



BRIEFING

CRI consolidation – letters to Chairs

Date:	5 December 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	0006625

Minister	Action sought	Deadline
Hon Nicola Willis Minister of Finance Hon Judith Collins KC Minister of Science, Innovation and Technology	Agree to the Minister of Science, Innovation and Technology sending the attached letters to Crown Research Institute chairs	12 December 2024
Hon David Seymour Associate Minister of Finance	Note the contents of this report	N/A

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Landon McMillan	Manager, Science System Policy	04 978 3448	Privacy of natural persons	✓
Dr Nic Scott	Senior Policy Advisor, Science System Policy			

The following departments/agencies have been consulted
The Treasury

Minister's office to complete:

☐ Approved

☐ Noted

☐ Seen

☐ See Minister's Notes

☐ Declined

☐ Needs change

☐ Overtaken by Events

☐ Withdrawn

Comments



BRIEFING

CRI consolidation – letters to Chairs

Date:	5 December 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	0006625

Purpose

To provide you with an update on MBIE's engagement with the Crown Research Institutes (CRIs) on the science system reforms and to seek your agreement to send the attached letter to CRI Chairs, inviting them to consider merging via short-form amalgamation.

Recommended action

The Ministry of Business, Innovation and Employment recommends that the Minister of Finance and the Minister of Science, Innovation and Technology

- a **Agree** the Minister of SI&T will send the attached letters to CRI chairs on behalf of both shareholding Ministers.

Agree/Disagree

Minister of Finance

Agree/Disagree

Minister of Science, Innovation and
Technology

Landon McMillan
Manager, Science System Policy
Labour, Science and Enterprise, MBIE

5 / 12 / 24

Hon Nicola Willis
Minister of Finance

..... / /

Hon Judith Collins KC
Minister of Science, Innovation and Technology

..... / /

Background

1. Cabinet has agreed to progress work to establish two new public research organisations (*Cabinet minute ECO-24-MIN-0242 refers*):
 - a. a Bio-economy research organisation, formed by consolidating AgResearch, Plant and Food Research, Scion and Manaaki Whenua; and,
 - b. an Earth science research organisation, formed by consolidating National Institute of Water and Atmospheric Research (NIWA) and GNS Science.¹
2. Cabinet noted that the first step in establishing these new public research organisations will be through the merger of CRIs under current regulatory settings.
3. Cabinet also agreed to repurpose the Institute of Environmental Science and Research (ESR) to create a health and forensic science public research organisation. This will not require consolidation with other CRIs.
4. On 4 December Minister Collins met with Kim Wallace, Acting Chair of AgResearch and David Smol, Chair of GNS Science to discuss the proposed SI&T reforms, including the proposed changes to CRIs (*briefing 0006939 refers*). Ms Wallace, on behalf of the CRI Chairs, wrote to Minister Collins on 22 October indicating the Chairs' support for consolidating like-oriented CRIs.
5. We note Minister Collins' office has lodged a Cabinet paper seeking agreement to further details of the SI&T reforms, including CRI mergers, to be considered by Cabinet before Christmas.

Moving fast will provide certainty and limit any impacts on scientific productivity

6. MBIE has previously provided advice on a "dual track" process of pursuing legislative change while CRIs undertake due diligence, merge (subject to CRI Board agreement), then have new boards take ownership of the process as early as possible (*briefing 2425-0857 refers*).
7. It is MBIE's experience that having the new Chair, Board and executive team in place early in a merger process is critical to give the best chance of a successful outcome.
8. CRI chairs have indicated that limiting the period of uncertainty by moving quickly to mergers will be the most effective way to mitigate negative impacts on scientific productivity and retention of talent.
9. MBIE has discussed with the CRI Chairs a three-phase transition pathway that could quickly create the new entities, while ensuring tough decisions can be taken early and that the new entities can be designed to maximise the New Zealand Inc benefit of public investment in science. A high-level outline of this process is provided in **Annex One**.
10. While not involved in consolidation, ESR should participate in discussions around aligning back-office functions, ensuring ongoing strategic alignment and optimising system benefit.

¹ Cabinet has separately agreed in principle that NIWA should acquire MetService, subject to further work being completed (*Cabinet minute EXP-24-MIN-0051 refers*).

11. It will be for the CRI Boards to decide whether to progress mergers and the structure of any merger. A likely pathway is short-form amalgamation, which was used for the merger of HortResearch and Crop & Food Research in 2008. Shareholder approval is not required for short-form amalgamation under the Companies Act 1993, however, we expect Boards will present merger proposals to the shareholding Ministers before proceeding to merge.

