



BRIEFING

Strategic Tourism Assets Protection Programme

Date:	26 May 2020	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	3344 19-20

Action sought	Action sought	Deadline
Tourism Recovery Ministers Group Hon Kelvin Davis Minister of Tourism Hon Grant Robertson Minister of Finance Hon Nanaia Mahuta Minister Māori Development Hon Eugenie Sage Minister Conservation, Fletcher Tabuteau Secretary of Regional Economic Development	Agree to the criteria outlined in this briefing for the assets that can be available for support through the Strategic Tourism Assets Protection Programme	28 May 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Iain Cossar	General Manager Tourism		✓

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

To provide updated advice on the Strategic Tourism Assets Protection Programme (STAPP).

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a. **Note** that Cabinet agreed to establish a tagged contingency in Budget 2020 for a tourism recovery package and that a component of this package is a Strategic Tourism Assets Protection Programme (STAPP) [DEV-20-MIN-0080]
Noted
- b. **Note** that Cabinet agreed that a Tourism Recovery Ministers Group would oversee the tourism recovery and invited the Ministers of Tourism, Finance, Māori Development, and Conservation, and the Parliamentary Under-Secretary to the Minister for Regional Economic Development to join the Group [DEV-20-MIN-0080]
Noted
- c. **Note** that Cabinet agreed MBIE and Treasury should deliver joint advice to the Tourism Recovery Ministers Group on the parameters and delivery options for the STAPP by 1 June 2020, following consultation with other agencies [DEV-20-MIN-0080]
Noted
- d. **Note** that, in order to meet the requested timeframes, MBIE has been unable to deliver this advice jointly with Treasury or to consult substantively with other interested agencies
Noted

Eligibility criteria for the STAPP

- e. **Agree** a series of eligibility gates through which businesses must be able to pass to be eligible for support under the STAPP, including:
 - i. Is the asset a tourism asset?
 - ii. Is the asset a tourism asset of strategic significance (national or regional, cultural, environmental and/or historic)?
 - iii. Has the business exhausted all other avenues of support (government broad-based and private)?*Agreed*
- f. **Agree** that, for the purposes of the STAPP, the definition of a tourism asset be adapted from the definition of a 'tourism characteristic industry' used in Tourism Satellite Accounts
Agreed

- g. **Agree** that, to be considered strategic and eligible for the STAPP, a tourism asset will:
- i. be nationally and/or internationally recognised; and
 - ii. be a key attraction for New Zealand or a region of New Zealand and/or of cultural, historic or environmental significance; and
 - iii. be responsible for significant visitation to the region where it is located and, in its absence, visitation to the region would be significantly diminished; and
 - iv. generate significant spill over benefits to the region where it is located or be critical to the tourism network in the region.

Agreed

- h. **Agree** that, to be eligible for the STAPP, a tourism asset will also:

- i. not be able to be readily repurposed or a generic feature of the tourism system, with the exception of assets that are iconic, of notable cultural or heritage status, and/or that feature prominently within the conservation landscape
- ii. not be within scope of other sector-specific COVID-19 recovery packages, such as the transport and aviation support package

Agreed

- i. **Agree** assets eligible for STAPP support will include those that drive both domestic and/or international visitors to a region

Agreed

- j. **Agree** that applications for STAPP support will open in the week of 1 June 2020 and be required to be submitted by a closing date of 18 June 2020, after which time Ministers will consider applications together

Agreed

- k. **Agree** that the STAPP intention is to invest in the order of 50 odd assets and firms critical to the NZ tourism system architecture

Agreed

- l. **Agree** that MBIE, in consultation with Treasury, Tourism New Zealand, the Department of Conservation and Te Puni Kokiri, will provide the Tourism Ministers Recovery Group with advice on the applications received by 30 June 2020, taking account of the eligibility criteria and other assessment factors including:

- i. national and regional distribution/dispersal of the assets covered by applications
- ii. the parts of the tourism supply chain and system represented by applications, and any implications for the supply chain and system to operate as a whole
- iii. any long-term viability considerations or concerns
- iv. whether STAPP support would leverage or impact on existing government investment and support

Agreed

- m. **Note** that this timing allows for Ministers to respond to the pressures faced by the tourism industry quickly, but that the timeframes proposed represent a truncated process compared to comparable programmes and does restrict the degree of investigation and analysis officials can conduct on applications and introduces increased risk to the decision making process commensurate with the speed size and scale of the COVID national emergency.

