

2.12 Economic Development through Tourism Chathams

Project:	Economic Development through Tourism Chathams	FOR:	Approval
Applicant:	Tourism Chatham Islands Incorporated	Pipedrive ID:	Commercial
Application type:	Main PGF	(A) Total Project Value:	\$Commercial Information
Funding type:	Grant	(B) PGF Funding Sought:	\$Commercial Informa
Entity Type:	Incorporated Society	(C) PGF Funding Recommended:	\$270,000
Region:	Canterbury	(D) Applicant Contribution:	\$Commercial Information
Tier:	1 - Regional	(D/A) Co-contribution Rate:	Contribution/total = Comm %
Sector:	Tourism		
Application summary:	<p>The applicant seeks funding to establish a dedicated resource (tourism manager) for coordinating and managing tourism on the Chatham Islands. Key outcomes include Commercial Information the size of the local tourism industry to make it the second largest sector behind fishing, creating an additional Comm jobs.</p> <p>The sector is currently going through an expansion phase putting pressure on existing tourism products and accommodation. If the airport expands in coming years, this will place even more pressure on existing facilities.</p> <p><i>[Please see full project description in the Application Description Section]</i></p>		

The PDU recommends that this Application be supported by SROs:

Agree to approve up to \$270,000 as a grant from the PGF towards a dedicated resource for tourism management on the Chatham Islands for Commercial Information to coordinate and manage tourism

➤ because:

- this resource is necessary as the Chatham's anticipates a Commercial Information of the size of the local tourism industry, creating up to Comm additional jobs, over the next few years
- Private investment in the tourism industry is currently underway (accommodation expansion and new activities)
- The Chatham, Islands Council, Iwi/Imi, Chatham Islands Enterprise Trust, and all local tourism operators are aligned with the project and are stakeholders of the applicant
- The governance and management of the project benefits from the collaborative effort of the local tourism, as well as links to mainland organisations that can provide advice and guidance (for example, Tourism NZ)
- There are opportunities to develop the Maori asset base through tourism
- MBIE Tourism supports the project

- subject to:
 - Securing of co-funding;
 - Funding being released from PGF based on meeting KPIs and securing of co-funding against those KPIs.

Section A: Triage – Assessment against PGF eligibility criteria

➤ Is the project an illegal activity?	No
➤ Is the project located in the three main metropolitan areas?	No
➤ Is the project seeking investment in large scale infrastructure of social assets?	No
➤ Is the project seeking investment for three waters?	No

Application description

The project is to establish a dedicated resource to coordinate, manage and grow the Chatham Islands tourism sector. This role would be to implement the Chatham Islands Tourism Strategic and Business Plan 2019-22. Specific requirements of the role include visitor management, infrastructure development, protection of assets, assistance with tourism product development and marketing, increasing productivity and sustainability, training and education.

Background

Tourism is the Chatham Islands third largest industry. A 2017 report by **Commercial Information** identified that tourism had the ability to contribute more to the local economy. It proposed a concerted effort to **Commercial Inform** the size of the industry to make tourism businesses more sustainable, create more permanent jobs, diversify the local economy, provide training and educational opportunities for locals, and contribute to geological and historical conservation. This culminated in the development of the Chatham Islands Tourism Strategic and Business Plan 2019-22, which provides a pathway towards achieving this. The purpose of the investment to provide a dedicated resource/tourism manager to provide the management and coordination of stakeholders to implement the plan and achieve the key outcomes.

Analysis

Commercial Information of tourism is forecast to increase employment by **Comm** jobs and an increase to GDP of \$ **Commercial Information**. Current developments on the Islands include the expansion of accommodation, **Comine** new or expanded tourism businesses, and plans to develop a new museum attraction. Whilst **Commercial Informatio** the number of visitors to the Chatham Islands is needed to make these projects sustainable long-term, these investments in themselves indicate the growth experienced in tourism, and justify the need for a dedicated resource to ensure outcomes.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	\$
Provincial Growth Fund	(via this application)	\$270,000
Commercial Information	Commercial Information	\$ Commercial Informati (\$ Commercial Inform per year)
Commercial Information	Confirmed/ Commercial Info	\$ Commercial Inform
Commercial Information	Commercial Inform	\$ Commercial Inform
Commercial Information	Confirmed	\$ Commercial Inform (\$ Commercial Inform per year)
Commercial Information	Confirmed	\$ Commercial Information
Commercial Informa ion	Confirmed	\$ Commercial
Commercial Information	Commercial Info	\$ Commercial Inform
Advertising	Commercial Information	\$ Commercial Inform
Total		\$ Commercial Informati

