



BRIEFING

Tourism Recovery Fund – Public Interest Test for Inbound Tour Operator Loan Scheme

Date:	27 August 2020	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2021-0711

Action sought		
	Action sought	Deadline
Hon David Parker Acting Minister of Finance	Agree that Inbound Tour Operator Loan Scheme meets the Public Interest Test	27 August 2020
Hon Kelvin Davis Minister of Tourism	Note the contents of this briefing	27 August 2020
Hon Grant Robertson Minister of Finance	Note the contents of this briefing	27 August 2020
Hon Shane Jones Minister of Finance	Note the contents of this briefing	27 August 2020

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Danielle McKenzie	Acting Manager, Tourism Policy	04 896 5113	s 9(2)(a)	✓
s 9(2)(a)	Principal Policy Advisor, Tourism Policy	s 9(2)(a)	-	

The following departments/agencies have been consulted
The Treasury, Provincial Development Unit

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 Withdrawn |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



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Purpose

To seek agreement that the proposed loan scheme and loans to 27 Inbound Tour Operators meet the public interest test.

Recommended action

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

- a **Note** that under section 65L of the Public Finance Act 1989, the Minister of Finance, on behalf of the Crown, may lend money to a person or organisation if it appears to the Minister to be necessary or expedient in the public interest to do so
Noted
- b **Note** that this statutory responsibility has been transferred to you as Acting Minister of Finance with respect to the Inbound Tour Operator (ITO) loan scheme
Noted
- c **Agree** that the proposed loan scheme and loans to 27 ITOs meet the requirements of the public interest test under section 65L of the Public Finance Act 1989, on the basis that you judge that they are necessary or expedient in the public interest, in line with information that has already been provided to Tourism Recovery Ministers
Agree / Disagree
- d **Agree** to delegate to the Treasury Secretary the authority to sign ITO loans, on the approved terms and conditions, to the Chief Executive of MBIE, via the Secretary of the Treasury
Agree / Disagree
- e **Sign** the attached delegation instrument in **Annex One**
Signed / Not signed

Danielle McKenzie
Acting Manager, Tourism Policy
Labour, Science and Enterprise, MBIE

27/8/20

Hon David Parker
Acting Minister of Finance

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Background

1. In May 2020, Cabinet established a Tourism Recovery Ministers Group (TRM) to oversee the Tourism Recovery Package. Its members include Ministers of/for Tourism, Finance, Māori Development, Conservation, and the Under Secretary of Regional Economic Development [DEV-20-MIN-0080 refers].
2. Over the last few months, TRM have been considering options to provide economic support to the tourism sector. This has included consideration of loans to eligible tourism businesses under the Strategic Tourism Asset Protection Programme (STAPP) as well as a separate loan scheme for Inbound Tour Operators (ITOs).
3. In August TRMs, except the Minister of Finance agreed to a loan scheme for ITOs [briefing 2021-0516 refers, attached at **Annex Two**]. TRM have also agreed that the loan scheme will be administered by the Provincial Development Unit [MBIE 2021- 2021-0526/ Treasury T2020/2779 refers].

Public Finance Act requirements

4. Section 65L of the Public Finance Act 1989 (PFA) states that the Minister of Finance, on behalf of the Crown, may lend money if it appears to be “necessary or expedient in the public interest to do so”. This is the ‘public interest test’.
5. The Minister of Finance has agreed that the STAPP loan scheme is in the public interest. However, with respect to the detailed decisions on the ITO loan scheme, the Minister of Finance has transferred this statutory responsibility to you, due to a conflict of interest [T2020/2920 refers].

Policy advice provided on Inbound Tour Operators to date

6. ITOs are firms that coordinate tourism export activity, linking domestic wholesalers and overseas retailers of tourism services. They maintain these business relationships in major tourism markets to build and maintain a pipeline of high value visitation to New Zealand.
7. ITOs need to maintain some ability to prospect, build and maintain a pipeline of high value visitation to New Zealand. Many of the premium ITOs’ customer base is built on years of consistent relationship building and these activities need to continue while borders remain closed. In long haul markets, such as Germany and the UK, ITOs have long customer lead times, which can range from 9-18 months from first consideration of New Zealand as a destination through to arrival.
8. However, their ability to do so has been significantly diminished in the wake of COVID-19 and continued border restrictions. Since border restrictions were introduced, ITOs have cut back staffing levels by 80% and are operating at minimum viable levels.
9. On 24 July 2020, TRM decided to provide financial support to a number of these firms. The policy rationale was that this will enable this sector of the tourism market to resume activity quickly when New Zealand is able to open its borders to international tourists. Up to \$20 million was set aside for this purpose from the Tourism Sector Recovery Fund.
10. On 12 August 2020, TRM were provided a report with further advice from officials on the financial support to be provided to ITOs [MBIE briefing 2021-0516 refers, attached at **Annex Two**]. This report sought agreement to offer loan funding to 27 ITOs, and agreement to a tiered funding framework to determine the amount of loan funding available to each of these 27 ITOs.
11. TRM, except the Minister of Finance, have agreed to offer loan to 27 ITOS. As noted above, the Minister of Finance has a conflict of interest.

