



BRIEFING

Tourism and Hospitality portfolio Budget 2025 technical initiatives

Date:	20 March 2025	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0011288

Action sought		
	Action sought	Deadline
Hon Louise Upston Minister for Tourism and Hospitality	Agree to raise any questions with the Budget 2025 technical initiatives for the Tourism and Hospitality Portfolio with officials.	24 March 2025

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
David Talbot	Manager, Investment Management and Performance	Privacy of natural persons	✓
Privacy of natural persons	Principal Policy Advisor, Tourism Stewardship and Systems		
	Finance Business Partner		

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☐ Withdrawn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 outline five technical initiatives for the Tourism and Hospitality portfolio to be progressed through Budget 2025.

Recommended action

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

- a **Note** the Budget technical process is for initiatives which do not require new funding, such as adjustments to appropriations, and is progressed alongside the wider Budget 2025 package.

Noted

- b **Note** that MBIE proposes progressing five technical initiatives for the Tourism and Hospitality portfolio, which adjust the appropriations and give effect to recent decisions related to the International Visitor Conservation and Tourism Levy (IVL).

Noted

- c Confidential advice to Government

- d **Note** that following the Minister of Finance's recent directive to fund pre-committed IVL projects over and above the allocated \$35 million going forward, a separate budget bid has also been submitted seeking an additional \$8.423 million over three years for the IVL appropriation.

Noted

- e **Note** the following fiscally-neutral appropriation changes will be progressed through the Budget 2025 technical process to give effect to recent IVL decisions:

- i. increase the Tourism and Hospitality: *Tourism Strategic Infrastructure and System Capability* (the IVL) *Appropriation* to \$35 million per annum from 2025/26
- ii. transfer revenue from the *Tourism Strategic Infrastructure and System Capability Appropriation* to the following appropriations (subject to approval of the IVL Investment Plan 2025/26 by IVL Ministers):
 - o \$23.7 million to the *Tourism and Hospitality: Marketing New Zealand as a Visitor Destination* appropriation
 - o \$5 million to the *Economic and Regional Development: Major Events Development Fund 2022-2027* appropriation
 - o \$4.008 million to the Vote Conservation Departmental Output Expense: *Services for Conservation Multi-Category Appropriation – Management of Recreational Opportunities* appropriation.

Noted

- f **Note** the following additional appropriation changes will be progressed through the Budget 2025 technical process:
- i. close the *Tourism Facilities Multi-Category Appropriation* and set up a new annual appropriation for the New Zealand Cycle Trail fund (Treasury directive), while also moving \$7 million of allocated funding from 2024/25 to 2025/26 (expense transfer)
 - ii. transfer \$4 million of the Tourism Infrastructure Fund allocated funding from 2024/25 to 2025/26 (expense transfer)
 - iii. transfer \$1.5 million underspend from the *Tourism Facilities Development Grants Multi-Category Appropriation* (Freedom Camping Transition Fund) that will be closed from 1 July 2025 to the *Multi-Category Appropriation Policy Advice and Related Services to Ministers - Tourism and Hospitality* in out-years to manage cost pressures.

Noted

- g **Agree** to raise any concerns or questions you have about the above Budget technical initiatives at the officials meeting on Monday, 24 March 2025 so that MBIE can make adjustments in advance of the initiatives being presented to Cabinet.

Agree / Disagree



David Talbot
Manager, Investment Management and Performance
Labour, Science and Enterprise, MBIE

Hon Louise Upston
Minister for Tourism and Hospitality
..... / /

20 / 03 / 2025

Background

1. Budget technical initiatives are fiscally-neutral changes to appropriations that do not require new funding and do not constitute a significant policy decision. This includes technical changes to appropriations. The Budget technical process is progressed as part of the wider Budget package.
2. The majority of Budget technical changes are where funds are re-prioritised in a more complex manner than can be decided by joint Ministers. For example, transferring funds across years and across appropriations or pulling funding forward to spend earlier. These types of changes generally require Cabinet approval, and the Budget technical process allows for an efficient mechanism for achieving this in parallel to the wider Budget package.
3. Confidential advice to Government [REDACTED] the recent addition of the new funding to cover pre-committed IVL projects above the new \$35 million annual allocation. The significant Budget initiatives are still being considered by Budget Ministers.
4. The Budget 2025 technical initiatives will be included in a Cabinet paper, prepared by Treasury, to be submitted to Cabinet in mid-April 2025.

Proposed Tourism and Hospitality Budget technical initiatives

5. We have submitted five Budget technical initiatives for the Tourism and Hospitality portfolio to Treasury for inclusion in the Budget technical process. These changes are briefly outlined below.

