AN INNOVATIVE AND COMPETITIVE ECONOMY

Science and innovation are cornerstones of a stronger economy. Boosting science and innovation is critical to driving productivity, increasing output, creating more and higher paying jobs, and building strong and sustained economic growth.

National has made science and innovation a priority in government, boosting funding very significantly despite tight financial times. Government investment in science will total $1.5 billion next year.

National established Callaghan Innovation, a new high-tech HQ to help innovative Kiwi businesses get ideas out of the lab and into the market. Developing smarter and better products and services helps Kiwi businesses compete internationally and command premium prices on the world stage. Our efforts have helped business-led research and development (R&D) expand by almost 25 per cent between 2010 and 2012.

National will invest an additional $20 million a year in business research and development, to further grow private sector investment in R&D. This 14 per cent increase in Callaghan Innovation’s R&D Grant funding is one measure we’ll take in our quest to nearly double business spending on R&D to 1 per cent of GDP by 2018.

We will establish a Food Safety Science and Research Centre, as recommended by the Government inquiry into the whey protein contamination incident. We’ll also establish four additional Centres of Research Excellence, with one of the Centres focused on Māori research.

We’ve established the National Science Challenges, which are helping direct science investment at the biggest issues confronting New Zealand.

Over the next three years we’ll continue to grow our investment in science in the regions and across New Zealand, and create the right environment to allow the business sector to boost their expenditure in research and development.

POLICY HIGHLIGHTS

→ Increased government investment in science and innovation by 70 per cent.

→ Set up Callaghan Innovation to help Kiwi businesses turn their ideas into marketable and successful products.

→ Established the Primary Growth Partnership to co-invest with industry in research programmes across the primary sector.

→ Investigate establishing up to three private sector Regional Science Institutes around New Zealand.

→ Establishing a Food Safety Science and Research Centre.

→ Establishing four additional Centres of Research Excellence, with one of the Centres focused on Māori research.

→ Rolling out the Science in Society project.
NATIONAL IS...

**LIFTING GOVERNMENT INVESTMENT IN SCIENCE AND INNOVATION**

- Lifting cross-government science investment by 70 per cent in eight years, to $1.5 billion in 2015/16.
- Increasing investment in the Marsden Fund from $36 million annually in 2008/09 to $52 million in 2014/15, to encourage more investigator-led, blue-skies research.
- Increasing the Performance Based Research Fund from $231 million in 2007/08 to $300 million in 2016/17, to encourage university-based research.
- Through Research and Educational Advanced Network New Zealand, entering into a $65 million anchor tenancy contract with Hawaiki Cable Ltd for its proposed new international telecommunications cable.

**ENCOURAGING AND SUPPORTING BUSINESS-LED R&D**

- Establishing Callaghan Innovation, a new high-tech HQ to help innovative Kiwi businesses get ideas out of the lab and into the market. Callaghan Innovation is already helping hundreds of companies with research and technical projects, establishing itself as the high-tech HQ for New Zealand businesses.
- Investing $566 million over four years in research and development grants to encourage and accelerate innovation by firms in New Zealand.
- Assisting new start-up companies to launch and grow through the recently established Accelerator Programme and a new network of Technology Incubators throughout New Zealand. These technology-focused incubators will provide start-up companies with repayable grants from a fund totalling $31.3 million over four years. The technology incubators are designed to get more high-growth start-ups off the ground more quickly, to boost the pipeline of companies into the hi-tech sector.
- Encouraging primary sector innovation by linking up with industry in the Primary Growth Partnership, a series of co-funded research programmes that are boosting innovation and productivity across our important agricultural sector.
- Establishing the Christchurch Innovation Precinct, securing Vodafone as the anchor tenant and attracting other innovative private sector companies like Kathmandu.

**ENSURING SCIENCE IS AT THE HEART OF GOVERNMENT**

- Establishing the National Science Challenges, to tackle some of the biggest science-based issues and opportunities facing New Zealand.
- Preparing a new National Statement of Science Investment, which enlists the science sector to help determine future priorities for the Government’s $1.5 billion investment in science.
- Launching the Science in Society project, to encourage engagement with science and technology across all sectors of New Zealand.
OUR RESULTS SO FAR

- R&D spending by New Zealand businesses expanded by nearly 25 per cent between 2010 and 2012 and is now equivalent to 0.58 per cent of GDP.

- The number of people working in R&D in New Zealand grew 7 per cent between 2010 and 2012 and is now up to 25,700.

- 568 companies are being helped by our R&D incentive schemes. This includes 106 high-tech Kiwi companies who receive 20 per cent of their R&D spending back through R&D Growth Grants.

- Around 330 new postgraduate and undergraduate students will work this year in an innovative New Zealand business through Callaghan Innovation’s R&D Student Grants.