CRI boards will need surety from Government in order to progress the mergers

12. Before resolving to merge, each Board would need to satisfy itself that the new entity resulting from the merger:
 - a. will satisfy the solvency test
 - b. will be able to comply with the CRI Act (1992), including operating in a financially responsible manner so that it maintains its financial viability, including being able to operate as a going concern.
13. To satisfy these requirements each board will need guidance from Government on the core science that each entity will be expected to deliver and the likely public funding envelope. Any costs of the merger will be borne by the CRIs themselves.

Letters to CRI Chairs

14. We have prepared a set of draft letters (**Annex Two**) informing CRI Chairs of Cabinet's decision to reform the science system and inviting them to consider merging. MBIE recommends that the letters include:
 - a. High-level principles and parameters to guide the design of the new entities.
 - b. **Confidential advice to Government**
 - c. An overview of the timeline for the broader science reforms.
15. We note that the principles have not yet been agreed by Cabinet but they are high level and waiting until after Cabinet decisions to communicate them to CRI Chairs will delay the merger process. CRI Chairs have indicated that they are waiting for formal guidance from Ministers before beginning any work. They have also strongly communicated the negative impacts on the scientific productivity of their organisations that the current uncertainty is having, and are keen to start the process.
16. We understand the Treasury recommend the Minister of Science, Innovation and Technology considers sending the letter to CRI chairs following Cabinet consideration.

Confidential advice to Government

Next steps

17. On receipt of the attached letters, we expect CRI Chairs will initiate the work to consider short-form amalgamation that could lead to proposals to shareholding Ministers.

18. Should boards have high confidence in achieving a successful outcome through the mergers, we anticipate that merger proposals could be presented to shareholding Ministers in early 2025, with mergers potentially taking place shortly afterwards. If issues are surfaced through the due diligence process this is likely to delay development of proposals.
19. MBIE will work closely with the CRI Chairs and the CRI working groups they establish to develop any merger proposals. MBIE will notify you of any issues should they arise, including potential impacts on the timing of the mergers.

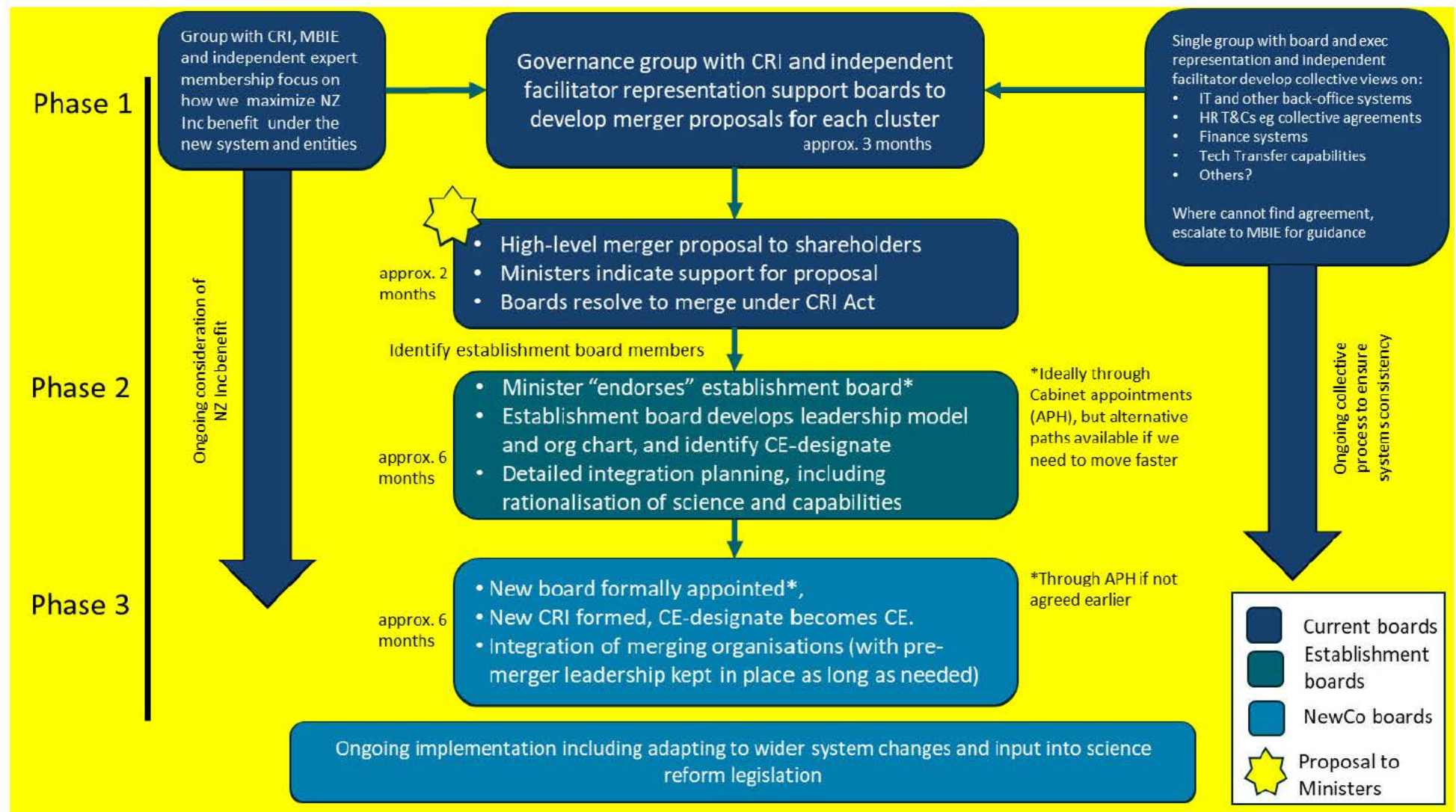
20. **Confidential advice to Government**

