

Annex one – Draft Discussion Document for targeted consultation

Sector input sought on expenditure of the IVL revenue - summary

Following public consultation on the International Visitor Conservation and Tourism Levy (IVL), the Government has agreed the collection mechanism for the IVL. This will require enabling legislation, and that process is now underway.

The public consultation sought input on how the IVL revenue should be spent, but did not put forward specific proposals. Taking submissions into account, the Government is now seeking input from key stakeholders across conservation, local government, and the tourism industry on expenditure. This paper sets out two illustrative options that show the potential range of expenditure and are intended to support quality engagement with stakeholders.

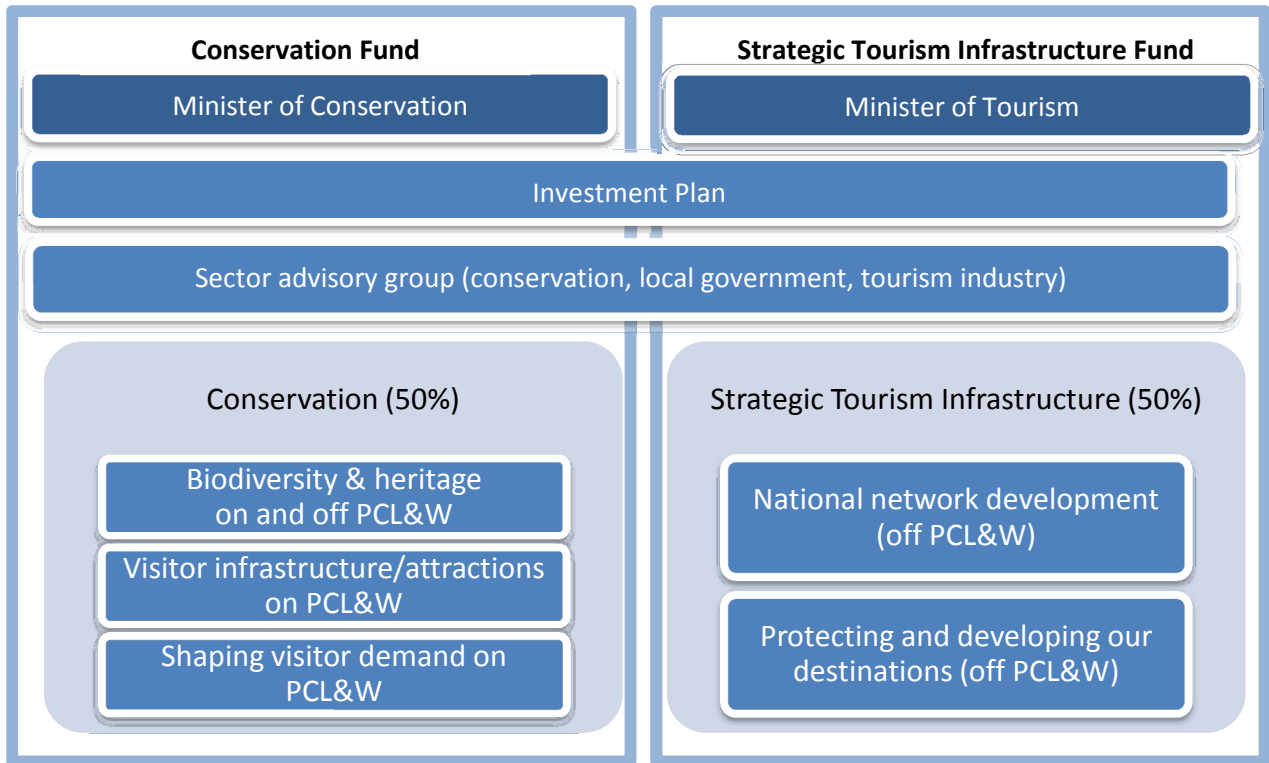
The key components are:

1. An Investment Plan to set out 3-5 year expenditure programme, developed with sector input (conservation, local government and tourism industry)
2. Defining what the IVL revenue can be spent on across conservation and tourism. This document includes two options to illustrate the potential scope of expenditure, the key differences between options are that Option 2 includes:
 - An additional ‘pillar’ to invest in system capability (data, business support, workforce development, destination management capability)
 - A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)
 - Strategic infrastructure planning that includes Public Conservation Lands and Waters (PCL&W) alongside other land owners.
3. Transparent reporting and management of the levy, including ring-fenced funding, with annual reporting on actual expenditure and a memorandum account¹.

