



## BRIEFING

### Letter to Callaghan Innovation

<b>Date:</b>	23 January 2025	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	REQ-0007888

	Action sought	Deadline
Hon Judith Collins KC <b>Minister of Science, Innovation and Technology</b>	<b>Agree to sign and send the letter to Callaghan Innovation on the science system reforms and the disestablishment of the organisation.</b>  <b>Indicate if you wish to discuss with officials or make any changes to the content.</b>	23 January 2025

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Gina Williamson	Manager, Innovation Policy	Privacy of natural persons	✓
Simon Wakeman	Principal Policy Advisor, Innovation Policy		
Nicola Scott	Manager, SI&T Performance and Monitoring		
Ben Long	Senior Advisor, SI&T Performance and Monitoring		

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☐ Withdrawn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 provide the draft letter to Callaghan Innovation formally communicating the science system reforms and the disestablishment of Callaghan Innovation for your consideration and signature.

### Recommended action

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

- a **Agree** to sign and send the letter to Callaghan Innovation (**Annex One**).

Agree / Disagree

OR

- b **Indicate** if you wish to discuss with officials or make any changes to the content.

Yes / No

Gina Williamson  
**Manager, Innovation Policy**  
Labour, Science and Enterprise, MBIE

22 / 01 / 2025

Hon Judith Collins KC  
**Minister of Science, Innovation and  
Technology**

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## Background

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1. The Government has made the decision to disestablish Callaghan Innovation [ECO-24-MIN-0242 refers]). To enable the Callaghan Innovation Board to begin making necessary preparations for its disestablishment, you need to inform it of your intentions.

## Letter to Callaghan Innovation

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2. The letter provides formal notification to Callaghan Innovation about the reforms to the science, innovation and technology (SI&T) system and your intention to disestablish Callaghan Innovation and redistribute its most important functions elsewhere in the SI&T system. The draft letter is attached as **Annex One**, for your consideration and signature.
3. The letter outlines your expectations of the Callaghan Innovation Board through the disestablishment process, including functions to prepare for transfer to other parts of the science system, continued management of the Gracefield Innovation Quarter while exploring commercial opportunities, and your intention to reallocate funding from activities that have not been identified for continuation.
4. On the advice of the Public Service Commission (PSC), MBIE has discussed these expectations with the Chair of the Callaghan Innovation Board prior to drafting the letter.

# Legal professional privilege

8. **Legal professional privilege** the Letter is drafted to:
  - Inform the Board of the Government's decision to disestablish Callaghan Innovation
  - Communicate the Government's intentions for the future of the SI&T system, including the functions currently performed by Callaghan Innovation that will continue to be delivered elsewhere in the system's future state (as per the decisions notified to Cabinet [ECO-24-MIN-0242 and CAB-24-MIN-0504.02 refers])

- **Legal professional privilege**
  - Set the expectation that the Board appropriately manage and reprioritise available funding within existing appropriations, and work with MBIE to make changes to appropriations as required to meet the costs of disestablishment.
9. Providing this information will help the Board to prepare activities for transfer, to make decisions regarding other programmes and activities consistent with the Government's future direction, and prepare for an orderly wind down of Callaghan Innovation once legislation is passed.

**The Statement of Intent can be waived, but other accountability documents must continue to be produced**

10. We recommend you waive the requirement for Callaghan Innovation to provide a new Statement of Intent (SOI). Callaghan Innovation is due to provide a new SOI in 2025. However, under section 139B(3) of the Crown Entities Act 2024, you as the responsible Minister may grant a waiver if the entity is likely to be disestablished. The draft letter provides the written waiver.
11. Callaghan Innovation will still be required to provide a Statement of Performance Expectations (SPE) and Annual Report for any year or part year of operations. We expect legislative processes for formal disestablishment to occur during 2025/26 and therefore Callaghan Innovation will be required to provide SPEs and Annual Reports for 2024/25 and 2025/26. It may be necessary to transfer responsibility for providing the final Annual Report to another entity (or entities) as per sections 45J and 45L of the Public Finance Act 1989.
12. MBIE will work with Callaghan Innovation to determine the requirements for SPEs and Annual Reports for entities that are being disestablished.

## Next steps

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13. If you are comfortable with the content of the letter, we recommend you sign the letter to Callaghan Innovation and send it to the Chair as soon as practicable following the public announcement of the SI&T system reforms. This will ensure the Callaghan Innovation Board have the necessary information to begin preparations.
14. The Callaghan Innovation Board will then respond outlining how they will deliver against the expectations you have set out in the letter. Depending on their response, it may be necessary to provide further clarification or expectations either via MBIE officials or formally through a subsequent letter.

## Annexes

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Annex One: Letter to Callaghan Innovation

## Annex One: Letter to Callaghan Innovation

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Jennifer Kerr  
Chair, Callaghan Innovation  
[jennifer.rosekerr@gmail.com](mailto:jennifer.rosekerr@gmail.com)

Dear Jennifer,

## SCIENCE SYSTEM REFORMS

I write to convey my expectations following the Government's decisions regarding the science system reforms and the future of Callaghan Innovation.