Annexes

Annex One: Outline of proposed merger process

Annex Two: Draft letters from shareholding Ministers to CRI Chairs

Annex One: Outline of proposed merger process



Annex Two: Draft letters from shareholding Ministers to CRI Chairs

Attached as individual letters:

- a. AgResearch
- b. ESR
- c. GNS Science
- d. Manaaki Whenua LandCare
- e. Plant and Food Research
- f. NIWA
- g. Scion



Kim Wallace
Chair, AgResearch
Privacy of natural persons

Dear Kim,

Thank you for your letter of 22 October 2024 on behalf of the CRI chairs where you expressed your collective support for both the proposed SI&T reforms and for merging like-oriented CRIs, and where you offered the chairs' assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to ensure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to a Bioeconomy Public Research Organisation

As part of the reforms Cabinet intends to create a new bioeconomy-focused PRO by combining AgResearch, Manaaki Whenua Landcare Research, Plant and Food Research and Scion. Cabinet has agreed that the new PRO will focus on driving innovation and enhancing the value of New Zealand's bioeconomy, fostering economic growth and ensuring environmental and social prosperity.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment (MBIE).

In particular, I would like to invite you to work with the boards of Manaaki Whenua Landcare Research, Plant and Food Research and Scion to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that your board would not need to satisfy yourselves that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. I expect that the final details of the new organisation will not be confirmed until further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

I acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work,

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I also anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, my expectation is that public research organisations will work more closely together. I expect you start to give effect to that direction of travel from today. I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



Professor Sarah Young
Chair, ESR
Privacy of natural persons

Dear Sarah,

Thank you for the letter of 22 October 2024 where the CRI board chairs expressed collective support for both the proposed SI&T reforms and merging like-oriented CRIs, and where the chairs offered assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to a Health and Forensic Sciences Public Research Organisation

As part of the reforms, Cabinet intends to create a health and forensic science-focused PRO by refocusing ESR's activities. Cabinet has agreed that the PRO will focus on enhancing and protecting 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.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential changes, to shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

I am inviting other CRI chairs to consider mergers, and I expect ESR to be involved in and guided by the collective discussions and decisions that will be taken as part of that process. I expect the new organisations to be designed with a focus on delivering benefit to New Zealand. This will include considering the most appropriate home for key science capabilities and functions from across the science system.

I understand that, in responding to these changes, you will need to consider the future revenue of your organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

I acknowledge your organisations have already made hard choices in focusing your activities, and this process will require further prioritisation. MBIE will work closely with you to support you in this work.

Cabinet has agreed the following guiding principles for 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 social impact.</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>
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>
--	--

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of the proposed changes in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, my expectation is that public research organisations will work more closely together. I expect you start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I look forward to working closely with you to deliver the science system New Zealand needs.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



David Smol
Chair, GNS Science
Privacy of natural persons

Dear David,

Thank you for the letter of 22 October 2024 where CRI board chairs expressed collective support for both the proposed SI&T reforms and merging like-oriented CRIs, and offered the chairs' assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to an Earth Sciences Public Research Organisation

As part of the reforms, Cabinet intends to create a new earth sciences-focused PRO by combining GNS Science and NIWA, noting NIWA's acquisition of MetService already under consideration. Cabinet has agreed that the new PRO will foster economic and environmental resilience in New Zealand through sustainable resource use, energy innovation, climate science and effective hazard mitigation.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, to shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

In particular, I would like to invite you to work with the board of NIWA to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that your board would not need to satisfy yourselves that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. Final details of the new organisation can be developed further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow.

