



## BRIEFING

### Spending the International Visitor Conservation and Tourism Levy

<b>Date:</b>	26 October 2018	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	1257 18-19

Action sought		
	Action sought	Deadline
Hon Kelvin Davis <b>Minister of Tourism</b>	<p><b>Note</b> IVL expenditure proposal is due for announcement on 6 November</p> <p><b>Agree</b> the preferred option for IVL expenditure with the Minister of Conservation</p> <p><b>Forward</b> your proposal to the Minister of Finance for his approval</p>	31 October 2018
Hon Eugenie Sage <b>Minister of Conservation</b>	<p><b>Note</b> IVL expenditure proposal is due for announcement on 6 November</p> <p><b>Agree</b> the preferred option for IVL expenditure with the Minister of Tourism</p>	31 October 2018

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Richard Davies	Manager, Tourism Policy, MBIE	04 901 2059	✓
Rebecca Heerdegen	Principal Policy Advisor, MBIE	04 901 1564	
Peter Brunt	Director, Policy, DOC	-	

The following departments/agencies have been consulted
The Treasury

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 Withdrawn           |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



## BRIEFING

### Spending the International Visitor Conservation and Tourism Levy

<b>Date:</b>	26 October 2018	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	1257 18-19

#### Purpose

Cabinet has approved the collection mechanism for the International Visitor Conservation and Tourism Levy (IVL), and delegated decisions on how to spend the revenue collected to the Ministers of Tourism, Finance and Conservation.

This report seeks agreement from the Ministers of Tourism and Conservation for a proposal to put to the Minister of Finance (for his subsequent approval).

A diagram summarising the proposal is set out on page 4 of this report.

#### Recommended action

The Ministry of Business, Innovation and Employment and the Department of Conservation recommend that you:

- a **Note** Cabinet has approved the collection of the IVL via Immigration NZ and delegated expenditure decisions on the resulting IVL Fund to the Ministers of Tourism, Finance, and Conservation (CAB 18 MIN 0453 refers)
- Noted* *Noted*
- b **Note** officials have undertaken targeted consultation with key stakeholders in three workshops across the country, as well as an inter-departmental workshop
- Noted* *Noted*

#### Scope of expenditure

- c **Agree** that the IVL Fund will aim to:
- i. Contribute to government aims for tourism and conservation
  - ii. Contribute to a broader system change
  - iii. Have flexibility to respond to change over time
  - iv. Complement existing funding mechanisms, rather than duplicate
  - v. Contribute to government's overall economic strategy of productive, sustainable and inclusive growth
- Agree / Disagree* *Agree / Disagree*
- d **Agree** that expenditure will also be considered within the following scope:
- i. An Investment Plan will identify specific projects and programmes.
  - ii. The Investment Plan may include projects to be delivered by government agencies, or via third parties.

- iii. Projects may be one-off, time limited, or on-going (but should have exit options)
- iv. Co-funding requirements will be considered on a project/programme specific basis, and take into consideration the level of public versus private benefit, and the financial context of the programme
- v. Projects may be on, off, or adjacent to Public Conservation Lands and Waters (PCL&W)

e **Agree** that the IVL Fund include three pillars of investment: Conservation, Strategic Tourism Infrastructure, and Tourism System Capability

*Agree / Disagree*

*Agree / Disagree*

f **Agree** the objectives and criteria for each pillar, as set out in Annex Two

*Agree / Disagree*

*Agree / Disagree*

g **Note** that the Minister of Conservation has indicated that conservation expenditure should be weighted towards biodiversity for at least the first three years

*Noted*

*Noted*

### **Share of expenditure**

h **Agree** a 50:50 split between tourism and conservation over five years, with scope for higher levels of expenditure in any particular year

*Agree / Disagree*

i **Agree** an indicative split (which could be varied as part of development of individual Investment Plans) between the pillars as follows:

Conservation 50%	Strategic Tourism Infrastructure 40-45%	System capability 5-10%
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*Agree / Disagree*

*Agree / Disagree*

### **Decision-Making process**

j **Agree** that Ministers of Tourism, Finance and Conservation will approve an Investment Plan that

- a. identifies specific programmes
- b. has a three to five year horizon,
- c. will be updated annually or as required at the direction of Ministers

*Agree / Disagree*

*Agree / Disagree*

k **Agree** that officials prepare the Investment Plan in consultation with a departmental advisory group made up of representatives from conservation and tourism stakeholders

*Agree / Disagree*

*Agree / Disagree*

l **Agree** that the shares, structure and decision-making processes for the IVL Fund be reviewed by Ministers after three years

*Agree / Disagree*

*Agree / Disagree*

m **Note** that you are scheduled to announce decisions on IVL expenditure on 6 November, alongside the release of the draft Government Tourism Strategy for public consultation

*Noted*

*Noted*

n **Note** that following decisions on IVL expenditure, officials will begin work on the first Investment Plan, and establish the appropriation and reporting systems required to ensure the IVL is transparent and clearly communicated.

*Noted*

*Noted*

o **Forward** this report to the Minister of Finance for his approval.