Noted

- n. **Agree** that the Tourism Ministers Recovery Group retain ability to consider urgent ad hoc applications separately where warranted (for example, due to imminent financial failure)

Agreed

Duration of support

- o. **Agree** that the support provided to each asset will be for a maximum of two years

Agreed

Conditionality

- p. **Agree** that conditionality will be embedded in the design of the STAPP to ensure assets are operated in a manner that aligns with the government's key social, economic, cultural and environmental policies

Agreed

- q. **Note** that compliance with such conditionality requirements would be monitored as part of the broader reporting measures for the STAPP

Noted

- r. **Note** that MBIE will work with relevant government agencies, such as the Department of Conservation, to develop conditions

Noted

Registrations of interest

- s. **Note** MBIE has received over 60 Registrations of Interest in STAPP support since the Tourism Recovery Package was announced (explored in Annex Two)

Noted

- t. **Note** some Registrations of Interest relate to assets which, while they would likely be ineligible for STAPP support, feature prominently in the conservation landscape and may warrant consideration for alternative support. MBIE, Treasury and the Department of Conservation will provide separate advice on how other funds could be deployed to support such assets

Noted

- u. **Note** that if the take-up of the STAPP and/or the level of financial support sought is greater than expected, Ministers may seek to re-phase the current appropriation

Noted

- v. **Note** that significant uncertainties about the containment of COVID-19 in New Zealand and offshore may impact on the effectiveness of the STAPP, in which case officials would provide further advice on the feasibility of adapting the STAPP

Noted

Intervention options

- w. **Note** that MBIE will provide advice to the Tourism Ministers Recovery Group on the most appropriate intervention mechanism(s) (explored at Annex One) for each asset recommended for support.

Noted

- x. **Note** that there is significant variance in the administrative burden, risks and resource requirements of each of the investment instruments for both the Government and businesses

Noted

Early approvals for support

- y. **Agree** to provide Whale Watch Kaikōura with a conditional grant of up to \$1.5 million to allow them to pivot the domestic and Australian markets, meet overhead costs and conduct necessary asset maintenance

Agreed

- z. **Agree** to allocate in the order of \$15 million to support the Regional Tourism Organisation network, recognising its criticality to the function of the New Zealand tourism system.