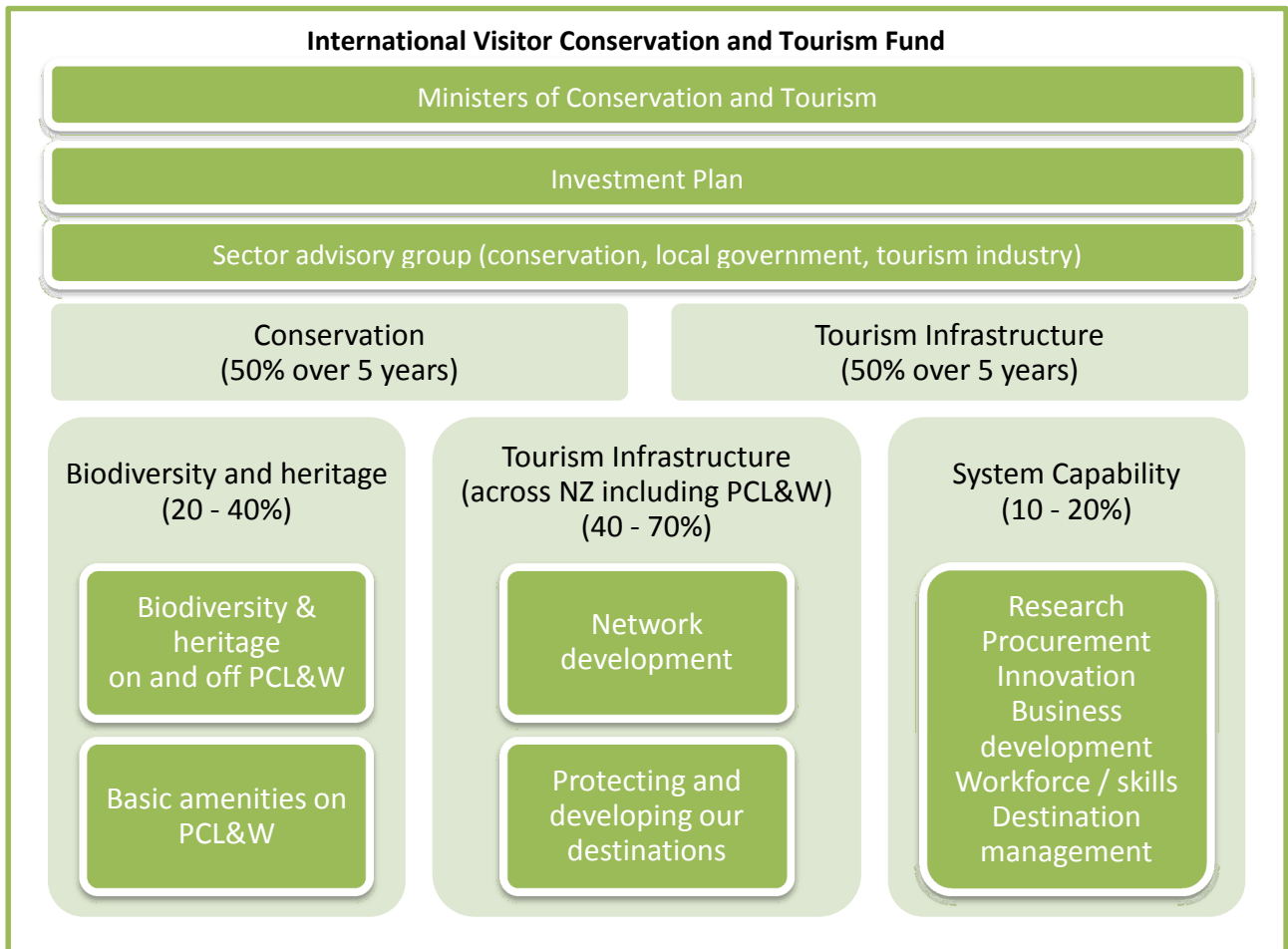
The following diagram sets out how the illustrative options might look. The remainder of this document sets out further detail and some examples of how the IVL might operate for particular projects.

