



COVERSHEET

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| Minister | Hon David Parker | Portfolio | Economic Development |
| Title of Cabinet paper | Industry Policy | Date to be published | 12 July 2019 |

List of documents that have been proactively released

| Date | Title | Author |
|-------------|---|--|
| 18/02/2019 | <i>Refocusing our approach to Industry Policy</i> | <i>Office of the Minister for Economic Development</i> |
| 18/02/2019 | <i>Cabinet Minute of Decision: Refocusing the Approach to Industry Policy</i> | <i>Cabinet Office</i> |
| 29/05/2019 | <i>Next steps on Industry Strategy</i> | <i>Office of the Minister for Economic Development</i> |
| 29/05/2019 | <i>Cabinet Economic Development Committee Minute of Decision: Next Steps on Industry Strategy</i> | <i>Cabinet Office</i> |

Information redacted

NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982.

In confidence

Office of the Minister for Economic Development

Chair, Cabinet Economic Development Committee

Next steps on Industry Strategy

Proposal

1. To report back to Cabinet on: how a set of guiding principles have been applied to the development of a refocused Industry Strategy; to identify priority sectors for increased partnership activity [CAB-19-MIN-0033.01 refers]; and the process for developing Industry Transformation Plans in these sectors.

Executive Summary

2. Our goal is to create a productive, sustainable, inclusive and net zero emissions economy that maximises the wellbeing of all New Zealanders. While we start with firm economic foundations, we face domestic challenges in the form of our small population base and domestic market, as well as global challenges spanning the changing nature of work and technology, climate change and other environmental issues, and increasing protectionism and shifting approaches to global trade.
3. Our own approach to Industry Strategy has evolved significantly over the decades, as have those of other OECD countries and Singapore. Today, the approach is centred on setting the stage for economic development by spurring innovation and its diffusion across economies. This recognises the central role of industry and the private sector in developing and financing market-led approaches. But it also recognises the role of government as a provider of the supporting economic, regulatory, scientific, skills and infrastructure base on which firms rely, as well the ongoing development of international, rules-based, trading systems.
4. In February, I set out how a set of principles were to be applied to seven sectors so that core areas of action could be identified. I am reporting back with recommendations that ten sectors be considered under our Industry Strategy given their importance to delivering on our long-term economic, social and climate ambitions. I further propose that a phased approach to action be taken in line with available capacity and funding.
5. I propose an initial focus across three sectors:
 - **Food and Beverage:** Drive the generation and uptake of innovation to accelerate the shift from volume to value and improve productivity through better co-ordinating innovation programmes, such as the New Zealand Food Innovation Network, and new programmes to be co-created with industry;
 - **Wood Processing and Forestry:** Induce at-scale investment in primary and secondary wood processing to maximise regional, economic, environmental and health and safety benefits through the development of targeted investment cases. Focus on new products and markets and developing the full, long-term, market potential of a forestry-based bio-economy; and,

