



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Title of Cabinet paper	Approval for the COVID-19 Events Transition Support Payment Scheme	Date to be published	On 20 December 2021

List of documents that have been proactively released		
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Information redacted

NO

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In Confidence

Office of the Minister of Economic and Regional Development

Cabinet

Approval for the COVID-19 Events Transition Support Payment scheme

Proposal

- 1 This paper seeks Cabinet agreement to establish the COVID-19 Events Transition Support Payment scheme (ETSP) to provide confidence to event organisers to continue planning events over the summer period (1 December 2021 – 3 April 2022).¹

Relation to government priorities

- 2 The proposals in this paper directly support the Government's broader COVID-19 economic response through *Continue to keep New Zealand safe from COVID-19* and *Accelerating the recovery and rebuild from the impacts of COVID-19*. Events play a key part in supporting social cohesion and wellbeing and are economically significant to regions. Providing confidence to the event sector in the current uncertain environment is imperative to support the sector's recovery and long-term viability in New Zealand. It will also deliver spill-over benefits to other allied sectors such as tourism and hospitality.

Issue identification

- 3 Decisions are being made now about the viability of events due to be held over the peak summer period. Over the next couple of weeks, the organisers of many events scheduled during this time are nearing the beginning of their 'risk window' and will make decisions about whether to cancel or proceed. An immediate solution is needed to plug this gap while the country transitions into the new COVID-19 Protection Framework (CPF).

Executive Summary

- 4 I am acutely aware of the uncertainty that current Alert Level settings are posing for the events sector and that many events, including large-scale summer festivals, have signalled they will need to cancel in the coming weeks without any assurance from the Government. Summer events, including festivals, are crucial for the economic and social well-being of our regions. As COVID-19 settings will only allow vaccinated attendees, they are also a tool for encouraging more New Zealanders to get vaccinated.
- 5 I propose setting up an immediate bespoke grant-based support scheme – the COVID-19 Events Transition Support Payment (ETSP) scheme – that provides these events

¹ The end-date of 3 April 2022 has been selected to reflect the end of Daylight Saving Time, which is effectively the end of the summer season.

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with certainty that support will be available if they need to cancel or postpone due to an escalation in public health settings. I propose that Cabinet agree to the following parameters of the ETSP scheme:

- 5.1 The overall objective of the scheme is to provide confidence to event organisers that they can continue to plan to deliver events over the summer period;
- 5.2 The need for payment will only be triggered in the instance that an event is prohibited from operating due to public health restrictions at the time of the event;
- 5.3 There will be no discretion in determining eligibility, and an agreed set of criteria will provide the definitive determination of eligibility;
- 5.4 Support would be for events of the scale of either:
 - 5.4.1 more than 5,000 in-person attendees (recommended); or
 - 5.4.2 more than 2,000 in-person attendees, with events between 2,000 and 5,000 attendees required to demonstrate expected gross revenue of at least \$250,000.
- 5.5 The scheme will only apply to events scheduled over the summer period (1 December 2021 – Sunday 3 April 2022);
- 5.6 The level of coverage provided will be either:
 - 5.6.1 eighty percent of eligible unrecoverable costs (recommended); or,
 - 5.6.2 one hundred percent of eligible unrecoverable costs.
- 6 It is important to note that, should New Zealand not reach the required vaccination rates, and if the current public health settings continue at Alert Levels 2 and 3 (or RED level) throughout the summer period, officials anticipate that all events under the ETSP scheme would need to be cancelled or postponed and will therefore be able to claim for the ETSP support. For events of the scale that the ETSP is intended to support, the public health settings would need to be at either Alert Level 1 or, ORANGE or GREEN level under the CPF for the events to go ahead.
- 7 There are significant limitations to the data available making estimating the costs of the proposal challenging. This is because there is insufficient information on:
 - the number of events that would be eligible for ETSP support;
 - the costs associated with these events; and
 - the potential financial impacts linked to public health restrictions.
- 8 I propose establishing an appropriation with \$200 million, to fund the ETSP with the option to increase the appropriation if public health restrictions are such that the funding is exhausted prior to closure of the scheme. The funding should not be required if public health settings enable events to be held.