*Agree / Disagree*

*Agree / Disagree*



Richard Davies  
**Manager, Tourism Policy**  
Labour, Science & Enterprise, MBIE

26 / 10 / 2018

Bruce Parkes  
**Deputy Director-General Policy & Visitors**  
Department of Conservation

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Hon Kelvin Davis  
**Minister of Tourism**

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Hon Eugenie Sage  
**Minister of Conservation**

..... / ..... / .....

Following approval and/or amendment by the Ministers of Tourism and Conservation:

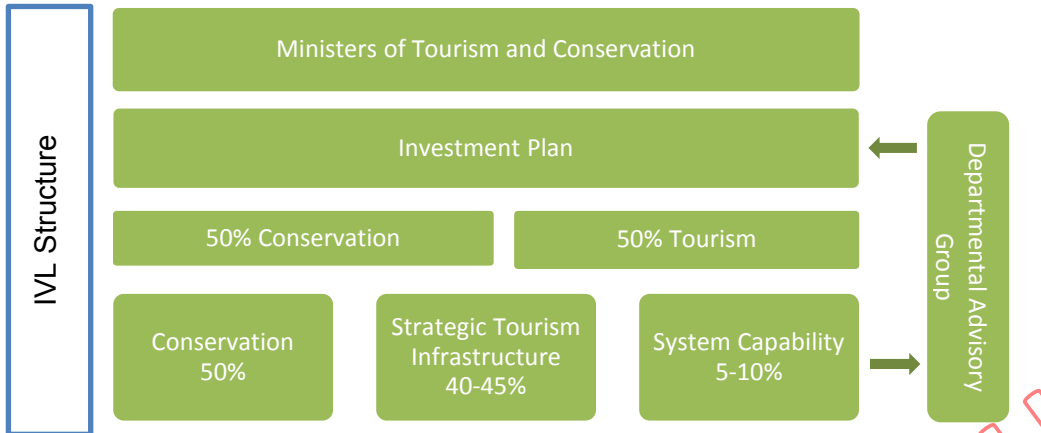
We recommend the Minister of Finance **approve** the above IVL expenditure proposal

*Agree / Disagree*

Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....

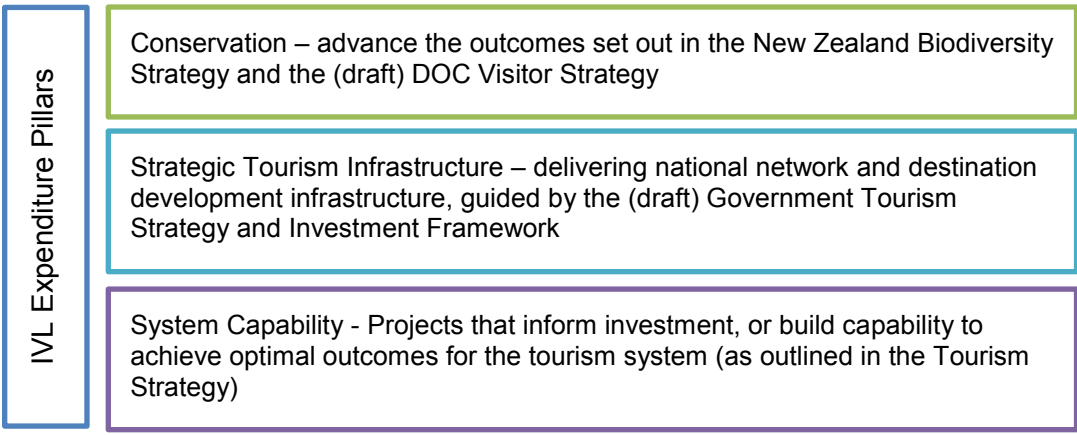
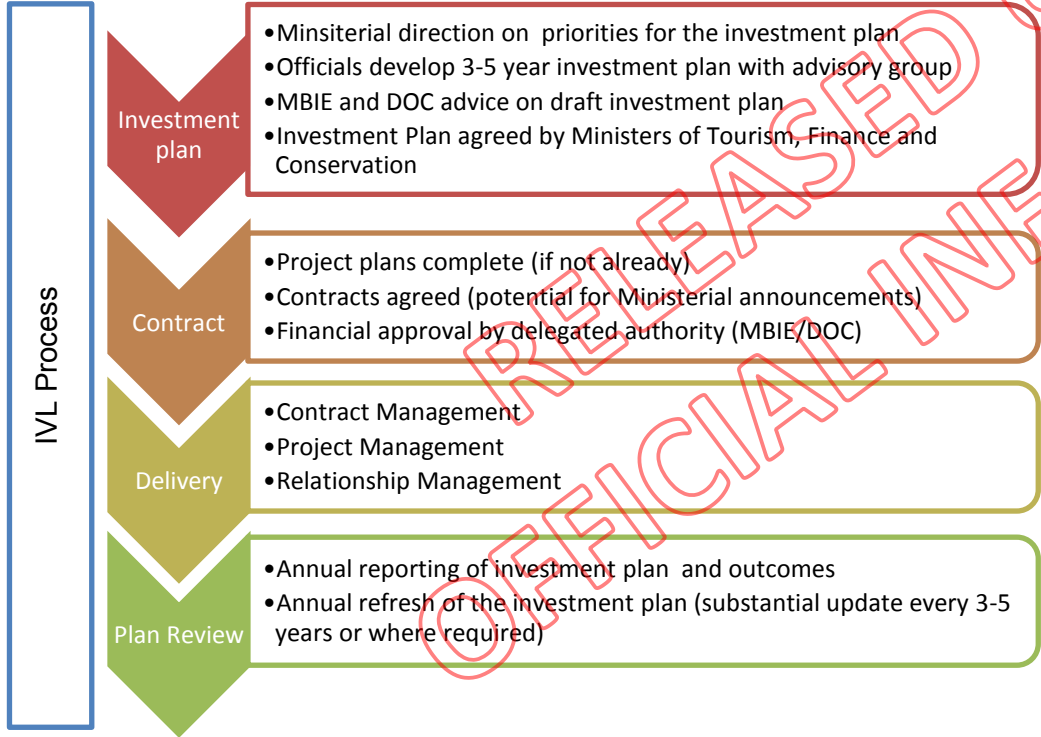
# Executive Summary



