



## COVERSHEET

<b>Minister</b>	Hon Stuart Nash	<b>Portfolio</b>	Economic and Regional Development
<b>Title of Cabinet paper</b>	Supporting the Tourism Sector and Communities to Recover and Reset from COVID-19	<b>Date to be published</b>	8 April 2022

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
April 2021	Supporting the Tourism Sector and Communities to Recover and Reset from COVID-19	Office of the Minister for Economic and Regional Development
7 April 2021	Supporting the Tourism Sector and Communities to Recover and Reset from COVID-19 DEV-21-MIN-0067 Minute	Cabinet Office

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

**In Confidence**

Office of the Minister of Tourism

Cabinet Economic Development Committee

**Supporting the tourism sector and communities to recover and reset from COVID-19**

**Proposal**

- 1 This paper seeks agreement to support for those communities that are most reliant on international tourism (Kaikōura, Mackenzie, Queenstown Lakes, Fiordland<sup>1</sup> and South Westland<sup>2</sup>), and the businesses that are part of those communities. The paper also seeks agreement to support for the tourism sector nationwide, to enable the re-set of tourism in response to COVID-19 to be more sustainable and resilient.

**Relation to government priorities**

- 2 The package supports the Government's priorities in the Labour Manifesto 2020 to:
  - 2.1 support a social and economic recovery from the impacts of COVID-19, including future-proofing our economy and supporting small businesses and entrepreneurs to adapt, recover and grow
  - 2.2 restart and reimagine a more sustainable tourism industry by working with the industry
  - 2.3 grow the economy sustainably by making long-term investments necessary to secure New Zealand's economic future
  - 2.4 partner with communities, iwi and local government.
- 3 The package is underpinned by the principles and objectives of the New Zealand-Aotearoa Government Tourism Strategy, such as taking an all-of-government approach to the tourism system and working in partnership with local communities.
- 4 The package aligns with my intentions for the direction of tourism in New Zealand, as agreed by Cabinet on 15 March 2021, including resetting and rebuilding tourism on a sustainable model, and partnering with industry, businesses and workers to achieve the transition [DEV-21-MIN-0025 refers]. It is a key part of our regional development strategy and economic recovery.

**Executive Summary**

- 5 COVID-19 continues to have a significant negative effect on the tourism sector. Measures to prevent the spread of COVID-19, including changes to our border settings, while protecting New Zealanders, have dramatically reduced international visitor arrivals and spend. This has caused a shock not only to the tourism industry, but across the broader economy. Prior to COVID-19, international visitors contributed \$17 billion in GDP and comprised 40 per cent of tourism expenditure in New Zealand.

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<sup>1</sup> Which includes Te Anau and Milford Sound, and is part of Southland district

<sup>2</sup> Which includes Glacier Country, and is part of Westland district

**IN CONFIDENCE**

- 6 This has been felt particularly strongly by some communities that have been highly reliant on international tourism. There is an urgent need for support for these communities to minimise long-term economic and social scarring.
- 7 I have identified the following five communities as being in particular need of support: Kaikōura, Mackenzie, Queenstown Lakes, Fiordland, and South Westland. Other communities have been hit hard too by the loss of international tourism; however, there is a clear case for a targeted approach to support these five communities.
- 8 I seek your agreement to a package of support that includes thirteen initiatives. The first four are targeted solely at these five communities and the businesses within them; the fifth focusses upon Fiordland, the sixth focusses upon Queenstown Lakes District, and the remaining six are to be rolled out nationwide. These initiatives are:
- 8.1 place-based psychosocial support to promote and protect the social and mental wellbeing of these communities
  - 8.2 business advisory support, to enable business operators in these communities to make astute business decisions
  - 8.3 grants for businesses to enable business operators in these communities to implement the advice received through the initiative at 8.2
  - 8.4 a tourism kick-start fund to enable existing tourism businesses in these communities to reopen once international visitors return
  - 8.5 funding for the next phase of the Milford Opportunities Project, which will redevelop Milford Sound to increase the sustainability and quality of visitors' experiences
  - 8.6 an underwriting fund to support Queenstown Lake District's economic transformation and resilience
  - 8.7 grants to Regional Tourism Organisations (RTOs) nationwide, to enable regions to increase their ability to lead and coordinate local destination management.
  - 8.8 Development and initial implementation of a Tourism Industry Transformation Plan, to take action in response to the findings of the reports of the Parliamentary Commissioner for the Environment, the Tourism Futures Taskforce, and the Climate Change Commission
  - 8.9 support for Māori tourism businesses
  - 8.10 supplementary funding for the Department of Conservation
  - 8.11 conversion of the loans provided to Inbound Tour Operators (ITOs) to grants (up to \$0.5 million per ITO), consistent with the approach to other strategic tourism assets
  - 8.12 a sixth funding round of the Tourism Infrastructure Fund
- 9 The package will cost a total of \$200 million. I propose that the package be funded from the COVID-19 Response and Recovery Fund.

