



## PROPOSALS FOR REVIEW - UPDATED COVER NOTE

### Strategic Tourism Assets Protection Programme – Urgent Applications

<b>Date:</b>	5 June 2020	<b>Priority:</b>	Urgent
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	3572 19-20

### Amended Recommended Action following the TRM meeting on 4 June

The following paper has been agreed by the Tourism Recovery Ministers Group with the following amendments to the Recommended Action points 'e', 'g' and 'i':

- e. Agree** to approve a grant of up to \$5,100,000 over the first year of support and an additional loan of up to \$5,100,000 over the second year of support to AJ Hackett Bungy NZ Limited from the STAPP, subject to the following:
- MBIE to review, clarify and adjust as appropriate the costings included in the proposal submitted by the applicant;
  - Being satisfied strong governance is in place; and
  - The applicant signing a contract within 30 working days.
  - The applicant retains at least the number of staff outlined in the proposal for the funding duration.

*Agree/Disagree*

- g. Agree** to approve a grant of up to \$2,000,000 over the first year of support and an additional loan of up to \$2,000,000 over the second year of support to Tourism Holdings Limited (Discover Waitomo) from the STAPP subject to the following:
- MBIE to review, clarify and adjust as appropriate the costings included in the proposal submitted by the applicant;
  - Being satisfied strong governance is in place; and
  - The applicant signing a contract within 30 working days.
  - The applicant retains at least the number of staff outlined in the proposal for the funding duration.

*Agree/Disagree*

- i. Agree** that funding will typically be approved for up to two years with instalments paid quarterly in advance. Prior to each quarterly payment, applicants will be required to submit a declaration confirming that they continue to require support and operate according to the plan outlined in their funding application. In the event that operating conditions become more favourable or conditions outlined are no longer met e.g. no longer employing agreed number of key FTEs specified in the funding arrangement, MBIE retains the right to terminate the agreement early.

*Agree/Disagree*

# PROPOSALS FOR REVIEW

## Strategic Tourism Assets Protection Programme – Urgent Applications

<b>Date:</b>	5 June 2020	<b>Priority:</b>	Urgent
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	3572 19-20

Action sought		
	Action sought	Deadline
Tourism Recovery Ministers Group  Hon Kelvin Davis <b>Minister of Tourism</b>  Hon Grant Robertson <b>Minister of Finance</b>  Hon Nanaia Mahuta <b>Minister for Māori Development</b>  Hon Eugenie Sage <b>Minister of Conservation</b>  Fletcher Tabuteau <b>Under Secretary Regional Economic Development</b>	<b>Agree</b> to the recommendations outlined in this briefing.	3 June 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1 <sup>st</sup> contact
Martin Cavanagh	Manager, Investment Management and Performance	s 9(2)(a)	✓
Stuart Taylor	Principal Advisor	s 9(2)(a)	

The following departments/agencies have been consulted

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

- g. **Agree** to approve a grant of up to \$4,000,000 over two years to Tourism Holdings Limited (Discover Waitomo) from the STAPP subject to the following:
- e. Review of financial documentation;
  - f. Being satisfied strong governance is in place; and
  - g. The applicant signing a contract within 30 working days.

*Amended – refer to page 1*

- h. **Note** that, in order to meet the requested timeframes, MBIE has been unable to deliver this advice jointly with Treasury or to consult substantively with other interested agencies.

*Noted*

- i. **Note** that funding will typically be approved for up to two years with instalments paid quarterly in advance. Applicants will be required to submit each quarter a declaration confirming that they continue to operate according to the plan outlined in their funding application. In the event that operating conditions become more favourable MBIE retains the right to terminate the agreement early.

*Amended – refer*

- j. **Note** that on 28 May 2020 the Tourism Recovery Ministers Group approved a conditional grant of \$1.5 million for Whale Watch Kaikōura to allow them to pivot to the domestic and Australian markets, meet overhead costs and conduct necessary asset maintenance.