Agreed



Iain Cossar
General Manager, Tourism
Labour, Science & Enterprise, MBIE

Hon Grant Robertson
Minister of Finance

..... / /

26 / 5 / 2020

Hon Kelvin Davis
Minister of Tourism

..... / /

Hon Nanaia Mahuta
Minister Māori Development

..... / /

Hon Eugenie Sage
Minister Conservation

..... / /

Fletcher Tabuteau
**Secretary of Regional Economic
Development**

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Background

1. The path to recovery will be significantly different for tourism compared to most other sectors. While domestic tourism has in the past comprised about 60% of sector revenue, international visitors spend far more per person than domestic tourists. In addition, many tourism businesses operate with high fixed costs. Therefore international visitors drive yields (profitability), investment and employment. Given the international COVID situation, and the consequent border settings for New Zealand, we can expect to see a much slower recovery in the tourism sector than in other parts of the economy.
2. It is also important to note that tourism's contribution to New Zealand is more than just financial. Tourism further enriches New Zealand by creating a "halo effect" where tourism positively contributes towards consumer perception of New Zealand's other exports. A successful tourism industry keeps New Zealand's brand alive.
3. Cabinet approved a \$400 million Tourism Recovery Package, which is to include a Tourism Transitions Programme (TTP), a Strategic Tourism Assets Protection Programme (STAPP), and the formation of a Tourism Futures Taskforce. The package also includes a \$10m allocation for New Zealand Māori Tourism. The objective of the Tourism Recovery Package is to cushion the impact of COVID-19 on the tourism sector, and to position the sector for recovery.
4. You will continue to receive advice separately on each of the components of the Package. Officials are working to ensure that each component leverages the others for greatest impact.
5. It is intended that the interventions distributed across the components of the Package will be:
 - swift and simple to administer
 - minimise economic scarring effects
 - include short-term liquidity and solvency support for businesses where it is evident that existing solutions are deficient
 - support the just transition of the sector to become more productive, sustainable and inclusive in the long term, including through Active Labour Market Policies.
6. As a combined package, the two Programmes and the Tourism Futures Taskforce, along with the more broad-based government support available, will seek to address the impacts of COVID-19 on the tourism sector and to reimagine the future of tourism.
7. This briefing focuses on the parameters and criteria for the STAPP, which will deal exclusively with the protection of strategic assets to ensure their survival until international visitor flows can resume.

STAPP impact

8. The number of assets supported will determine the quantum of funds available for each asset and the impact of the programme as a whole.
9. The proposed parameters and criteria explored below have been developed to allow the government to intervene in a meaningful way for a few select operations, consistent with the intent of the original Cabinet paper and in accordance with the current financial allocation for the Tourism Recovery Package.
10. Given the strategic nature of the assets targeted by the STAPP, we recommend working on the assumption that fairly large sums will be required to intervene in an effective manner.

11. The assets supported via the STAPP will require different types and levels of support. We will not know the full extent of support sought until we open an application process.

Proposed Eligibility Criteria

Eligibility

12. The complexity and unpredictability of COVID-19's course makes its impacts on domestic and international tourism difficult to predict. This unpredictability affects business owners who are attempting to make commercial decisions in the face of uncertainty, as well as the government when seeking to safeguard key features of the tourism landscape.
13. There are risks associated with providing support. Too little support may result in the costly loss of assets that are critical to our visitor offering, and drive visitors to New Zealand and its regions. However, there is also a risk of propping up assets that may yet prove to not be viable over the medium to long-term, given the uncertainties about the duration of the COVID-19 on demand for tourism.
14. It is difficult to analyse the extent of support that is needed to protect New Zealand's strategic tourism assets. The number of applicants that might self-identify as owners of a regionally or nationally significant tourism asset is unknown. The quantum of the minimum viable support that would safeguard each business' asset is unpredictable, particularly because the duration of that support being required is also uncertain.
15. We propose a series of eligibility 'gates' through which applicants must pass in order to be eligible for the STAPP. These include:
- **Is the asset a tourism asset?** Applicants outside the tourism sector may also be facing pressures around asset retention, but this programme is tourism sector-specific.
 - **Is the asset a tourism asset of strategic significance (national or regional, cultural, environmental and/or historic)?** The programme objective is not to protect all tourism assets, but those of significance to New Zealand and/or its regions.
 - **Has the applicant exhausted all other avenues of support (government broad-based and private)?** Businesses must have exhausted other financial support options. Note: businesses with applications to Government funds (e.g. the Provincial Growth Fund) are not ineligible, but the STAPP will not provide support for the same purpose. If the asset passes the gates, the application should specify, and assessment should validate, the minimum viable intervention required for the minimum period of time.

Tourism assets test

16. For the purposes of this Programme we suggest that the definition of a tourism asset be adapted from the statistical definition of a tourism characteristic industry used in Tourism Satellite Accounts to describe tourism operations in scope.

Tourism operations

17. A **tourism-characteristic** operation is one where either:
- at least 25 percent of the operations' output is purchased by tourists, or
 - the operations output includes a tourism-characteristic product.

