



BRIEFING

Decisions for the Strategic Tourism Assets Protection Programme

Date:	22 July 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	2021-0262

Action sought		
	Action sought	Deadline
Hon Kelvin Davis Minister of Tourism	Agree; <ul style="list-style-type: none"> to cease or support further STAPP applicants (if further STAPP support is chosen) funding mechanism to use for STAPP whether to progress support for ITOs through STAPP 	24 July 2020
Hon Grant Robertson Minister of Finance		
Hon Nanaia Mahuta Minister for Māori Development		
Hon Eugenie Sage Minister of Conservation		
Fletcher Tabuteau Under Secretary Regional Economic Development		

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Karl Woodhead	General Manager (acting), Tourism	04 901 1458	s 9(2)(a)	✓
s 9(2)(a)	Policy Advisor, Tourism System and Insights	s 9(2)(a)		

The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

This paper seeks final decisions from Tourism Recovery Ministers (TRM) for progressing the Strategic Tourism Assets Protection Programme (STAPP).

Recommended Action

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

Make the following decisions:

a. **Decision One: Select the number of STAPP applicants to support**

- i) **Option One** – Support the 53 top rated STAPP applicants

Agree / Disagree

or

- ii) **Option Two** – Support all eligible STAPP applicants

Agree / Disagree

or

- iii) **Option Three** – Support a selection of top rated STAPP applicants by region

Agree / Disagree

or

- iv) **Option Four** – Cease further work on the STAPP, close the programme and inform applicants

Agree / Disagree

If TRMs in **Decision One** choose Option One or Two, consideration needs to be given for **Decision Two**.

b. **Decision Two: Funding mechanism to use for STAPP applicants**

- i) **Option One** – Progressing STAPP support through concessional loans

Agree / Disagree

or

- ii) **Option Two** – Progressing STAPP support through a first year grant and second year concessional loans

Agree / Disagree

If TRMs in **Decision One** choose Option One or Two, consideration also needs to be given to **Decision Three**.

c. **Decision Three: Whether to progress Inbound Tour Operators support through STAPP**

i) **Option One** – Cease ITO support through the STAPP

Agree / Disagree

or

ii) **Option Two** – Continue with ITO support through the STAPP

Agree / Disagree



Karl Woodhead
General Manager (acting), Tourism
Labour, Science and Enterprise, MBIE

..... / /

Hon Kelvin Davis
Minister of Tourism

..... / /

Hon Eugenie Sage
Minister of Conservation

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Fletcher Tabuteau
**Under Secretary, Regional Economic
Development**

..... / /

Hon Nanaia Mahuta
Minister for Māori Development

..... / /

Consideration of eligible STAPP applications to date

1. During the TRM meeting on Thursday 9 July 2020, TRM considered eligible STAPP applications and noted the significant assessment of STAPP applications that officials had completed and recognised that, due to the timeframes requested by TRM, a high trust and truncated process was undertaken.
2. TRM did not approve any further allocation of STAPP funding and requested further advice on progressing the STAPP before making final decisions.
3. Officials provided TRMs further options for the STAPP [briefing 2021-0195], one of which was progressing the STAPP through concessional loans. This paper includes further consideration on how to deliver the STAPP through concessional loans through the s 9(2)(f)(iv)
4. With no clear consensus at the last TRMs' meeting, the Minister of Tourism has requested clear options for TRM decision this week, to ensure announcements/communications are possible in the week beginning 27 July 2020.
5. This paper seeks agreement from TRM on three decisions:
 - Decision One: Select the number of STAPP applicants to support,
 - Decision Two (contingent on decision one): Which funding mechanism to use for STAPP applicants (either a combination of a grant/loan or fully concessional loans), and
 - Decision Three: Whether to progress support for inbound tour operators (ITOs).

Decision One: Select the number of STAPP applicants to support

6. TRMs can consider four options for the STAPP; support the top 53 STAPP applicants based on ranking, support all eligible applications, support a selection of top rated STAPP applicants by region, or to cease further work on the STAPP, close the programme and inform applicants.

Option One: Support the 53 top rated STAPP applicants

7. TRM can choose to support a selection of the top rated STAPP applications. As detailed in the full assessments paper [briefing 2021-0029], TRM need to agree individually which STAPP applicants to support and the number of STAPP applicants being supported.
8. While TRM will need to approve each application individually, consideration should be given to the total number of applications approved, how this reflects the objective of the programme and overall allocation of the Tourism Recovery Fund.
9. MBIE recommends that if Ministers are to support some STAPP applications, then the top 53 STAPP applications are chosen; these include all assets which scored 22 and above. MBIE believes that the top 53 applications are strongly aligned to the design of the STAPP.
10. This will however exclude s 9(2)(b)(ii) as previously discussed and agreed by TRMs.
11. The Minister of Tourism has also indicated preference to remove accommodation and aviation applicants for STAPP support. In the list of top 53 applications, this will remove The Hermitage Hotel and The Duke of Marlborough Hotel.