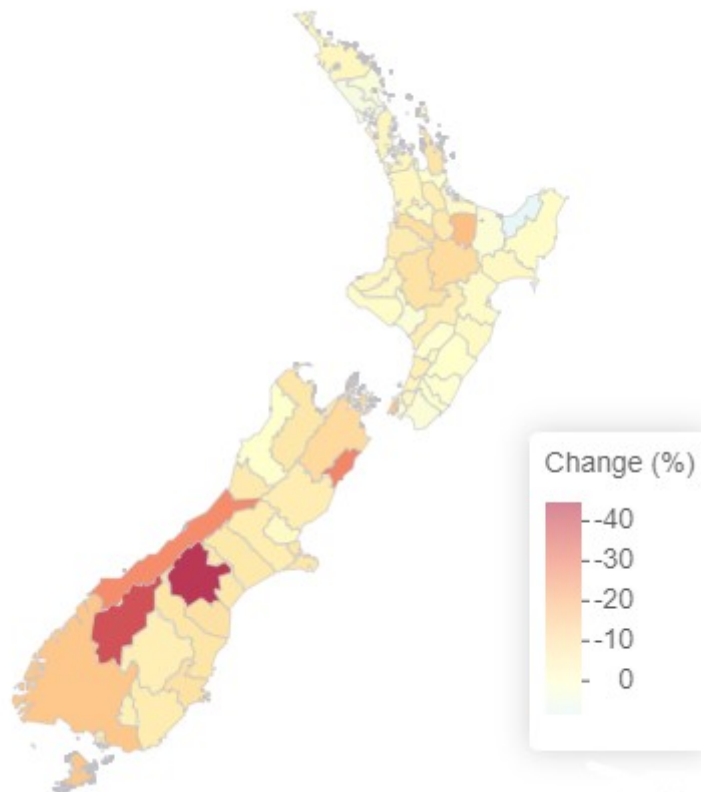
## Background

- 10 While New Zealand's broader economy is navigating the shock of COVID-19 better than expected, COVID-19 continues to have a significant negative effect on the tourism sector. Prior to COVID-19, international visitors contributed \$17 billion to New Zealand's economy and comprised 40 per cent of tourism expenditure. Measures to prevent the spread of COVID-19 (including border restrictions both in New Zealand and overseas) have dramatically reduced these figures, causing a shock to the tourism industry that is having impacts across the broader economy.
- 11 We have made an historic level of investment into the tourism sector to reduce the economic impact of COVID-19 including the \$400 million Tourism Recovery Package [CAB-20-MIN-0219 refers]. Broad-based government support for businesses affected by COVID-19 such as the wage subsidy scheme and COVID-19 income relief payments have been widely utilised by the tourism sector. We have also invested in marketing campaigns to encourage New Zealanders to travel domestically.
- 12 While there is evidence that government support and the marketing campaigns have increased domestic tourism spending in some communities over the summer period, this will not compensate for the usual revenue generated by international tourism. The impact of COVID-19 on the tourism industry and the flow-on effects to the wider economy will be felt particularly acutely in the coming months.
- 13 New Zealand's tourism industry makes most of its money during the summer season. While domestic tourism has increased on previous years, it is not sufficient to make up for the missing international tourism, which generates revenue through until Easter. In a typical year, the profits of summer sustain businesses through the winter. The shorter summer season and revenue decrease is causing significant hardship for some tourism businesses, their employees, and the communities they operate in.
- 14 It is uncertain when international tourism will resume, and to what extent. Industry commentators have suggested that international tourism is likely to be reduced for at least the next 12 months and possibly for up to five years. This is as a result of New Zealand and global border restrictions, consequences on international air connectivity and consumers' desire to travel, as well as the potential global economic downturn.
- 15 The introduction of two-way quarantine-free travel with Australia, when safe to do so, will be a significant boost for the tourism industry, but not a solution. In the year-ended December 2019, 10% of all tourism spending was by visitors from Australia; rising to 23% when domestic spending is excluded. In Queenstown Lakes District, the proportion of tourism spending by Australians was far higher at 20% of all tourism spend and 31% of international tourism spend.
- 16 However, the first travellers from Australia once quarantine-free travel is introduced are more likely to be people with ties to New Zealand, coming here to visit their friends and relatives. These initial travellers may be less likely to visit and spend in these five communities than the usual pre-COVID-19 Australian tourist demographic, which includes leisure travel. Additionally, traditional Australian travel patterns mirror the seasonal travel of domestic visitors, with a sharp peak over December that drops steeply from February. Therefore, I consider a package of support to be necessary regardless of when two-way quarantine-free travel with Australia is introduced.

**I have identified five tourism-reliant communities in need of urgent support**

- 17 There are communities in New Zealand that have been particularly affected because they have a high degree of reliance on international tourism with limited alternative employment and entrepreneurial opportunities. As a result, the effects on the tourism industry have spread to impact the broader local community and other industries. This includes impacts on basic community services, such as grocery retail businesses and voluntary fire services.
  
- 18 I have identified the following five communities as being in particular need of support: Kaikōura, Mackenzie, Queenstown Lakes, Fiordland and South Westland. This is on the basis that these districts' economies rely substantially upon the international tourism industry. Prior to COVID-19, more than 50 per cent of tourism spending within these communities was by international visitors. Total spending within these communities, across all industries, has declined by at least 15 per cent since this same time last year. Annex One includes data demonstrating these communities' reliance on international tourism, as well as a few selected other communities such as Rotorua, Christchurch city and Northland.