### Science, Innovation and Technology (SI&T) Reforms

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

- Focus the SI&T system on NZ Inc and economic benefit (including greater 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. To realise the full economic benefit of these reforms, institutional changes are required. As such, Cabinet has agreed to establish the Prime Minister's Science, Innovation and Technology Advisory Council to set strategic direction for the system; to consolidate existing Crown Research Institutes into three public research organisations (PRO) clustered around Bioeconomy, Earth Sciences, and Health and Forensic Science; to increase investment into advanced technologies; and to establish a new investment attraction agency, Invest NZ.

Cabinet has also agreed as part of these reforms that Callaghan Innovation will be disestablished, and its most important functions transferred elsewhere in the future SI&T system.



I plan to implement the reforms as soon as is practicable, which will require all elements of the science system, including Callaghan Innovation, to begin preparing without delay.

### **Disestablishment of Callaghan Innovation**

To give effect to this, in the first half of 2025 I plan to introduce legislation to formally disestablish Callaghan Innovation. My intention is that the legislation will come into effect by 1 July 2026 or earlier if practicable.

Cabinet has authorised me to make decisions regarding the future of the research and development (R&D) and innovation-related activities that are currently performed by Callaghan Innovation. I expect the Callaghan Innovation Board to prepare for this future state, and not to take any actions that would prejudice it.

Until the formal disestablishment comes into effect, I expect the Callaghan Innovation Board to manage the entity in a manner consistent with the Callaghan Innovation Act 2012 and the Crown Entities Act 2004, while having regard to the future state of the SI&T system as agreed by Cabinet.

I have set my expectations below for the Callaghan Innovation Board as the entity prepares for disestablishment and supports the transition to the future state of the SI&T system. I expect the Board to:

- Prepare the following for transfer to other parts of the SI&T system:
  - Provision of technical assessments and business engagement for the R&D Tax Incentive will be transferred to the Ministry of Business, Innovation and employment (MBIE).
  - Administration of all grant and loan programmes for supporting business innovation and R&D, the Technology Incubator programme, the Health Tech Activator, and the Founder & Startup Support programme will be transferred to MBIE.
  - The New Zealand Food Innovation Network, the Bioresource Processing Alliance, and the New Zealand Product Accelerator will be transferred to appropriate PROs.
  - The Measurement Standards Laboratory will be transferred to the Earth Sciences PRO.
- Work with MBIE to assess whether any of these transfers may appropriately be achieved prior to formal disestablishment.
- Continue managing and operating the Gracefield Innovation Quarter (GIQ) property and facilities and explore commercial opportunities to retain the site as a centre for science and innovation.

# • Negotiations

My intention is to continue funding for the activities listed above. Any other activities beyond this will no longer be funded from 30 June 2025, as funding will be reprioritised to other parts of the SI&T system.

I recognise there will be costs to Callaghan Innovation associated with these changes and ask that you inform me what those costs will be. I will take account of these costs also as I pursue reallocation of funding through Budget 25. I expect the Board to appropriately manage its funding and work closely with MBIE to make necessary changes to appropriations to prioritise the above activities and prepare the organisation for disestablishment.

## **Accountability Documents**

I am waiving the requirement for Callaghan Innovation to provide a new Statement of Intent in 2025 under section 139B(3) of the Crown Entities Act 2004. Callaghan Innovation will still be required to prepare a Statement of Performance Expectations and Annual Report for full or part years of operation. I expect Callaghan Innovation to continue to provide other accountability documents and reports required by the Ministry of Business, Innovation and Employment (MBIE) as the entity monitor, such as quarterly reports.

## **Response**

I would appreciate your reply on how you propose to support my priorities. I expect that you will keep my officials up to date on your progress towards meeting my expectations throughout the year, including when my priorities are not being progressed.

If you require further detail in respect of my expectations, please feel free to contact either Dean Ford, General Manager – Technology & Innovation, or Michael Bird, General Manager - Entity Performance & Investment at MBIE.

I recognise that this will be difficult news to receive. I appreciate the hard work that members of the Callaghan Innovation Board, the executive, and staff have put in over the past twelve years for the benefit of New Zealand and particularly the SI&T system. I hope that we can work together to ensure we achieve the best outcomes for the future of the SI&T system and New Zealand.

I look forward to meeting with you in the near future to discuss these changes further. I am confident that, with your cooperation and dedication, we can navigate this process of change smoothly and achieve the best possible outcomes to this transition.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Reti', with a stylized flourish at the end.

Hon Dr Shane Reti

**Minister of Science, Innovation and Technology**

Copy to: Stefan Korn, Chief Executive, Callaghan Innovation,  
[stefan.korn@callaghaninnovation.govt.nz](mailto:stefan.korn@callaghaninnovation.govt.nz)