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Background

- 9 Large events are a key driver for economic and regional development, as well as domestic and international tourism. Events also deliver benefits across the capitals of the Living Standards Framework and contribute to the wellbeing of New Zealanders, helping to improve social cohesion, community spirit and pride, develop a stronger identity and sense of place, and improve cross-cultural awareness and understanding. As COVID-19 settings will only allow vaccinated attendees at large events, they will also be a tool for encouraging more New Zealanders to get vaccinated.
- 10 There are a number of unique factors contributing to the significant impact of COVID-19 on the event sector. Under the current alert level framework, Alert Levels 3 and 4 prohibit in-person gatherings and require complete closure of sites and venues. The recent Delta Alert Level 2 restrictions on gathering sizes and social distancing requirements mean that many events are also no longer financially viable or logistically feasible at Alert Level 2.
- 11 Event delivery business models present limited avenues for spreading risk by diversifying offerings across other revenue generating opportunities. This means that event delivery entities typically only generate revenue on delivery of an event despite incurring significant costs in advance.
- 12 This ‘risk-window’ gets particularly challenging the closer an event organiser gets to delivery; approximately four to six weeks ahead of the event. When restrictions are already prohibitive, decisions to cancel have to be made early, as the costs become too much to carry. At the same time, a quick shift up in Alert Level settings can result in cancellation of an event with no opportunity to recoup those costs or generate any revenue.
- 13 The significant risks associated with this and the lack of any insurance options for coverage of Alert Level shifts mean that event organisers need to make imminent decisions on the financial viability of events scheduled for this summer. Key representatives from the event sector have signalled that events will need to cancel in the coming weeks without any assurance from the Government. Many large summer events have already made the decision to postpone or cancel due to the uncertainty. The sector wants to deliver their summer events and is reluctant for events to be cancelled.
- 14 At Cabinet on 1 November 2021, I spoke about the need to provide urgent support for the event sector. I propose that Cabinet agree to an immediate support package that will provide event organisers with certainty that support will be available for large-scale, regionally significant events if they need to cancel or postpone due to an escalation in public health settings over the summer period.

Proposed short-term support package – COVID-19 Events Transition Support Payment scheme

- 15 I propose that Cabinet agree to establish a bespoke grant-based scheme – the COVID-19 Events Transition Support Payment scheme (ETSP) – to provide confidence to the events sector to continue planning events over the summer period.

- 16 I consider a grant-based scheme to be the most effective tool to deliver certainty to the sector and enable support to reach events in a timely way when the payment threshold is triggered.
- 17 The design of the scheme would seek to minimise economic distortions and discourage perverse incentives, as well as being time-limited to reduce disruption to the private market. I propose a two-step process, where event organisers can receive confirmation that they meet the criteria and are eligible for the ETSP, then if cancellation or postponement is required due to public health settings at the time of the event, a more detailed financial assessment is made.
- 18 A grant would be paid out to event organisers to support eligible unrecoverable costs, up to a certain percentage of total unrecoverable costs, in the instance an event is prohibited from operating due to public health restrictions. To avoid double-dipping and administrative complexity, payment would be provided through event organisers, and be distributed through the supply chain, as appropriate, to ensure vertical coverage.
- 19 I also propose that there be built in review points to assess whether the scheme is fit-for-purpose and whether any tweaks are required, particularly as the country transitions to the COVID-19 Protection Framework (CPF) and changes to the broader financial support settings are made.
- 20 It is important to note that the status quo public health settings around the country (a combination of Alert Levels 2 and 3) will immediately trigger the threshold for eligibility from 1 December 2021. The number of events around New Zealand which are still scheduled to be held in the first weeks of December that would be eligible for the ESTP is small, but may include events such as Synthony No.3 on 4 December in Auckland. To enable large events to proceed, the public health settings would need to be at Alert Level 1, CPF ORANGE level, or CPF GREEN level prior to 1 December 2021.

Proposed eligibility criteria for the ETSP

- 21 I recommend that a definitive set of criteria is used for determining eligibility for a payment. Agreement of the criteria upfront will remove any discretion and uncertainty associated with eligibility. This is important for avoiding the challenges associated with the implementation of previous funding packages, such as the Wage Subsidy Scheme and the Strategic Tourism Assets Protection Programme (STAPP), whereby discretion to determine eligibility ultimately led to the sector challenging the decisions.
- 22 I recommend that Cabinet agree that there will be no discretion in determining eligibility, and that the following set of criteria will comprise a definitive determination of eligibility.
- 23 I propose that the triggers for when events are eligible to make a claim against the scheme are limited to the escalation in public health restrictions that prohibit delivery of an event. It is expected that New Zealand, or parts of New Zealand, will transition to the new CPF during the period for which this scheme will be operational.