Tourism assets

18. The New Zealand-Aotearoa Government Tourism Strategy includes an investment framework (the 5As) with which government can make choices about how, when and where it intervenes. The three elements of the framework applicable to programme investment are:
- Attractions – visitors need things to do and see – this influences how long they stay and how much they spend
 - Access – visitors need to be able to get to where they want to visit safely in a timely way for an appropriate cost. This includes air, road, rail, sea, trails and cycleways
 - Amenities – visitors need accommodation, retail and hospitality, drinking and waste water and other infrastructure.
19. For the purposes of the STAPP, ‘assets’ may be amenities (services and facilities), attractions (activities and natural attractions) and means of access.
20. Intangible assets (for example intellectual property) can be considered eligible if they fit into the three asset categories. For example, where an inbound tourism operator has extensive trade relationships that enables visitors to access attractions, this could be eligible.
21. Specific exclusions to these criteria include assets that:
- can be readily repurposed or are generic features of the tourism system, such as accommodation, transport and retail. Exceptions would include assets that are iconic, of notable cultural or heritage status, and/or feature prominently within the conservation landscape, and/or are uniquely critical elements of the supply chain.
 - are eligible for support via other sector-specific COVID-19 recovery packages (such as the transport and aviation support package).

Tourism asset strategic significance test

22. Because of the cross-sectoral nature of tourism, there are a multitude of business types that form key nodes in the tourism system. Therefore significance tests need to be applied appropriately to each asset.
23. An asset is likely to be considered strategic and eligible for the STAPP, if it:
- is a nationally and/or internationally recognised, and
 - is a key attraction for New Zealand or a region of New Zealand, and
 - is responsible for significant visitation to the region where it is located and, in its absence, visitation to the region would be significantly diminished, and
 - generates significant spill over benefits to the region where it is located. Spill over benefits to the community (regional or New Zealand) means that the benefits of the tourism asset are shared with other businesses (including non-tourism businesses). An example of this is where a key asset is the feature of the area and consumption of other products such as food and fuel occurs because of that visitation. Benefits are not only economic in nature, for example they may include interaction with other cultures and improved employment prospects, and
24. Additional guidance will be developed alongside relevant agencies to ascertain the significance of assets that are:
- of notable environmental, historic or cultural value
 - popular with either or both domestic and international visitors (in case of resumption of restrictions within New Zealand).

Exhausted other avenues of support

25. Operators of assets applying to the STAPP must be able to demonstrate that there is both a need for support to safeguard the asset and that they have exhausted alternative options for support.
26. Assessment criteria to determine **need** may include:
- Are there insurmountable costs/challenges to pausing and resuming operations?
 - Is the applicant reliant to a high degree on revenue from visitor flows that are currently severely reduced?
 - Is the applicant facing severe financial stress, meaning it is unlikely to be able to remain solvent and meet the minimum costs necessary to survive/hibernate until demand recovers and/or re-pivot its offering to the domestic market? For example, has it exhausted other sources of cash flow, working capital etc.?
27. Assessment criteria to determine **alternative options** for protection may include:
- Has the applicant exhausted all government financial support options (e.g. wage subsidy etc.)?
 - Is there likely to be a market response?
 - Are existing support mechanisms able to keep assets functional within the short, medium and long-term?
 - Does the business have alternative support options e.g. a parent company that could provide funding?

Consideration of applications

28. The proposed timeline for the application process is:
- Application forms and full criteria to be made publically available on the MBIE website – *early June 2020*
 - Applications to close – *early July 2020 (applications will be open for at least 4 weeks)*
 - First decisions to be made – *late July 2020*
29. MBIE recommends that Ministers consider applications for the STAPP together, following a time-limited application period in response to the eligibility criteria above.
30. This will allow officials to provide advice on the relative merits of applications and provide further contextual information to aid decision making and ensure the effectiveness of the STAPP overall. For example, officials could provide advice on how assets notionally approved for support would:
- provide for continued regional visitor dispersal (for both domestic and international markets)
 - ensure viability of key components of the tourism supply chain (e.g. key inbound tour and sales agents, as well as amenities and attractions)
 - intersect with and leverage existing government support (e.g. projects supported through the Provincial Growth Fund and the International Visitor Levy)
 - continue to be viable after receiving STAPP support (e.g. advice on whether the asset was financially sound prior to COVID-19 and whether the asset would be able to

transition to a 'new normal' and operate at reduced visitor demand levels if it did not receive government support?).

