



BRIEFING

Strategic Tourism Assets Protection Programme (STAPP) Funding Agreement Conditions

Date:	7 July 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	3895 19-20

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 of Māori Development Minister of Local Government Hon Eugenie Sage Minister of Conservation Fletcher Tabuteau Secretary of Regional Economic Development	<p>Agree that STAPP Funding Agreement Conditions will be structured in relation to the four capitals (financial/physical, natural, human and social).</p> <p>Agree that successful STAPP applicants will identify at least one indicator per capital that is most relevant to their operations and which they will be able to demonstrate meaningful progress against as part of their regular reporting.</p> <p>Agree that monitoring of progress against agreed indicators will rely on a high-trust model informed by self-reporting by successful STAPP applicants</p> <p>Agree that the general approach to conditionality be announced as part of the initial STAPP announcement on 22 July 2020 (tentative date).</p>	9 July 2020

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Saskia Vervoorn	Manager, Tourism Policy	04 896 5723	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Advisor, Tourism System and Insights	Privacy of natural persons		
Privacy of natural persons	Senior Policy Advisor, Tourism System and Insights	Privacy of natural persons		

The following departments/agencies have been consulted

Tourism New Zealand, Department of Conservation, Ministry of Culture and Heritage, Te Puni Kokiri, the Ministry for the Environment, Treasury have been consulted on the conditions listed in this paper.

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

This briefing seeks agreement from the Tourism Recovery Ministers on the process for determining Strategic Tourism Assets Protection Programme (STAPP) Funding Agreement Conditions.

Recommended action

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

- a. **Agree** that STAPP Funding Agreement Conditions will be structured in relation to the four capitals (financial/physical, natural, human and social), with a selection of 3-4 possible indicators per capital.

Agree/ Disagree

- b. **Agree** that successful STAPP applicants will identify at least one indicator per capital that is most relevant to their operations and which they will be able to demonstrate meaningful progress against as part of their regular reporting.

Agree/ Disagree

- c. **Note** that officials will report back to you on the full suite of conditions once these have been agreed with relevant agencies.

Noted

- d. **Agree** that monitoring of progress against agreed indicators will rely on a high-trust model informed by self-reporting by successful STAPP applicants.

Agree/ Disagree

- e. **Note** that MBIE will report regularly on these indicators through the STAPP Dashboard reporting process.

Noted

- f. **Note** that MBIE's ability to enquire into and enforce the STAPP funding agreement conditions outlined in this paper will be limited by resourcing constraints and the large number of funding agreements administered.

Noted

- g. **Note** that should ministers wish to pursue a more intensive compliance model, officials will need to engage significant auditing expertise and will require funding accordingly.

Noted

- h. **Agree** that the general approach to conditionality be announced as part of the initial STAPP announcement on 22 July 2020 (tentative date).

Agree/ Disagree

Saskia Vervoorn
Manager, Tourism Policy
Labour, Science and Enterprise, MBIE

7 / 7 / 2020

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

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

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

Fletcher Tabuteau
**Secretary of Regional Economic
Development**
..... / /

Hon Nanaia Mahuta
**Minister of Māori Development
Minister of Local Government**
..... / /

Background

1. Tourism Recovery Ministers agreed that conditionality should be 'embedded in the design of the STAPP to ensure assets are operated in a manner that aligns with the government's key social, economic, cultural and environmental policies'. [Briefing 3344 19-20 refers]
2. Three STAPP funding agreements are already in place. These agreements have a requirement to 'agree measurable and achievable Tourism Strategy Objectives for the Tourism Asset' before the completion of the funding agreement. Examples of objectives provided in the funding agreement wording include (without limitation):
 - a. Payment of living wages;
 - b. Commitment to encouraging staff to develop and thrive;
 - c. Commitment to reducing carbon emissions and waste management;
 - d. A record of having maintained and encouraged community engagement;
 - e. Willingness to educate visitors on the importance of protecting and restoring the natural environment.
3. During the STAPP application phase, it was noted that there would be conditions associated with STAPP support and that these would form part of contract negotiations. This briefing outlines the types of conditions that will be included.
4. On 23 June MBIE officials met with Tourism New Zealand, the Department of Conservation, the Ministry for the Environment, Te Puni Kōkiri, the Ministry of Culture and Heritage and received written feedback from Treasury on a set of draft conditions in order to formulate this advice.

Tourism context for conditions

5. In designing STAPP funding agreement conditions, there are a number of important considerations including:
 - a. the current economic context resulting from the disruption of COVID-19;
 - b. that the STAPP is intended to support firms to operate at minimum viable operations, and that given the broad operating environment, it is unlikely that tourism businesses are able continue as usual;
 - c. that applicants to the STAPP are at different stages of making their operations more sustainable;
 - d. that tourism system settings play a role in firms' ability to conduct more sustainable practice;
 - e. that at the time of applying firms were not aware of the specifics of conditions and will not have built any costs associated with complying into their request for support.
6. There are also a number of existing mechanisms, such as the Tourism Industry Aotearoa Tourism Sustainability Commitment, active in the tourism industry for tourism businesses to set and demonstrate progress against goals for improving the sustainability of business practices. In addition, Qualmark is the industry quality certification scheme that includes some goals related to the environment, culture and community. There are also a vast range of sustainability accreditation schemes internationally, some connected with the United Nations Sustainable Development Goals.

7. MBIE officials consider that the STAPP funding agreements offer an opportunity for sustainability conditions to support existing initiatives and incentivise step change. Conditions could be piloted with the potential for use in other funds the tourism branch administers in the future.
8. As well as consulting relevant government agencies, MBIE has tested the following approach with the chairs of the Tourism Futures Taskforce, and they are supportive of the general approach.