- ICT and high-tech and medium high-tech manufacturing exports are growing, and account for just under 9 per cent of New Zealand’s goods and services exports (with dairy being around 22 per cent).
WHAT WE WILL DO NEXT…

1. INCREASE BUSINESS-LED R&D

➔ Invest an additional $20 million per year in business R&D.

Increasing business spending on R&D is critical to New Zealand’s future prosperity, creating valuable products and services that drive economic growth.

We’ve already committed to spending $566 million over four years in R&D Grants to grow business research and development. Our work is paying off. Business-led R&D grew by nearly 25 per cent between 2010 and 2012.

National will invest an additional $20 million per year to further grow business R&D. This new investment, equivalent to a 14 per cent increase in Callaghan Innovation’s R&D Grant budget, will encourage innovative companies to invest more, developing world-leading, high-value products, and creating more jobs for New Zealanders and a stronger economy.

➔ Help lift business spending on R&D to 1 per cent of GDP.

In 2012 New Zealand businesses spent 0.58 per cent of GDP on R&D. This represents an increase in spending, but is still well below the OECD average of 1.62 per cent of GDP. National will provide the right environment and incentives to lift business sector expenditure on research and development to 1 per cent of GDP by 2018.

➔ Set the right tax environment.

Part of lifting business-led R&D is providing the right tax environment. National will allow tax deductibility for R&D black-hole expenditure and allow start-ups to cash-out their R&D tax losses. This is estimated to return more than $58 million to innovative businesses over the next four years, and encourage investment in R&D.

➔ Ensure R&D infrastructure is in place.

National will further develop the Christchurch Innovation Precinct, the Lincoln Hub, Food HQ and innovation parks around New Zealand.

2. INVESTIGATE REGIONAL SCIENCE INSTITUTES

➔ Investigate private sector Regional Science Institutes around New Zealand.

While significant research and development is undertaken outside of the main centres—in Palmerston North, for example—more can be done to encourage private sector investment in R&D in regional areas.

National will investigate the establishment of up to three Regional Science Institutes around New Zealand—similar, for example, to Nelson’s Cawthron Institute—to engage in short and long term R&D with a tight focus on regional economic growth.

These new independent entities, awarded on a competitive basis, would be co-funded by local industry and private donations, to reflect market demand for research in the region.

LIFT BUSINESS R&D SPENDING TO 1% OF GDP
3. BOOST PRIMARY SECTOR R&D

→ Establish a Food Safety Science and Research Centre.

National will establish a Food Safety Science and Research Centre, as recommended by the Government inquiry into the whey protein contamination incident. The centre will help to ensure that New Zealand’s food safety system remains the best in the world, and will focus on cutting-edge, internationally recognised research into key aspects of food safety. It will be funded by at least $5 million per year made up of contributions from government and industry.

→ Ensure that publicly funded R&D spending supports innovation and jobs in the primary sector.

National will continue to invest in primary sector R&D programmes, including the Primary Growth Partnership and the Sustainable Farming Fund. These programmes help to ensure New Zealand’s primary sector maintains its competitive and sustainable advantage. The Primary Growth Partnership has the potential to deliver returns of up to $11 billion by 2025.

4. SET UP FOUR NEW CORES

→ Establish four additional Centres of Research Excellence, with one of the Centres focused on Māori research.

Centres of Research Excellence are an important tool for lifting research quality and encouraging networking and collaboration across the tertiary sector.

National will establish four new Centres of Research Excellence. This represents an increase in CoRE funding from $35 million in 2013/14 to more than $50 million in 2015/16, and demonstrates our support for excellent research in areas that are important to New Zealand’s future development.

5. ENSURE THE PROMINENCE OF SCIENCE

→ Roll out the Science in Society project.

To give young New Zealanders the best possible opportunity to achieve educational success, we’ll roll out the Science in Society project to encourage more students to study science, technology, engineering and mathematics in our schools and tertiary institutions. This will help to ensure New Zealand’s ability to respond to the challenges and opportunities presented by science in the 21st century.

→ Finalise the National Statement of Science Investment and use it to further grow and structure New Zealand’s science investment to maximise results.

Following the introduction of a number of new initiatives including the National Science Challenges, the Primary Growth Partnership, and the establishment of Callaghan Innovation, it is important we test the current settings and proposed future priorities to ensure science continues its contribution to New Zealand’s growth and prosperity.
DON’T PUT IT ALL AT RISK

Labour and the Greens would:

- Abolish targeted R&D grants and replace them with tax credits, allowing firms to reclassify existing expenditure as R&D. This is a very expensive way to achieve little or no additional R&D in New Zealand.

- Set up five new taxes, including a carbon tax at five times the current price, a capital gains tax on all productive businesses and farms, and new water taxes, which would reduce the ability of businesses to invest more in R&D.

- Put up personal tax rates for our top researchers, re-starting the brain drain overseas.