- **Agritech:** Support the sector to develop and implement a comprehensive growth strategy to increase exports and drive innovation development and diffusion across the adjacent primary sector and related manufacturing.
6. Beyond these three initial focus sectors, it is clear that the following sectors also have a key role to play in transforming our economy, and I note that, in many cases, work is already well under way to nurture their development in line with our Industry Strategy goals. They are: Creative Industries, Tourism, Construction, Aerospace, Health Technologies, Renewable Energy and Digital Technologies.
 7. I intend to work with relevant portfolio Ministers and stakeholders spanning industry science and academia, iwi, local and central government agencies, investors and unions to develop Industry Transformation Plans (ITPs). The Future of Work Tripartite Forum, Business Advisory Council, Primary Sector Council and small business groups have a key advisory role to play. The ITPs will illustrate an agreed vision for the future state of the sector, and how they support a transition to a low emissions economy. They will outline the actions that are required to realise this vision, including addressing issues such as investment, innovation and skills development.
 8. In doing so, we will need to take into account the many sector specific initiatives. These include: the Aotearoa New Zealand Tourism Strategy, the Construction Sector Accord, the Primary Sector Science Roadmap, the Food Safety Strategy and the work of the Primary Sector Skills Working Group, as well as broader government work programmes already underway including many funded through the Provincial Growth Fund and Budget 2019.
 9. This work will also encompass the Future of Work, Just Transitions, business environment improvement Research and Development (R&D) tax incentives, the Green Investment fund and Digital Economy work programmes as well as the changes we are making under climate policy and the development of Research Science and Innovation (RS&I), Renewable Energy and Forestry strategies. The supporting work programmes of relevant Crown Research Institutes (CRIs) and other Crown Entities will also be an important consideration.
 10. The ITPs will start from the premise of establishing a firm evidence base for action based on market-led research so that a clear vision can be established for each sector as to what it means for each to be productive, sustainable and inclusive as part of a zero-carbon economy. Once the direction is set, all policy levers, and existing strategies and programmes, can be tuned to delivering on the vision.
 11. Supporting innovative industries is a key strand of our Economic Strategy for a productive, sustainable and inclusive economy. Our re-focussed industry strategy will be a central part of a publication I plan to release at an event on 2 July, provisionally titled *The Knowledge Wave to the Digital Age*. I will be updating you on this as an oral item to DEV on 12 June 2019. I intend to discuss the proposal for an Agritech ITP at this event and to report back to you on progress on the development of similar ITPs for the Food and Beverage and Wood Processing and Forestry sectors before the end of the year. I note there is also a range of existing work in the creative industries that can be fed into an ITP in early 2020.

Background

12. Our objective is to build a productive, sustainable and inclusive economy with net zero emissions by 2050 [CAB-18-MIN-0479 refers]. We start with firm foundations of low unemployment, solid growth forecasts and inflation that is under control. However, investment is often poorly directed and our rate of innovation inadequate. This has knock-on effects around poor productivity performance, employment quality and social and environmental outcomes. We also face challenges of globalisation, protectionism, automation, climate change and shifting consumer demand. In addition, we face other disadvantages arising from our geographic isolation, our small population base and domestic market.
13. A managed transition is needed if we are to reach our social, economic and environmental objectives. This will require action by government, industry, workers and our communities across many interconnected policy areas.
14. In February 2019, Cabinet agreed to my proposal to refocus our approach to Industry Policy [CAB-19-MIN-0033] across key sectors of the economy through the application of five guiding principles: taking a partnership approach; building a strong evidence base for action; using specific sector strategies/roadmaps; leveraging international connections; and, providing clear and consistent signals from government.

Our industry policy creates focus on how we are supporting an economic transition

15. Our new approach to Industry Strategy builds on a legacy of prior programmes spanning The Knowledge Wave, the Growth and Innovation Framework, the Economic Transformation Agenda and the more recent Business Growth Agenda and the Primary Sector Council's vision for the food and fibre sector. It is also informed by best practice in industry policy across the OECD and in Singapore.
16. It is built around working in partnership across sectors with industry, science and academia, iwi, local and central government agencies, investors and unions. Our goal is to identify high-impact interventions to: drive greater and better directed investment; accelerate levels of innovation and its diffusion to lift productivity; support emerging sectors; and to enhance global trade and technology transfer networks.
17. Through our Industry Strategy, we seek to create the operating environment for growth and wellbeing to flourish. We also seek to enhance skills and deliver more inclusive approaches to employment, boost regional and urban development and affect a Just Transition to a high-value, zero-carbon economy.
18. As such, while in its delivery our industry policy is sector based, we will need to take into account the many existing sector specific initiatives. These include: the Aotearoa New Zealand Tourism Strategy, the Construction Sector Accord, the Primary Sector Science Roadmap, the Food Safety Strategy and the work of the Primary Sector Skills Working Group, as well as broader government work programmes already underway including many funded through the Provincial Growth Fund and Budget 2019.
19. This work will also encompass the Future of Work, Just Transitions, business environment improvement, Research and Development (R&D) tax incentives, the Green Investment fund and Digital Economy work programmes as well as the changes we are making under climate policy and the development of Research Science and Innovation (RS&I), Renewable Energy and Forestry strategies. The supporting work

programmes of relevant Crown Research Institutes (CRIs) and other Crown Entities will also be an important consideration.