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Therefore, it is important that the triggers for eligibility cover scenarios under both the current Alert Level framework and the new CPF.

- 24 I propose that the triggers for payments are when an event must be cancelled or postponed due to one of the following:
- 24.1 **event is located** in an area that is operating under Alert Level restrictions, which explicitly prohibit the event from occurring (Alert Level 2 or higher on the date/s of the event); or
 - 24.2 **event is located** in an area that is operating under the CPF and is at RED level or a localised lockdown on the date/s of the event; or
 - 24.3 **at least 50 percent of tickets/paid registrations** have been sold to attendees located within an Alert Level 3 or higher boundary or within a CPF RED level or localised lockdown area on the date/s of the event (assuming regional boundary restrictions are in effect); or
 - 24.4 **the main artist(s)/subject(s) of the event²** are located within Alert Level 3 or higher boundary or within a CPF RED Level or localised lockdown area on the date/s of the event (assuming regional boundary restrictions are in effect) and are prevented from attending and/or being transported to the event.
- 25 The above criteria are likely to cover the main scenarios that would result in cancellation or postponement of an event due to public health restrictions. Events will only be eligible to make a claim for the ETSP if there is certainty that one of the above triggers will be met on the date of the event. For example, an explicit Government announcement that the event location will be at Alert Level 2 or higher, or CPF RED level, or under a localised lockdown for the particular date/s of the event.
- 26 The events sector has also requested the addition of further eligibility criteria, such as failure to obtain MIQ capacity for primary artists or subjects, and low-ticket sales as a result of public health measures. I do not support widening the criteria to include these broader triggers as they will result in perverse decision-making, inequitable outcomes for New Zealanders unable to obtain MIQ spaces, and extend support beyond that which is fair and reasonable at this point in the pandemic cycle.
- 27 The sector has also requested that the ticket sales threshold be lowered to twenty-five percent of tickets/registrations sold to attendees located within an area under restricted public health settings. I recommend a fifty percent threshold to ensure that only events that are likely to suffer reasonable losses if prohibited from operating are eligible to apply.
- 28 It is important to note that should the current public health settings continue throughout the summer period; officials anticipate that all eligible events will need to be cancelled or postponed and will therefore be able to claim for the ETSP. For events of the scale that the ETSP is intended to support to proceed over the summer period, the public health settings would need to be relaxed beyond the status quo. An example

² The main artist(s)/subject(s) of events are not an exempt category for the purposes of travel across regional boundaries.

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of an event that may be eligible in early December if public health settings remain at the status quo is Synthony No 3, due to be held in Auckland on 4 December 2021 (assuming expected attendees reach the eligible threshold).

- 29 In addition to the triggers for eligibility, I recommend the following criteria apply to ensure the payment is targeted at events that are regionally significant and is distributed in an equitable way:
- 29.1 Support be provided for events of the scale of either:
 - 29.1.1 **Option one (recommended):** over 5,000 in-person attendees (approximately 200 – 250 events); or
 - 29.1.2 **Option two:** over 2,000 in-person attendees (approximately 250 – 350 events) with events between 2,000 and 5,000 attendees required to demonstrate expected gross revenue of at least \$250,000.
 - 29.2 Event date must be scheduled to begin between 1 December 2021 and 3 April 2022.
 - 29.3 Event must have been actively in the market, where tickets or registrations are for sale, or have been advertised, prior to the announcement of this scheme. This will mean the scheme is only used for events where the event organiser has already entirely committed to delivery.
 - 29.4 Event must be public facing (ie open to the public and in New Zealand). This will ensure private functions are not captured. However, it will also consequently exclude most business events, such as large in-house corporate events.
 - 29.5 Event must be organised by a New Zealand registered organisation (eg an entity registered with the Companies Office or a charitable organisation).
 - 29.6 Event must not be solely delivered by local government and other public authorities (but can be partly funded by those authorities, although any costs incurred by local government would not be eligible for recovery).
 - 29.7 Event must not be currently receiving funding through the Major Events Fund or receive similar funding for future event resilience from the Ministry for Culture and Heritage (which is currently being designed) for the same period, nor have an agreement in place with underwriting of eighty percent or more of unrecoverable costs from local government or another insurer. For example, this would mean that World of Music, Arts and Dance (WOMAD) may be eligible but would not be able to use this scheme to recover costs already insured by their underwrite from the New Plymouth District Council.
 - 29.8 Event must require the use of COVID-19 vaccination certificates.
 - 29.9 Event organisers can only apply once for cancellation and once for postponement per event. This will avoid events drawing on the scheme multiple times for multiple postponements and to incentivise cancellation decisions where it is the most appropriate outcome.

