



BRIEFING

CRI consolidation – transition processes

Date:	31 October 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	0005826

Minister	Action sought	Deadline
Hon Judith Collins KC Minister of Science, Innovation and Technology	Note that MBIE will begin working with CRIs to design the new PROs Forward this briefing to the Minister of Finance as the joint Shareholding Minister	5 November 2024

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
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Dr Nic Scott	Senior Advisor, Science System Policy			

The following departments/agencies have been consulted

Minister's office to complete:

☐ Approved

☐ Noted

☐ Seen

☐ See Minister's Notes

☐ Declined

☐ Needs change

☐ Overtaken by Events

☐ Withdrawn

Comments



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Purpose

To outline how MBIE is working with the Crown Research Institutes to design and establish the new Public Research Organisations.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that MBIE is working closely with the Crown Research Institutes on the design of the new Public Research Organisations and the process for their establishment.

Noted

- b **Forward** this briefing to the Minister of Finance.

Agree / Disagree

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

31 / 10 / 24

Hon Judith Collins KC
Minister of Science, Innovation and Technology

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Background

1. On 9th November Cabinet will consider your paper 'Driving economic growth through Science, Innovation and Technology'. This paper seeks Cabinet agreement to consolidate the Crown Research Institutes (CRIs) into a Bioeconomy Public Research Organisation (PRO) and an Earth Science PRO.
2. The CRI Chairs wrote to you on 23 October indicating their support for consolidation and offering their assistance through the transition. MBIE had an initial meeting with the CRI Chief Executives, who are also supportive and eager to begin contributing to the work.
3. We provided you with a high-level overview of the proposed process in September (briefing 2425-0857 refers).

A collaborative design approach is the only viable option for a successful outcome

4. Following the letter from CRI Chairs, MBIE has begun working closely with the CRIs to design the new PROs. This will ensure they are set up to deliver Government's priorities while being informed by and taking account of the current state and existing capabilities of the CRIs. This provides the fastest route to establish new PROs and has the added benefit of generating buy-in from CRIs.
5. All discussions are being treated both as confidential and on the basis that Cabinet decisions are still to be made.
6. Achieving early CRI buy-in and maintaining this through ongoing and meaningful engagement will be critical to getting a successful outcome. This was a key lesson from recent public sector organisational reforms.
7. This approach has been endorsed by the CRI Chairs and Chief Executives in our initial conversations. They emphasised that consolidation is best done quickly, with government and the CRIs working closely together.
8. Other options we have considered are not viable:
 - a. *A transition led by MBIE with limited involvement from CRIs.* MBIE does not have the in-depth understanding of the CRIs assets, capabilities, culture and structure to manage the transition.
 - b. *A CRI-led transition with limited MBIE involvement.* Risk of strategic drift leading to misalignment with government priorities.
9. **Free and frank opinions**
By remaining close to the PRO design process MBIE can ensure the future PROs align with the wider SI&T system reform.

Involving the right people will be critical to getting optimal outcomes

10. We are likely to suggest that the process is overseen by one or two governance groups, formed from CRI directors, MBIE officials, and additional independent members as needed

to provide confidence in the outcomes. The PROs will be best set up for long-term success if there is representation from the CRIs on the transition governance groups.

11. Working groups will undertake the detailed due diligence, design and implementation work. These groups will consist of CRI staff, and, where required, MBIE officials and professional services expertise. A project coordination function will manage the working groups on behalf of the governance group(s).

12. **Confidential advice to Government**

13.

14. MBIE will work closely with the CRIs to scope out the establishment process and identify suitable candidates for the transition governance arrangements. We will provide you with further advice on this shortly.

High-level principles should guide the design and transition process

15. The process will be collaborative and iterative, with a focus on:
 - a. **Benefit to New Zealand:** New PROs will focus on benefit to New Zealand as a whole, rather than thinking of narrow benefit to the PRO.
 - b. **Increased focus on commercialisation:** New PROs will shift resources towards science that will grow and strengthen the economy for the benefit of all New Zealanders.
 - c. **Flexibility in the design:** an iterative process between identifying science priorities and available funding will be required; and the design must have the flexibility to align to government priorities, including to stop things that are no longer needed.
 - d. **Keeping CRIs going through the transition:** Governance groups will work with the current boards to maintain essential science services to government and the private sector and maintain capability, where appropriate.
 - e. **Information sharing:** Clear processes and procedures that will enable MBIE and the CRIs to work together in an open and transparent way to further to reforms, including managing any issues around competition.
 - f. **Leveraging skills and connections:** By taking advantage of governance and working group members bringing knowledge and experience from their substantive roles.
16. The CRIs have indicated that having clarity on SI&T portfolio funding for the new PROs early in the process will be critical to designing organisations that are both financially sustainable and able to deliver the government's priorities.

The transition process will inform final outcomes

17. The expected outputs of the transition process will be:
 - a. The due diligence required by CRI boards before they can agree to merge.
 - b. Detailed design of the new organisations, including input into relevant legislation.
 - c. An implementation plan for integrating the CRIs post-merger.

18. MBIE and the CRIs can begin work on some aspects (eg financial due diligence, back-office integration planning) right away. Other aspects (eg alignment to government science priorities, funding) will need to be developed alongside the wider science reforms.
19. The process should culminate in the governance groups presenting merger proposals to the boards of the relevant CRIs, who would then make a proposal to the Shareholding Ministers. A decision may be made at this point that it is better to wait until the legislation has passed.

Next steps

20. We recommend you share this briefing with the Minister of Finance as the joint shareholding Minister.
21. MBIE will begin working with the CRIs to further define the process, including roles and responsibilities, deliverables and key milestones.
22. Once the process is fully scoped, we recommend you formally communicate your expectations by writing to the CRI chairs. We will provide you with further advice, including draft letters and details of the transition governance processes, in due course.
23. We anticipate the Shareholding Ministers would send a formal letter to the CRI boards on 1 February 2025, aiming for the appointment of the new PRO boards by 1 August 2025.