**Heat map of decline in consumer spend nationwide, week ended 14 March 2021 compared with week ended 14 March 2020**



- 19 The loss of international visitors in these communities has not been filled by the increase in domestic travel and expenditure nationwide by New Zealanders. This is despite an increase in New Zealanders' spending on domestic tourism beyond their

usual holiday spending, achieved in part through targeted campaigns by Tourism New Zealand and through support to Regional Tourism Organisations.

**Support is also required to enable the tourism system nationwide to recover and reset**

- 20 In addition to these five communities, the loss of international tourism has also had an acute effect on some parts of the tourism sector and tourism institutions nationwide; often because it is harder to transition to a focus on the domestic tourist market. For example, Māori tourism businesses nationwide are generally more dependent upon international tourism, and so have been particularly affected. Inbound Tour Operators, which attract international visitors, have also been highly affected.
- 21 Cabinet has agreed to my direction for the tourism portfolio, which focusses upon building back a system that is more sustainable and delivers on Brand New Zealand [CAB-21-MIN-0025 refers]. Visitor growth prior to COVID-19 was unsustainable. International tourism can deliver more for our environment and communities. We have an opportunity now, while the borders are closed to re-shape tourism so that when we re-open, visitors, industry and host communities are operating on a better model. We want our tourism industry to be productive, sustainable and inclusive.

**I have developed a package of support**

- 22 Further support for tourism requires a structural and targeted approach that goes to the heart of business operations and communities for those who need it most. The package also has elements of national support to support the re-set of tourism to be more sustainable as New Zealand re-opens borders.
- 23 The package will:
  - 23.1 enable tourism businesses to make hard decisions around their current operations on the basis of expert advice
  - 23.2 enable tourism businesses to respond rapidly once borders reopen
  - 23.3 support people through this period of uncertainty and change
  - 23.4 diversify these local economies to improve their long-term resilience
  - 23.5 re-set the tourism sector to be more sustainable and resilient in response to COVID-19.
- 24 The package includes the following twelve initiatives:

Target	Initiative <i>Policy settings</i>	Total cost
Five communities	1. <b>Place-based psychosocial support</b> <i>Wellbeing-trained support advisors, community wellbeing events, mental health training, centralised communication and contingency fund</i>	4.500
Five communities	2. <b>Business advisory support</b> <sup>3</sup> , which would enable businesses to receive advice on whether to change their business to target a different market, down-scale their tourism business, or exit the market. <i>Funding up to \$5,000 per tourism business in the five communities</i>	10.000

<sup>3</sup> This initiative is demand-driven, so the exact quantum of funding required is estimated.

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Five communities	3. <b>Grants for businesses to implement advice</b> , <sup>4</sup> which would enable businesses to implement the advice received through the business advisory service. <i>\$5,000 grant per tourism business in the five communities</i>	10.000
Five communities	4. <b>Tourism kick-start fund</b> <sup>5</sup> , to boost existing tourism businesses once international visitors return <i>Business advice on hibernation and two weeks of pre-COVID revenue to tourism businesses in the five communities that engaged in hibernation-related activities, including \$2.5 million for administration</i>	49.000
Te Anau / Milford with spinoffs nationally	5. <b>Milford Opportunities Project</b> , to fund the next phase of the fundamental redevelopment of Milford Sound and the surrounding region to protect the local environment, and increase the sustainability and quality of visitors' experiences. This includes detailed planning, consenting, community consultation and preparation for the necessary infrastructure build.	15.000
Primarily Queenstown	6. <b>Queenstown Economic Transformation and Resilience underwriting fund</b> , to promote the development of alternative industries in Queenstown to increase its resilience.	20.000
Nation-wide	7. <b>Further one-year grants to all RTOs</b> , which would enable regions to increase their ability to lead and coordinate tourism activities in their regions. <i>Figures on the basis of STAPP RTO funding, adjusted to reflect evaluation</i>	26.000
Nation-wide	8. <b>Tourism Industry Transformation Plan</b> (development and initial implementation) to address the findings of the PCE report, Taskforce report, aspects of the Government and Industry Tourism Strategies, and the report of the Climate Change Commission.	10.000
Nation-wide	9. <b>Support for Māori Tourism businesses</b> , which will be deployed via New Zealand Māori Tourism (noting Māori tourism attractions are often more reliant on international visitors). This is part of a broad programme of work by New Zealand Māori Tourism with oversight from Te Puni Kōkiri.	15.000
Nation-wide	10. <b>Supplementary funding for Department of Conservation</b> (DOC), to ensure conservation activity and maintenance of recreational facilities can be maintained despite the loss of concessions revenue from extending the waiver of DOC concessions fees for an additional 6 months	10.000
Nation-wide	11. <b>Conversion of Inbound Tour Operator loans to grants</b> (up to \$0.5 million per ITO) to maintain sector capacity and international market presence by converting existing loans to grants. This is consistent with the approach to other strategic tourism assets.	14.000
Nation-wide	12. <b>Tourism Infrastructure Fund</b> , to run a sixth round of the Fund which will be used to fund essential tourism infrastructure nationwide	16.500
	<b>Total cost of package</b>	<b>200.000</b>

**Explanation of the package**

*Initiatives 1-4: Community-focussed support*

25 The package includes support that would be limited to these five communities. It offers psycho-social support, in recognition of the challenges and degree of change

<sup>4</sup> As above.

