

## Business NZ recommendations to incoming Government: Innovation

Innovation is of profound importance to New Zealand's future. It is a key way in which we can build productivity growth and wealth in the economy to the benefit of businesses, employees and communities.

New Zealand's innovation infrastructure has not been the subject of thoroughgoing national review for many years. The OECD recently reviewed New Zealand's innovation system and made many useful recommendations for change but thus far few have been effectively actioned.

Innovation is a challenge to policymakers, being fundamentally customer-driven. Government funding and innovation policy needs to better take this dynamism into account.

A range of activities is underway including the work of the Capitalising on Research and Development Action Group (CRAG) and the Growth & Innovation Advisory Board (GIAB) but more focus on innovation by other organisations and institutions is required.

Many other countries are investing heavily in innovation infrastructure and policy development. The newly elected Australian Government has recently completed a major innovation review which has a number of significant implications for New Zealand innovation policy in the future.

From ongoing and intensive discussions with a wide range of businesses it appears that the key issue is finding ways to grow private sector innovation engagement and spending.

A number of policy initiatives can be taken to improve the connections between researchers and business and to increase the innovation performance of New Zealand businesses generally.

Prior to the election the National Party announced the scrapping of the R&D tax credit. This has caused some disquiet among R&D-intensive businesses. If the new Government is to remove this tax incentive then it will be important that it actively works with the business and research communities to replace it with other policy action aimed at the same outcome i.e. an increase in private sector innovation expenditure.

Business NZ takes the view that this will happen best in the framework of a thorough review of New Zealand's innovation system with appropriate involvement from key private sector players.

Such a review would involve consideration of the ongoing role of CRIs and Universities as well as what is going on inside private sector companies and institutions. It would also need to investigate the ongoing role of key funding bodies such as TEC and FRST and policy making bodies such as MORST.

We should aim for a world class innovation ecosystem. It seems clear that we do not have that today.

**Business NZ recommendations:**

1. Review and implement appropriate recommendations of *OECD Reviews of Innovation Policy: NEW ZEALAND*
2. Review New Zealand's innovation system, including an analysis of the merits of R&D tax credits and other policy actions aimed at increasing private sector innovation expenditure, the review involving business representation

For information & dialogue contact Business NZ  
Phil O'Reilly Chief Executive  
04 4966555 [poreilly@businessnz.org.nz](mailto:poreilly@businessnz.org.nz)  
[www.businessnz.org.nz](http://www.businessnz.org.nz)