



BRIEFING

Inbound tour operators support – 2 July update

Date:	30 June 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	3895 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 of Māori Development Minister of Local Government Hon Eugenie Sage Minister of Conservation Fletcher Tabuteau Secretary of Regional Economic Development	<p>Agree that up to \$20 million will be made available from the Tourism Recovery Package for ITO-specific support through the ITO Preservation Fund (ITOPF).</p> <p>Agree to the eligibility and indicative assessment criteria for the ITOPF. The eligibility criteria are:</p> <ol style="list-style-type: none"> the applicant meets the definition of an inbound tour operator for the purposes of the fund; the applicant has demonstrated they are of strategic value to the tourism system; and the applicant has exhausted all other avenues of support (government broad-based and private). <p>The assessment criteria are:</p> <ol style="list-style-type: none"> how much value (spend) the ITO has generated; the scale of their contribution to New Zealand across the four capitals; the ITO's contribution to key tourism outcomes such as regional and seasonal dispersal. <p>Note that officials will use the assessment criteria to evaluate ITOs and make recommendations using a market portfolio approach.</p> <p>Note that all ITO applications will be removed from the STAPP application process and considered through the ITOPF.</p> <p>Note the indicative process and timeline provided for implementation of the fund.</p>	2 July 2020

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Saskia Vervoorn	Manager, Tourism Policy	04 896 5723	s 9(2)(a)	✓
s 9(2)(a)	Senior Policy Advisor, Tourism System and Insights	s 9(2)(a)		

The following departments/agencies have been consulted
Tourism New Zealand

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 Withdrawn |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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Inbound tour operators support – 2 July update

Date:	30 June 2020	Priority:	Medium
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Purpose

This briefing seeks agreement from the Tourism Recovery Ministers Group on the process for providing financial support to inbound tour operators (ITOs).

Recommended action

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

- a **Agree** that up to \$20 million will be made available from the Tourism Recovery Package for ITO-specific support through the ITO Preservation Fund (ITOPF). *Agree / Disagree*
- b **Agree** to the eligibility and indicative assessment criteria for the ITOPF. The eligibility criteria are:
- the applicant meets the definition of an inbound tour operator for the purposes of the fund;
 - the applicant has demonstrated they are of strategic value to the tourism system; and
 - the applicant has exhausted all other avenues of support (government broad-based and private).
- The assessment criteria are:
- how much value (spend) the ITO has generated;
 - the scale of their contribution to New Zealand across the four capitals;
 - the ITO's contribution to key tourism outcomes such as regional and seasonal dispersal.
- Agree / Disagree*
- c **Note** that officials will use the assessment criteria to evaluate ITOs and make recommendations using a market portfolio approach. *Noted*
- d **Note** that all ITO applications will be removed from the STAPP application process and considered through the ITOPF. *Noted*
- e **Note** the indicative process and timeline provided for implementation of the fund. *Noted*

Saskia Vervoorn
Manager, Tourism Policy
Labour, Science and Enterprise, MBIE

Hon Kelvin Davis
Minister of Tourism
..... / /

30. / 06 / 2020

Hon Eugenie Sage
Minister of Conservation
..... / /

Hon Grant Robertson
Minister of Finance
..... / /

Fletcher Tabuteau
**Secretary of Regional Economic
Development**
..... / /

Hon Nanaia Mahuta
**Minister of Māori Development
Minister of Local Government**
..... / /

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Background

1. At the Tourism Recovery Ministers meeting on 25 June 2020 you agreed that inbound tour operators (ITOs) should be dealt with separately from the main Strategic Tourism Assets Protection Programme (STAPP) assessment process.
2. Ministers directed MBIE to determine the most appropriate approach to supporting ITOs and to report back to on how support for ITOs should be implemented.

Eligibility and assessment criteria

3. MBIE and TNZ have jointly reviewed the generic STAPP eligibility and assessment criteria and used this as a basis for creating criteria for an ITO-specific fund, the ITO Preservation Fund (ITOPF). Following your approval of this initiative, officials will also engage with Tourism Export Council New Zealand (TECNZ), the ITO industry body, to further shape the detail of the Fund.
4. We propose having a first set of criteria to assess eligibility (or threshold test); and a second set to prioritise or rank applications to ensure those ITOs offering the most strategic value to New Zealand are offered support. The level of support will be determined through a financial assessment.

Eligibility

5. Officials recommend a modified version of the STAPP eligibility criteria for the ITOPF, using broad eligibility 'gates', including whether:
 - a. the applicant meets the definition of an inbound tour operator for the purposes of the fund;
 - b. the applicant has demonstrated they are of strategic value to the tourism system; and
 - c. the applicant has exhausted all other avenues of support (government broad-based and private).

