
Patrick Nolan: So I'll invite Murray Sherwin up, who will give the closing address. But just as Murray's making his way I also want to quickly note the fantastic job done by the runners, both today and yesterday. So Sharnae Taylor, James Miller-Coot, George Ritchie and Andrew Palmer. Thank you all for giving up your time, both today and yesterday. So maybe we could thank the runners as well. [Applause]

And I should also mention as you leave if you could return your name badges to the desk at the end, just outside. So I'll pass over to Murray Sherwin, who's the Chair of the Productivity Commission. Murray's an economist with over 35 years' experience across a wide range of public policy roles.

Murray Sherwin: Thanks for all that.

Patrick Nolan: There we go, so thank you Murray.



Closing remarks:

Murray Sherwin, New Zealand Productivity Commission

Murray Sherwin: Thank you Patrick. I promise not to keep you all from your drinks for very long at all.

I'm delighted with both the quality of the presentations, the quality of the engagement, the numbers we have here and also the diversity of organisations represented.

This is our second Hub Symposium. I found it a really interesting day. I'm delighted with both the quality of the presentations, the quality of the engagement, the numbers we have here and also the diversity of the organisations represented. So well done to our organisers. We look forward to another one, but not for a little while, Patrick. Not for a little while.

At the macro level, New Zealand's productivity challenges are pretty well tramped over. We see the scale of the challenge in our per capita income levels relative to whichever comparators we choose to use. We've seen reference to the underarm bowlers across the Tasman as one comparator or the OECD averages as a more

conventional measure. David Ramsden, with some delicacy, chose not to show us at all as we were off the bottom of his chart. But that's okay. [Laughter].

That macro story's important, but it struggles to explain why New Zealand is 30% or so behind where others are and where we'd like to be, despite the quality of our institutions... we need to be looking for a more finely-granulated examination of our performance and what shapes it, in order to develop the effective policy responses required.

That macro story's important, but it struggles to explain why New Zealand is 30% or so behind where others are and where we'd like to be, despite the quality of our institutions. What it tells us is that we need to be looking for a more finely-granulated examination of our performance and what shapes it, in order to develop the effective policy responses required. In that context, the innovation of the Productivity Hub has been a major advance for us. By joining the key agencies – Treasury, MBIE, Stats New Zealand in partnership with our friends at Motu we've formed a very strong collaborative network. It has a very well-focused work programme, including building capability, which helps us to explore firm-level behaviour and performance via the LBD. The programme is really bearing fruit and we've seen evidence of that in the material presented today. I have no doubt we'll see a lot more of it down the track.

Today was a chance to share some of this emerging work and explore a bit further what

the experts in this field are thinking about. A few themes that I have picked up on through the course of the day include the challenge of encouraging R&D, designing and implementing cost-effective, innovation-effective and productivity-effective programmes. They're not all the same. We know that what drives R&D doesn't necessarily drive commercialisation of product. But a number of our speakers have touched on that today. Firm size emerges regularly as an influence, and a number of speakers picked that up as well. Bigger firms seem to be significant in the innovation process and in applying innovation effectively.

In the New Zealand context, Gabs, this morning, drew attention to the nature of our larger firms. He drew attention particularly to co-ops – mixed blessings which can be summarised as being well-grounded with their shareholders and suppliers in New Zealand and offering effective risk diversification across the wider supplier/shareholder base. But co-ops bring with them capital constraints and governance constraints. It's very hard to grow vigorously across borders if you can't get your shareholders to invest and if your governance is inherently conservative about growing the business beyond the farm-gate.

As the owner, the Government is generally not strongly motivated to grow SOEs, either domestically or abroad, and not much interested in innovation and its associated risks. So if big firms and their behaviour matters, then the ownership structure of New Zealand's large firms means we start somewhere behind the play here.

We could add into that category, as we look at New Zealand and the characteristics of our large firms, by which I mean the ones with the billion dollar + turnover, the SOE [state-owned enterprise] sector, for the same sorts of reasons. As the owner, the Government is generally not strongly motivated to grow SOEs, either domestically or abroad, and not much interested in innovation and its associated risks. So if big firms and their behaviour matter, then the ownership structure of New Zealand's large firms we start somewhere behind the play here.