¹ A memorandum account reports annually on revenue and expenditure, and carries forward any surplus or deficit. This ensures that, over time, revenue and expenditure are equal but can also allow for flexibility in any given year.

Option 1 – Simple split: Conservation and Tourism



Option 2 - System investment approach



Proposals for discussion

This section sets out the proposals in more detail, to support discussions between stakeholders and officials on which option (or variation) best ensures that international visitors continue to enrich New Zealand and New Zealanders, and contribute to the costs of maintaining or enhancing the visitor experience.

Programmes to be identified in a 3-5 year Investment Plan

The proposal starts with an Investment Plan. The Investment Plan would:

1. Identify the priorities across conservation and tourism for investment
2. Set out the intended programmes of expenditure for a three to five year period
3. Be developed with input from a sector advisory group (made up of conservation, local government, and tourism industry stakeholders)
4. Broadly identify responsibility for programme delivery
5. Be approved by, and reviewed at the discretion of the Ministers of Tourism and Conservation.

Delivery through a range of mechanisms to minimise compliance costs

Programme delivery mechanisms will be established on a case by case basis, but could involve, for example:

1. Centrally run Request for Proposal, to solve a specific issue, with roll out on an 'opt in' basis by land owners; or
2. Grants for entities/groups already running projects identified as priorities, for example, a contribution provided to the Milford Opportunities Project² to fund delivery.

This differs from the Tourism Infrastructure Fund where local councils apply for each project, which involves costs on the applicants without providing certainty of outcomes.

The IVL is not intended to replicate the Tourism Infrastructure Fund model, where councils are required to apply for funding for needs they have identified. However, there remains a need for a responsive 'bottom-up' investment process, and therefore the IVL will not be replacing the Tourism Infrastructure Fund.

² The Milford Opportunities Project aims to ensure the Milford experience is world class into the future, while the values of the place are never lost. The Project also aims to encourage visitors on a journey through the whole of southern New Zealand. The Project involves central government agencies, local government, Ngai Tahu, commercial partners, and community groups.

The scope of expenditure

The following two options illustrate the spectrum of potential approaches (input of variations is welcome).

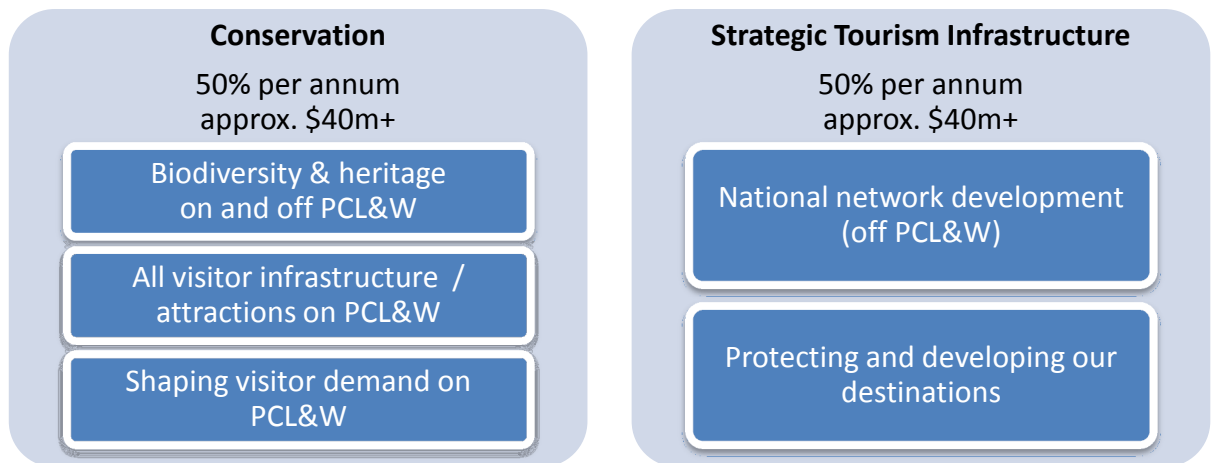
1. A simple split between tourism infrastructure and conservation
2. A tourism system investment approach