Definition of an ITO

6. Officials recommend a broad definition be used to identify ITOs, to avoid firms incorrectly self-assessing as ineligible. Tourism New Zealand will provide specific support to Chinese language firms in order that these ITOs can accurately assess their eligibility to apply.
7. The definition of ITOs is drawn from the Tourism Export Council New Zealand's (TECNZ) definition "*an inbound tour operator (ITO), also known as a ground operator or destination management company (DMC), is a New Zealand based business that provides itinerary planning and product selection; and coordinates the reservation, confirmation and payment of travel arrangements on behalf of their overseas clients... ITOs are the link between New Zealand tourism products and the overseas travel distributors that buy them, including travel wholesalers, direct sellers, travel agents, meeting planners and event planners*".

Determining strategic value

8. The strategic value of ITOs was the main criterion in the generic STAPP process that was found to be difficult to assess in relation to other tourism assets. An ITO-specific definition is required that captures the unique value of ITOs in the tourism supply chain. Officials recommend that an ITO applicant would be considered of strategic value to the tourism system and therefore eligible for support if, prior to the COVID-19 border restrictions, it had a record of having:

- a. achieved significant penetration in one or more of New Zealand's major or emerging international visitor markets and/or high value niche international market segments; and
 - b. delivered a pipeline of international visitors that account for a significant quantum of value (spend) to New Zealand tourism operators, either to operators in general or to operators in one or more high value niche market segments; and
 - c. generated significant spill-over benefits to the community (either to New Zealand as a whole, or to one or more regions).
9. The above are threshold tests, the scale of contributions will be considered as part of assessment.

Other support avenues

10. The same criteria used for the STAPP will be used for ITOs to determine whether firms that are seeking support have exhausted other available mechanisms.

Assessment

11. Assessment criteria will be used to prioritise or rank ITOs for support. Criteria will include:
- a. how much value (spend) the ITO has generated;
 - b. the scale of their contribution to New Zealand across the four capitals;
 - i. Natural Capital – such as the ITO practice in its premises in relation to resource use and management, the support for natural environment protection and restoration initiatives in product offerings (eg carbon offsetting);
 - ii. Human Capital – such as the culture, language, sales and product development skills of ITO staff and the extent to which these are developed and invested in;
 - iii. Social Capital – such as the degree to which New Zealand social and cultural values are embedded in product offerings, the quality and longevity of relationships the ITO has developed offshore representing New Zealand;
 - iv. Financial/Physical Capital – such as the value (spend) the ITO brings to the New Zealand economy.
 - c. the ITO's contribution to key tourism outcomes such as regional and seasonal dispersal.
12. MBIE and Tourism New Zealand officials will assess the applications against these criteria, and will provide Tourism Recovery Ministers with a set of recommendations that takes a portfolio approach. This will ensure that those ITOs receiving support will maintain our presence across key markets and key market segments. Maintaining that presence will be important for the 're-start' of our international tourism when border restrictions ease.

STAPP and the ITOPF

STAPP applicants' eligibility for ITOPF

- 13.

s 9(2)(h)

14. ITO applicants to the STAPP will be given the opportunity to resubmit their applications. No feedback will be provided on the previous applications to ensure that this group is not unfairly advantaged in the new process.
15. ITOs sometimes have both an inbound function as well as an in-country tour function (eg they own and operate tour buses within New Zealand). However, ITOs have been removed from the STAPP process in their entirety, even in circumstances where they are seeking to safeguard a physical asset, as they have self-identified as being primarily an ITO. The ITOPF specific fund will address the strategic importance of both the intangible and physical assets of the ITO.

Officials recommend an allocation of \$20 million

16. Based on the ITO applications to the STAPP and advice from TECNZ, MBIE recommends that up to \$20 million be made available from the Tourism Recovery Package over two years for the ITO Preservation Fund. We will report back to Ministers on a final figure once we have received and assessed the ITOPF applications.

Risks

17. s 9(2)(h)
18. Communication will need to clearly identify that this fund has been developed because ITOs are an important part of the tourism system, and the STAPP is not the right vehicle for providing that support.

ITO support process

19. If the eligibility criteria outlined above is approved by Tourism Recovery Ministers Group, an indicative timeline for the process is:

post-2 July meeting	MBIE and Tourism New Zealand review market-based assessment criteria and check in with TECNZ
week of 7 July	Finalisation of communications, application assessment criteria and application forms
no later than week of 13 July	Announcement of the ITOPF (no later than the STAPP decisions are announced)
no later than week of 13 July	Open ITOPF application process for two weeks
week of 27 July	ITOPF applications close
30 July	Preliminary eligibility assessment to Tourism Recovery Ministers Group
6/13 August	Recommendations to Tourism Recovery Ministers Group

20. MBIE will work with TNZ to assess the applications. TNZ has offered market specific insight but may not have resources to review individual applications.
21. The announcement of the ITOPF will occur at the earliest practicable date when the application process is in place, either earlier than or alongside the STAPP funding announcements.