31. Ministers will still have the ability to consider urgent applications outside of this process should this be warranted (for example, where financial failure is imminent and the regional or supply chain implications would be significant).

Contingency

32. It is possible, that subsequent to the four week application process, some strategic assets that did not apply for support during the application round may become newly at risk. . For this reason, when assessing applications that come through, it may be appropriate to avoid immediately allocating the entire funding for the STAPP.

Intervention options

33. Annex One demonstrates that the distribution of STAPP funds could be either wide and smaller in value, or more strategic and focussed, with fewer recipients receiving larger sized investment.
34. Annex Two outlines intelligence that we have received from setting up a process for firms to signal interest in the scheme. This has helped us to refine our approach.

Scale of assets supported is a key choice

35. In considering how the government may want to apply the STAPP, choices around the scale of the scheme (in terms of number of assets and operators supported) will impact on the level of individual support that can be offered:

- *Option A* (MBIE's recommended option): Support is provided to a relatively small number of assets and operators, possibly 30 odd in number. These assets and operators will be well-known and identifiable as generating considerable 'spill over benefits' to the local or national economy. As a result, any debate about whether they qualify as 'strategic' should be limited and highly defensible. Examples of such assets and operators could include Hobbiton and Dive Tutukaka – known internationally and nationally. The small number of interventions being made would allow support to be highly bespoke and tailored to individual circumstances.
- *Option B*: Support is provided to a larger number than in Option A above, for example to up to 100 assets and operators. While some of these assets and operators would still be well-known, others would be less so. As a result, there could be greater debate about whether they meet the description of 'strategic'. An example could be a sightseeing helicopter company on the West Coast, which may operate alongside one or more competitors who may therefore also be able to make a case for support for equity/competitive neutrality reasons.
- *Option C*: Support is provided to a much larger number of assets and operators than under Options A and B – say, up to 1000. This option would likely encourage considerably more debate over the fine judgements that would need to be made about whether or not such assets and operators should qualify for the STAPP. The cases for intervention may likely be less compelling. Administering support to this larger volume of assets would also be more resource-intensive than Options A and B, and render it more difficult to design bespoke support packages.

Investment instruments and mechanisms

36. Selection of the appropriate instrument(s) will depend on the scale of asset protection sought by the Group. If the STAPP aims to protect fewer high value strategic assets (Option A), the investment instruments may include equity share or loans. Whereas if the STAPP aims to protect a larger number of assets (Options B and C), a combination of grants and loans may be more appropriate.
37. Key considerations in choosing the type of funding instrument to select include:
- financial risks and costs to the Crown
 - simplicity of administration and transaction costs
 - fitness-for-purpose, based on the size of the support needed and the purpose for which it will be used
 - consistency with international obligations
 - creation of the right incentives for applicants.
38. Annex One details the types of investment instruments and their fit for tourism purposes.
39. Administration of each investment instrument will depend on the number of businesses accessing it and how generic or bespoke the investment must be.
40. The STAPP can potentially utilise some existing investment mechanisms. For expediency, the s 9(2)(f)(iv) company could be used as a potential entity to hold any loan and equity investment made through this fund. This provides the benefit of using an existing entity already in place and functioning rather than going through the process of establishing a new one.
41. Setting up a functioning standalone entity can typically take up to six months and will incur establishment costs. An upcoming election would likely result in further delays.

Minimum intervention

42. Once it is determined that a tourism asset is eligible for the STAPP, MBIE or the relevant agency will work with the owner (or operator) of the asset to determine the minimum viable intervention for the minimum duration viable.
43. We should be clear on what our exit pathway is for any support. Different intervention mechanisms can lead to easier exit pathways. For example grants are one-off and will not require ongoing provision of funding, whereas support will continue for at least the period of any loans.

