

Labour Party Science & Innovation Policy Statement

Introduction

These responses reflect the policies and actions of Labour in government. The Labour Party's policy for the next parliamentary term and beyond will be released shortly.

Research and Development in New Zealand is on the verge of a significant step-change. Our aim is to make sure New Zealand science is not only world class in terms of the excellence of our researchers, but also world class in terms of funding and status of scientists.

Labour believes that good science lies at the heart of a modern society and a modern economy. Good science, and innovative technology, contributes to increased economic productivity, better health, a greater understanding of our environment and society as well as the advancement of scholarship and human knowledge.

Over the past nine years the profile of research, science and technology in New Zealand society has risen significantly. It is debated more, it is valued more and it has delivered more.

Over the next three years the pace will quicken markedly. Recent policy changes and new policies to be implemented post-election will combine to produce a further step-change in this arena.

Research and Development

In the last decade Research, Science and Technology funding has increased by 90%. Labour funded strong growth in basic sciences through the Marsden Fund (90%), Health Research (130%) and New Economy Research Fund (1999, \$5m to 2008, \$73m). In addition, Labour established the Pre Seed Accelerator Fund, the Equity investment Fund, the Seed Capital Investment Fund and the Venture Investment Fund, all designed to accelerate the commercial development of the fruits of research. Business incubators were established for the same reason.

Although improving, New Zealand's investment in RS&T is still well below the western world average. Specifically, public sector investment is at about 75% of the western world average, and private sector investment is at about 33% of the western world average (up from 25% 9 years ago).

In the private sector already announced policy and funding is likely to raise reported private sector R&D investment to about 69% of the western world average by 2011/12.

In the public sector already announced funding is likely to raise public investment to 82% or 83% of the western world average by 2011/12.

A growing R&D workforce

In the last decade the number of students undertaking doctoral study has increased significantly, especially in the last 3 years, and has almost doubled since 1999. The total research and development workforce has increased from 9,500 to 16,500 in the 10 years to 2006. Immigration flows of scientists and engineers in and out of New Zealand has resulted in a net positive inflow since about 2002.

Labour introduced a range of new fellowships and scholarships, and increased others, including doubling the number of Fulbright Scholarships. In addition Labour has established the Centres of Research Excellence and the Performance Based Research Fund (\$236m per annum) for University based research.

New Zealand: Fast Forward

Labour has created the New Zealand: Fast Forward fund of \$700m, to be matched by private funding from the food and pastoral sectors to create a substantial step change in R&D, ranging from basic environmental research to pre-commercial development over the next 10-15 years. This is easily the largest single investment in R&D in New Zealand's history.

New Zealand: Fast Forward is likely to deliver major change in the following areas over the 10-15 years during which the programme will run:

- Basic Environmental research into the pastoral sector, to reduce the environmental effects of climate change gases (50% of which comes from our pastoral sector), to improve water quality, to reduce chemical use further etc.
- Advanced food research and development to create new food products, food ingredients, functional foods, nutraceuticals and the like
- Attention to various workforce and skills gaps that exist or are emerging in our economy throughout the value chain, perhaps with some early concentration on food technologists and food engineers.
- Growing more globally competitive firms in New Zealand who enjoy a degree of influence in many markets, thus joining existing companies of that ilk such as Fonterra, Zespri, PGG Wrightson or Sealords.

The 15% R&D tax credit

Private sector investment in R&D is, by international standards, low.

Earlier this year the 15% tax credit was introduced. It has a relatively simple design, is applicable to all qualifying R&D expended by the private sector and is available even to loss making start-up companies which are not yet paying tax. Economic modelling confirms that will result in a large increase in private sector investment in R&D.

The Inland Revenue Department (IRD) has calculated the “forgone revenue” from the tax credit at \$330 million per annum in 2011/2012. This means that reported R&D activity in the private sector will double over the next three years (acknowledging that some of the reported increase will be due to earlier underreporting by some firms).

A relatively high proportion of privately funded R&D is carried out in our Crown Research Institutes and in our Universities. Their contract research activity will therefore rise significantly.