



To: Murray Sherwin, Productivity Commission

Dear Murray,

Te Puni Kōkiri congratulates you and your team of researchers and contributors for the work done on the Draft Report: ***New Zealand Firms, Reaching for the Frontier – December 2020.***

In the context of the role of frontier firms in lifting overall productivity, the report's findings appear sound and well established. We welcome the specific focus on Māori business and are supportive of the overall findings and recommendations in that chapter. We consider that the broader findings and recommendations of the draft report are aspirational, and if successfully implemented, should help to lift Māori enterprise productivity overall.

Notwithstanding that, Te Puni Kōkiri would welcome further discussion to explore whether the draft report's findings and recommendations could go further to:

- **Frontier firm potential:** Be more explicit, that in a relative sense, Māori SMEs appear to exhibit the characteristics needed "reach the frontier", from which we might justify a greater policy focus on Māori asset holders and enterprises that exhibit the potential to compete globally.
- **Māori business networks:** Advocate for a focus on improving the connectivity between Māori businesses and the mainstream research, science, and innovation system, including the early-stage venture capital networks, in addition to further support for Māori business networks.
- **Social procurement:** Re-affirm the potential of, and more clearly align the narratives relating to, social procurement policies that are currently being implemented.
- **Low capital intensity:** Extend discussion on the relative causes for New Zealand's low capital intensity and include specific recommendations in support of seeking new policy solutions, with a specific emphasis on addressing the additional capital access barriers experienced by Māori asset holders and SME.
- **Traditional knowledge:** Highlight the potential to build significant global competitive advantage via domestic protection of traditional knowledge and its extension via international free trade and intellectual property instruments (WAI 262) and recommend more ambitious timelines for resolving this issue.
- **Trade policy tension:** Consider the tension between industry support and trade policies and recommend further work on New Zealand's historical industry policy settings relative to other SAE.



We have expanded on these points in an appendix to this response and look forward to the opportunity to discuss them with you in due course. Once again, congratulations on your work to date.

Yours sincerely,



Hamiora Bowkett  
Deputy Secretary Strategy, Governance and Public Sector Performance



## Appendix – Expanded Feedback

1. **Frontier firm potential:** As we have understood it, the draft report paints a comparatively positive picture of Māori businesses' potential to eventually "reach the frontier". This strengthens our view that there is significant untapped potential within the Māori SME sector to contribute to sustainable and highly productive economic growth. Our recent research confirmed a significantly higher number of Māori owned businesses than was previously understood, and the draft report suggests that Māori SME exhibit comparatively more of the characteristics needed to innovate, grow, and support higher wages. Combined, these findings appear to justify a greater focus on targeted support to Māori asset holders and enterprises that exhibit the potential to compete globally (backing winners).  
***We suggest:** that this finding be more explicitly emphasised.*
2. **Māori business networks:** The report establishes the rationale for strengthening existing Māori business networks based on their unique nature, which Te Puni Kōkiri agrees with. Paradoxically, it also highlights ongoing Māori stakeholder concerns with the accessibility of mainstream networks and their ability to effectively access research science and innovation (RSI) outputs (relative to the established commercialisation networks and venture capital ecosystem).  
***We would advocate for:** a recommendation that focuses on improving the connectivity between Māori business and the RSI system, including the early-stage venture capital ecosystem. This could augment R4.1 or alternatively form a separate recommendation calling for immediate action rather than further discussion.*
3. **Social procurement:** Current social procurement policies being implemented across government have significant potential for building enterprise management capability and stimulating Māori SME growth. The draft report offers an opportunity to re-affirm the potential impact of such policies, to address talent and leadership gaps, build a pipeline of commercial management capability and as the report highlights, fulfil Crown Treaty commitments.  
***We suggest:** strengthening the recommendations and would be happy to discuss how the draft report's narrative could be most effectively aligned with current policy initiatives.*
4. **Low capital intensity:** The draft report points to capital intensity as critical enabler in achieving higher productivity, and New Zealand's poor performance relative to other Small Advanced Economies (SAE). In the Māori economic context, the lack of housing assets and the higher proportion of collectively held assets exacerbates the capital access issue and represents a compounding barrier to growth. Whilst the report indicates that Māori entities have found innovative "work-arounds" to this barrier, Te Puni Kōkiri would counter that in an ideal world, this should not be necessary.  
***We suggest** that the report extend its recommendations in support of new capital access solutions, with a specific emphasis on Māori SME.*
5. **Traditional knowledge:** We highlight the innovation opportunity inherent in the protection of traditional knowledge through domestic legislation, and its extension internationally via free trade and intellectual property agreements. Progressing this issue is arguably one of the biggest levers available to the Māori economy to establish collectively held IP assets around which export

enterprises can continue to grow and innovate.

***We suggest*** that while the issue is well canvassed by WAI262, the report could acknowledge this opportunity more specifically and call for more ambitious timelines for its resolution.

6. **Trade policy tension:** Finally, given the historical context of the Māori economy, the draft report omits the potential for tension between trade policy and industry and innovation policy when it comes unlocking significant investment in innovation and productivity growth. A prevailing view that any development assistance that is not provided on hard commercial terms is trade distorting, does appear to conflict with the view that the Māori economy is recovering from years of structural disadvantage. We consider this might be resolved through an approach anchored in pragmatism vs. principle and recommend further discussion.

***We recommend*** additional work to compare our historical trade and industry support policy settings relative to other SAE, as they relate to regional development assistance, export credit finance, concessionary finance, business insurance etc.