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- 30 My officials have tested this set of criteria with key industry representatives, all of whom were supportive of most of the criteria. Some industry representatives raised concerns about allowing only one application per event once for cancellation and once for postponement. I am confident that this limitation is necessary to maintain the scheme within a fiscally manageable level.

Scale of events to be covered

- 31 The set of criteria above will ensure eligible events must be live, public facing events which have in-person audiences or participants. The number of confirmed or expected in person attendees (tickets sold or average attendance over the past three iterations of the event) must reach at least the minimum threshold (either 2,000 or 5,000) and events must be held at a single location to be eligible.
- 32 Multi-day events, or events with multiple performances, taking place at a single location would be eligible where the cumulative number of attendees meets the minimum threshold across the whole of the event. However, multi-day events must occur on consecutive days in order to be eligible (eg cannot be spread across multiple weekends).
- 33 Officials consider that most events with over 5,000 attendees will already be considered 'regionally significant' for the host region due to the scale of the event. Limiting support to events over 5,000 pax will exclude some smaller summer events held outside the main centres, such as Nest Fest music festival in Hawke's Bay (approximately 4,000 pax), Rolling Meadows music festival in Canterbury (approximately 4,000 pax) and the East Coast Farming Expo which may be economically significant to their host regions. However, if Option two (events over 2,000 attendees) is agreed, it will also likely bring many events within scope of the scheme that are not regionally significant.
- 34 Therefore, if Option two (events over 2,000 attendees) is agreed, I propose that an additional eligibility rule apply to events between 2,000 and 5,000 attendees. I recommend requiring an expected gross revenue threshold of \$250,000 per event. This threshold aligns with other similar events support schemes overseas and is likely to target support at events with higher levels of attendance or at events that bring economic benefit to a region through higher turnover. This rule would essentially limit support for smaller events to those events with higher priced tickets.

Time-period for event eligibility

- 35 I propose that the scheme will be time-limited and seek to cover events over the summer period, from 1 December 2021 to events starting on or before Sunday 3 April 2022 (the end of Daylight Saving Time which is effectively the end of the summer season). Limiting support to events over this period aligns with the anticipated period during which there may be continued uncertainty until we transition to the new CPF and with broader considerations regarding ongoing support for businesses following transition to the CPF.
- 36 The event sector has proposed that events up to the Easter period (18 April 2022) should also be covered by the scheme, however I do not consider this to be aligned with the intent of the scheme which is provide certainty for events over the peak

summer season while we transition to the CPF. Some events in April 2022 that would not be eligible include the Rod Stewart Tour, Six60's Auckland show, and the Christchurch Marathon.

- 37 I propose that events previously scheduled over the eligible time-period that have already announced cancellation or postponement ahead of the announcement of the ETSP scheme are not eligible for support through the scheme. Only events that cancel or postpone following announcement would be eligible.

Proposed parameters of the ETSP

- 38 I propose that Cabinet agree to the following parameters of the COVID-19 Events Transition Support Payment scheme (ETSP):
- 38.1 Event organisers will submit one application per event on behalf of all suppliers to the event.
 - 38.2 Grants will be paid as a lump sum post cancellation/postponement, following confirmation of eligibility and financial assessment.
 - 38.3 Event organisers must apply and demonstrate the value of eligible unrecoverable sunk costs (eg venue costs, artist fees). Where a claim is made for postponement of an event, only costs associated with postponement will be eligible for coverage.
 - 38.4 Only eligible unrecoverable costs will be covered (ie costs that are directly associated with the event, and cannot be transferred to the postpone date, with lost profits not eligible to be recovered)
 - 38.5 Eligible unrecoverable costs can include costs incurred prior to announcement of the scheme, to ensure equity for events to be held across the summer period and not favour events to be held later in the summer that will carry a wider cost window.
 - 38.6 The level of coverage provided will be either:
 - 38.6.1 **Option one (recommended):** eighty percent of eligible unrecoverable costs; or,
 - 38.6.2 **Option two (sector's preference):** one hundred percent of eligible unrecoverable costs.