These are set out in detail below.

Option One: A simple split between tourism infrastructure and conservation

When the Government first considered the IVL, a simple split between conservation and tourism infrastructure was envisaged. Submissions recommended a wide range of splits (including 100% for conservation from some and 100% for tourism infrastructure from others). A large group of submitters were supportive of a split of around 50:50 between tourism and conservation. The following diagram illustrates the proposed scope of these funds.

Option One – Simple Split: Conservation and Tourism

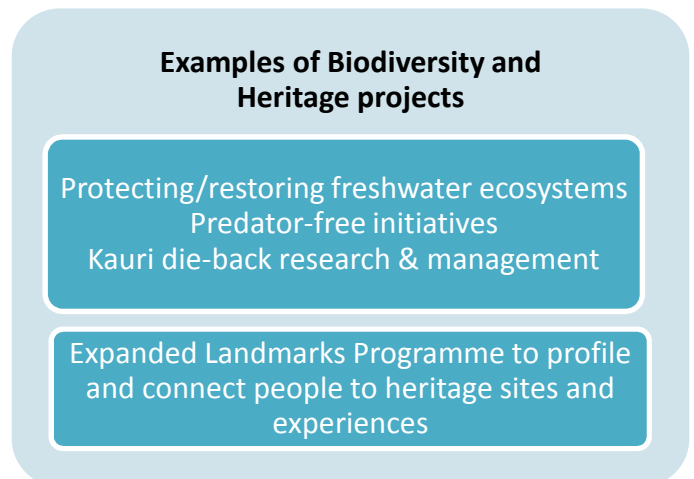


Conservation Fund under Option One

Under Option One, conservation funding would be applied to protect and enhance New Zealand's natural, cultural and historic heritage through DOC's stewardship of public conservation lands and waters (PCL&W), and/or in partnership with other land owners.

In particular the IVL Conservation Fund could contribute to:

1. Protection of native flora and fauna (this could include some biosecurity activity) on or off PCL&W
2. Development of visitor/recreation facilities to both protect the local



environment and/or enhance the visitor experience (on PCL&W)

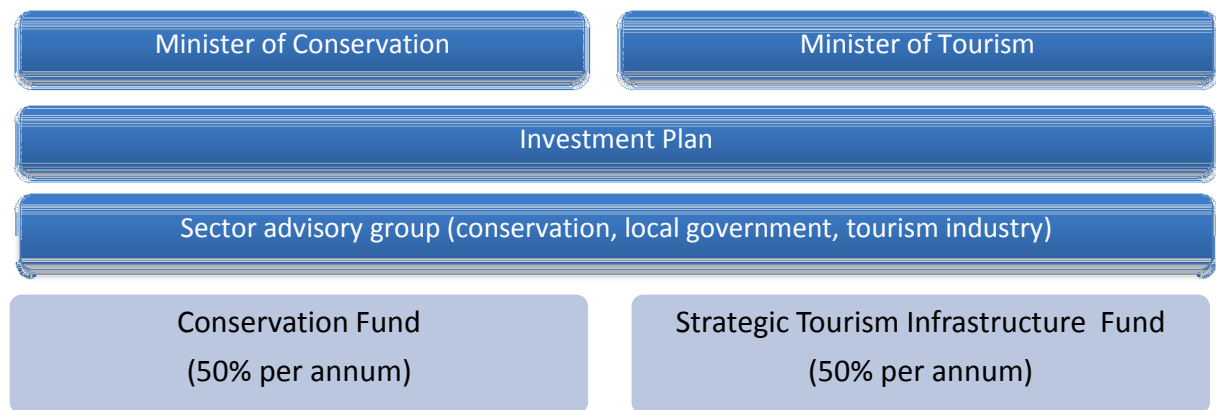
3. Shape visitor demand across PCL&W through promotion, information, and attraction development (such as tracks and viewing platforms).