*Noted*

- k. **Note** that the strategic assets approved to date are expected to be announced with the opening of the Strategic Tourism Assets Protection Programme on 4 June 2020.

*Noted*

  
Martin Cavanagh  
Manager, Investment Management and  
Performance  
Labour, Science & Enterprise, MBIE  
5 / 6 / 2020

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

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

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

Fletcher Tabuteau  
Under Secretary Regional Economic  
Development  
..... / ..... / .....

Hon Nanaia Mahuta  
Minister for Māori Development  
..... / ..... / .....



## BRIEFING

### Strategic Tourism Assets Protection Programme – Urgent Applications

<b>Date:</b>	5 June 2020	<b>Priority:</b>	Urgent
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	3572 19-20

#### Purpose

To provide recommendations on the urgent applications to the Strategic Tourism Assets Protection Programme (STAPP).

#### Recommended action

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

- a. **Note** that Cabinet agreed to establish a tagged contingency in Budget 2020 for a tourism recovery package and that a component of this package is a Strategic Tourism Assets Protection Programme (STAPP) [DEV-20-MIN-0080 refers] *Noted*
- b. **Note** that the Tourism Recovery Ministers Group agreed to the parameters and delivery options for the STAPP on 28 May 2020 [Briefing 3344 19-20 refers] *Noted*
- c. **Note** that the Tourism Recovery Ministers Group retain the ability to consider urgent ad hoc applications where warranted (for example, due to imminent financial failure). *Noted*
- d. **Note** that, AJ Hackett Bungy NZ Limited and Tourism Holdings Limited (Discover Waitomo) have sought support under urgency due to significant risks of financial failure, reduced operation of a key attractions for New Zealand and loss of highly skilled workforce. *Noted*
- e. **Agree** to approve a grant of up to \$10,200,000 over two years to AJ Hackett Bungy NZ Limited from the STAPP subject to the following:
- e. Review of financial documentation;
  - f. Being satisfied strong governance is in place; and
  - g. The applicant signing a contract within 30 working days.
- Amended – refer to page 1*
- f. **Note** that MBIE will negotiate a funding agreement with AJ Hackett Bungy NZ Limited, ensuring that only the minimum viable product is being funded. AJ Hackett Bungy NZ Limited appear to be seeking s 9(2)(b)(ii) *Noted*