## Objectives, Scope, and Criteria

- IVL Fund will aim to:
- Contribute to government aims for tourism and conservation
  - Contribute to a broader tourism system change
  - Have flexibility to respond to change over time
  - Complement existing funding mechanisms, rather than duplicate
  - Contribute to government's overall economic strategy of productive, sustainable and inclusive growth.

- Each of the Pillars will work within the following scope:
- The Investment Plan will identify specific projects and programmes.
  - The Investment Plan may include projects to be delivered by government agencies, or via third parties.
  - Projects may be one-off, time limited, or on-going (but should have exit options)
  - Co-funding requirements will be considered on a project/programme specific basis, and take into consideration the level of public v private benefit, and the financial context of the programme
  - Projects may be on, off, or adjacent to PCL&W



## Background

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1. The IVL will create a fund, sourced from international visitors, to contribute to tourism and conservation. Cabinet has approved the collection mechanism for the IVL, and delegated decisions on how to spend revenue collected to The Ministers of Tourism, Finance and Conservation.
2. We have held workshops with key stakeholders on levy expenditure, using two options to illustrate the potential scope of IVL expenditure (Annex One refers).

## Ensuring the IVL Fund has a long term impact

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3. The opportunity is for the IVL to be the funding mechanism to achieve Government's strategic objectives in tourism and conservation; and a tourism industry that delivers stronger economic, social and environmental outcomes. The challenge is to keep it at this level and not devolve into ad hoc projects. Stakeholders are also in broad support of this approach, and have stressed that the IVL should not fund existing government activity. Overall, the IVL Fund should aim to:
  - a. Contribute to government aims for tourism and conservation
  - b. Contribute to a broader system change
  - c. Have flexibility to respond to change over time
  - d. Complement existing funding mechanisms, rather than duplicate
  - e. Contribute to government's overall economic strategy of productive, sustainable and inclusive growth.
4. Note that this scope allows for the IVL revenue to be spent on projects that have benefit for international visitors, domestic visitors, tourism businesses, and local residents on and off Public Conservation Lands and Waters (PCL&W). That is, it is not exclusively targeted to international visitors.

## Investment Plan to set out a medium term view and identify programmes of expenditure

5. We are therefore recommending that we proceed with the Investment Plan approach. The Investment Plan would:
  - a. identify the priorities across conservation and tourism
  - b. set out an intended programme of expenditure for a three to five year period, and identify vehicles for those
  - c. be developed with sector input (conservation, local government and the tourism industry).
6. The Ministers of Tourism and Conservation would be engaged at the beginning of the planning process, to set the general direction; and again to approve the Investment Plan. As the investment plan represents around \$240 - 400 million of new investment (over 3-5 years), Ministers may wish to consider whether the Investment Plan should be approved by Cabinet. However, if not, the Treasury recommends that the Minister of Finance be included in the approval process for the Investment Plan.
7. Once approved, the Investment Plan would then provide the authority for expenditure and programme delivery.



8. The Investment Plan will be developed by officials, drawing on the Government's Tourism Strategy and Investment Framework; as well as input from the sector (conservation, local government and the tourism industry). In particular, the Investment Plan will be informed by MBIE's work in destination management and further development of the Investment Framework. These two workstreams will inform a portfolio approach to Investment – striking the balance between maintaining and enhancing our established destinations, and investing in new or emerging destinations.
9. A centrally operated option enables a lower compliance cost model for delivery. The programme delivery mechanisms will be set up on a case by case basis but could involve:
  - a. A centrally run Request for Proposal to solve a specific issue, with roll out on an 'opt-in' basis by proponents – for example the Responsible Camping network or bulk procurement of self-service paid public toilets
  - b. Grants for entities / groups running projects which have been identified as a priority, for example contributing towards delivering the plan being developed by the Milford Opportunities Project.
10. Annex Three sets out the proposed governance and mechanics arrangements in more detail.

*There is still a role for the Tourism Infrastructure Fund in meeting local priorities*

11. This central approach will enable the IVL to have impact in achieving the outcomes in the Tourism Strategy. However, we also note that there is likely a need in the near term to retain a bottom-up or responsive tool to address the local impacts or needs of visitors. The TIF is currently providing a responsive tool for dealing with local priorities.