Overseas Investment Office	
➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted)	No

Does the Application have a Te Ara Mahi (TAM) component?	No
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Section B: Operational Assessment Criteria (Complete for EoIs and Applications)
(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes Please highlight number below

Would the project:		
➤ create permanent jobs?	<p>A key aim of the project is to ^{Commercial Inform} the local tourism industry. Currently tourism employs at eas ^{Comm} people (^{Commercial Information}) on the island (predominantly accommodation and activity focused).</p> <p>^{Commercial Information}</p> <p>^{Comm} proposed ^{Commercial Informatio} tourism growth by 2026 and turning ^{Comm} tourism jobs into ^{Commercial} and increasing GDP contribution for the sector from \$^{Commercial Information}.</p>	Commercial Information
➤ deliver community benefits?	<p>Visitors to the island currently number 1700-2000 per year. Increased tourism and the sustainability of businesses, an aim of this project, will provide new employment opportunities, job security, and an opportunity for tourism businesses to become “full-time” entities, rather than part time.</p> <p>The project will facilitate training, education and support opportunities with stakeholders in providing tourism business management as a career path option for locals.</p>	Commercial Information
➤ increase utilisation of and returns on Maori assets?	<p>The project helps to support products and plans local iwi/imi have to develop tourism business’s space.</p> <p>The high proportion of Chatham Islanders that are of Maori descent (60 per cent) means that this project will benefit Maori significantly, including opportunities for utilising and seeking greater returns on assets, and employment.</p>	Commercial Information
➤ enhance the sustainability of natural assets?	<p>A priority of the project is to utilise the tourism industry for the preservation, restoration and management of local flora, fauna, geological and cultural features.</p>	Commercial Information

	<p>Scope exists for the development of a visitor contribution or donations programme to benefit sustainable management and development.</p>	
<p>➤ mitigate climate change effects, or assist with the lowering of emissions?</p>	<p>N/A</p>	<p>Commercial Information</p>
<p>Additionality</p>		
<p>Would the project:</p>		
<p>➤ add value by building on what is already there, without duplicating effort?</p>	<p>Tourism is the third largest industry on the Chatham Islands behind fishing and farming. Demand during summer is high and at capacity, but lacking during shoulder seasons. 1700-2000 visitors per years stay on average 5 days and spend \$440 per day, with direct revenue through visitor spending equating to \$4.4 million per year. This project has as a key outcome the <small>Commercial Information</small> of tourism through offering better year round experiences through improving coordination, developing strategies and effective marketing. Key tourism projects currently underway or planned, including increases in accommodation <small>Commercial Information</small> and new attractions (e.g. new Museum) require this <small>Commercial Information</small> to remain economy sustainable.</p> <p><small>Commercial Information</small></p>	<p>Commercial Information</p>
<p>➤ be a catalyst for productivity potential in the region?</p>	<p>Tourism is one of the three key sectors on the Chatham Islands along with fishing and farming. Other PGF projects aim to underpin in these sectors, and it fits that a tourism investment would secure a more diversified local economy</p> <p>Tourism is concentrated primarily in the summer (peak) season and whilst there are capacity issues related to the airport and aircraft, there is potential to develop more opportunities in the shoulder and off seasons. A key part of the project is to develop a strategy for the development of the sector by taking advantage of this latent capacity at off-peak times. This would enable a more sustainable sector, and an associated increase in the number of jobs and productivity.</p>	<p>Commercial Information</p>

Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	The project is aligned with, and delivers on, the Chatham islands Tourism Strategic Plan and Business Plan 2019-2022. Developing tourism as Chatham Islands second industry behind fishing is a key outcome.	Commercial Information
➤ have the support of local governance groups (councils, iwi and hapu)?	The project is supported by local iwi/imi, the Chatham Islands Council, Chatham Islands Enterprise Trust, and local tourism businesses (Commercial Information	Commercial Information
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	Over 20 entities have been consolidated as “Tourism Chatham Islands”, bringing together the Islands’ most experienced people in the industry. This entity will oversee project governance. Other partners, including PDU, Tourism New Zealand, DoC and New Zealand based operators will also be consulted as required. Appointment of the dedicated resource will be made by Tourism Chatham islands committee with assistance, if required, from a recruitment company.	Commercial Information
➤ plans for future ownership and operational management?	The dedicated resource will remain within the auspices of the applicant for the three years.	Commercial Information
➤ how the project will be delivered and managed?	Procurement processes appropriate for the recruitment of someone for this position are proposed. The work of the dedicated resource will in tranches related to key milestones. `	Commercial Information

Section C: Risk Management Evaluation	
Does this application demonstrate consideration of the following risks?	Yes

Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	Project broken into key deliverables and KPIs.	Commercial Information
<input checked="" type="checkbox"/> Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	Propose to utilise tourism networks to advertise for the resource.	Commercial Information

If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.