<sup>5</sup> As above.

people are facing. It also includes support for businesses in these communities to make the hard choices, including closing (and preserving capital), re-orienting to adjacent business activities, and/or improving efficiency of business operations. The package also includes a kick-start fund, to enable firms that have hibernated or suspended operations to get back up to scale quickly. This package is urgent and will be delivered as soon as feasibly possible.

*Initiative 5: Milford Opportunities Project*

- 26 The Milford Opportunities Project would receive \$15 million under this package. It is a multi-agency approach to establish how visitors are managed into the future at Milford Sound Piopiotahi and along the Milford Road corridor.
- 27 This will go towards efforts to manage future visitor numbers in a sustainable manner, which had been increasing significantly year-on-year. It will account for recreational users and their requirements, the importance of the local environment, and the various modes of transport people use to access Milford. To this end, the eventual objective of the project is that it would fund significant infrastructure projects to ensure Milford is resilient to the changing climate and dynamic hazard landscape.
- 28 The project is currently considering the following work:
- 28.1 using tourism to contribute to conservation, access, infrastructure, operations and mana whenua related costs
  - 28.2 developing new transport models to manage visitor flows
  - 28.3 developing a compelling suite of experiences in Piopiotahi and the Milford corridor to encourage visitors to stay longer and contribute to the local economy
  - 28.4 redesigning the Milford Village to lift the quality of the built environment and reflect its world-class status
  - 28.5 developing Te Anau as a sub-regional visitor hub, and strengthening the local offering to encourage more visitors to stay overnight.

*Initiative 6: Queenstown Economic Transformation and Resilience underwriting fund*

- 29 The Queenstown Lakes District is currently reliant on a few key industries leaving the economy particularly vulnerable to external forces. In addition to investment in key infrastructure, there is an opportunity to accelerate the local economic development actions. There are a number of potential projects in the pipeline, such as the development of a digital technology hub and support for film sector infrastructure. Support will likely take the form of an underwrite or guarantee for private sector investment. Queenstown Lakes is particularly reliant on international visitors, and therefore supporting the development of other sectors is a key step in improving the resilience of the District.

*Initiative 7: Further grants to Regional Tourism Organisations (RTOs)*

- 30 RTOs play an important role in supporting the tourism system. The tourism sector depends upon RTOs to lead and coordinate tourism-related activities in their regions, alongside the tourism industry, stakeholders, Māori/iwi and communities.



- 31 As part of the Strategic Tourism Asset Protection Programme (STAPP), \$20.2 million in grants was allocated to the 31 RTOs across New Zealand to support them to implement destination management and planning, and encourage New Zealanders to explore the regions, including by leveraging Tourism New Zealand's domestic campaign. I have seen positive outcomes and received positive feedback as a result of the funding.
- 32 The current STAPP RTO funding was provided to support domestic marketing, industry capacity building, product development, and destination management and planning. Without additional government funding to RTOs, this work is likely to slow. This is because RTOs' funding models depend upon contributions from the local tourism industry and local government, which are diminished due to the loss of international tourism. STAPP funding only provided support for one year as an immediate response.
- 33 I propose providing an additional year of RTO funding, and slightly changing the tiered approach to funding to better reflect the variety of RTO sizes. This funding will enable RTOs to extend their programme of activity while borders remain closed, and accelerate the destination management and planning activities, ensuring that we build tourism back to be more socially, financially, and environmentally sustainable and resilient. It will also support a faster restart once international visitors return by retaining local strategic capability.
- 34 The current RTO funding was contracted until August 2021, so the further year of funding will be provided in the 2021/22 financial year.

*Initiatives 8: Development and initial implementation of a Tourism Industry Transformation Plan (ITP)*

- 35 This fund will enable the collaboration between the private sector, researchers, and workers to develop and trial solutions that could lead to system-wide innovation and improvements directly aligned with government goals to transform tourism.
- 36 It will focus on the areas where industry leadership is required, including addressing findings from the Parliamentary Commissioner for the Environment's (PCE) report on tourism and the Tourism Futures Taskforce. Areas for early development are likely to include data, and industry standards. I intend for the ITP to be developed in 2021/22 and begin implementation from 2022/23.

*Initiative 9: Support to Māori Tourism Businesses*

- 37 I propose allocating \$15 million to New Zealand Māori Tourism over two years, which will support three kaupapa:
- 38 Expansion of the business support services already offered by New Zealand Māori Tourism (\$7 million)
- 38.1 Specialist tax advice for businesses moving into hibernation.
- 38.2 Provision of business advisory support services to existing business (including feasibility assessments and support to wind-down businesses)
- 38.3 Grants to support hibernation of businesses with medium/long term prospects (i.e. to cover capital expenses while business is in hibernation)

**I N C O N F I D E N C E**

- 38.4 Employment assistance for existing employees in Māori enterprises to transition into other sectors while businesses are in hibernation.
  