Conditionality of intervention

44. Government intervention should seek to achieve broader outcomes than just the survival of the asset. Recipients of support should be required to demonstrate that the strategic assets concerned are operated in a way that supports the government's broad social, economic, cultural and environmental outcomes. This can include contributing to the objectives of the New Zealand-Aotearoa Government Tourism Strategy.
45. Examples could include:
- payment of living wages
 - commitment to encouraging staff to develop and thrive
 - commitment to reducing carbon emissions and waste management

- a record of having maintained and encouraged community engagement
- willingness to educate visitors on the importance of protecting and restoring the natural environment.

46. We will report back further on the conditions that could be imposed on support through this programme.

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Annex One: Investment instruments in the COVID-19 tourism context

Investment Instrument	Existing COVID-19 interventions and demand	Enable the Government to shape an investment's direction or outcome	Minimise Crown risk and liability (and having an exit strategy)	Minimise Crown's transaction and administration costs	Ease for tourism business	Financial implications	Scenario
Grant (unconditional) eg lump sum payment	N/A	No Control is generally relinquished once grants are distributed.	Maybe No further recourse to government once grant fully provided (risk that further government funding will be sought remains). This also does not give the Crown access to the value of residual assets in the event of failure. Creates inequity for other sectors or businesses not being offered grants	Yes Low transaction and administrative costs, although these would increase if there was a recoverable aspect to the grants. MBIE could administer.	Yes No reporting requirement. Businesses do not take on debt. Timely receipt of funds.	Grants are treated as operating expenses to the extent they will not be repaid. Any repayable amount will be treated as an asset at the point it becomes highly likely the Crown will receive funds back	A lump sum payment could be made to a travel agent business to offset losses resulting from offshore booking payments not being met.
Grant (conditional)	N/A	Maybe Control could be retained through the use of conditions. However, this may be difficult to enforce in practice. Milestone payments could be a means of monitoring progress against conditions.	Maybe No further recourse to government once grant fully provided (risk that further government funding will be sought remains). This also does not give the Crown access to the value of residual assets in the event of failure. Creates inequity for other sectors or businesses not being offered grants	Yes Low transaction and administrative costs, although these would increase if there was a recoverable aspect to the grants. MBIE could administer with additional resource for monitoring.	Yes Low reporting requirement except where conditions are added. Businesses do not take on debt. Timely receipt of funds.	Grants are treated as operating expenses to the extent they will not be repaid. Any repayable amount will be treated as an asset at the point it becomes highly likely the Crown will receive funds back	A lump sum payment could be made to ensure infrastructure is well maintained. Conditions could include upgrades to infrastructure for improved sustainability.
Grant (indirect)	Aviation and Media Sector packages	Maybe	No Creates inequity for other sectors or businesses not being offered grants.	Maybe Low transaction and administrative costs, although these would increase if there was a recoverable aspect to the grants. MBIE could administer with additional resource for bespoke arrangements.	Yes No reporting requirement. Businesses do not take on debt. Can unfairly privilege businesses that owe the Crown.	Grants are treated as operating expenses to the extent they will not be repaid. Any repayable amount will be treated as an asset at the point it becomes highly likely the Crown will receive funds back	Crown fees could be reduced or paid directly such as DOC concessions or compliance costs.
Guarantee	Business finance guarantee scheme (BFGS) SME only	No	Yes No further recourse beyond limit of guarantee (only risk is that extension of guarantee is sought). No access to the value of	Maybe Costs are medium-high due to the process of establishing the guarantees, and the ongoing review of the risk to the Crown of needing to fulfil the	Maybe	Accounting for financial guarantees is inherently complex. To the extent the Crown does not charge a commercial guarantee fee commensurate with the risk there will need to be recognition that there is effectively a concessional element to the guarantee (creating an expense). If it becomes more likely than not that the guarantee will be called – a provision will need to be raised for	The extent of need for guaranteed loans for tourism firms beyond those covered by the BFGS is unclear.