### **A single fund for flexibility to meet outcomes over time; but with some priorities set up front**

12. Stakeholders and officials consider that a single fund will enable greater flexibility to meet outcomes over time. Certainty for investment planning, and setting high level priorities can be achieved by setting indicative shares for 'pillars' within the fund.
13. We have consulted with stakeholders on a 50:50 share between conservation (potentially encompassing biodiversity, heritage, recreation, and enabling tourism) and tourism (potentially encompassing infrastructure, system capability, support for private sector and local government). A 50:50 split received some support, we recommend that Ministers agree to this share, with a review by Ministers in three years to ensure that the funding aligns with investment needs.
14. Up to three pillars have been proposed, these are summarised below, and discussed in more detail in Annex Two of this report.
  - a. **Conservation**

The Minister of Conservation has indicated a preference for weighting expenditure towards biodiversity. We recommend that a broad scope be agreed by Ministers, that includes both outcomes from the New Zealand Biodiversity Strategy and the (draft) Visitor Strategy, noting that the investment plan will be weighted towards biodiversity for the first three years.
  - b. **Strategic infrastructure**

Officials have identified two broad areas for expenditure. These are national networks (both on and off PCL&W), such as responsible camping, and landscape/destination development (focused on delivering public good components of packages that are essential to the overall programme and would otherwise go unfunded).
  - c. **System capability**

We recommend a limited amount of funding to support improved capability in the

tourism system. Initially this could be used for pilot programmes, data and research linked to the Tourism Data Domain Plan and visitor flow work. Any system capability work can inform or support infrastructure or destination development.

*Working across the Pillars to achieve the tourism strategy outcomes*

15. The Investment Plan and single fund structure will enable a more joined up approach, ensuring that projects are aligned to have the most impact in delivering on the Tourism Strategy outcomes.

**Case study: Responsible Camping**

Roll out of a national network for responsible camping. This could include strategic infrastructure investment into a single system across PCL&W and other land including consistent signage, smart payment methods and facility management systems on Land Information New Zealand, local government, New Zealand Transport Agency and DOC land. Investment could include operating costs but move towards self-funding methods.

From a capability perspective, investment in network design could be informed by visitor flow information and data sets funded by the system capability pillar. Camping in public places can have local impacts on biodiversity and protection of heritage sites, which the roll out of Responsible Camping will help to mitigate.

*Indicative shares*

16. The following diagram is an illustrative example of how IVL revenue could be shared between conservation, infrastructure and system capability:

Conservation	Strategic Infrastructure	System capability
50 %	40-45 %	5-10 %
\$40 million per annum	\$32-36 million per annum	\$4-8 million per annum

17. Officials recommend a relatively *small share for system capability* in the first instance. This could be expanded or removed in future Investment Plans, based on the opportunities or gaps at the time.
18. We understand that the Minister of Conservation would like to see a significant IVL investment in biodiversity. Allocating 50% of the IVL to conservation would provide the maximum investment for biodiversity. However, we also note that enhancing infrastructure can also promote both biodiversity outcomes, and other conservation outcomes. System capability investment may also support conservation outcomes. We suggest Ministers consider a slightly lower minimum share for biodiversity (defined narrowly) as this leaves scope for considering more options in the Investment Plan phase.
19. We are recommending a flexible approach to the shares so that the revenue collected through the IVL can be used to best effect in creating a more productive, sustainable and inclusive system which is responsive to growth. Specifically:
  - a. 50/50 split between conservation and tourism to be evened out over the period of the Investment plan (3 – 5 years). This may mean that funding is weighted towards biodiversity in one year, and then to infrastructure in the next, dependent on the work programmes.
  - b. That the shares between pillars be treated as indicative, rather than binding. This means that Ministers can take advantage of opportunities as they arise.



## Next steps

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20. You are scheduled to announce decisions on the priority pillars for IVL expenditure and governance alongside the release of the draft Government Tourism Strategy for public consultation at a breakfast event on 6 November. Once you have agreed on a proposal for the IVL expenditure, you will need the Minister of Finance's approval before making an announcement.
21. Following approval of the expenditure plan, officials will begin work on the first Investment Plan, and establish the appropriation and reporting systems required to ensure the IVL is transparent and clearly communicated.

## Annexes

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Annex One: Illustrative options used for consultation