We've heard a good deal today about the importance of international linkages of all sorts, including networks for information flows, participation in large-scale value chains, feeding those connections into the intellectual capital of the local knowledge base. That's an important theme that we're going to be coming back to again and again. Indeed, it is already showing up in some of the work coming out of the LBD.

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There was a lot of discussion, also, of the diffusion machine and how it is that we have firms that happily survive in New Zealand well behind the innovation and technical frontiers. Moreover, they survive for a long time. One presumes they have rational owners responding to the incentives around them. So what is it that's driving that characteristic about New Zealand firms and how do we encourage the diffusion of knowledge and technology from the leading edge back to the laggards. You can expect to see quite a lot more on this theme from Paul Conway and his team and the Hub as they progress with their work programme.

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Measurement issues are a huge challenge in this field, of course, it is not surprising that we heard plenty on that theme. Issues of quality adjustments and other measurement challenges, particularly in services, are enormous. For more on that, I refer you to the Productivity Commission's Services Inquiry from 2014. We now derive over 70% of GDP from services and that share is growing. It's a sector which is highly diverse in all sorts of ways. While there are some very high productivity sectors within it, other areas are very strong on employment growth, but very weak on per capita output. Not only are the component industries in the services sector very diverse in almost every dimension, but also as we discovered in that services inquiry, they are very highly integrated with the goods economy. So what happens in services matters a good deal for what happens to the more traditional and better understood parts of the economy. I recall one chart from that inquiry which featured those logs that everyone sees down on the wharf as unprocessed, bulk commodity exports. In fact, around 60% of the value of that log sitting on the wharf is derived from services, some very sophisticated and most added in the last week or two before export. So highly integrated.

And of course within the services sector is the public sector at 20% plus of GDP and not that well understood in terms of its productivity performance. I'm delighted that we have work underway within the Commission –



Grant Scobie leading that, on secondment from the Treasury – and really aiming to get under the hood of the definitional and measurement issues in public sector productivity and to extend our understanding of the productivity performance in the non-measured sector.

So it has been a great day's discussion. The Hub's doing a great job of bringing researchers and policymakers together, sharing insights and sparking conversations that will help shape where we go into the future, help shape our future research agenda and an agenda that's highly policy relevant.

It is a tribute to the Hub that it's been so effective in pooling our resources to get access to this top international talent to increase our international linkages, which is important.

Let me wrap up by acknowledging a few people and some efforts here. First, the work and effort that's gone into the symposium; our international guests, thank you very much. You've made the long trip to bring your expertise and perspectives to bear on innovation in New Zealand and globally. We appreciate that. It is a tribute to the Hub that it's been so effective in pooling our resources to get access to this top international talent to increase our international linkages, which is important.

Eric and Bronwyn are both going to be in Wellington for a few more days so we've got plenty of meetings scheduled. We're going to work them hard, so my thanks to them for making themselves available. I hope many of you will have the opportunity to engage more intimately with them in those discussions.

Our local presenters also – demonstrating that we have depth in our economics and public policy talent in this country and we can put it to good use in improving policy and lifting economic performance. Thank you for your contributions.

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Thanks also to the agencies that have contributed to making the symposium work. The Treasury, MBIE, Statistics New Zealand, Callaghan Innovation, the Swinburne Centre for Transformative Innovation, Te Pūnaha Matatini and of course the Productivity Commission, all of whom have written out cheques for this one. Thank you.

Paul Conway, Robyn Sadlier, Catherine Jeffcoat, Virginia Wright and the rest of the team have done a great job in holding all of this together, but particularly Patrick, our Master of Ceremonies today. He's been a busy boy. He's had a big hand in organising this and chairing the day. Thank you very much, Patrick. He was also very heavily involved in the GEN Conference yesterday, so he's seen plenty of this room over the last couple of days. Patrick also does a fantastic job running the Hub Secretariat, so the buzz and the vibe you see around it has got a lot to do with the way he drives that. He's having a big impact since arriving back in the country 18 months ago, so again thank you Patrick. What I would advise Patrick is that you go home tonight, take your dear wife, give her a kiss on the cheek and say relax, my dear, you can now take your own time, you are now free to go into labour any moment you like. [Laughter]

So that's it, folks. There's some drinks outside. Great day and congratulations to all. [Applause]

 **Bill McDonald** @connect_nz:
#innovatenz well done Patrick and the @nzprocom team. Looking forward to catching up on the speakers I missed.