20. Further analysis of the international experience, and our recent engagements in Taranaki through the Just Transition work programme, have highlighted that this refocussed approach to Industry Strategy needs to be resourced appropriately. Other governments have invested significant new resourcing into their industry policies. As such, I propose a staged approach to scaling up our Industry Strategy work programme, initially drawing on existing partnership activity underway and increasing our focus in a few select areas where:
- Existing Government interventions can be better coordinated, including successful programmes under the Provincial Growth Fund and new proposals from stakeholders;
 - There are credible and willing partners; in industry, the regions, Māori, science, academia, unions and worker groups with whom Government can effectivity work; and,
 - The relevant government agencies are able to take on this work noting that in some cases additional funding requests will need to be developed through the Budget 20 process.

Initial focus for our Industry Policy work programme

21. As directed by this Committee in February [CAB-19-MIN-0033.01 refers], I have been working with other Ministers and officials across seven sectors: Food and Beverage, Manufacturing, Renewable Energy, Agritech, Digital Technologies, Aerospace and Health Technologies.
22. Work across portfolios and sector stakeholders has enabled the initial selection of sectors to be refined; a decision guided by where the best opportunities lie to move from volume to value, to leverage opportunities adjacent to key sectors and to back the industries of the future (emerging sectors).
23. Our refined list now comprises: Food and Beverage, Wood Processing and Forestry, Agritech, Tourism, Construction, Creative Industries, Aerospace, Health Technologies, Renewable Energy and Digital Technologies. I propose the inclusion of Tourism, Construction and Creative Industries given their importance to our economic transformation, their potential to drive potential for disruptive growth, existing productivity challenges and work programmes (in the case of Tourism and Construction) and the close fit of their existing strategic developments with our approach to Industry Strategy.
24. A range of existing work is underway across government. This will continue and be considered as part of our broader Industry Strategy. Given current resources, I recommend that we initially focus on three priority sectors where I see real opportunity for scaling up our partnership activity, with the following objectives:
- **Food and Beverage:** Drive the generation and uptake of innovation to accelerate the shift from volume to value and improve productivity, particularly in Food and Beverage manufacturing, through better co-ordinating innovation programmes, such as the Food Innovation Network, and new programmes to be co-created with industry;

- **Wood Processing and Forestry:** Induce at-scale investment in primary and secondary wood processing to maximise regional, economic and environmental benefits through the development of targeted investment cases. Focus on new products and markets and developing the full, long term, market potential of a forestry-based bio-economy; and,
 - **AgriTech:** Support the sector to develop and implement a comprehensive growth strategy to increase exports and drive innovation development and diffusion across the adjacent primary sector and related manufacturing.
25. In these three sectors, and with the agreement of relevant portfolio Ministers, I am directing my officials to work with relevant agencies and stakeholders, including the Primary Sector Council, to develop ITPs. The ITPs will build on the work that has already been achieved by the Primary Sector Council to create a common vision for the future of New Zealand’s food and fibre sectors, including how they support a transition to a low emissions economy. They will outline the strategy and actions that are required to realise this vision, including issues such as investment, innovation and skills development, building on the indicative objectives and issues identified below.
26. The ITPs will be developed in partnership with sector and relevant worker groups and tailored to the unique opportunities and challenges faced by these sectors. Where there are synergies across sectors, these would be identified and exploited as appropriate to maximise the added value of the ITPs. Over time, and subject to the lessons and success of the pilot ITPs for the three sectors noted above, we propose that these be progressed in other sectors within our Industry Strategy. For example, there is also a range of existing work in the creative industries that can be fed into an ITP in early 2020.
27. The indicative objectives and issues in these sectors are outlined below.