12. MBIE also recommends that to minimise risk, the funding mechanism to successful applicants should be via a concessional loan (see paragraphs 27-28 below).
13. **Annex One** provides a summary of the ranking of applications against the full assessment criteria and seeks individual decisions from TRM against each fully assessed application.
14. **Annex Two** overviews the top ranked 53 STAPP applications. Represented in the overview is quantum of funding and regional distribution.

Option Two: Support all eligible STAPP applicants

15. TRMs can also choose to support all STAPP applications deemed eligible.
16. This will however also exclude s 9(2)(f)(iv) s 9(2)(b)(ii), accommodation and aviation applicants for STAPP support, reasons noted in paragraphs 10 and 11. The list in annex one removes funding amounts for any applicant no longer being recommended for support.
17. MBIE officials recommend removing s 9(2)(b)(ii) if support is given to all eligible STAPP applications. Upon further consideration, the application has been deemed out of scope as a wedding venue.
18. If all eligible applicants are selected for support, there is strong risk and likely subsequent scrutiny of how strategic many of these tourism assets are against the assessment criteria.
19. **Annex One** provides a summary of the ranking of applications against the full assessment criteria and seeks individual decisions from TRM against each fully assessed application.

Option Three: Support a selection of top rated STAPP applicants by region

20. TRMs may wish to support a selection of strategic tourism assets by region to ensure regional spread and distribution of STAPP funding.
21. At the request of the Minister of Tourism, MBIE officials have presented an alternative view of STAPP applicants based on region located. This is still in line with the scope of the criteria at the Ministers' discretion.
22. See **Annex Three** for details of applications based on regional distribution. Officials have looked to include the top five ranked applicants for each region. In some instances, there are fewer than five applications from the region or more than five have been included for the region based on the same ranking. There is also a group of applications that operate nationally and have been included as their own category.
23. With a regional cut to the STAPP applications is applied, TRM Ministers will still need to agree support to each applicant individually.

Option Four: Cease further work on the STAPP, close the programme and inform applicants

24. If agreement cannot be reached at this TRM meeting, MBIE recommends that the STAPP is formally closed and applicants informed.
25. Closing the STAPP would require careful communication and relationship management to ensure we acknowledge the time, effort and expectation from tourism businesses applying through the STAPP process. If the STAPP were to close, we expect an initial negative reaction from the tourism sector and further scrutiny associated with the three businesses that have already been approved STAPP funding.

Decision Two: Funding mechanism to use for STAPP applicants

26. If in **Decision One**, Option One or Two is chosen, TRMs will need to progress to **Decision Two** and decide on the funding mechanism.

Option One: Progressing STAPP support through concessional loans

27. TRM expressed a preference to support strategic tourism assets through concessional loans rather than through a grant mechanism, the latter first proposed when there was a sense of urgency to get funding to failing tourism assets. The use of loans is within scope of the STAPP and was an agreed mechanism [briefing 3344 19-20].

28. Using concessional loans would help mitigate Crown risk in supporting these strategic tourism assets and be better suited for the current economic context.

Loan parameters

29. If TRM agree on concessional loans rather than grants, there are a number of loan parameters to consider and implementation matters and criteria to agree.

30. s 9(2)(f)(iv)

The high level parameters could be:

- Businesses will be able to apply for a loan of up to a specified amount, subject to other forms of government support.
- The loans will be charged interest at s 9(2)(f)(iv)
- Rs 9(2)(f)(iv)

31. s 9(2)(f)(iv)

32. s 9(2)(f)(iv)

33. s 9(2)(f)(iv)

34. From the point of deciding which applicants are eligible for a loan, it would take 8 to 12 weeks from an in principle agreement to fund via a loan, to executing an agreement with a recipient. This timeframe is required to complete the due diligence required as well as providing sufficient time for the applicant to respond and to finalise a contract. To simplify the scheme, we recommend common terms and conditions for all applicants.

35. s 9(2)(f)(iv)
36. Depending on your decision, we will brief you separately on the detailed loan parameters, timeframes, nature of the loans, the terms and conditions, the funding required for s 9(2)(f)(iv) recommendations on loan approval delegations, and transferring the relevant appropriations.

Option Two: Progressing STAPP support through a first year grant and second year concessional loans

37. At the request of the Minister of Tourism, MBIE officials have re-tabled the same funding mechanism used for AJ Hackett Bungy NZ Limited and Tourism Holdings Limited (Discover Waitomo); a conditional grant for the first year of support and a provision for a loan in the second year.

Set amount cash grant

38. Officials have also explored the option of offering a capped grant of up to \$500,000.00 and \$1,000,000.00 with the option of a concessional loan to make up the remainder of the funding amount.
39. However, officials do not recommend this as a viable option as this will require high administrative costs and create perverse outcomes.

Decision Three: Whether to progress Inbound Tour Operators (ITO) support through STAPP

40. On 2 July 2020, TRM agreed to remove all ITO applications from the STAPP application process and make up to \$20 million available from the Tourism Recovery Package for Inbound Tour Operator (ITO)-specific support. ITOs were only being considered for support as a subset of STAPP. If TRM do not proceed with further STAPP funding (or only in limited form), it would not be consistent to proceed with funding for the ITO sector.
41. In order to progress the ITO application design, MBIE has had in-confidence discussions with the Tourism Export Council about the proposed support for the ITO sector but no public commitment has yet been made.
42. If in **Decision One**, Option One or Two is chosen, TRMs will need to also make a decision on **Decision Three**: whether to progress ITO support through STAPP.