Strategic Tourism Infrastructure Fund under Option One

The IVL Strategic Tourism Infrastructure Fund in Option One would help ensure that the tourism market can respond to demand by investing in:

1. National infrastructure networks that local government and other land owners can opt into (for example, a national responsible camping network), outside of PCL&W.
2. Priority destinations (established, emerging or embryonic) where investment is needed in amenities, access, or publicly funded attractions to achieve a nationally sustainable tourism sector. For example, contributing to the infrastructure requirements in Franz Josef township and surrounds (roading, sewerage etc).

Governance under Option One



Option One creates an administratively simple structure. The Investment Statement would identify the programmes for each Fund, and following Ministers' approval DOC and MBIE would be responsible for managing the Funds separately (while partnering where appropriate). Further input from stakeholders would be programme specific.

Reporting on IVL revenue, project delivery, and expenditure would be required annually. Reporting would be presented jointly but with clear distinctions between the Conservation and Infrastructure Funds.

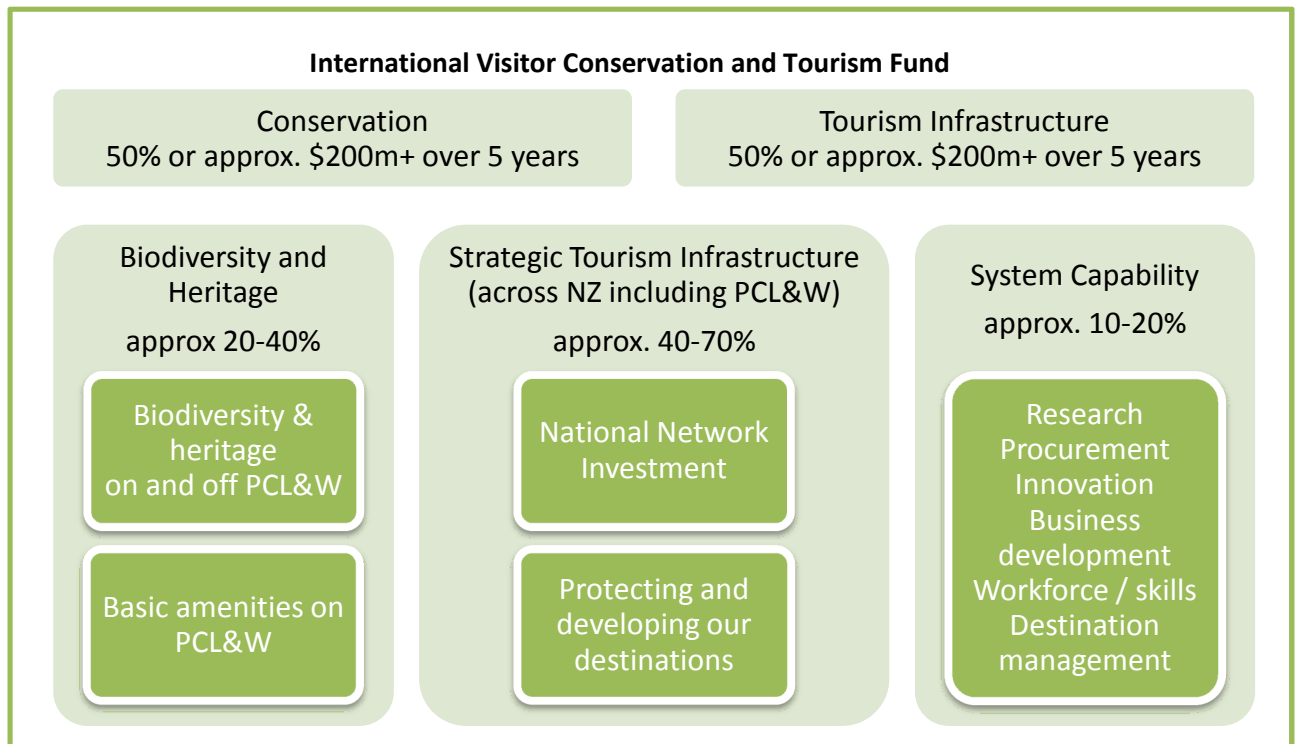
Option Two: Enabling a tourism system approach and providing for biodiversity