Assessing ITO loans against the public interest test

12. The PFA does not contain any express mandatory criteria that you must consider when assessing loans. In general, we recommend considering a range of factors including:
 - Background facts
 - Balance of public benefits and risks
 - Alternatives
 - Officials' advice
13. The report provided to TRM on 12 August set out a process followed by Tourism New Zealand (TNZ) to create the list of 27 strategic ITOs. This process involved drawing on TNZ's intelligence from overseas markets and consultation with the Tourism Export Council, and New Zealand Māori Tourism. MBIE endorsed the recommended list of ITOs, on the basis that the list covered a wide range of tourism export markets and market segments, and reflect a focus on high-value tourism.
14. The report also set out a recommended tiered funding approach for these 27 identified ITOs, based on the criteria developed by officials. This funding approach was applied to each of the 27 ITOs based on the estimated annual value each firm provided to New Zealand before COVID-19. The resulting recommended funding levels was summarised for Ministers in the annex of the report. It includes a brief summary of each business, including an assessment of the market segment it served and the other broader benefits it could provide (e.g cultural, environmental, regional dispersal).
15. The Treasury's view is this advice, already provided to TRM, provides sufficient information for you to exercise your judgment as the Acting Minister of Finance on whether the proposed loans to ITOs meet the public interest test under the Public Finance Act.

Delegation of authority to sign loans

16. If you agree that test is met, officials propose that you delegate the authority to sign each loan on behalf of the Crown to the Chief Executive of MBIE, via the Secretary to the Treasury and, to simplify the administration of the ITO loan scheme.
17. A draft delegation instrument is attached at **Annex One** with this briefing for your signature.

Next steps

18. Once you have signed the attached delegation instrument in **Annex One**, the Secretary to the Treasury will sub-delegate to the Chief Executive of MBIE the power to sign ITO loans and related documents. The Chief Executive of MBIE will then delegate this authority to the Head of Provincial Development Unit.

Annexes

Annex One: Delegation instrument (to be signed)

Annex Two: Briefing to Tourism Recovery Ministers on ITO decisions (12 August)

Annex One: Public Interest Test Letter (to be signed)

DELEGATION BY THE ACTING MINISTER OF FINANCE TO TREASURY SECRETARY

Date: 2020
From: Acting Minister of Finance
To: Treasury Secretary

1. Delegation

Pursuant to clause 5 of Schedule 6 of the Public Service Act 2020, I, the Honourable David Parker, **Acting Finance Minister**, as Minister responsible for the administration of section 65L of the Public Finance Act 1989 for the purposes of decisions on the grant of loans from the Crown to Inbound Tourism Operators under the Inbound Tour Operator (ITO) loan scheme, delegate to the **TREASURY SECRETARY** (and any person acting in such role from time to time), the authority to execute loan documents and do all other acts or things required to exercise or perform the Crown's rights and obligations in implementing decisions I have made under section 65L of the Public Finance Act 1989 to lend money to 27 persons or organisations under the ITO loan scheme.

2. Consent to sub-delegation

I, the Honourable David Parker, **ACTING MINISTER OF FINANCE**, consent to the sub-delegation by the **Treasury Secretary** pursuant to clause 2 of Schedule 6 of the Public Service Act 2020 of all or any of the authority and powers delegated by us in this instrument.

3. Term of delegation

This delegation shall come into effect on the date of its execution and shall continue in force until it is revoked (in full or in part) in writing.

SIGNED by the **ACTING MINISTER OF FINANCE**, the Honourable David Parker

Signature

In the presence of:

Signature of witness

Name of witness: _____

Occupation: _____

Address: _____

Annex Two: Briefing to Tourism Recovery Ministers on ITO decisions

RELEASED UNDER THE
OFFICIAL INFORMATION ACT