Option One: Cease ITO support through the STAPP

43. Note that the economic context has changed and TRM have deemed it appropriate to only support the STAPP applications noted in Decision One.

Option Two: Continue with ITO support through the STAPP

44. Continue with STAPP support for ITOs, using the same funding mechanism selected in Decision Two. If ITO support were to proceed, MBIE will require approximately one week to finalise and launch an application process as previously scoped [briefing 3895 19-20].

Annexes

Annex One – Ranked list of STAPP applicants

Annex Two – STAPP top 53 applicants

Annex Three – Top applications by regional distribution

Annex Two: STAPP top 53 applicants with regional analysis and split of funding breakdown

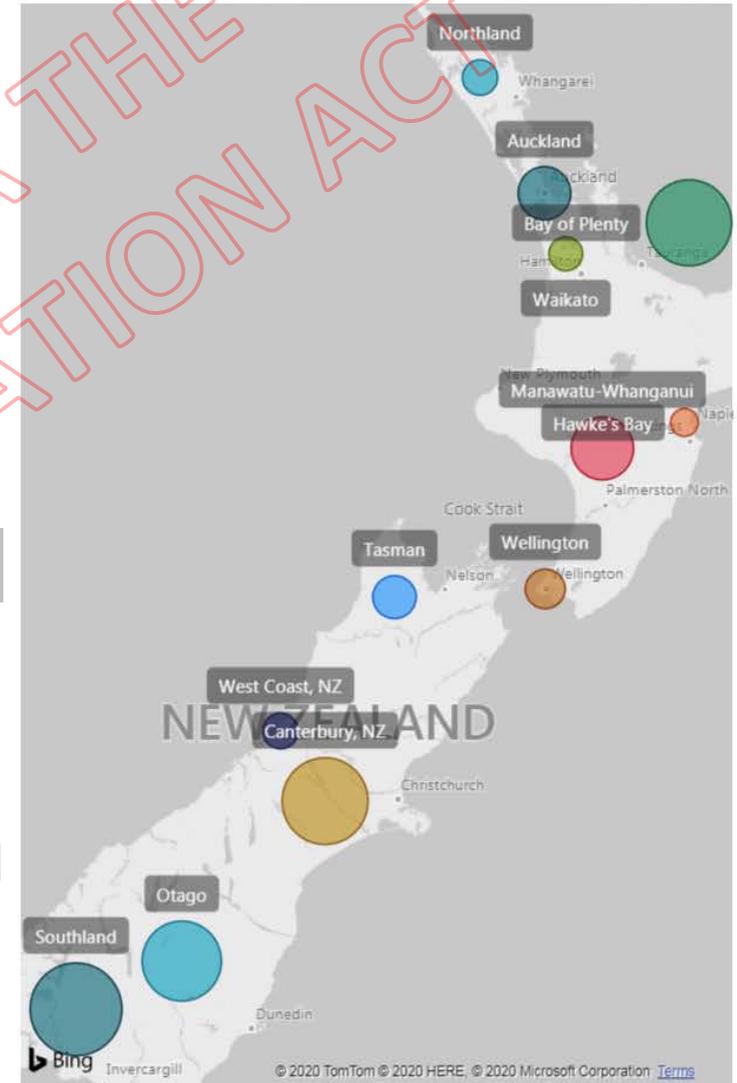


Strategic Tourism Assets Protection Programme as at 22 July 2020

Eligible Applications - Total score ≥ 22

Region	Count	Recommended Funding Year 1	Recommended Funding Year 2	Total Funding Recommended
Northland	3	\$1,907,706	\$1,891,037	\$3,798,743
Auckland	3	\$6,751,073	\$4,241,073	\$10,992,146
Waikato	1	s 9(2)(b)(ii)		
Bay of Plenty	6	\$12,280,000	\$12,168,000	\$24,448,000
Hawke's Bay	1	s 9(2)(b)(ii)		
Manawatu-Whanganui	1			
Wellington	3	\$3,207,173	\$2,583,839	\$5,791,012
Tasman	3	\$3,599,000	\$3,599,000	\$7,198,000
West Coast, NZ	3	\$1,912,000	\$1,912,000	\$3,824,000
Canterbury, NZ	13	\$12,332,164	\$12,332,164	\$24,664,328
Otago	8	\$11,005,065	\$10,921,065	\$21,926,130
Southland	6	\$13,576,000	\$13,576,000	\$27,152,000
National	2	s 9(2)(b)(ii)		
Total	53	\$91,072,181	\$71,526,178	\$162,598,359

Commercial In-Confidence



Annex Three: Top STAPP applicants by regional distribution

Region	Total Score	Sum of Total Funding Recommended	Overall STAPP rank
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s 9(2)(b)(ii)

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

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s 9(2)(b)(ii)

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