Process

9. The approach of applying conditions to STAPP Funding Agreements should recognise that not all of the applicants will be equal in terms of size and capability to make progress, and have may be starting from different baselines. Officials propose to tailor conditions to the individual circumstances of the STAPP applicants.
10. During the funding agreement phase next week, successful STAPP applicants would be asked to examine the list of conditions and choose at least one from each of the four capitals that would be achievable for them, over the length of the contract. A draft list of the types of conditions can be found in Annex I.
11. Pending your approval, the general approach to conditionality (that it will be structured around the four capitals, not the specific indicators) will be announced as part of the initial STAPP announcement on 22 July 2020 (tentative date).
12. MBIE will work with relevant agencies to agree a final suite of indicators to be presented to contract holders with their draft funding agreements.
13. The STAPP funding agreements to date have a quarterly reporting requirement. Reporting requirements will be outlined for these conditions at the appropriate frequency, for example either quarterly or by the end of the contract. Officials anticipate that monitoring will be based on a high-trust model informed by self-reporting by contract holders.
14. The means by which contract holders will be able to demonstrate progress against the selected indicators will vary, particularly in light of the context as outlined above.
15. There is a risk that some conditions could have unintended consequences on STAPP applicants. To mitigate this risk, officials will work with MBIE legal team and others to ensure this is considered as much as possible in the early design of conditions, and build-in the ability to work with successful STAPP applicants to adapt the conditions during the contract period if they are having an unintended consequence.
16. MBIE's ability to enquire into, and enforce the STAPP funding agreement conditions will be limited, due to resourcing constraints around the number of funding agreements administered. However, we will be able to undertake random auditing.
17. MBIE will report to the Tourism Recovery Ministers through the STAPP Dashboard. Progress against indicators will in some cases be a yes/no answer. In other cases, where progress is relative to a baseline measure, any improvement will be assessed as being compliant. Tailored progress measures are not possible at this scale in the time available. The different possible compliance models are outlined in Annex I.
18. A more intensive compliance model would require MBIE to contract in specialist auditing expertise. Given the number of contracts anticipated to be administered (between 50 and 145) this would be resource intensive and require additional funding.

ANNEX One: Examples of conditions framed on the four capitals

Capital	Tourism impact to address	Draft condition (mitigating mechanism)
Physical/financial	Unsustainable supply chains	Sustainable supply chain/purchasing policies or plans
	Unsustainable infrastructure (relevant to any funding that is going toward infrastructure upgrades/improvements)	Any maintenance, upgrades or improvements to infrastructure or facilities uses sustainable construction and design methods and protects or restores the natural and cultural surroundings
Human	Low paid employment	Payment of at least the living wage by the end of the contract period
	Low skilled employment	Commitment to encouraging staff to develop and thrive, e.g. development plans are in place for all employees that include supporting employees to progress toward obtaining an NZQA recognised qualification (unit standard or full qualification) in tourism, heritage, culture or another relevant field
	Inequitable workforce	Diversity/equity policies, reporting and practice improvements
	Reliance on non-local workforce	Local residents are employed or encouraged to take up employment at all levels of the organisation (as appropriate)
	Seasonal employment	Seeking to develop business to offer year round tourism jobs (per Tourism Growth Partnership)
Natural	Crowding / congestion / noise	Efforts are made to encourage dispersal of visitor flows (daily, weekly, seasonally)
	Visitors not respecting environment	Tiaki collateral is incorporated into business premises and materials to support visitors to understand expectations of them
	Physical impact on environment	Identified and evaluated environmental issues resulting from business activities (including environmental emergencies)
	Solid waste	A waste mitigation, reduction and management plan is developed and the firm is actively measuring and monitoring against it
	Greenhouse gas emissions	Carbon and other emission reduction planning
	Water use	Water management and reduction planning in place
	Biodiversity endangerment/ disruption	The business contributes positively to the natural assets it operates on or minimises or rehabilitates any disturbance or disruption caused by business activity

	Wastewater	Wastewater management, including gray water, to minimise, treat and reuse where possible
Social	Māori cultural competency (risk of commodification etc)	Engaging with local iwi and hapū about the incorporation of Māori culture into business practices
	Displacement / intrusion	Efforts will be made to ensure that local community members are not unduly displaced or impacted by visitors
	Lack of local collaboration	Participate in local destination management planning activity to collaboratively manage the impacts of tourism on the destination
	Social licence	Community is actively involved in or engaged with on tourism business developments/activities
	Visitors dissatisfied	While the applicant will likely be a business that has proven high levels of visitor satisfaction, post-Covid preferences and perceptions may change. (Domestic visitors may experience the offering differently than international visitors)

Options for compliance models:

- a. Actionable: These are conditions that are within the firm's ability to control and will be actionable within the first year. Examples include:
 - i. Payment of at least the living wage by the end of the contract period.
 - ii. Tiaki collateral is incorporated into business premises and materials to support visitors to understand expectations of them.
- b. Planning: These are conditions where planning can occur in the short term for change over a longer period of time, with progress reporting during the contract period. Examples include:
 - i. A waste mitigation, reduction and management plan is developed and the firm is actively measuring and monitoring against it.
 - ii. Development plans are in place for all employees that include supporting employees to progress toward obtaining an NZQA recognised qualification (unit standard or full qualification) in tourism, heritage, culture or another relevant field.
- c. Contributing: These are conditions where the firm will not directly be able to resolve an issue, such as social licence, but where they can participate in larger scale change programmes.
 - i. Participate in local destination management planning activity to collaboratively manage the impacts of tourism on the destination.