit to the institution, rather than benefits to the researcher or to New Zealand. This can result in setting unrealistic royalty fees, or demanding too large a share of equity in spin out companies that undermine the company's ability to attract further venture capital.
- 26 In order to realign these incentives, I propose to develop a national intellectual property (IP) policy that will apply to researchers in Universities and PROs. The policy will give researchers a greater stake in their research so they can own or profit off what they create and provide them with clear financial incentives to commercialise it. Researchers that have a clear path to achieving a direct financial gain from their work will be more motivated to seek out commercial opportunities, increasing commercial interest in research undertaken in New Zealand, and the commercial relevance of the work itself.
- 27 For Universities, I propose that we move towards a model that vests ownership of IP with researchers themselves, based on that used by Waterloo University in Canada. Waterloo University has developed an enviable track record in commercialising its research, and its IP model has further attracted entrepreneurial researchers who value the opportunity to profit from their innovations.
- 28 Because changes to IP rules could have impacts on revenue and existing industry relationships, consideration will need to be given to how a national IP policy will apply to the new redesigned Public Research Organisations that will replace the CRIs alongside decisions about their commercial orientation and funding model. However, my intention is that researchers in PROs will receive financial rewards from commercialising IP.

Financial Implications

- 29 The changes to enable InvestNZ will be funded from the existing SI&T funding envelope, and transfer funding from NZTE to InvestNZ.

Legislative Implications

- 30 Legislation will be required to give effect to these reforms. I will report back to Cabinet in the early 2025 with recommendations on the policy settings and legislative changes needed for these reforms.

Consultation

- 31 This paper has been developed by the Ministry of Business Innovation and Employment and shared, for their information, with the following agencies: the Treasury, the Department of the Prime Minister and Cabinet, the Public Service Commission, the Parliamentary Counsel Office, the Ministry of Education, the Department of

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Conservation, the Ministry for the Environment, the Ministry of Health, the Ministry for Primary Industries, the Ministry for Social Development, Te Arawhiti, and the National Emergency Management Agency.

Communications

- 32 I intend to announce the Government response back to the SSAG report and the further decisions made in this Cabinet paper in the new year.

Proactive Release

- 33 I intend to direct officials to release this paper in accordance with the guidance in Cabinet Office Circular CO (18) 4.

Recommendations

I recommend that the Committee:

- 1 **note** that in March 2024, Cabinet agreed to establish the Science System Advisory Group (SSAG). The SSAG reported back to us in July, and on 18 November 2024 Cabinet discussed and agreed an initial response to the report, and a first tranche of reforms as a result [ECO-24-MIN-0242 refers].
- 2 **Agree** to the parameters for establishment of PROs outlined in paragraph 10, which the Minister of Science, Innovation and Technology will communicate to Crown Research Institute Boards.
- 3 **Note** there will be differences in emphasis and scope of functions for individual PROs, particularly in the balance of stewardship science and science for economic growth and associated entrepreneurial activities.
- 4 **Agree in principle**, pending more detailed policy work, that PROs will be constituted as Crown agents so that they can be directed to give effect to government policy, including to deliver to the priorities identified by the PMSITAC.

Establishment of Invest NZ

- 5 **Agree** that Invest NZ be established with a mandate to act as a one-stop-shop for foreign direct investment into New Zealand, but that will exclude public infrastructure investment from its remit.
- 6 **Agree** that Invest NZ's outcomes should be focussed on attracting:
 - Greater investment into truly innovative activities in both “traditional” sectors as well as sectors with high potential to raise productivity and drive economic growth.
 - Greater R&D investment and innovative activity in New Zealand by multi-national companies.
 - More skilled professionals to New Zealand who will help foster innovation, raise domestic capabilities and improve international connections.

- 7 **Agree** in principle (subject to final policy design decisions) to establish Invest NZ as an Autonomous Crown Entity, with accelerated legislation enabling the entity to come into force as soon as practicable.
- 8 **Note** that in order to be effective, officials recommend that Invest NZ's establishment costs be around \$10m with ongoing operating costs of around \$60m per annum, and I will work with the Ministers of Trade and Economic Development to finalise these costs and appropriations through the Budget 25 process.
- 9 **Note** that I will report back to Cabinet in early 2025 with proposals around InvestNZ's core functions, informed by the experiences of IDA Ireland.

Disestablishment of Callaghan Innovation

- 10 **Note** responsibility and funding for providing technical assessments and business engagement for the RDTI will transfer from Callaghan Innovation to MBIE.
- 11 **Note** administration of and funding for the following business innovation and R&D grants and programmes will transfer from Callaghan Innovation to MBIE:
 - 11.1 Ārohia Innovation Trailblazer Grant
 - 11.2 New to R&D Grant
 - 11.3 Student Grants
 - 11.4 Technology Incubator programme
 - 11.5 Founder and Start-up Support Programme
 - 11.6 Health Tech Activator
- 12 **Note** responsibility and funding for the Bioresource Processing Alliance, New Zealand Product Accelerator and the New Zealand Food Innovation Network will transfer to the most relevant public research organisation.
- 13 **Note** responsibility for the Measurement Standards Laboratory will transfer to the most appropriate organisation.
- 14 **Note** the Minister of Science, Innovation and Technology intends to progress an assessment of the science capabilities within the Research and Development Solutions Group of Callaghan Innovation to identify any high value capabilities that ought to be actively retained and transferred.
- 15 **Authorise** the Minister of Science, Innovation and Technology to make further decisions regarding any retention and transfer of capabilities within the Research and Development Solutions Group of Callaghan Innovation.
- 16 **Note** the Minister of Science, Innovation and Technology is progressing work to explore commercial solutions to retain the Gracefield Innovation Quarter as a centre for science, innovation and technology.

- 17 **Note** the intention is that all other programmes currently provided by Callaghan Innovation will cease as Callaghan Innovation is disestablished.

Intellectual Property Rules

- 18 **Agree** that the Minister of Science, Innovation and Technology will develop a national IP policy for research in Universities and PROs.
- 19 **Agree** that the national IP policy for research in Universities will be based on the model used at Waterloo University in Canada, which vests ownership of IP with the researchers who create it.
- 20 **Note** that consideration of how this policy applies to the new public research organisations will be undertaken alongside decisions about their commercial orientation and funding model, but that the intention is for researchers to receive financial rewards from commercialising IP.
- 21 **Note** that I will report back to Cabinet second quarter 2025 on a proposed policy and wider incentives for commercialisation in the science and innovation sector, including the operation of technology transfer offices in Universities and PROs.

Moving forward with pace

- 22 **Authorise** the Minister of Science, Innovation and Technology, in consultation with relevant Ministers, to make any minor policy decisions consistent with the decisions outlined in this paper that are required to progress towards final decisions in Q1 2025.

Hon Judith Collins KC

Minister of Science, Innovation and Technology