



BRIEFING

Tourism Recovery Package: Further decisions on Inbound Tour Operator loan offers

Date:	6 October 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2021-1062

Action sought		
	Action sought	Deadline
Tourism Recovery Ministers Group Hon Kelvin Davis Minister of Tourism Hon Grant Robertson Minister of Finance Hon Nanaia Mahuta Minister for Māori Development Hon Eugenie Sage Minister of Conservation Fletcher Tabuteau Under Secretary Regional Economic Development	<p>Note that loan offers for inbound tour operators (ITOs) were based on a tiered approach, reflecting estimated revenue</p> <p>Note that due diligence checks revealed that actual revenue values differed from estimated revenue for five ITOs: s 18(d) [REDACTED]</p> <p>Agree that the loan offers for s 18(d) [REDACTED] should remain unchanged, despite their actual revenue being lower than estimated</p> <p>Agree that the loan offer for s 18(d) [REDACTED] should be increased from \$500,000 to \$750,000 to reflect its actual revenue, and to ensure it is not disadvantaged compared to other ITOs with similar revenue</p>	14 October 2020

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Karl Woodhead	Director, Tourism Branch	04 901 1458	s 9(2)(a) [REDACTED]	✓
s 9(2)(a) [REDACTED]	Policy Advisor, Tourism Policy	s 9(2)(a) [REDACTED]		-

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments

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Tourism Recovery Package: Further decisions on Inbound Tour Operator loan offers

Date:	6 October 2020	Priority:	Medium
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Purpose

To seek further decisions on the loan offers made to five inbound tour operators (ITOs).

Recommended Action

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

- a. **Note** that loan offers for inbound tour operators (ITOs) were based on a tiered approach, reflecting estimated revenue *Noted*
- b. **Note** that due diligence checks revealed that actual revenue values differed from estimated revenue for five ITOs: s 18(d) *Noted*
- c. **Agree** that the loan offers for s 18(d) should remain unchanged, despite their actual revenue being lower than estimated *Agree/Disagree*
- d. **Agree** that the loan offer for s 18(d) should be increased from \$500,000 to \$750,000 to reflect its actual revenue, and to ensure it is not disadvantaged compared to other ITOs with similar revenue *Agree/Disagree*

Karl Woodhead
Director, Tourism

Labour, Science and Enterprise, MBIE

06 / 10 / 2020

Hon Kelvin Davis
Minister of Tourism

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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

..... / /

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Seeking decisions on the loan offers made to five inbound tour operators (ITOs)

1. You agreed that individual loan offers should be made to 27 ITOs [Briefing 2021-0516 of 12 August 2020 refers]. On 2 September 2020, 26 ITOs received loan offers from MBIE (one ITO went into liquidation before an offer was made) – see **Annex One** for a full list of estimated revenue, actual revenue, and corresponding loan offers.
2. ITO loan offers were based on the estimated approximate annual revenue of each ITO pre-COVID-19, through a tiered approach. Revenue was estimated as ITOs were not required to submit financial documentation prior to receiving loan offers. The estimates were based on Tourism New Zealand’s knowledge and/or, where ITOs also applied for STAPP funding, the information provided in their applications. See the tiered approach below:

ITO Annual Revenue (pre-COVID-19)	Value of loan offer
\$0-\$4,999,999	\$250,000
\$5,000,000-\$9,999,999	\$500,000
\$10,000,000-\$19,999,999	\$750,000
\$20,000,000+	\$1,000,000

3. All 26 ITOs have since provided financial documentation, and due diligence checks revealed that actual revenue values differed from estimated revenue for five ITOs: s 18(d)

ITO	Estimated revenue	Actual Revenue		Loan Offer	
		FY19	FY20	Original	Possible Adjustment
s 18(d)	s 9(2)(b)(ii)			\$500,000	\$250,000
				\$500,000	\$250,000
				\$500,000	\$250,000
				\$1,000,000	\$750,000
				\$500,000	\$750,000

s 18(d)

4. s 18(d) could have been offered loans that are \$250,000 less than their original offers (which ranged from \$500,000 to \$1 million), as their FY19 and FY20 revenue is less than the threshold for their original loan offers. MBIE recommends not decreasing their loan offers and continuing with the status quo.
5. This recommendation is based on due diligence checks for the four relevant ITOs showing they all are low risk and have FY19 and FY20 operating costs and expenses that align with the original loan offer values. We must also take into account that businesses may decide to only take a portion of the loans offered to them.
6. A risk we have identified with this approach relates to equity, i.e. it is possible that these ITOs have been given loan offers that are higher than other ITOs with similar pre-COVID-19 revenue. However, we must acknowledge the ITO funding (non-application) process did not allow for knowing the actual revenue of ITOs before loan offers were made. We must also recognise the good faith in which the original offers were made.

s 18(d)

7. If the loan offer for s 18(d) is based on FY19 revenue, then the original loan offer of \$500,000 is correct. However, if based on FY20 revenue, the ITO would be eligible for a higher loan of \$750,000. We recommend that the s 18(d) loan offer increases to \$750,000. This is to ensure they are not disadvantaged compared to other ITOs that have similar revenue and have received ITO loan offers of \$750,000.

Next steps

8. If you agree to s 18(d) loan offer being increased from \$500,000 to \$750,000 and to the remaining four ITOs continuing with the same loan offers, then the total allocation of ITO loans will be \$18,500,000 within the \$20,000,000 funding envelope. This is same as the original allocation to which you agreed in August [Briefing 2021-0516 of 12 August 2020 refers].
9. The amount remains the same due to Naturally NZ, to whom you agreed to make a loan offer of \$250,000 [Briefing 2021-0516 refers], going into liquidation prior to the offer being able to be made. This decreased the overall allocation to \$18,250,000. Offering s 18(d) an increased loan offer of \$750,000 will place the overall allocation back to \$18,500,000
10. It should also be noted that if some ITOs decide to only take a portion of the loans offered to them, the actual funding spend may ultimately be less than the allocation

Annexes

Annex One: List of Inbound Tour Operators Estimated and Actual Revenue

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Annex One: List of Inbound Tour Operators Estimated and Actual Revenue

Inbound Tour Operator	Estimated Revenue	Actual Revenue		Loan offer amount
		FY19	FY20	
s 18(d)	s 9(2)(b)(ii)			\$250,000
				\$250,000
				\$250,000
				\$500,000
				\$500,000
				\$500,000
				\$500,000
				\$500,000
				\$500,000
				Increase of \$500,000 to \$750,000*
				\$500,000
				\$500,000
				\$750,000
				\$750,000
				\$750,000
				\$750,000
				\$1,000,000
				\$1,000,000
				\$1,000,000
				\$1,000,000
		\$1,000,000		
		\$1,000,000		
		\$1,000,000		
		\$1,000,000		
		\$1,000,000		
		Total:	\$18,500,000	

*If agreed to by Tourism Recovery Ministers Group