Investment Instrument	Existing COVID-19 interventions and demand	Enable the Government to shape an investment's direction or outcome	Minimise Crown risk and liability (and having an exit strategy)	Minimise Crown's transaction and administration costs	Ease for tourism business	Financial implications	Scenario
			residual assets.	obligations associated with the guarantees.		the amount estimated to be paid out at that point. Note that the guarantee does not have to be actually called for this to happen – just the probability of a call on the guarantee could be enough.	
Standard Loan (Commercial or near-commercial loan)	N/A	Yes Through conditions in funding agreement and the Crown's entitlement to the value of assets in the event of failure. However, if seeking full value would present political risks, and may not be considered a viable course of action.	Maybe Some risk that an extension to the loan is sought. Crown has access to the value of residual assets only to the extent of the loan value (and behind higher ranking debt)	Maybe Costs are low-medium and may be suitable for larger transactions. s 9(2)(f)(iv) holding company may be able to be used as the investment mechanism. Longer time to structure, negotiate and contract compared with grants.	Maybe Tourism businesses may be struggling to access market loans because of uncertainty about future demand. Additional debt on commercial terms will likely not fit STAPP eligible applicants as they will have exhausted other means of support.	In addition the loan will need to be regularly tested for impairment (i.e. the ability of the borrower to repay the loan). Any impairment (reduction in the amount of repayments expected) will result in an expense for the Crown.	Loans could be made available for businesses whose operating costs are fixed but for whom market loans are not possible because of uncertainty in tourism.
Suspensory Loan	N/A	Yes Through conditions in loan agreement and right to value of assets in event of failure.	Maybe No further recourse (although risk is that further government funding will be sought or that terms are extended). The Crown will have access to the value of residual assets only if the loan conditions are not met.	No High transaction and administrative costs, as the loans need constant review and assessment. The Government does not commonly use suspensory loans and therefore our experience with this model is limited. s 9(2)(f)(iv) holding company may be able to be used as the investment mechanism. Longer time to structure, negotiate and contract compared with grants.	No Conditions require businesses to respond. However, loans may be provided with sufficiently favourable terms	An asset will only be recognised to the extent that it is probable that the Crown will receive funds back. To the extent we do not expect funds back (and report an asset) it will be treated as grant expenditure (see above)	Loans could be made available for businesses whose operating costs are fixed but for whom market loans are not possible because of uncertainty in tourism. Conditions allow for the sector to make changes to more sustainable practice.
Concessional (low interest) Loan	Small Business Cashflow (Loan) Scheme	No There is no conditionality on the Scheme.	Maybe No further recourse. The Crown will have access to the value of residual assets only if the loan conditions are not met.	Yes Costs are low-medium and may be suitable for larger transactions. Treasury has substantial experience with large and bespoke concessional loans. s 9(2)(f)(iv) holding company may be able to be used as the	Maybe Access to liquidity with favourable terms.	A concessional loan is where the Crown offers an interest rate or favourable repayments terms that cannot be matched by the market. Therefore, the Crown subsidises the 'less-than-market' interest rate.	Adjustments to the scheme could include extending the grace period for tourism businesses, increasing the quantum of funding available (eg by increasing the per employee or base rate) or allowing businesses over 50 FTEs to apply.