Food and Beverage

| Objectives | Issues |
|---|--|
| <p>Drive innovation through the Food and Beverage sector to accelerate the shift from volume to value and reverse falling productivity in Food and Beverage manufacturing;</p> <p>Triple the value of value-added exports from \$7.2 billion to \$21 billion by 2035;</p> <p>Decarbonisation of process heat; and,</p> <p>Establish New Zealand as the leading location for food innovation and manufacturing in the Asia-Pacific region.</p> | <p>Co-ordination failures across the broad Food and Beverage ecosystem;</p> <p>Barriers to change related to path dependencies;</p> <p>Falling productivity;</p> <p>Unrealised opportunities to increase value-added activity through innovation, market access and new technology and better understanding global consumer demands;</p> <p>High fossil fuel use for process heat; and,</p> <p>Unrealised potential for urban and regional economic development.</p> |

28. The sector accounts for 32 per cent of total manufacturing output and employs around 93,000 workers. Food and Beverage sector productivity recorded a -1 per cent compound annual growth rate (CAGR) over the five years to 2015. Production and exports are dominated by commodities; milk powder, meat and butter exports alone

made up over \$15 billion, or over 40 per cent of total manufacturing exports in 2017 and the sector ecosystem remains structurally aligned to the production of commodities. However, value-added exports, including wine, have recorded a CAGR of 9 per cent over the last twenty years. The past ten years has seen a focus on investment in producing value added products, such as nutraceuticals, infant formula; packaged consumer products and beverages.

29. While on-farm productivity has grown at a 3.5 per cent CAGR over the last ten years, productivity in food and beverage manufacturing has marginally declined in the same time-period.
30. The sector is committed to increasing the share of value-added production but faces barriers related to skills and capabilities. These exist in areas such as new product development, packaging, design and market development. The sector also requires enhanced access to new plant and technologies and different business models.
31. Officials are working with stakeholders to determine how best to build out, coordinate and secure an enhanced value-added Food and Beverage ecosystem spanning science institutions, universities, manufacturers and adjacent sources of innovation and related services. This includes work on industries of the future such as plant-based proteins. Much of this work is focused through the New Zealand Food Innovation Network (NZFIN) and there are proposals for new food hubs and value added food strategies in regions including the Hawke’s Bay, Taranaki, Marlborough and Northland. And there is important activity underway under the High Value Nutrition National Science Challenge.
32. Detailed proposals around the development of this ecosystem will be subject to the findings of the MBE-led review of NZFIN, the Primary Sector Council’s work on a food and fibre strategy, as well co-ordination with Provincial Growth Fund initiatives. I am also aware of the key role of Māori interests in the sector and opportunities for closer partnership especially around economic development, employment, sustainability and our shared interest in building a more inclusive economy.
33. Realism is needed around the long-term transformation we seek and how fast innovation can be adopted across the value chain. However, the risk of failing to support innovation in the sector is that it continues to be over reliant on low value commodity production and resulting sub-optimal returns to producers.

Wood Processing and Forestry

| Objectives | Issues |
|---|---|
| <p>Induce at-scale investment in primary and secondary forestry production focused on market ready products;</p> <p>Maximise regional, economic, environmental and health and safety benefits; and,</p> <p>Identify the opportunities to develop the forestry sector at the heart of a circular, bio-based, carbon neutral economy through the completion of the long-term, sector-led Forestry Strategy.</p> | <p>Market failure around mixed investment signals, information asymmetries, and barriers to change posed by path dependence and localised infrastructure constraints;</p> <p>Underinvestment in wood processing relative to accelerating planting;</p> <p>Low productivity growth;</p> <p>Unrealised potential to improve the sustainability of the sector;</p> |

| | |
|--|---|
| | <p>Unrealised potential for secondary processing and bio-mass production for process heat and bio-refining opportunities due to a lack of strategy and new primary processing investment; and,</p> <p>Unrealised economic development and employment opportunities across regional New Zealand.</p> |
|--|---|