- 39 Positioning the Māori Tourism Industry for the Future via Implementation of Cultural Wealth Framework (\$4 million)
  - 39.1 Implementation of the Cultural Wealth Framework to enable New Zealand Māori Tourism to focus on initiatives that strengthen the cultural wealth of the Māori tourism sector, and encourage a shift towards a more authentic experience, providing operators with dimensions for what a culturally enriching tourism experience might look like.
  - 39.2 This mahi builds on existing work funded through Budget 2020
  - 39.3 Develop training materials, facilitation, creation of media products, and storytelling.
  
- 40 Feasibility and delivery for anchor projects (\$4 million)
  - 40.1 Support the regions to rapidly move key anchor initiatives (investments that change the flow of tourism) into the development phases
  - 40.2 Examples of Anchor Initiatives include the East Coast cycle track through whenua Māori, and Food Tourism
  - 40.3 Qualitative surveys of existing Māori tourism operators indicated that prior to the COVID-19 pandemic, the direction of the tourism industry in New Zealand was not sustainable (examples from a Parliamentary Commission report into the environment cites inadequate infrastructure, cultural misappropriation, and destruction of habitats as negative outcomes of the current model). It is critical that the Māori Tourism industry can thrive under different scenarios.

*Initiative 10: Supplementary funding for the Department of Conservation to extend the concession fee waiver by six months to 31 December 2021*

- 41 A current temporary fee waiver applies to DOC's concessionaires who carry out tourism-related activities on public conservation land. The waiver is due to end on 30 June 2021.
  
- 42 I propose that the fee waiver be extended by six months, with the Government publicly signalling that they will be reinstated on 1 January 2022, pending the results of a review to confirm that timing. The Department of Conservation has indicated that the total costs resulting from the impact of COVID-19 on international travel, plus the decision to waive fees for an additional 6 months, will cost between \$12.5 and \$16.5 million. However as this number has not been tested by either Treasury or MBIE, I am proposing that \$10 million of the Support Options be set aside to bolster the Department's finances.
  
- 43 This will extend the waiver while New Zealand's borders remain closed and the lack of international visitors impacts on particular regions and operators. It also allows time for the tourism industry to plan for the resumption of concession fees on 1 January 2022.
  
- 44 DOC, in consultation with MBIE and Treasury, will undertake a review of the impact on tourism concessionaires in September, with the Minister for Conservation

reporting back to Cabinet in October 2021. This will enable agencies to provide advice on confirming concessions reinstatement, or provide a further waiver if extraordinary circumstances warranted it.

- 45 This option balances the need to signal publicly that the fees will be reintroduced, with some additional relief to concessionaires and impact on DOC's baseline, while retaining a flexible approach should agencies and Ministers determine that a further waiver is warranted.

*Initiative 11: Converting government loans to grants for strategic Inbound Tour Operators*

- 46 Twenty-five Inbound Tour Operators (ITOs), or around a quarter of ITOs received loans through the Tourism Recovery Package. I propose converting up to \$0.5 million per ITO to grant funding, to mirror the support that was provided to other strategic tourism assets through the Strategic Tourism Asset Protection Programme.
- 47 This initiative costs \$12.250m to forgive the loans and issue grants in their place, plus \$1.1 million in lost interest revenue.

*Initiative 12: Further round of the Tourism Infrastructure Fund*

- 48 The Tourism Infrastructure Fund was a four-year fund to develop tourism-related infrastructure that supports regions facing pressure from tourism growth. The fifth (and final) round of the Tourism Infrastructure Fund is due to open this year for competitive applications for funding. I propose running a further sixth round of the Tourism Infrastructure Fund next year to support communities' preparation for the return of international tourism.

*Timeframe for implementation*

- 49 Delivery of this package is urgent due to the acute pressure faced by the tourism sector and communities that are highly reliant on international tourism.
- 50 The table overleaf indicates my preferred timing and sequencing for the implementation of these initiatives. Overall, I envisage 85% of the funds being deployed in the next 15 months.

Phasing of the initiatives within the package

Key

- Initiative in-full force
- Initiative fully underway but anticipated demand to be at a lower level
- Initiative underway but funded through other sources

	FY 2020/21	FY 2021/22				FY 2022/23			
	Apr - Jun 2021	Jul - Sep 2021	Oct - Dec 2021	Jan - Mar 2022	Apr - Jun 2022	Jul - Sep 2022	Oct - Dec 2022	Jan - Mar 2023	Apr - Jun 2023
1. Place-based psychosocial support									
2. Business advisory support									
3. Business advice implementation grants									
4. Tourism kick-start fund (timing dependent upon global context)									
5. Milford Opportunities Project						Further funding will be required for later phases of the project			
6. Queenstown Economic Transformation and Resilience Fund									
7. RTO grants	Currently funded								
8. Development of an Industry Training Plan						Further funding for implementation of the ITP could be sourced from the International Visitor Levy			
9. Māori Tourism business support	Currently partially funded								
10. DOC concessions waiver	Currently funded								
11. ITO loans to grants									
12. Tourism Infrastructure Fund	Currently funded					Future tourism infrastructure funding could be sourced from the International Visitor Levy			