Appropriation changes to give effect to recent International Visitor Conservation and Tourism Levy (IVL) decisions

6. We have proposed two sets of technical appropriation changes to implement recent IVL decisions. These changes have already been presented to IVL Ministers, with some still awaiting investment approval. Final inclusion in the Budget technical process will be subject to investment approval by IVL Ministers.
7. The first IVL-related technical initiative is to increase the tourism IVL appropriation to \$35 million from 2025/26 onwards. The Minister of Finance wrote to the former Minister for Tourism and Hospitality on 29 December 2024 to outline the new revenue allocations for the IVL at the increased IVL rate of \$100 per person. As you know, \$35 million per annum was allocated to you for discretionary spending on new tourism projects. Treasury has recommended we use the Budget technical process to give effect to this change.
8. The second set of IVL-related technical initiatives gives effect to your Tourism IVL Investment Plan for 2025/26 [BRIEFING-REQ-0010325 refers]. The investments outlined in your Investment Plan will primarily be delivered by other government departments or entities and we have proposed using the Budget technical process to transfer funding to relevant appropriations for the 2025/26 financial year. This will involve transferring the following funds from the tourism IVL appropriation (*Tourism and Hospitality: Tourism Strategic Infrastructure and System Capability*):
 - a. \$23.7 million to the *Tourism and Hospitality: Marketing New Zealand as a Visitor Destination* appropriation for TNZ to deliver international marketing to core markets (\$13.5 million), international marketing to emerging markets (\$6 million), attraction of business events (\$3 million) Confidential advice to Government [REDACTED]

- b. \$5 million to the *Economic and Regional Development: Major Events Development Fund 2022-2027* appropriation to fund additional major events with high potential international visitation
 - c. \$4.008 million to the Vote Conservation Departmental Output Expense: *Services for Conservation MCA – Management of Recreational Opportunities* to enable the Department of Conservation to deliver the co-investment into improvements along the Milford Road corridor.
9. In addition to the above technical initiatives and following your recent correspondence with the Minister of Finance, we have submitted a Budget 2025 bid for \$8.423 million over three years of additional funding above the \$35 million annual allocation to fund pre-committed IVL projects. The Minister of Finance requested that this be actioned through a Budget 2025 bid.

Additional technical appropriation changes for the Tourism and Hospitality portfolio

10. In addition to giving effect to recent IVL decisions, we have also proposed three further Budget technical initiatives for the Tourism and Hospitality portfolio. These initiatives are:

Changing the appropriation for the Cycle Trail Fund to reflect the current funding structure

11. The Ngā Haerenga, The New Zealand Cycle Trail Fund allocation of \$8 million per annum is a category in the *Tourism Facilities Multi-Category Appropriation (MCA)*. However, Treasury has requested that we close this MCA as there will only be one category remaining from 2025/26 and create a new annual appropriation called the Tourism and Hospitality: Ngā Haerenga, The New Zealand Cycle Trail Fund. Treasury recommended we use the Budget Technical process to action this change.
12. We are also seeking to move \$7 million committed but unspent Ngā Haerenga New Zealand Cycle Trail funding from the *Tourism Facilities MCA* in 2024/25 to the new annual appropriation in 2025/26. This transfer is fiscally neutral and will ensure contractual commitments can be met.

Transferring legacy funding for the Tourism Infrastructure Fund from 2024/25 to 2025/26

13. There is currently \$4 million of committed but unspent funding within the Tourism Infrastructure Fund appropriation for 2024/25. This funding relates to investment decisions made as part of the now closed Tourism Infrastructure Fund, but which have not been paid out to date. We are proposing a fiscally-neutral transfer of the committed funding from 2024/25 to 2025/26 to ensure contractual commitments can be met.

Managing policy advice cost pressures in 2026/27 & 2027/28

14. As outlined in the Tourism and Hospitality Portfolio Plan (BRIEFING-REQ-0009907 refers), the *Policy Advice and Related Services to Ministers - Tourism and Hospitality* appropriation has a declining baseline from \$5.8 million in 2025/26 to \$4.65 million in 2027/28 onwards. The Portfolio Plan highlighted that MBIE proposed to manage this to an extent through reprioritisation but that ultimately it would lead to a reduction in ability to service the Tourism and Hospitality portfolio in the future.
15. We have identified an underspend of \$1.5 million in 2024/25 within the *Tourism Facilities Development Grants* category of the *Tourism Facilities Multi-Category* appropriation. This underspend relates to the completion of the Freedom Camping Transition Fund that supported local authorities to transition to the new freedom camping rules and savings from that programme.
16. As part of identifying opportunities for reprioritisation to reduce the cost pressure, we are recommending transferring the underspend to the *Policy Advice and Related Services to Ministers - Tourism and Hospitality* category across the 2026/27 and 2027/28 financial years. This change is outlined in the below table:

	\$m - Increase (decrease)					
Vote Business, Science and Innovation	2024/25	2025/26	2026/27	2028/29	Outyears	Total
Tourism Facilities MCA	(1.500)	-	-	-	-	(1.500)
Tourism Facilities Development Grants						
Tourism and Hospitality	-	-	0.600	0.900	-	1.500
Policy Advice and Related Services to Ministers						

Next Steps

17. The Budget technical initiatives will be included in a Cabinet paper being prepared by Treasury for submission to Cabinet in mid-April.
18. We are available to discuss these proposed Budget technical initiatives with you at your Tourism officials meeting on Monday, 24 March 2025.