34. New Zealand needs a much expanded, refocused and profitable forestry sector to fulfil our Government's economic, climate change, wider environment, water quality and land use policy objectives.
35. In 2018, around half, 20.3 million cubic metres, of our total forestry harvest was exported. This was almost entirely compromised of A-K grade logs. This in part was driven by high demand and prices in the Chinese market and in part by the current configuration of our domestic wood processing sector which is constrained by path dependencies and a focus on serving the domestic market with traditional products.
36. A 2018 MBIE commissioned study found investible opportunities exist for new primary and secondary processing based on new products for overseas markets. Reasons identified for these not being taken up include a lack of knowledge of them among potential investors and regional infrastructure constraints, including grid capacity.
37. I propose that we invest in work with sector stakeholders to better define immediate investment opportunities and what is required from Government to overcome obstacles to investment, including infrastructure enhancement.
38. Looking further ahead, the potential exists for the sector to be a continual source of renewable and sustainable resources including plant fibre, chemicals and bio-energy at the heart of a circular, bio-based, carbon neutral economy. I acknowledge work to date on this by Forestry Ministers and the Forestry Ministerial Advisory Group as well as Scion's extensive technical work. Overseas examples of developments in this area, such as in Finland, suggest that this could be a serious proposition for New Zealand. However, an investment in comprehensive research is required to determine whether this is viable.
39. I note that Māori have extensive interests across the forestry value chain and that there are opportunities for partnership to deliver mutual benefits around economic development, particularly in the regions, employment and investment opportunities. There are also clear opportunities to work together to meet sustainability goals.
40. The scope, and cost, of this initial work will be limited to successful PGF bids, work that can be funded out of baselines or proposals to be developed under the Budget 20 process. Any at-scale investment will need to come from the private sector, limiting Government risk.
41. I am also aware of the lead being taken to develop the sector in Gisborne and am exploring this to form a key part of the development of an ITP alongside the development of the Forestry Strategy.

Agritech

| Objectives | Issues |
|---|---|
| <p>To support the sector to develop and implement a comprehensive strategy, linked to the Extension Service Model;</p> <p>To grow the sector in its own right and increase exports; and,</p> <p>Drive innovation diffusion across adjacent primary sectors and related manufacturing.</p> | <p>Ecosystem co-ordination failures between different actors in the sector;</p> <p>Unrealised potential to produce solutions for global markets and weak international connections linked to exports being flat at around \$1.5b; and,</p> <p>Unrealised potential to drive innovation across the primary production value chain, including to address sustainability issues and improve value add.</p> |

42. Agritech exports are estimated at around \$1.5 billion annually, but growth has been flat for a decade and the uptake of technologies across the primary sector and related manufacturing is sub-optimal. The sector is also too often focused on domestic markets, missing out on significant export opportunities. Reasons identified for these issues include a lack of a coordinated supporting ecosystem and weak international connections.
43. The sector is critically important to New Zealand as a developer and supplier of inputs and production systems to the primary sector, including horticulture. These span a wide range of products and services including genetics, information and communications technology applications as well as machinery and equipment including robotics. A significant proportion of New Zealand's R&D intensive, high and medium-high technology firms, including Gallaghers, Tru-test, and Waikato Milking Systems, are in the sector.
44. In addition to driving productivity improvements, these technologies will also be central to driving more efficient land use and management for better environmental outcomes spanning water quality, reduced methane, nitrous oxide and CO2 emissions; both domestically and across export markets.
45. Relevant government agencies are now working with Agritech New Zealand and a number of industry parties to develop a draft ITP with a proposed vision to: create a vibrant, funded, growing Agritech ecosystem, producing capable, ingenious value-adding companies that are good for the world - solving New Zealand and the world's sustainability problems (environmental, social, economic and cultural). The ITP will consider future work force needs to enable Agritech to flourish in New Zealand in the coming decades.
46. An ITP will be supported by work to better define the Agritech sector and establish an evidence base against which clear targets can be set and their attainment monitored and evaluated.

Our industry policy has a broad scope

47. As noted above, there is a significant programme of work across the sectors identified within our industry policy. This is outlined in the table below. I propose that we continue to monitor this work. Should opportunities present, and resources permit, we

may wish to scale up activity in particular sectors to further expand the coverage and impact of our ITPs.

Tourism

Objective: To enrich New Zealand through productive, sustainable and inclusive tourism growth.