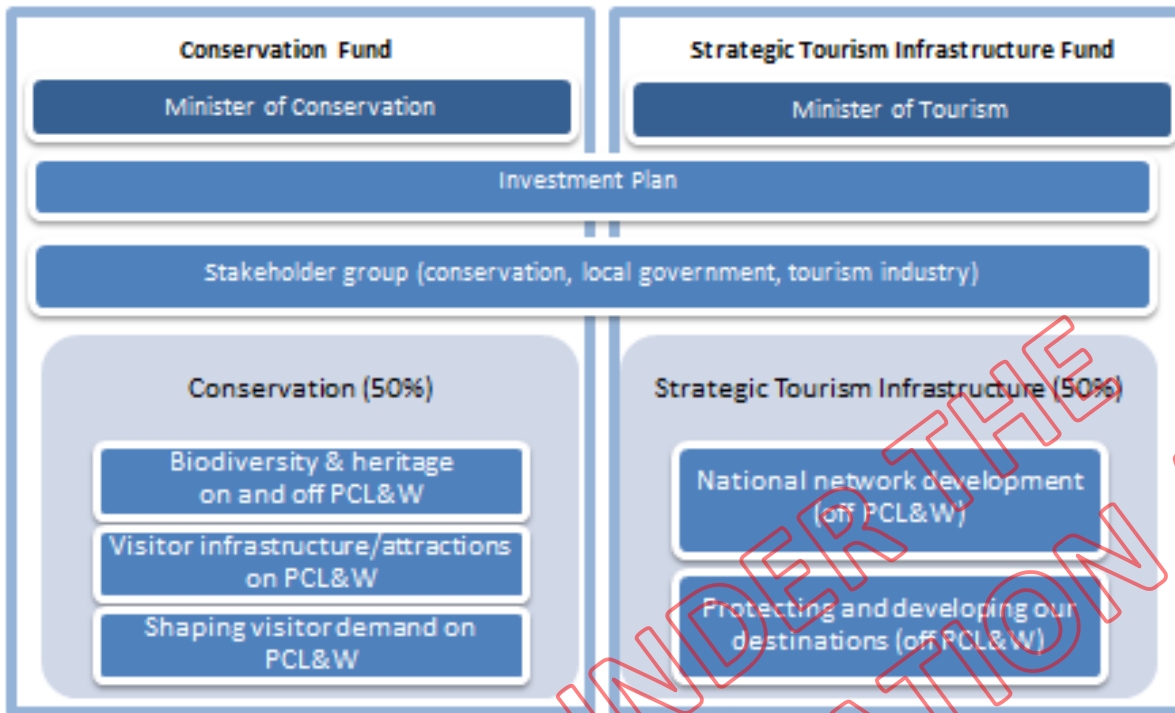
Annex Two: Three pillars for IVL expenditure

Annex Three: Managing the IVL - governance and mechanics

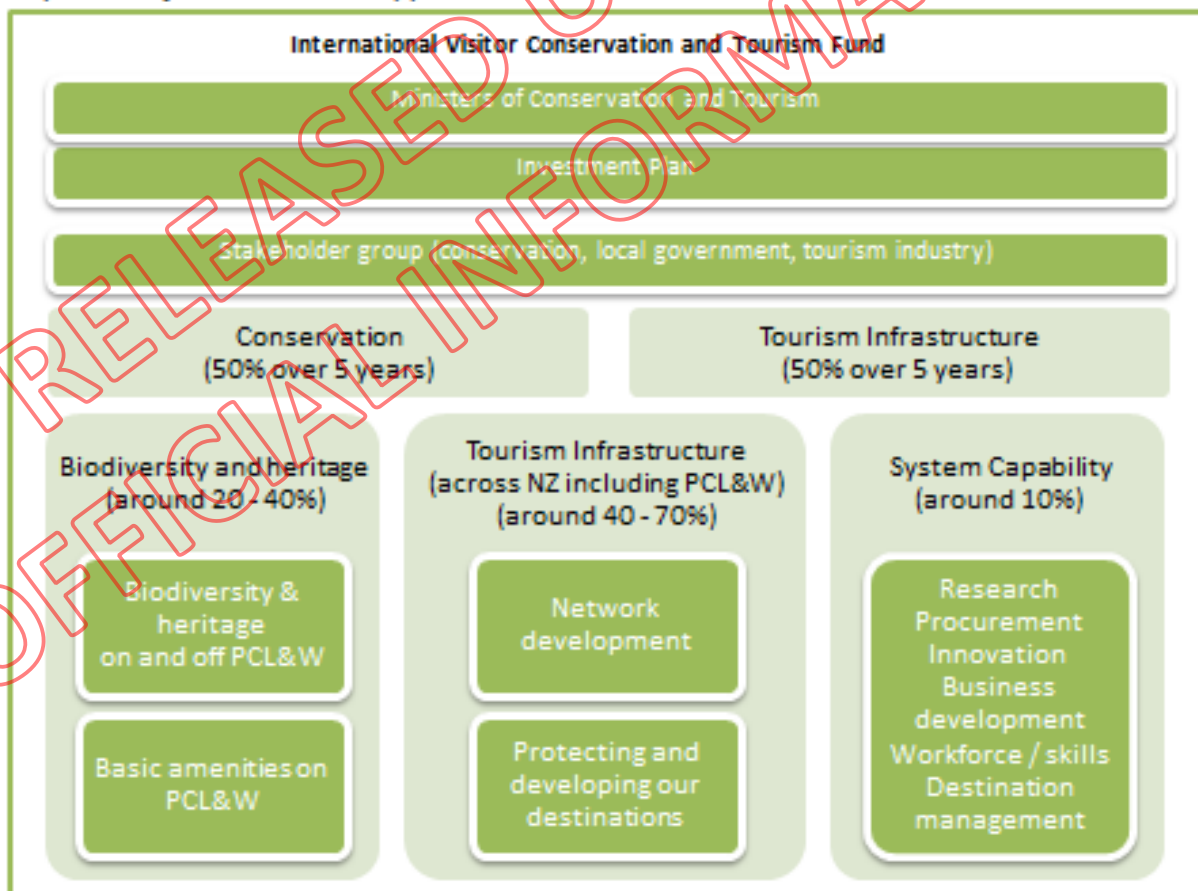
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# Annex One: Illustrative options used for targeted consultation