## Annex One: Recommendations

### Projects seeking decisions from Tourism Recovery Ministers

Ref	Project details	Asset description	Assessment comment	Assessment against criteria (out of 5)		
1.	<p><b>Project name:</b> AJ Hackett Bungy Trading as Bungy New Zealand Ltd</p> <p><b>Applicant:</b> AJ Hackett Bungy NZ Limited</p> <p><b>Region:</b> Multiple (Auckland, Taupō, Queenstown)</p> <p><b>Type:</b> Attraction</p> <p><b>STAPP funding sought per year:</b></p> <p>Option one - \$5,100,000 per year for minimal operational capacity</p> <p>Option two – Option one plus s 9(2)(b)(ii) to retain 46 extra FTE</p> <p>Option three - Option two plus s 9(2)(b)(ii) to operate all sites 7 days a week</p> <p><b>Financial instrument requested:</b> Grant</p> <p><b>Recommendation:</b> Approve</p>	<p>AJ Hackett Bungy is the world's first Bungy and an iconic brand that is recognized worldwide. They operate a range of gravity related personal challenges including bungy jumps, extreme rope swings, bungy catapults, ziprides, skyjumps, skywalks and bridge climbs.</p> <p>AJ Hackett attracts around s 9(2)(b)(ii) million visitors to their facilities around NZ. s 9(2)(b)(ii) their Queenstown customers and s 9(2)(b)(ii) of their Auckland and Taupo customers were international visitors.</p> <p>AJ Hackett employ 225 FTE year round, with an additional 75 FTE during the peak summer season. They have an annual revenue of s 9(2)(b)(ii). AJ Hackett estimates this will drop to only s 9(2)(b)(ii) in the next 12 months if they stay open.</p> <p>They have moved proactively to save the business through reducing staff (158 FTE), pivoting to the domestic market, limiting hours of operation, closing two sites in Queenstown and applying pay cuts for their remaining 66 FTE until the end of the wage subsidy period on 26 June 2020.</p> <p>They have received the 12-week MSD Wage Subsidy scheme for employees in AJ Hackett Bungy.</p> <p>Without government support, AJ Hackett will hibernate the business for a significant period of time (while the New Zealand border remains closed). If they proceed with this plan, they expect that up to 224 roles will be disestablished.</p> <p>AJ Hackett is requesting financial support to continue to operate at a minimal operational capacity (66 operational FTE), avoid temporary closure, reduce significant negative consequences for the districts they operate in and be prepared for when visitors return.</p>	<p><b>MBIE Tourism recommends that you approve a grant of up to \$10,200,000 over two years from the STAPP for the following reasons:</b></p> <ul style="list-style-type: none"> <li>The asset is a nationally and internationally recognised, meets all the key criteria and is a key attraction in the regions it operates in (Queenstown, Auckland and Taupō);</li> <li>They have proactively moved to save the business through staff reductions and pivoting to the domestic market;</li> <li>AJ Hackett is completing consultation this week with 159 redundancies of 225 crew (70%) to be announced on 2 June 2020;</li> <li>Is of historic significance because the asset was originally the first commercial bungy operation in the world;</li> <li>Serve s 9(2)(b)(ii) customers and attracts s 9(2)(b)(ii) million visitors to the various sites in NZ;</li> <li>Generates significant spill over benefits to the regions in which they operate;</li> <li>Retaining the highly trained crew and engineers that take up to 4 years to train; and</li> <li>The funding sought will enable AJ Hackett to continue to operate at a minimal operational capacity (66 operational FTE), avoid temporary closure, reduce significant negative consequences for Queenstown, Auckland and Taupō and be prepared for when more visitors return.</li> <li>MBIE sought additional financial breakdown (see annex three) and has some questions as to whether it truly reflects the minimum possible costs for viable operations i.e. includes over s 9(2)(b)(ii) per annum. In drawing up a funding agreement MBIE will look for opportunities to reduce these costs further.</li> </ul> <p>MBIE Tourism recommends a grant be approved with the following conditions:</p> <ol style="list-style-type: none"> <li>Review of financial documentation;</li> <li>Being satisfied strong governance is in place; and</li> <li>The applicant signing a contract within 30 working days.</li> </ol>	<p>Nationally and/or internationally recognised; and</p> <p>Key attraction for New Zealand or a region of New Zealand and/or of cultural, historic or environmental significance; and</p> <p>Responsible for significant visitation to the region where it is located and, in its absence, visitation to the region would be significantly diminished; and</p> <p>Generate significant spill over benefits to the region where it is located or be critical to the tourism network in the region.</p> <p>Not be repurposed or a generic feature of the tourism system</p> <p>Not be within scope of other sector-specific COVID-19 recovery packages, such as the transport and aviation support package.</p>	<p>✓✓✓✓</p> <p>✓✓✓✓</p> <p>✓✓✓✓</p> <p>✓✓✓</p> <p>✓✓✓✓</p> <p>✓✓✓✓</p>	

