

# Hon Grant Robertson

MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

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Dr Ganesh Nana  
Chair, Te Kōmihana Whai Hua o Aotearoa | New Zealand Productivity Commission  
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Tēnā koe Dr Nana

Thank you for your work in producing the *Frontier Firms: Follow-on review*. The follow-on report provides useful insight into New Zealand's progress towards a more sustainable, inclusive and productive economy. We share your desire to make sure we are enabling our frontier firms to emerge and flourish.

The Commission's report focused closely on the Te Ara Paerangi – Future Pathways reform programme and in particular the National Research Priorities (NRPs). The report envisaged that a subset of the NRPs would be directed towards building focused innovation areas. On that basis, it raised concerns that the process would not be collaborative enough with industry, Māori, and researchers, and would be too top-down.

We intend for the NRPs to have transformational impact across a range of objectives, beyond just focused innovation areas or frontier firms and industries, looking at where focused and coordinated research effort can have the most impact for all of New Zealand society, economy and environment. This will be done by increasing the state of knowledge, providing potential solutions to our greatest challenges, and exploring emerging opportunities. The NRPs are intended to be policy-oriented, strategic missions and will be considered in the context of our wider objectives, including health, environment, cultural, economic and social goals.

While we cannot predetermine the NRP process, and it is not designed specifically to choose areas for focused innovation, we expect solving our greatest challenges to also require a focus on innovation that offers potential for industry and enterprise. This aligns with the Government's objective of turning our greatest challenges into our greatest economic opportunities. In that light, the case made in your report around focused innovation is a useful starting point, and we anticipate that it can be further developed as we advance our work on the RSI system.

Te Ara Paerangi – Future Pathways also covers a range of broader work, with connectivity between research and industry being central beyond the NRPs process. Our 'Building System Agility' workstream is focused on accelerating and scaling up impact and will advance institutional funding and system setting changes. It will also help to address some of the concerns outlined in the Commission's report around ITPs having a lack of connection through to the research system.

We also recognise that enabling our frontier firms to succeed and driving innovation forward will require us to utilise other levers that sit outside of and complement the NRP process, including regulation and international connections, as well as other work programmes such as the Industry Transformation Plans (ITPs). The NRPs are intended to act as networks of collaboration, coordination and connection across the system. Connecting with these other innovation levers as well and supporting relationships with industry and communities will be critical to the NRPs achieving the impact desired.

We agree with the Commission's finding that the NRP process should not be a top-down exercise led by government, but rather a broad and collaborative process where we partner with industry, researchers, workers, Māori, and education and training providers to understand emerging innovation possibilities. There is a balance to be struck between a process that engages with and is informed by industry, and one that is limited in its approach by too close a connection with incumbents. We consider that there are mechanisms within the current process for setting the NRPs that address many of the Commission's concerns regarding collaboration, while maintaining sufficient focus on independent and innovative perspectives.

The process underway is focused on identifying the most important strategic, policy-oriented challenges and opportunities for New Zealand. The process is intended to enable targeted input and participation from industry, iwi/Māori, communities, government agencies and researchers. In particular, a panel that is independent of government will make recommendations to government for the highest-level priority areas. The panel will bring together a range of perspectives with a strategic lens. We will also need significant input from the research sector and users of research to develop the research outcomes and activities that will sit underneath NRPs. This will provide further opportunities for a collaborative, bottom-up approach. Once the NRPs are determined, we intend to establish a body to provide strategic oversight across the portfolio of NRPs.

The Commission acknowledged the progress made on ITPs, and the high value in working in partnership across government and industry (both businesses and unions). The Commission reiterated the features of effective focused innovation policy, though indicated the view that the ITPs lack certain features, including: insufficient government funding and co-investment by business, lack of connection through to the research system, affirming the importance of collaborative governance, transparent monitoring and evaluation, and a consistent and adaptive approach to transformation.

We believe that some of those features are already embedded within the ITPs, such as collaborative governance and implementation with sectors, a focus on transformation, and a consistent and adaptive approach. Additionally, a monitoring and evaluation framework is currently being developed for the ITP programme. Implementing the ITPs requires investment both from government and from industry, including in-kind contributions from tripartite partners. Industry have made significant in-kind contributions throughout the process of developing the ITPs and we expect to see co-investment from industry increasing over time.

Our Government has made significant investment into the ITPs to date, and is committed to funding initiatives and addressing policy issues to support transformation of industries and our economy. Further funding for transformative initiatives is likely as actions within the ITPs are refined and business cases prepared, supporting further investment from government and encouraging co-investment from industry.

We have noted the Commission's useful advice on a range of other programmes and will continue to take this advice into account in future work. We appreciate the Commission's considered approach and the evidence it brings to support its recommendations. It continues to perform a valuable role in the New Zealand policy system and as a critical friend on policy issues, and we look forward to receiving your future reports and advice.

Nā mātou noa, nā



Hon Dr Ayesha Verrall  
**Minister of Research, Science and Innovation**



Hon Grant Robertson  
**Minister of Finance**



Hon Barbara Edmonds  
**Minister of Economic Development**