## Option 1 – Simple split: Conservation and Tourism



## Option 2 - System investment approach



## Annex Two – Three Pillars for IVL expenditure

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22. This section sets out the three pillars in more detail. Each of the Pillars will work within the following scope:
- a. The Investment Plan will identify specific projects and programmes
  - b. The Investment Plan may include projects to be delivered by government agencies, or via third parties
  - c. Projects may be one-off, time limited, or on-going (but should have exit options)
  - d. Co-funding requirements will be considered on a project/programme specific basis, and take into consideration the level of public v private benefit, and the financial context of the programme
  - e. Projects may be on, off, or adjacent to PCL&W.

### Conservation Pillar

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23. The conservation pillar is intended to support projects and programmes that protect and enhance New Zealand's landscapes, biodiversity and heritage – these form the basis of New Zealand's attraction to many international tourists.

#### Objectives/criteria

##### *Objectives*

24. The objective of the Conservation Pillar is to invest in conservation projects and programmes that support
- a. **Biodiversity objectives** as outlined in the New Zealand Biodiversity Strategy (NZBS)
  - b. **Visitor objectives** as outlined in the draft DOC Visitor Strategy and Government's Tourism Strategy
  - c. Within the constraints of primary conservation legislation and statutory plans;
  - d. Projects must have a strong public or club good component, or address market failures ie there is a role for government support

##### *Criteria*

25. Individual programmes or projects will look to create additional benefit to DOC's existing work as follows.
26. Visitor projects should lead to system changes on PCL&W that:
- a. increase environmental protection or reduced environmental footprint
  - b. reduce DOC operating costs for visitor services
  - c. increase visitor and operator compliance with DOC mandates (e.g. safety, concessions)
  - d. distribute visitors spatially and temporally where there is a benefit to doing so.
27. Biodiversity partnerships should additionally:
- a. increase community investment, volunteering and ownership of local biodiversity initiatives

- b. increase or sustain biodiversity on and off PCL&W.
28. Strategic investments in biodiversity should additionally:
- a. contribute to increasing landscape-level biodiversity
  - b. complement national programmes such as Predator Free NZ 2050

**Examples of the types of projects**

29. The purposes of the levy align with biodiversity priorities, as illustrated in the following examples.
- a. Investment in key sites that better protect biodiversity through improved visitor management and promote understanding and connection with biodiversity. For example, investment in land purchase, comprehensive weed eradication and iconic species protection in Mackenzie/Waitaki Basin, alongside visitor infrastructure.
  - b. Using conservation partnerships but potentially targeting different national or regional opportunities. For example, current Community Partnerships include Taranaki Mounga, Project Janzsoon (Abel Tasman National Park) and Reconnecting Northland.
  - c. “International themed” biodiversity projects that support the narrative of the levy being a contribution that visitors make to New Zealand. For example, wetland/estuarine restoration to store carbon and support migratory birds.
30. Because of the potential strategic and governance mechanisms of the levy, we recommend that biodiversity programmes supported by the levy be scoped and funded as discrete projects. This ensures that every project funded by the levy has secure funding should levy revenue be affected by changes to visitor numbers or other decisions.
31. Discrete projects also help to make the levy outcomes tangible, will help with accountability, and will provide transparency. This also will create a point of difference between work that is funded through DOC baselines or budget bids, and projects funded through the levy.

**Measuring success**

32. Conservation projects and programmes would contribute to success under the NZBS and Visitor Strategy frameworks. Projects funded by the Levy should be distinct from DOC baseline work.
33. Measures will be put in place to track how the portfolio of investment is delivering on the criteria outlined above. In addition there may be project specific measures identified as part of the Investment Plan.

**Stakeholder views**

34. Stakeholders are very supportive of the levy being used to fund conservation. Consultation noted some trade-offs and opportunities which we comment on below:

Stakeholder feedback	DOC comment
Levy should go to biodiversity and be in addition to DOC baseline biodiversity work.  Biodiversity work needs to be consistent with DOC statutory and strategic documents.	DOC agrees that levy-funded biodiversity programmes need to be differentiated but consistent with statutory and strategic documents
Levy should be spent on mitigating tourism damage; visitor experience; provision of data/information to users; safety measures.	There are opportunities for DOC to reduce impacts and improve visitor experience/safety using the levy, however DOC allows third-

	parties to provide many visitor experiences, data and information. The levy could be invested to improve some aspects of visitor information, especially in other languages – but this does not imply that DOC develops its own capability.
Levy should provide a vehicle/incentive to drive tourism infrastructure development off PCL. DOC needs to improve collaboration with councils and development of regional capability.	DOC agrees with this as it is consistent with draft Visitor Strategy. It will require coordinated planning and investment with adjacent communities and landowners.
Destination development requires that DOC invest in understanding the values important to visitors, and in the regional economic opportunities supported by DOC permissions and destination management.	DOC agrees, though the levy is not the fund we should use to conduct visitor research or assess economic opportunities.
Conservation needs to be covered by government funds (implies the levy should not fund these activities).	DOC disagrees; international visitors are attracted to conservation landscapes and biodiversity. Conservation is not exclusively provided by the government.