**I propose that the package be funded from the COVID-19 Response and Recovery Fund**

- 51 The package will cost a total of \$200 million, with most initiatives appropriated as a three-year appropriation from 2020/21 to 2022/23.
- 52 I consider that the package meets the objectives of the COVID-19 Response and Recovery Fund (CRRF). Cabinet has agreed that initiatives funded from the CRRF should demonstrate that:
- 52.1 funding is needed as a direct result of COVID-19
  - 52.2 funding is needed outside of the normal budget cycle to support the response and/or recovery from COVID-19
  - 52.3 the additional costs cannot be managed from existing baselines [CAB-20-MIN-0219 refers].
- 53 The package meets all three criteria. It is designed specifically for the purpose of reducing long-term economic and social scarring in tourism-reliant communities and the tourism sector as a direct result of the loss of international tourism caused by COVID-19. The package must be delivered urgently due to the pressing need within these communities to minimise immediate and long-term harm, and therefore cannot be delivered through the normal budget cycle. The package is substantial in comparison to baselines within the Tourism portfolio, and therefore cannot be managed from existing baselines.

**The package takes an all-of-government approach and aligns with other government initiatives**

- 54 As the package is focussed upon supporting whole communities that have been reliant on international tourism, rather than just tourism businesses, it is essential that its implementation takes an all-of-government approach. The package has been developed collaboratively across government agencies, and complements existing initiatives.
- 55 In particular, it complements the work of the Provincial Development Unit, such as supporting priorities identified through regional economic development planning processes through the Regional Strategic Partnership Fund; the work of Regional Skills Leadership Groups to support the development of regional workforce plans; the Jobs for Nature initiative; tourism destination management; and broad-based business and employment support that the government has implemented in response to COVID-19. I am taking a paper to Cabinet shortly about the Regional Strategic Partnership Fund, as Minister for Economic and Regional Development.
- 56 Keeping COVID-19 out of New Zealand is the most effective action to support the tourism sector. Because of the low prevalence of COVID-19 in New Zealand, consumer confidence is higher in New Zealand than in many other comparable countries. Other actions to support the tourism industry include: establishing quarantine-free travel between Australia when it is safe to do so, retaining international air connectivity, maintaining a brand presence overseas, and ensuring that border settings enable the return of international visitors, when it is safe to do so.

## Risks

- 57 COVID-19 has had economic effects across New Zealand, and there will be other communities looking for economic support, including those that are experiencing impacts from the loss of international tourism. I have further work underway within the Economic and Regional Development portfolio that will support other regions and communities.
- 58 For both packages, I have targeted these five communities because of their substantial reliance on international tourism, and the risk to the sustainability and resilience of social and economic wellbeing in these communities. The issues facing these communities are particularly urgent because of the share of employment and businesses that rely on international tourism, and the consequential risk of long-term economic and social scarring.
- 59 The delivery mechanisms, implementation details, and detailed criteria for each initiative are still to be finalised. Many of the initiatives within both packages are demand driven, and high-level assumptions have been made about likely demand and uptake. These costs, and the consequential administration costs, may change once the detailed design is undertaken and demand becomes evident. Costs will be managed within the approved total.

## Financial Implications

- 60 The total for the package is \$199.850 million. I propose the package is funded from the COVID-19 Response and Recovery Fund.

## Legislative Implications

- 61 There are no legislative implications resulting from this proposal.

## Population Implications

- 62 The package is expected to positively affect the populations residing within the five identified communities. I do not anticipate any negative impacts on particular population groups as a result of this proposal.

## Human Rights

- 63 This proposal is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Consultation

- 64 The Ministry of Business, Innovation and Employment consulted the following agencies in the development of this Cabinet paper: the Treasury, Inland Revenue, Tourism New Zealand, Department of Conservation, Te Puni Kōkiri, Ministry of Health, Ministry for Primary Industries, Ministry of Social Development, Ministry of Education, the Department of Internal Affairs and the Department of Prime Minister and Cabinet.

## Communications

- 65 I intend to announce the package following Cabinet confirmation. I will coordinate with the office of the Prime Minister for the timing and content of this announcement.

**Proactive Release**

66 I intend to proactively release this paper and the Cabinet minute within 30 business days of Cabinet’s decisions. The release will be subject to redaction as appropriate under the Official Information Act 1982.

**Recommendations**

As the Minister of Tourism, I recommend that the Committee:

- 1 **Note** that, in March 2021, I sought Cabinet’s agreement to my direction for the tourism portfolio, which included supporting tourism-reliant communities to navigate the impacts of COVID-19 [DEV-21-MIN-0025 refers]
- 2 **Agree** to a two-part tourism recovery package to support:
  - 2.1 the following five communities that have been identified as being under acute pressure due to their reliance on international tourism: Kaikōura, Mackenzie, Queenstown Lakes, Fiordland<sup>6</sup> and South Westland<sup>7</sup>
  - 2.2 the tourism sector to recover and re-set nationally.
- 3 **Agree** to the following package of support for these communities that are under acute pressure because of their high reliance on international tourism:

Initiative <i>Policy settings</i>	Cost (\$m)			
	2020/21 to 2022/23	2023/24	2024/25 and out-years	Total
1. <b>Place-based psychosocial support</b> Wellbeing-trained support advisors, community wellbeing events, mental health training, centralised communication and contingency fund	4.500	-	-	<b>4.500</b>
2. <b>Business advisory support<sup>8</sup></b> , which would enable businesses to receive advice on whether to change their business to target a different market, down-scale their tourism business, or exit the market. <i>Funding up to \$5,000 per tourism business in the five communities</i>	10.000	-	-	<b>10.000</b>

<sup>6</sup> Which includes Te Anau and Milford Sound, and is part of the Southland district

<sup>7</sup> Which includes Glacier Country, and is part of the Westland district

<sup>8</sup> This initiative is demand-driven, so the exact quantum of funding required is estimated.