Option Two aims to take a more flexible approach that ensures a co-ordinated effort across portfolios to support the development of a well-functioning tourism system. It has the potential to go further in delivering more productive, sustainable and inclusive tourism sector growth with benefits for conservation, visitors, and New Zealanders.

Like Option One, an Investment Plan would set out the programmes for delivery. The Fund would have three broad functions, outlined in the diagram below. The key differences from option one are:

1. An additional 'pillar' to invest in system capability (data, business support, workforce development, destination management capability)
2. A 50:50 split over five years between conservation and tourism (allowing flexibility to deliver in any given year)
3. A single Infrastructure 'pillar' that invests on, off, and adjacent to PCL&W.

Option Two - Tourism system investment approach



Biodiversity and Heritage pillar to deliver on DOC's stewardship role

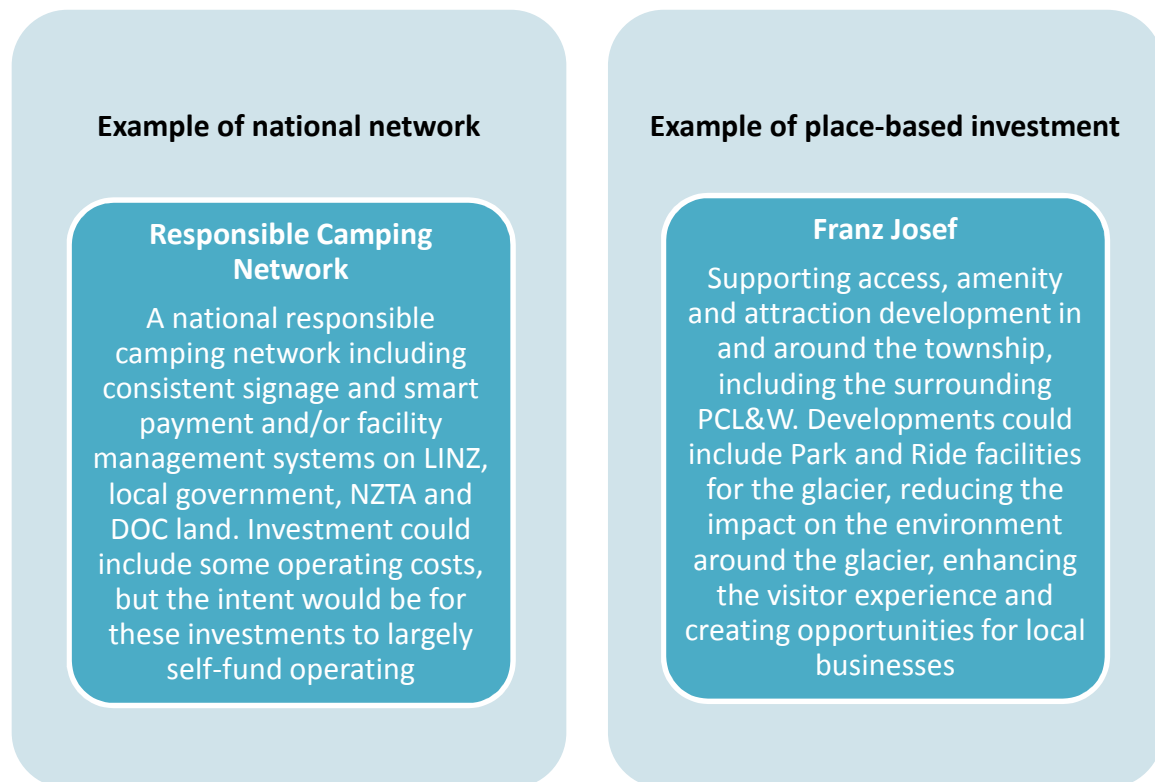
The first pillar would focus on biodiversity and heritage on and off PCL&W, consistent with DOC's stewardship role. This would also include basic amenities required to protect the local environment and meet / manage demand on PCL&W (similar to the function the Tourism Infrastructure Fund delivers for local government).