Commercial Information

acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work,

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, my expectation is that public research organisations will work more closely together. I expect that you will start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



Colin Dawson
Chair, Manaaki Whenua Landcare Research
Privacy of natural persons

Dear Colin,

Thank you for the letter of 22 October 2024 where the CRI board chairs expressed collective support for both the proposed SI&T reforms and merging like-oriented CRIs, and offered assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to a Bioeconomy Public Research Organisation

As part of the reforms, Cabinet intends to create a new bioeconomy-focused PRO by combining AgResearch, Manaaki Whenua Landcare Research, Plant and Food Research and Scion. Cabinet has agreed that the new PRO will focus on driving innovation and enhancing the value of New Zealand's bioeconomy, fostering economic growth and ensuring environmental and social prosperity.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

In particular, I would like to invite you to work with the boards of AgResearch, Plant and Food Research and Scion to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that you would not need to resolve that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. Final details of the new organisation can be developed further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

I acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work,

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from government, my expectation is that public research organisations will work more closely together. I expect that you will start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



Barry Harris
Chair, NIWA
Privacy of natural persons

Dear Barry,

Thank you for the letter of 22 October 2024 where CRI board chairs expressed collective support for both the proposed SI&T reforms and for merging like-oriented CRIs, and offered the chairs' assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to an Earth Sciences Public Research Organisation

As part of the reforms Cabinet intends to create a new earth sciences-focused PRO by combining GNS Science and NIWA, noting NIWA's acquisition of MetService already under consideration. Cabinet has agreed that the new PRO will foster economic and environmental resilience in New Zealand through sustainable resource use, energy innovation, climate science and effective hazard mitigation.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, to shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

In particular, I would like to invite you to work with the boards of GNS Science to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that your board would not need to satisfy yourselves that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. Final details of the new organisation can be developed further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

I acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work,

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, my expectation is that public research organisations will work more closely together. I expect that you will start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



Professor Nicola Shadbolt ONZM
Chair, Plant and Food Research
Privacy of natural persons

Dear Nicola,

Thank you for the letter of 22 October 2024 where the CRI board chairs expressed collective support for both the proposed SI&T reforms and merging like-oriented CRIs, and offered assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to a Bioeconomy Public Research Organisation

As part of the reforms, Cabinet intends to create a new bioeconomy-focused PRO by combining AgResearch, Manaaki Whenua Landcare Research, Plant and Food Research and Scion. Cabinet has agreed that the new PRO will focus on driving innovation and enhancing the value of New Zealand's bioeconomy, fostering economic growth and ensuring environmental and social prosperity.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

In particular, I would like to invite you to work with the boards of AgResearch, Manaaki Whenua and Scion to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that your board would not need to satisfy yourselves that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. Final details of the new organisation can be developed further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work.

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, my expectation is that public research organisations will work more closely together. I expect that you will start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or, if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology



Richard Westlake

Chair, Scion

Privacy of natural persons

Dear Richard,

Thank you for the letter of 22 October 2024 where CRI board chairs expressed collective support for both the proposed SI&T reforms and for merging like-oriented CRIs, and offered the chairs' assistance in both creating this new system and in guiding your organisations through this transition.

SI&T reforms

As you are aware, Cabinet has decided to make wide-ranging changes to the science system with the objective of driving economic growth. New Zealand needs a dynamic science, innovation and technology system to provide for our future prosperity. We need to invest in science with a purpose, and focus our spending and incentives to make sure the system is generating greatest value for New Zealand. The objectives of this reform are to:

- focus the science system on NZ Inc and economic benefit (including more commercialisation).
- build a more adaptive and responsive SI&T system.
- improve the prioritisation and direction setting mechanisms.

The reforms will establish a prioritisation mechanism, create more adaptive institutions and strengthen the system's focus on commercial and economic outcomes. Institutional change to CRIs is required to realise the full economic benefit of these reforms. The CRIs are a vital component of our system, and we need to make sure they are positioned to create the science that will drive New Zealand's economic prosperity.