## Strategic Tourism Infrastructure Pillar

35. The strategic tourism infrastructure pillar is intended to support infrastructure projects that are important to protect and enhance New Zealand's tourism offering. We recommend two broad areas of infrastructure expenditure – national networks and landscape/destination development – with specific programmes to be developed as part of the Investment Planning process.

### Objectives

36. The following objectives are proposed for the Strategic Infrastructure Pillar, which could apply to infrastructure on, off, or adjacent to PCL&W:

- a. Investment in visitor related infrastructure to support:
  - i. Roll out of **national networks** to (i) achieve consistency of service levels across New Zealand; or (ii) accelerate the adoption of innovations that reduce operational costs or generate revenue eg self-monitoring amenities, user charges, or co-location with commercial space; or
  - ii. **Landscape or destination development**, where this contributes to local destination development plans; and
- b. Project aligns with the Government's Tourism Strategy and Investment Framework for Tourism; and
- c. Projects must have a strong public or club good component, or address market failures ie there is a role for government support;
- d. Priority to be given to high visitor to ratepayer ratios, and/or a relatively small visitor economy (may include capital and operating costs)



## Examples of the types of projects

37. The (draft) Government Investment Framework for Tourism and supporting work around destination development will be important for informing priorities and trade-offs in selecting programmes/projects.

### *Landscape/Destination Development: Milford Sound*

38. Milford Sound is extremely geographically remote, and New Zealand's single most iconic visitor attraction. Visitor demand continues to grow and there are significant congestion and resilience issues at Milford.
39. The Milford Opportunities Project (MOP) is a model of good governance for working through to an agreed and desired future state for a tourist site, although it has not reached that yet. Hypothetically, the MOP will reach an agreement on a proposed future state and a set of policy, infrastructure and funding steps necessary to get to that future state on an agreed timeline. The investments required under that agreement would sit with many agencies and parties – existing and potential new operators and investors, NZTA, DOC, local and regional council and neighbouring districts. In delivering that investment, some is clearly commercial or can be attached to a revenue stream, some may be marginal commercially (uncertain returns), some is enabling infrastructure – water, earthquake strengthening – and others would require either inclusion in long-term plans, the National Land Transport Plan, or central-government funding (eg DOC visitor infrastructure).
40. The IVL could contribute to development of the final plan, facilitation of commercial investment, and public infrastructure (capital costs and/or operating costs (though in this instance, the latter is unlikely to be needed)).

### *National networks of infrastructure: responsible camping*

41. Once developed, the responsible camping system will (likely) involve rollout of signage, online visitor information (to mitigate crowding), and chargeable facilities. A single, co-ordinated approach that includes funding is likely to support a quick rollout, make the most of procurement opportunities, and support councils in making the most of revenue generation opportunities to support ongoing costs.
42. This approach could include taking the design developments from the Responsible Camping Working Group, building on them with councils, and then seeking innovative solutions through a Request for Proposal process. Individual councils would then opt in to the scheme.

## Measuring success

43. MBIE is developing a suite of measures for the Tourism Strategy. These will include areas that improved infrastructure will contribute to, such as:
  - a. Reductions in (growth of) council financial costs
  - b. Reductions in crowding at key sites
  - c. Changes in visitor flows that leads to the benefits of tourism being shared more broadly
44. There would also be project specific measures, including:
  - a. delivery measures
  - b. monitoring local levels of satisfaction (eg changes in complaints made to Council, local surveys)
  - c. local tourism spend and visitation measures (noting these will be affected by other factors required for a successful destination including attractions)

## Stakeholder views

Stakeholders were broadly comfortable with this approach.

## Systems Capability Pillar

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45. The Systems Capability Pillar is intended to improve the quality of inputs to the tourism system in order to deliver smarter outputs and achieve the outcomes in the Tourism Strategy.

### Objective

46. Investment in systems capability should be limited to:

- a. Projects that inform investment, or build capability to achieve optimal outcomes for the tourism system (as outlined in the Tourism Strategy); and
- b. Projects that have a strong public or club good component, or address market failures ie there is a role for government support; and
- c. Projects that can be achieved more efficiently centrally – economies of scale, or avoiding duplication of effort across many players.

### Examples of the type of projects

47. The following examples are all scalable, could be phased, and are illustrative only.

- a. Research to support investment. The tourism data domain plan, developed with the sector, identifies a number of new data sets that would be useful. Officials note that around \$2.5 million would progress data initiatives that would serve to inform decisions relating to visitor infrastructure
- b. Central support for procurement (for example seeking smart digital solutions that create revenue streams from all visitors, or reduce costs of running infrastructure, and bulk purchase). Likely to be one-off costs associated with specific initiatives, such as the roll out of a responsible camping network
- c. Capability building initiatives, including:
  - i. Support for developing destination plans and active management of key visitor sites
  - ii. Business support (productivity, innovation, digital upskilling, data literacy). This would likely leverage existing programmes and add a tourism specific component/module/rollout. Examples include the Tourism Growth Partnership allocated around \$4 million per annum, the capability component could be sized at \$2.5 million
  - iii. Workforce/skills development. Some scope for expanding/leveraging existing programmes as well as new developments eg curriculum options.