Strategic Tourism Infrastructure pillar to ensure public infrastructure can meet demand

The second pillar would focus on tourism infrastructure delivery. Unlike Option One, this would include delivery on PCL&W. It could also enable better planning for adjacent developments that relieve pressure on PCL&W without building on it. This pillar would ensure that the publically provided parts of the tourism system/market are able to meet demand, now and into the future across portfolios.

The Strategic Tourism Infrastructure Pillar would include/enable:

1. National infrastructure networks that government departments, local government and other land owners can opt into.
2. Co-ordinated approach to place-based investment in priority destinations across access, amenities and some attractions. It could also include some operating costs, where there are high visitor to ratepayer ratios and limited opportunities for other forms of revenue.



System Capability pillar to ensure the optimal outcomes for visitors and New Zealanders

The third pillar would involve development of system capability. This would look to support a smarter system delivering optimal outcomes for visitors and New Zealanders. Funding could cover (but not necessarily be limited to):

1. Research to support industry development, needs analysis etc (the tourism data domain plan, developed with the sector, identifies a number of new data sets that would be useful).
2. 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).
3. Specific capability building initiatives (using an incubator approach, for example), including destination management, tourism business development, and workforce/skills (for example partnering with the education sector to support for tourism as a career).

How a broader approach supports the Government's draft Tourism Strategy

This broader approach will do more to support the Government's draft Tourism Strategy. For example, one of the objectives of the Strategy is a more optimal spread of visitors across the regions. To achieve this requires:

1. Data on current journeys/flows (system capability pillar).
2. Greater destination management capability across New Zealand to develop the visitor offering that communities aspire to (system capability pillar).
3. These can then inform infrastructure investments on, off, and adjacent to PCL&W. Investing adjacent to PCL&W also reduces the impacts on those lands (Strategic Tourism Investment).
4. Marketing to spread visitors across PCL&W, and other key attractions (currently undertaken by DOC, Tourism NZ, and local RTOs/EDAs).

As a package, this enhances the benefits of tourism for New Zealanders, reduces the impacts on local environments, and improves the visitor experience.

Option two: Governance



Governance for Option Two would be joint. As with Option One, a sector advisory group would provide input to an Investment Plan, outlining the programmes to be delivered over the following 3-5 years and intended shares. The Investment Plan would be approved by joint Ministers. Further input from stakeholders would likely be required on specific programmes.

Annual reporting would include revenue, programme delivery and actual expenditure. It would identify the cumulative share (actual and planned) between conservation and tourism, as well as the shares between the pillars.

Questions for consideration

Investment Plan and stakeholder input

- Does the Investment Plan seem like a fit-for-purpose approach to you?
- What inputs do you consider would be required for the 3-5 year Investment Plan, and who would be best placed to provide them?
- How often should the Investment Plan be reviewed?
- Are there any particular skills or representatives that could usefully be included in the advisory group?
- When would you expect to see additional stakeholder involvement in decision-making?

Scope for expenditure

- How broad should the scope of expenditure be?
- Are you in favour of a clear split between conservation in tourism, or a more collaborative approach?
- What criteria should apply (across IVL expenditure or for particular pillars)?
- Is there any types of projects you consider should be excluded?

Operations

- Are there other mechanisms for delivering projects that should be considered?
- Will the mechanisms described provide sufficient certainty for stakeholders?