Section D: Funding and financial analysis		Please highlight number below
Does the application show:		
➤ How strong is the financial position of the applicant organisation?	<p>The applicant (Tourism Chatham Islands Incorporated) is supported by local tourism businesses, imi/iwi, and the Council and Chatham Islands Enterprise Trust. It is a new venture set up to undertake the tasks the dedicated resource will manage.</p> <p>Commercial Information</p> <p>Businesses are predominantly small and part-time, attuned to the seasonal nature of tourism on the Chatham Islands.</p>	Commercial Information
➤ How does the scale of the project compare to their overall business?	<p>Local tourism industry is stakeholders in the applicant.</p> <p>An aim of the project is to facilitate Commercial Information tourism on the Chatham Islands. Existing projects (accommodation and activity increases) are already underway, and require tourism increases to be economically sustainable. Long-term</p>	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	<p>The Chatham Islands has limited resources, Commercial Information</p>	Commercial Information
➤ What does the independent financial analysis/ business case indicate?	<p>The Chatham Islands Tourism Strategic and Business Plans 2019-2022 identified that without in tourism as part of an economic development strategy, promotion and marketing alone would not grow the sector.</p>	Commercial Information

<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>A grant is appropriate on the basis of the limitations to private investment that the Chathams small size and isolation impose. [REDACTED] [REDACTED] Commercial Information [REDACTED] [REDACTED] The ability to meet this cost through other means is limited by the current seasonal/part-time nature of the tourism limiting investment in a three year resource of this nature.</p>	<p>Commercial Information [REDACTED]</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>The applicant, representing a conglomeration of tourism providers on the Chatham islands, believes that there is unmet demand, particularly with high spending visitors. This is supported by the 2019-2022 Strategy and Business Plans report and the [REDACTED] Commercial Information [REDACTED]. The latter identified a growth scenario for [REDACTED] Chatham Islands tourism.</p> <p>The future upgrade of the airport will aide this, providing much improved capacity at peak times. The work that this project would do will lay the ground work for when this occurs.</p>	<p>Commercial Information [REDACTED]</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>Yes.</p>	<p>Commercial Information [REDACTED]</p>
<p>Summary of funding and financial analysis:</p>	<p>Tourism Chatham Islands Incorporated brings together key stakeholder in the tourism industry, [REDACTED] Commercial Information [REDACTED]. This provides the best platform, in terms of skills, experience and resources, to develop tourism. The case for increasing tourism and diversifying the local economy, creating pathways for young people and investment opportunities (i.e. for Imi/iwi) is compelling from an economic development perspective.</p>	<p>Commercial Information [REDACTED]</p>

Funding arrangements

A payment plan of milestones based on achievement of KPIs is proposed at Commercial Information intervals.

Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

Is the application a Grant or Loan?

Grant - Loan Details Table deleted

Consultation from partner agencies undertaken or implications

MBIE Tourism is supportive of this project as a way for increasing the sustainability and size of the tourism sector on the Chatham Islands:

The Chathams are an extremely periphery region of NZ, 800km from NZ and with 600 residents. Despite, or perhaps because of, that it pops up on the tourism and infrastructure radar from time to time. They have recently prepared a tourism strategy (still in draft), points of note:

- *The Chatham Islands see tourism as a way to diversify and add resilience to their economy and give more young people a reason to stay;*
- *The islanders have recently got themselves much better organised from a leadership perspective than they have been, and have greater alignment on what they intend to do; and*
- *They are now seeking govt funding including from the TIF and PGF and others to support their business plan initiatives.*

The TIF proposal is likely to be approved (awaiting a decision at present). This PGF application will assist with implementation of their Tourism Strategy, and provide them with needed support to manage the Destination.

We are supportive of the increased capacity which this application if approved will provide.

Conflicts of interest and T&Cs

No - Section deleted

Further information from applicant

N/A

Summary statement of Application Review undertaken

The following Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer:
 - a. An evaluation against the PGF criteria;
 - b. Financial analysis;
 - c. A risk assessment, highlighting any relevant or key risks;
 - d. Conflicts of interest have been noted and accepted and the reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Review has been completed

Yes

Supporting proposal:

Yes

Appendices:

Yes – Applications and supporting letters are as annexes Supporting letters withheld - Commercial Information

Author of paper:

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