Scope of costs to be covered by the ETSP

- 39 I consider there are two options for the level of eligible unrecoverable costs the Government would pay to event organisers if the eligibility criteria is triggered: eighty percent, or one hundred percent.
- 40 Sector representatives have indicated a preference for one hundred percent of unrecoverable costs to be covered by the Government to provide total confidence to the sector that costs will not be lost in the event of postponement or cancellation. This

is to recognise that normal cancellation insurance (eg for weather) which would otherwise be available would usually cover lost profit as well as unrecoverable costs.

- 41 I do not recommend contributing one hundred percent of eligible unrecoverable costs as I consider it will lead to perverse decision-making and result in the Government covering costs that would otherwise have been covered by others (such as local government or other insurers). Ensuring the sector cover a proportion of the costs will reduce the moral hazard risks, ensure a shared burden model with the sector, reflect normal insurance models whereby the insured party contributes to the costs (via premiums and excess payments) and align with other broad-based COVID-19 economic measures that seek to share the economic burden between Government and businesses.
- 42 The types of unrecoverable costs covered by the ETSP include costs directly associated with the event, such as deposits, venue costs, site build costs and artists fees with proof that the costs are not able to be recovered (such as invoices). It would not cover indirect costs of hosting the event (such as shareholder salaries) or costs able to be transferred to a revised event date (such as non-perishable goods).
- 43 The eligibility criteria will also ensure that costs that are eligible to be recovered via alternative government or local government mechanisms, such as wage costs recoverable through the Wage Subsidy Scheme or costs underwritten by local government, would not be eligible unrecoverable costs for the purposes of this scheme.
- 44 In relation to 38.1, financial support provided should be distributed throughout the supply chain. I recommend that only one applicant (event organiser) should be eligible to apply for support. This person or entity will be the "primary applicant" and will be required to ensure that any contractual arrangements that may exist between themselves and other "related parties" are honoured in line with payments made through the scheme.
- 45 The primary applicant will be required to demonstrate the eligible unrecoverable costs, but this will need to be verified by all relevant suppliers to ensure that it accurately reflects the costs that are incurred. The primary applicant will submit a declaration that the payment arrangements have been agreed to by all eligible parties and will ensure the ETSP is distributed accordingly through the supply chain.
- 46 I do not recommend a 'go-forward' option, whereby eligible unrecoverable costs must be incurred after the announcement of the scheme. While this will disadvantage events that have already cancelled or postponed prior to announcement of this scheme, limiting coverage to costs incurred from the date of announcement is inconsistent with the objective of the scheme and would primarily disadvantage events in the peak New Year period. This is due to the business model of events, where the majority of costs are incurred 4-6 weeks ahead of the event. The potential fiscal savings from a 'go-forward' option are therefore likely to be minimal.

Interactions with other COVID-19 economic support measures

- 47 There are interactions with other COVID-19 economic support measures, particularly the Resurgence Support Payment (RSP) and the Wage Subsidy Scheme (WSS), and I

consider there is a risk in over-supporting the sector through the different schemes. These interactions should be considered carefully. Cabinet will soon consider the future of the WSS and RSP in the CPF and therefore I propose that Cabinet delegate authority to responsible Ministers to make detailed decisions on the interactions between the ETSP, WSS and RSP to ensure appropriate support is provided.

Tax treatment

- 48 I consider businesses should not be subject to income tax on amounts they receive on the ETSP grants, nor should they be able to claim deductions for expenditure funded by those payments. This is consistent with the standard income tax treatment of Government grants.
- 49 I recommend GST-registered businesses should pay GST on payments they receive under the ETSP, with those businesses being able to claim input tax deductions for the relevant expenditure. This is consistent with the standard GST treatment of Government grants, such as the RSP.