I would like to see the following benefits from the changes to CRIs:

- greater focus in areas critical to NZ's economic future
- increased scale and depth of capabilities, with the ability to apply a range of disciplines to develop economic opportunities for New Zealand
- increased adaptability to reallocate resources to evolving priorities
- increased responsiveness, transparency, and accountability to government, supported by stronger stewardship and direction from the centre and a willingness to accept trade-offs
- greater use of common pool resources, including corporate and science infrastructure.

It is my intention to introduce legislation to give effect to these changes, which will likely include changes to the CRI Act 1992. The full announcement of the proposed changes will be made in the new year. Further details of a future science system, including the design and introduction of a legislation programme, will be agreed by Cabinet in due course. I anticipate that legislation will be introduced to the House in the middle of 2025.

Moving to a Bioeconomy Public Research Organisation

As part of the reforms Cabinet intends to create a new bioeconomy-focused PRO by combining AgResearch, Manaaki Whenua Landcare Research, Plant and Food Research and Scion. Cabinet has agreed that the new PRO will focus on driving innovation and enhancing the value of New Zealand's bioeconomy, fostering economic growth and ensuring environmental and social prosperity.

I recognise that the legislative process will take time to pass through the House, and there would be great benefit to the system to move faster with potential mergers, to shorten the period of uncertainty and create an environment more conducive to scientific productivity. I am keen for you to be closely involved in the transition and encourage you to continue working alongside officials at the Ministry for Business, Innovation and Employment.

In particular, I would like to invite you to work with the boards of AgResearch, Manaaki Whenua Landcare Research, and Plant and Food Research to consider a merger of your respective entities, such as through a short-form amalgamation, and, should such a merger prove acceptable to your boards, to develop a merger proposal for the shareholding Ministers.

Should you decide to put forward a merger proposal under existing legislation, I envisage it focusing on the due diligence needed to satisfy your legal obligations as directors. The due diligence required will depend on the legal form of the merger you choose. Should you choose to consider short-form amalgamations, my officials have advised me that this could focus on satisfying the solvency test and ensuring the new entity can comply with its obligations under the CRI Act; and that your board would not need to satisfy yourselves that the merger is in the best interest of your organisation.

The merger proposal would also likely set out, at a high-level, how the new entity will deliver the desired benefits I have identified. I expect the new organisation to be designed to meet future science needs, rather than a simple merger of existing organisations. This includes considering how to create critical mass and focus by bringing together key science capabilities and functions from across the system. Final details of the new organisation can be developed further into the implementation process.

I understand that, in developing any proposals, you will need to consider the future revenue of the new organisation, including the revenue from government. I will provide guidance on your government revenue as soon as Budget processes allow, **Commercial Information**

I acknowledge your organisations have already made hard choices in focusing your activities, and this merger process will require further prioritisation. MBIE will work closely with you to support you in this work,

Cabinet has agreed the following guiding principles for public research organisations:

Purpose	To undertake research to meet the long-term needs of New Zealand
High-level functions	Undertake research in priority areas , including those identified by government, that have long-term economic, environmental and social impact. Provide stewardship research and science services needed to inform key regulatory and policy decisions, and give confidence to markets, government and the public.

	Facilitate clustering of knowledge bases and collaboration on large-scale opportunities to achieve technological breakthroughs that kick-start internationally competitive innovation ecosystems.
Design principles	<p>National Benefit: Public research organisations will always aim to maximise the long-term NZ Inc benefit. While the emphasis will shift to commercialisation and delivering economic outcomes, organisations 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: Public research organisations will look for opportunities to coinvest in research capability, facilities and knowledge production.</p>

I anticipate that the new legislation will bring public research organisations closer to government. While the detailed settings will be determined through the legislative process, your transition planning should include an option for a potential change of entity form to a Crown Agent in the long term.

Working through the transition process

I appreciate the value that comes from CRIs taking an active role in this transition. I understand that you have had initial discussions with MBIE on how to realise the potential benefits of this merger in a way that minimises uncertainty for your staff and stakeholders and I encourage you to continue working closely with my officials throughout this process.

Given the clear direction of travel from Government, our expectation is that public research organisations will work more closely together. I expect that you will start to give effect to that direction of travel from today. As such, I expect that you will not make any capital or other significant decisions that would foreclose any future opportunities, or if pressing, that those are agreed with the relevant CRIs and discussed with MBIE.

I will write to you again in the new year with further details as the science reforms progress. I anticipate you would be able to provide a formal response to the invitation to consider a merger by 1 April 2025.

Yours sincerely,

Hon Judith Collins KC
Minister of Science, Innovation and Technology