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<p><b>3. Grants for businesses to implement advice<sup>9</sup></b>, which would enable businesses to implement the advice received through the business advisory service. <i>\$5,000 grant per tourism business in the five communities</i></p>	10.000	-	-	<b>10.000</b>
<p><b>4. Tourism kick-start fund,</b><sup>10</sup> to boost existing tourism businesses once international visitors return <i>Business advice on hibernation and two weeks of pre-COVID revenue to tourism businesses in the five communities that engaged in hibernation-related activities, including \$2.5 million for administration</i></p>	49.000	-	-	<b>49.000</b>
<p><b>5. Milford Opportunities Project</b>, to fund the next phase of the fundamental redevelopment of Milford Sound and the surrounding region to protect the local environment, and increase the sustainability and quality of visitors' experiences. This includes detailed planning, consenting, community consultation and preparation for the necessary infrastructure build.</p>	15.000	-	-	<b>15.000</b>
<p><b>6. Queenstown Economic Transformation and Resilience fund</b>, to underwrite projects that will develop alternative industries within the Queenstown Lakes District and surrounding areas. Includes \$0.400 million each year for departmental funding.</p>	19.200	0.400	0.400	<b>20.000</b>
<b>Total</b>	107.700	<b>0.400</b>	<b>0.400</b>	<b>108.500</b>

4 **Agree** to the following package for the tourism sector to recover and re-set nationally:

<sup>9</sup> This initiative is demand-driven, so the exact quantum of funding required is estimated.

<sup>10</sup> As above.



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Initiative	Cost (\$m)				
	2020/21	2021/22	2022/23	2023/24	Total
<b>Policy settings</b>					
<b>7. Further one-year grants to all RTOs</b> , which would enable regions to increase their ability to lead and coordinate tourism activities in their regions. <i>Figures on the basis of STAPP RTO funding, adjusted to reflect evaluation</i>	-	26.000	-	-	26.000
<b>8. Tourism Industry Transformation Plan</b> (development and initial implementation) to address the findings of the PCE report, Taskforce report, aspects of the Government and Industry Tourism Strategies, and the report of the Climate Change Commission. This will include environmental initiatives, tourism data, industry standards, innovation, and other transformation. <i>Costings lower than the \$15 million required for the Construction Industry Transformation Plan</i>	-	10.000	-	-	10.000
<b>9. Support for Māori Tourism businesses</b> , which will be deployed via New Zealand Māori Tourism (noting Māori tourism attractions are often more reliant on international visitors)	-	7.500	7.500	-	15.000
<b>10. Supplementary funding for the Department of Conservation (DOC)</b> , to ensure conservation activity and maintenance of recreational facilities can be maintained despite the loss of concessions revenue from extending the waiver of DOC concessions fees for an additional six months	-	10.000	-	-	10.000
<b>11. Inbound Tour Operators</b> , to maintain sector capacity and international market presence by converting up to \$0.5 million per existing ITO loan to a grant, consistent with the approach to other strategic tourism assets. This initiative is fiscally neutral.	22.500	(8.500)	-	-	14.000
<b>12. Tourism Infrastructure Fund</b> , to run a sixth round of the Fund which will be used to fund essential tourism infrastructure nationwide	-	16.500	-	-	16.500

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<b>Total</b>	<b>22.500</b>	<b>61.500</b>	<b>7.500</b>	<b>0.000</b>	<b>91.500</b>
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5 **Note** that the total cost of the package is \$200 million, as shown below:

	\$ million					Total
	2020/21	2021/22	2022/23	2023/24	2024/25 and out-years	
<b>Community-focussed initiatives</b>	26.400	60.900	20.400	0.400	0.400	108.5
<b>Nation-wide initiatives</b>	22.500	61.500	7.500	0.000	0.000	91.500
<b>Total</b>	<b>48.900</b>	<b>122.400</b>	<b>27.900</b>	<b>0.400</b>	<b>0.400</b>	<b>200.000</b>

6 **Note** that on 11 May 2020, Cabinet agreed to establish tagged operating and capital contingencies of \$50 billion to support a response to and recovery from COVID-19, called the COVID-19 Response and Recovery Fund [CAB-20-MIN-0219 refers].

7 **Agree** that this package be funded from the COVID-19 Response and Recovery Fund.