Business events

- 50 It is unlikely that any business events will fall within scope of the proposed ETSP, particularly as they are not public-facing events. The business events sector has also informed me that it operates on a different cycle to other events, with the peak season starting in March and the low season over the summer period.
- 51 Like summer festivals, the business events sector has continued to request support from the Government to provide the sector with certainty to plan events. The business events sector already considers they have been largely ignored in previous COVID-19 support packages and they will be deeply disappointed that the ETSP scheme will not deliver outcomes for its members.
- 52 I will continue to engage directly with business events sector representatives to understand the impact of potential public health setting changes over the summer season. I anticipate that when we reach the peak season of business events, from March 2022 onwards, there will be greater certainty of public health settings to enable organisers to transition business models and adjust to the ongoing public health settings. In the event that public health settings are still posing certainty challenges as we near the equivalent “risk window” for the business event peak season, I will seek advice on how best to support business events at that point.

Implementation

- 53 MBIE will utilise its existing All-of-Government service agreement with a preferred provider to contract application and claims assessment services as required, to deliver the ETSP.
- 54 The provider will provide a two-step verification process for the delivery of the ETSP. The first step is an eligibility assessment conducted by the provider to confirm or deny an event’s eligibility for support, subject to a trigger event and appropriate financial checks. The second step is a claim assessment conducted by the provider, if the specified criteria for pay-out is met.

55 Officials expect that the preferred provider will be in a position to accept applications for the eligibility assessments from events from announcement, in preparation for events taking place over the summer season.

Lessons from the Strategic Tourism Assets Protection Programme (STAPP)

56 In 2020, the Tourism Recovery Ministers Group established the STAPP to protect the tourism assets critical to New Zealand’s tourism landscape. Earlier this year, the Office of the Auditor General (OAG) announced an inquiry into aspects of the STAPP and the outcome of that inquiry is due shortly.

57 There are lessons learned from the STAPP, as well as similar risks to be aware of when establishing the ETSP, such as having eligibility, assessment criteria and processes that are not open to debate. In addition, having a clear way to identify outcomes (such as an eligibility criteria) can help to avoid any subjectivity.

Financial Implications

58 There are significant limitations to data available on the number of events that would be eligible for ETSP and the costs associated with these events. The event number estimates in Table One below are based on a 2020/21 New Zealand Event Calendar (November 2020 – March 2021), created only to give a high-level understanding of where large gatherings of people would be taking place during that summer season. It is not exhaustive; as an example, it does not include business events.

59 The estimated costs in Table One below assume that event organisers incur an average sunk cost. My officials have tested the number of events and average level of non-recoverable costs with the sector and have incorporated their feedback. However, due to the broad scope of the proposed support package, it is likely that there may be more events not included in these estimates.

Table One: Average unrecoverable costs per event

Option	Number of events	Average unrecoverable cost per event
Over 2,000 pax	250 – 350	\$0.7 million
Over 5,000 pax	200 – 250	\$1.2 million

60 The average unrecoverable cost per event in Table Two below is used to estimate the upper bound cost to Government to cover all events at either eighty or one hundred percent of unrecoverable costs. It is important to note that these estimates assume that all events over the four-month period are cancelled and the Government has paid out the portion of costs to all eligible events. It is unlikely that all events will be cancelled and therefore these estimates should be treated as an upper bound.

Table Two: Indicative fiscal estimates (upper bound)

	Number of events	Costs if coverage is 80% unrecovered costs	Costs if coverage is 100% unrecovered costs

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Over 2,000 pax	250 – 350	\$240 – 350 million	\$300 – 430 million
Over 5,000 pax	200 – 250	\$210 – 300 million	\$270 – 365 million

61 Due to the uncertainty around public health restrictions, I recommend that Cabinet agrees to set up an appropriation with a set amount of funding, such as \$200 million, that can be topped up if needed, depending on public health restrictions and any updates to broader government support settings. This is a similar approach to the RSP.

Administrative costs

62 MBIE has informed me that up to \$2 million will be required for MBIE and the preferred provider to operationalise the ETSP. Once costs are finalised, if there are unspent funds, MBIE will report to the Ministers of Finance and Economic and Regional Development.