Investment Instrument	Existing COVID-19 interventions and demand	Enable the Government to shape an investment's direction or outcome	Minimise Crown risk and liability (and having an exit strategy)	Minimise Crown's transaction and administration costs	Ease for tourism business	Financial implications	Scenario
				investment mechanism. The IRD could adjust parameters for tourism businesses (challenging to do because of the cross-sectoral nature of tourism) Longer time to structure, negotiate and contract compared with grants.			
Equity interest	N/A	Yes Potentially greatest level of influence depending on degree of ownership/shareholding.	No Greatest risk – if the Crown had an ownership share, this could imply a government guarantee plus risk that further government funding will be sought. The Crown will have access to the value of residual assets (note that debt would rank first). Most difficult option for exiting.	No Costs are high and therefore only suitable for larger transactions. Treasury has substantial experience with large and bespoke equity interest. s 9(2)(f)(iv) may be able to be used as the investment mechanism. Longer time to structure, negotiate and contract compared with grants.	Maybe	The financial implications of an equity investment will depend on whether the Crown will control the entity (i.e. the equity provides a controlling interest e.g. >50% shareholding), has joint control or significant influence over the entity, or is a minority investor. If controlled by the Crown the entity will be fully consolidated into the financial statements of the Government with any investment by other parties shown as a "minority interest" in the assets, liabilities, revenue and expenses of the company (in the same way as the mixed ownership companies like Genesis are currently treated). If the Crown has joint control or significant influence over the entity, the Crown will recognise only its portion of the assets, liabilities, revenue and expenses of the company. If the Crown is a minority investor, it will recognise the dividends it receives, and any changes in the fair value of the shares.	There is precedent in tourism for equity interest with the Tourism Hotel Corporation of New Zealand which was set up in 1955.
Wage subsidy extension	COVID-19 Wage Subsidy Scheme High take-up in industry High demand for continuation either targeted (to key staff) or universal	No Unless conditions were built into wage subsidy scheme	Yes Wage subsidies have been time limited with an exit clearly signalled.	Yes Wage subsidy scheme is already in place. Could be further extended for tourism type firms.	Yes Tourism businesses are familiar with the Scheme and have heavily utilised it to date. Some businesses have found the wage subsidy deficient for the core skilled staff they're wanting to retain. Scheme more beneficial to SMEs where wages comprise a larger proportion of costs.	The wage subsidy is treated as operating expenses to the extent they will not be repaid. Any repayable amount will be treated as an asset at the point it is becomes highly likely the Crown will receive funds back	Some tourism operations include staff with specialist skills, knowledge, qualifications or certifications that can take time to acquire and require a degree of maintenance. Tourism operators through the ROI process are requesting an extension of the scheme to retain these core staff. In some instances, tourism operators are requesting staff to continue to perform maintenance activities to allow for the asset to be hibernated without degrading the asset.

Annex Two: Early intelligence gained from seeking ROIs

47. Throughout the COVID-19 restrictions, the Minister of Tourism's office and MBIE officials have received numerous ad hoc requests for support from tourism operators. In addition to these requests, MBIE set up a web page following Budget 2020 announcements to capture registrations of interest (ROIs) for the STAPP.
48. The ROIs do not represent formal applications, and therefore will not reflect the full extent and nature of need, but they have provided intelligence about the types of support businesses are seeking.
49. Ad hoc requests have included:
- The Travel Agents' Association New Zealand (TAANZ) - seeking wage subsidy extension and targeted support. Travel agents are processing refunds and credits but are currently not generating any revenue. They are also facing issues with suppliers who do not want to cancel offshore trips as they are unable to pay refunds.
 - General Aviation Tourism Group – seeking a package of:
 - i. monthly payments – for unavoidable fleet costs, Air Operator Certificate compliance costs
 - ii. continuation of the wage subsidy scheme
 - iii. a business loan facility (100% government guarantee, 3% interest rate, 5 year term, no repayments for two years, interest free if paid back within a year, maximum loan facility to be calculated at 12 x monthly payment amount)
50. At the time of writing, MBIE officials have received 63 submissions through the ROI process. Officials do not consider that this sample in any way represents the full extent of need, but it provides indicative intelligence.
51. The ROI process poses two questions from which the information in this briefing is derived:
- What asset(s) is your business looking to protect and what makes the asset(s) strategically important to your region and/or New Zealand?
 - What support do you think is needed to specifically protect the asset?
52. Grants, loans, further wage support and support for government compliance costs (e.g. Department of Conservation costs) were support measures specifically mentioned by submitters.
53. Some support preferences that officials would consider out of scope of the STAPP include business and region specific marketing and planned maintenance or expansion activity.
54. Of submissions that provided a quantum of the support being sought, the support value ranged between \$35,000 and \$2.5m.
55. The types of assets submitters were seeking to protect included:
- fixed assets (vehicles, plant and machinery)
 - staff
 - intellectual property
 - certification (of vehicles or staff)
 - natural assets (e.g. livestock, trails)
 - forward bookings.