### Measuring success

48. As the systems capability pillar is delivering better quality inputs, rather than outputs, success measures are likely to be project specific. However, an intervention logic will be applied in considering projects to ensure that they are connected to, and likely to have an impact on the Tourism Strategy outcomes.

## Stakeholder views

49. Broadly, stakeholders were supportive of including this third pillar but did note certain risks. We agree with those risks, and will monitor them.

Risks	Response
Spreading the IVL too thinly, and therefore reducing its impact	<p>Officials recommend that funding be limited to 10% of IVL revenue for the first 3 years, and start at less than \$5 million.</p> <p>Many of the projects envisaged can be achieved for relatively small amounts of funding, which makes this area easy to scale.</p>
Inappropriately subsidising industry activity	<p>Developing business capability, in particular, will generate a high level of private benefit.</p> <p>The sector argues that the IVL is comparable to the Commodities Levy, and will offer an opportunity to lift the productivity of the sector through diffusion of best practice, and R&amp;D. There are demonstrable market failures in tourism that commodities levy funded activity in other sectors does address.</p> <p>The level of private benefit can also be recognised through co-funding/fees for projects/courses where appropriate.</p>
Difficulties in measuring the contribution these projects would make to outcomes	<p>There will be difficulties in making direct links, as capability development is about improving the inputs to the system.</p> <p>Keeping this Pillar limited to 10% of IVL revenue reduces the scale of the risk.</p>

## Annex Three - Managing IVL Expenditure - Governance and Mechanics

50. The following proposal has been developed drawing on experience with other funds, feedback from stakeholders, and advice from the Auditor-General. Of note, stakeholders supported the idea of an Investment Plan, with input from an advisory group comprising conservation, local government and industry stakeholders.

### Structure

51. Figure 1 sets out our recommended structure for the IVL Fund. It includes joint ministerial responsibility, an investment plan, advisory group, and the agreed share of funding. Shares between pillars will also be included in the structure, following discussions between Ministers.

Figure 1: IVL Fund Structure



52. Officials recommend a departmental advisory group, with representatives from conservation, local government, and the tourism industry. This will support buy-in from stakeholders, and provide external rigour, fairness and transparency around the development and monitoring of the Investment Plan. It is an efficient and cost effective option to administer, compared with a more involved role (for example, advising on contracts or reporting independently to Ministers) which is not merited given the size and nature of the IVL Fund. We will provide further advice on the make-up of the advisory group, once Ministers have decided on the proposal for the IVL expenditure.
53. For administrative simplicity, MBIE will administer the International Visitor Levy in partnership with the Department of Conservation. MBIE will be accountable overall for the IVL, the development of the investment plan and reporting on its progress. Having a lead agency avoids duplication of systems and minimises potential for error.

## Process

54. The high-level end to end annual process is set out in Figure 2.

Figure 2: Annual IVL expenditure process



### Investment plan

55. We recommend that an IVL Investment Plan be developed with a 3-5 year horizon, with an annual refresh/update. The Ministers of Tourism and Conservation will set the priorities for developing the Plan, and the Ministers of Tourism, Finance and Conservation will approve it. The Investment Plan would:

- a. Set out the priorities and intended portfolio of expenditure
- b. Be developed with input from the IVL Advisory Group
- c. Identify the connections with other work programmes and government funding
- d. Broadly identify responsibility for programme delivery
- e. Be approved by, and reviewed at the direction of, the Ministers of Tourism and Conservation.
- f. Be reported on to demonstrate progress against the investment plan and provide transparency of funding.

56. The Investment Plan will be particularly important for co-ordinating any place-based investment, for example Milford Sound where there is a need for infrastructure capacity, protection of local biodiversity and the visitor experience, and support for dispersal to the wider region.

57. The Investment Plan will enable lower compliance delivery, as programmes can be delivered through a central Request for Proposal, or granted to entities already involved in priority projects (such as the Milford example above). It is not intended that the default model will be local council or third-party applications (as is the case for the Tourism Infrastructure Fund).



### *Contract and Delivery*

58. Details of contract and delivery are likely to be project specific, but will aim to use existing programmes, central procurement, and other low compliance options that councils and other groups can opt into; rather than application-based processes where possible. Appropriation of funds will be finalised once ministers have made decisions on expenditure, and approval of individual contracts will be made under departmental financial delegations (within DOC and MBIE).

### *Reporting*

59. The IVL will be reported on annually. Revenue and expenditure will appear in departmental annual reporting (as required by the Public Finance Act 1989), however, MBIE intends to provide specific reporting online that will include:
- a. The Investment Plan
  - b. Financial reporting on revenue, expenditure, and memorandum account balance
  - c. Details of the programmes being delivered
  - d. Communications material that is easy for visitors and the public to engage on. This material would be linked to Immigration New Zealand communications (as they are acting as collection agents) and other relevant channels, for example Tourism NZ.

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