8 **Agree** to establish the following new multi-year appropriations, to run from 1 April 2021 to 30 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Business, Science and Innovation	Minister of Tourism	Tourism: Recovery from COVID-19 2021-2023	Non-Departmental Other Expenses	This appropriation is limited to support packages for those communities that are most reliant on international tourism

9 **Approve** the following changes to appropriations to provide for a two-part support, recovery and reset package, with a corresponding impact on the operating balance net core Crown debt:

	\$m - increase/(decrease)	
	2020/21 to 2022/23	2023/24 & Outyears
<b>Vote: Business, Science and Innovation</b> <b>Minister of Tourism</b>		
<b>Non-Departmental Other Expenses:</b> Tourism: Tourism- community recovery from COVID-19 2021-2023 (MYA)	86.000	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
<b>Vote: Business, Science and</b>					

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<b>Innovation</b> <b>Minister of Tourism</b> <b>Non-departmental Other Expenses:</b> Tourism Infrastructure Fund	-	16.500	-	-	-
<b>Non-Departmental Output Expenses:</b> COVID-19 Tourism Response	-	26.000	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b> Policy Advice and Related Services to Ministers MCA  <b>Departmental Output Expenses:</b> Policy Advice and Related Services to Ministers - Tourism (funded by revenue Crown)	-	1.500	1.000	-	-
<b>Vote: Business, Science and Innovation</b> <b>Minister for Economic and Regional Development</b>					
<b>Non-Departmental Output Expenses:</b> Economic Development: Industry Transformation Plans	-	10.000	-	-	-
Provincial Growth Fund Investment Management	0.400	0.400	0.400	0.400	0.400
Non-Departmental Capital Expense: Tourism Investment Provincial Growth Fund Limited	18.000	-	-	-	-
<b>Vote Māori Development</b> <b>Minister for Māori Development</b>					
Non-Departmental Other Expenses: Community and Māori Governance Organisations (Rōpū Whakahaere, Rōpū Hapori Māori)	-	7.500	7.500	-	-
<b>Vote: Conservation</b> <b>Minister of Conservation</b> <b>Departmental Output Expenses:</b> Management of Recreational Opportunities	-	10.000	-	-	-
<b>Total Operating</b>	0.400	71.900	8.900	0.400	0.400
<b>Total Capital</b>	18.000	-	-	-	-

- 10 **Note** that the recommendation to convert Inbound Tourism Operator (ITO) loans to grants (up to \$0.5 million per ITO loan) will have an:
- 10.1 Impact of \$12.250 million to OBEGAL, representing the cost of converting the loans to grants
  - 10.2 Future impact on net core Crown debt of \$12.350 million from foregoing repayments of principal (\$12.250 million) and interest (\$1.100 million)
- 11 **Agree** that up to \$0.5 million per ITO loan can be repaid to MBIE as a payment against the loan principal and that repayment can then be repurposed and paid back to the ITO as a grant.

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- 12 **Note** that no interest will be incurred on these loans before the repayment date.
- 13 **Authorise** the Minister of Tourism and the Minister of Finance to jointly agree to increase the Strategic Tourism Asset Protection Programme appropriation by the amount returned from ITOs, to the re-purpose to use as a grant payment.
- 14 **Approve** the following changes to appropriations to provide for the conversion of ITO loans to grants (up to \$0.5 million per ITO) with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Vote Business, Science and Innovation Minister for Economic and Regional Development</b>					
<b>Non-Departmental Capital Expense:</b>					
Tourism Capital Investment	(1.000)	(8.500)	-	-	-
<b>Minister of Tourism</b>					
<b>Non-Departmental Other Expense:</b>					
COVID-19 tourism response	23.500	0.000	-	-	-
<b>Total Operating</b>	<b>23.500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>(1.000)</b>	<b>(8.500)</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 15 **Agree** that the proposed changes to appropriations above be included in the 2020/21 Supplementary Estimates and that, in the interim, be met from Imprest Supply.
- 16 **Agree** that any under-expenditure for the components within this package of initiatives be carried forward at the end of the financial year to the following financial year, in the same appropriation to recognise the uncertain timing of changes to the global and domestic tourism context, and subsequent project initiation and expenditure. This is subject to confirmation in a subsequent baseline update.

Authorised for lodgement

Hon Stuart Nash

Minister of Tourism

**Annex One: Data demonstrating communities’ reliance on international tourism**

There are five communities struggling disproportionately from other communities as they are highly reliant on international visitors. That is, a high share of local GDP is historically tourism related (criteria a), and a large share of tourism spending is by international visitors (criteria b)

The result of the loss of that income is then having significant impacts on consumer spending across other sectors in those communities (criteria c).

District	Reliance of local economy on tourism		Overall impact of COVID-19 on local economy.
	Criteria A: Percentage of region’s expenditure that was on tourism, 2019 is more than 10%	Criteria B: Proportion of tourism spending in the district that was by international visitors, 2019, is more than 50%	Criteria C: Percentage decrease in consumer spending across all industries in the district for year January 2020-2021) <sup>[1]</sup> is more than -10%
Kaikōura	11	52	-14
Mackenzie	11	69	-35
Queenstown Lakes	30	65	-32
Southland (which includes Te Anau and Milford Sound)	11	58	-22
Westland (which includes Glacier Country)	28	65	-29
Auckland	7	55	-6
Rotorua	10	42	-8
Christchurch City	11	41	-8
Far North	14	31	3
Whangārei	14	17	1
Kaipara	14	10	5
All of New Zealand	10	41	-5

<sup>[1][1]</sup> Ministry of Business, Innovation and Employment: Consumer Spending Dashboard – COVID-19 response regional spend