Ref	Project details	Asset description	Assessment comment	Assessment against criteria (out of 5)	
2.	<p><b>Project name:</b> Discover Waitomo</p> <p><b>Applicant:</b> Tourism Holdings Limited</p> <p><b>Region:</b> Waikato</p> <p><b>Type:</b> Attraction</p> <p><b>STAPP funding sought per year:</b></p> <p>Option one - \$2,000,000 per year for minimal operational capacity</p> <p>Have indicated openness in the future to discuss alternative options including Government to acquire the Discover Waitomo businesses.</p> <p><b>Financial instrument requested:</b> Grant</p> <p><b>Recommendation:</b> Approve</p>	<p>Discover Waitomo includes the Waitomo Glowworm Caves, Ruakuri Cave, Aranui Cave and Legendary Black Water Rafting Co.</p> <p>In 2019, Discover Waitomo attracted 630,000 visitors, of which 90% were international visitors. They employ <sup>s 9(2)(b)(iii)</sup> FTE year round, with an additional <sup>s 9(2)(b)(ii)</sup> during the peak summer season. They have an annual revenue of <sup>s 9(2)(b)(ii)</sup> (approximately <sup>s 9(2)(b)(iii)</sup> market share in the local district).</p> <p>The Waitomo District benefits from Discover Waitomo's continued operation. Ruapuha Uekaha Hapū Trust, as landlord of the Glowworm Caves, ordinarily receives over <sup>s 9(2)(b)(ii)</sup> annually in concession income through their Treaty Settlement by the Waitangi Tribunal). Similarly, DOC as licensor for the Legendary Black Water Rafting Co. receives approximately <sup>s 9(2)(b)(ii)</sup> <sup>s 9(2)(b)(ii)</sup></p> <p>THL estimate visitor numbers to be down <sup>s 9(2)(b)(iii)</sup> in May 2020 compared to previous years as a result of COVID-19. The 2020 calendar year has been forecast at 75% down on 2019. This change would be worse had January and February not been normal months.</p> <p>THL has received the 12-week MSD Wage Subsidy scheme for all employees in Discover Waitomo and expect to commence consultation to disestablish 91 roles on 3 June 2020.</p> <p>Without government support THL expect they need to hibernate the business for a significant period of time. If they proceed with that plan, they expect that up to 125 roles in total will be disestablished.</p> <p>THL is requesting financial support to continue to operate at a minimal operational capacity <sup>s 9(2)(b)(ii)</sup>, avoid temporary closure, reduce significant negative consequences for the Waitomo region and be prepared for when visitors return.</p>	<p><b>MBIE Tourism recommends that you approve a grant of up to \$4,000,000 for two years from the STAPP for the following reasons:</b></p> <ul style="list-style-type: none"> <li>The asset is a nationally and internationally recognised, a key attraction for New Zealand and meets all the key criteria;</li> <li>They have proactively moved to save the business through staff reductions and pivoting to the domestic market;</li> <li>There are numerous other businesses that benefit as a result of Discover Waitomo;</li> <li>Is of cultural and historic significance because of Wai 51, which is generally regarded as the first significant treaty settlement by the Waitangi Tribunal.</li> <li>The funding sought will enable THL to continue to operate at a minimal operational capacity <sup>s 9(2)(b)(ii)</sup>, avoid temporary closure, reduce significant negative consequences for the Waitomo region and be prepared for when more visitors return.</li> </ul> <p><b>MBIE Tourism recommends a grant be approved with the following conditions:</b></p> <ol style="list-style-type: none"> <li>Review of financial documentation;</li> <li>Being satisfied strong governance is in place; and</li> <li>The applicant signing a contract within 30 working days.</li> </ol>	Nationally and/or internationally recognised; and	✓✓✓✓
				Key attraction for New Zealand or a region of New Zealand and/or of cultural, historic or environmental significance; and	✓✓✓✓
				Responsible for significant visitation to the region where it is located and, in its absence, visitation to the region would be significantly diminished; and	✓✓✓✓
				Generate significant spill over benefits to the region where it is located or be critical to the tourism network in the region.	✓✓✓✓ There are numerous other businesses that benefit as a result of Discover Waitomo.
				Not be repurposed or a generic feature of the tourism system	✓✓✓✓ Skilled workforce difficult to replace.
				Not be within scope of other sector-specific COVID-19 recovery packages, such as the transport and aviation support package.	✓✓✓✓

## Annex Two: Discover Waitomo Operational Costs Breakdown

s 9(2)(b)(ii)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

## Annex Three: AJ Hackett Operational Costs Breakdown

s 9(2)(b)(ii)



RELEASED UNDER THE  
OFFICIAL INFORMATION ACT