Actions: Implement the Aotearoa New Zealand Government Tourism Strategy. This sets out five goals for tourism in New Zealand and how the government will partner with the tourism sector to achieve these goals:

- Tourism supports thriving and sustainable regions;
- Tourism sector productivity improves;
- Aotearoa New Zealand delivers exceptional visitor experiences;
- Tourism protects, restores and champions Aotearoa New Zealand's natural environment, culture and historic heritage, and,
- New Zealanders' lives are improved by tourism.

Construction

Objective: To transform the construction sector for the benefit of all New Zealanders.

Actions: The Construction Accord sets out how government and industry will partner to deliver a transformed construction sector. It completes the first phase of a two-phased approach. The Accord sets out priority work areas and some high-level commitments to action for transformation. In the next phase, the sector will collaborate on a wider basis to develop a more detailed construction ITP to meet the challenges and achieve the outcomes outlined in the Accord.

Creative Industries

Objectives: To grow New Zealand's creative sector to improve social, economic and wellbeing outcomes, within creative industries themselves, and across New Zealand more broadly.

Actions: Government will partner with industry body WeCreate on implementation of key recommendations from its action plan.

The government has existing work underway to transform the Creative Industries, including:

- Supporting the screen industry's development of a 10-year strategy;
- Introducing measures to ensure our creative professionals can have sustainable careers;
- Initiatives to enhance the international potential of contemporary popular New Zealand music; and,
- Reviewing our copyright protection regime.

Aerospace

Objective: Establish New Zealand as the regional centre for the development of space and autonomous air transport (drone) development.

Actions: Build New Zealand's comparative advantage in the emerging aerospace sector, particularly in autonomous air transport (drone) development and space; through the implementation of the forthcoming New Zealand space strategy.

Digital Technologies

Objective: Drive uptake of digital technologies to improve productivity and create value, particularly from the use of data; and support the growth New Zealand's ICT export industry.

Actions: Continuing to work with the Internet of Things Alliance and the Artificial Intelligence Forum to drive uptake of these technologies;

Implement Industry 4.0 Demonstration Network programme to increase uptake of Industry 4.0 technologies and processes across manufacturing sectors, improving productivity and competitiveness. This is being funded under Budget 19;

Develop further interventions to drive the uptake of digital technologies by small and medium businesses; and,

Coordinate, develop and roll out a National Digital Infrastructure Model to generate value from data for all aspects of the economy, e.g. infrastructure management and development.

Renewable Energy

Objective: Drive development, production and use of renewable energy resources as a cornerstone of the sustainable low emissions economy.

Actions: To develop and implement policies to drive the production and use of renewable energy resources, focused around two pillars: completion and implementation of the Green Hydrogen Strategy; and switching energy sources for process heat away from fossil fuels, particularly coal, to biomass or electricity, particularly in food and beverage manufacturing e.g. spray drying in the dairy industry.

Health Technologies

Objective: Grow the sector as a provider of health technologies within the New Zealand health system and for export.

Actions: Better co-ordinate business development across the sector; advance the Health Research Strategy, particularly the innovative ideas and commercial opportunities action area. Potentially pilot a Health Incucelerator model embedded within District Health Boards in the medium term.

Next steps on Industry Strategy

48. Cabinet agreement to the initial set of priority sectors and areas of focus will establish them as priorities within work programmes across Government.
49. I expect that any initiatives identified through this work that require new expenditure will be evaluated from a cost recovery perspective taking into account the nature of the activity from a public, industry or private good perspective. Where there is a legitimate case for government funding, agencies should consider a variety of options, including cost recovery, if industry initiated proposals are better aligned to Provincial Growth Fund or Green Investment Fund criteria, if baseline funding is available or if Budget 2020 bids are most appropriate.
50. The Business Advisory Council, Future of Work Tripartite Forum and Primary Sector Council will have key roles to play in shaping our overall approach to developing ITPs, in particular where they address overarching business environment and workforce issues. In addition to ensuring that we work across organisational boundaries in support of our key sectors, a strong tripartite approach will also raise the profile of our Industry Strategy within the government's broader economic agenda.
51. A draft Agritech ITP is in development and I propose to update you on this in June. I further propose to report back to Cabinet on progress on the development of ITPs in our other priority areas of Food and Beverage and Wood Processing and Forestry in October.
52. I plan to host an event at Parliament on 2 July 2019 where I will release a document provisionally titled *The Knowledge Wave to the Digital Age*. This will outline how the New Zealand economy has evolved since the Knowledge Wave of the early 1990s and what government has done and will do to support the ongoing development of innovative industries in New Zealand. This document will talk to the Innovative Industries strand of the Government's Economic Strategy and how our refocused approach to Industry Strategy supports that. This event will also include a focus on a draft strategy for growing our Agritech sector which will ultimately feed into an ITP. I intend to update you on the wider Economic Development document as an oral item to Cabinet on 12 June 2019.

Consultation

53. The Ministry of Business, Innovation and Employment prepared this paper.
54. The following agencies were consulted on this paper: Callaghan Innovation, The Energy Efficiency and Conservation Authority, Land Information New Zealand, the Ministry of Foreign Affairs and Trade, the Ministry of Health, the Ministry of Transport, the Ministry for Primary Industries, New Zealand Trade and Enterprise, Ministry for Culture and Heritage, Te Puni Kōkiri and The Treasury.
55. In addition, the following sector groups were involved in developing the proposals in the paper: Agritech New Zealand, The Manufacturers' Network and the Future of Work Tripartite Forum. The Forum's Standing Committee was last updated on Industry Strategy at its 28 May meeting.
56. The Department of Prime Minister and Cabinet was informed.

Financial Implications

57. There are no immediate financial implications arising from this paper.
58. Any initiatives identified through Industry Strategy work that require new government expenditure will need to be evaluated from a cost recovery perspective taking into account the nature of the activity from a public, industry or private good perspective.
59. Where there is a legitimate case for government funding, agencies will consider a variety of funding options, including cost recovery, the Provincial Growth and Green Investment Funds, existing funding from within baselines and Budget 2020.

Legislative Implications

60. There are no legislative implications arising from this paper.

Human Rights

61. There are no human rights implications arising from this paper.

Gender Implications

62. There are no gender implications arising from this paper.

Disability Perspective

63. There are no disability implications arising from this paper.

Publicity

64. As noted in paragraph 49 above, I intend to outline our new approach to Industry Strategy, with a spotlight on Agritech as part of an event on 2 July 2019.

Proactive Release

65. I intend to release this paper on 2 July 2019.

Recommendations

1. The Minister for Economic Development recommends that Cabinet:
 - 1.1. **Note** that on 13 February 2019, Cabinet agreed a new approach to Industry Policy and invited the Minister for Economic Development to report back to Cabinet in April on how a set of guiding principles inform Government's approach to sector development [DEV-19-MIN-0006 refers];
 - 1.2. **Note** that I have been working with other key Ministers, and my officials have worked with other departments and industries, to identify indicative areas of focus, objectives and issues for our Industry Strategy work programmes;
 - 1.3. **Agree** that we should prioritise significantly increasing our partnership activity in the Food and Beverage, Agritech and Wood Processing and Forestry sectors, with the aim of developing Industry Transformation Plans for each of these sectors through consultation with sector stakeholders including the Primary Sector Council;

- 1.4. **Note** that a draft Agritech Industry Transformation Plan will be released for consultation and will be a model for other Industry Transformation Plans;
- 1.5. **Note** that partnership activity is already underway in a number of other sectors including Aerospace, Health Technologies, Tourism, Construction, Creative Industries, Renewable Energy and Digital Technologies;
- 1.6. **Agree** to continue to monitor this work and scale up efforts should an opportunity present and resourcing permit;
- 1.7. **Note** that I intend to present an oral item to DEV on 12 June 2019 on a broader Economic Development Strategy, which I propose to launch on 2 July 2019.
- 1.8. **Invite** the Minister for Economic Development to report back on progress in implementing the Industry Policy, the development of Industry Transformation Plans for Food and Beverage and Wood Processing and Forestry and next steps regarding their finalisation by 30 October 2019.

Hon David Parker
Minister for Economic Development

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