Legislative Implications

63 There is a risk that the ETSP may constitute an indemnity. The Minister of Finance, as the Minister responsible for the administration of the Public Finance Act 1989, is the Minister with the statutory power under section 65ZD of that Act to grant guarantees and indemnities if he determines it to be necessary or expedient in the public interest to do so.

64 To the extent the implementation of the ETSP constitutes an indemnity, the ETSP will be subject to the Minister of Finance making a decision under section 65ZD of that Act as to whether to grant that indemnity. This decision is expected to occur prior to announcement.

65 There are no further legislative or regulatory impacts due to the proposals in this paper.

Regulatory Impact Statement

66 There are no regulatory proposals in the paper, and therefore Cabinet’s impact analysis requirements do not apply.

Climate Implications of Policy Assessment

67 There are no climate implications arising from proposals in this paper.

Population Implications

68 There are no population implications arising from the proposals this paper.

Human Rights

69 There are no human rights issues arising from the proposals in this paper.

Consultation

- 70 The Treasury, Department of Prime Minister and Cabinet, Sport New Zealand, Ministry for Culture and Heritage, and Ministry of Foreign Affairs and Trade have been consulted on the proposals in this paper.
- 71 I have also met with representatives from the event sector to hear stakeholder views about what they consider appropriate support. Subsequently, MBIE has also tested the proposals in this paper with representatives from the events sector and feedback has been noted throughout the paper. Stakeholders are broadly supportive of the proposals although their strong preference is for support to cover one hundred percent of unrecoverable costs.
- 72 I am aware that the Ministry for Culture and Heritage (MCH) is currently designing a future event resilience fund with a value of up to \$22.5 million to provide confidence to the cultural sector to plan and host events in the initial months following the transition to the CPF. I understand this fund is expected to focus on smaller scale cultural sector events and performances with an objective to protect and retain the cultural sector workforce and physical venue infrastructure. I do not anticipate any overlap or duplication between this proposal and that fund.

Communications

- 73 I intend to announce the outcome of Cabinet's decision as soon as practicable after it is made, in consultation with the Prime Minister and Minister of Finance. MBIE will also inform the sector of the outcome following announcements being made public.
- 74 Following announcement, MBIE will have a page on its website that sets out the parameters of the scheme and eligibility criteria for potential applicants. An email address will be made available through which questions can be raised.

Proactive Release

- 75 This paper will be proactively released with any appropriate redactions as soon as practicable after public communication of the scheme.

Recommendations

The Minister for Economic and Regional Development recommends that Cabinet:

- 1 **note** that due to uncertainty about the impact of Alert Levels and the new COVID-19 Protection Framework (CPF) settings on whether events can be held over summer, many organisers of events, including large-scale summer festivals, have signalled they will need to cancel without any assurance from the Government;
- 2 **note** that event organisers are having to make decisions now about the viability of delivering summer events;
- 3 **note** that summer events, including festivals, are crucial for the economic and social well-being of our regions and are also a tool for encouraging more New Zealanders to get vaccinated;

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- 4 **agree** that government support is needed to provide confidence to the event sector to continue to plan and deliver events over the summer period;
- 5 **agree** to establish the COVID-19 Events Transition Support Payment (ETSP) scheme;
- 6 **agree** that the objective of the ETSP is to provide confidence for the events sector to continue to plan and deliver events over the summer period;
- 7 **agree** that a ETSP will be triggered only if events are explicitly prohibited from being held due to public health restrictions on the date/s of the event;
- 8 **note** that if the current public health settings remain in place on 1 December 2021, the threshold for ETSP eligibility would immediately be triggered;

Eligibility for the ETSP

- 9 **agree** that there will be no discretion in determining eligibility for the ETSP, and that the set of criteria will be a definitive determination of eligibility;
- 10 **agree** that the triggers for a ETSP are when an event must be cancelled or postponed due to one of the following:
 - 10.1 the event is located in an area that is operating under Alert Level restrictions, which explicitly prohibit the event from occurring (Alert Level 2 or higher on the date/s of the event); or
 - 10.2 the event is located in an area that is operating under the CPF and is at CPF RED level or a localised lockdown on the date/s of the event; or
 - 10.3 at least 50 percent of tickets/paid registrations have been sold to attendees located within an Alert Level 3 or higher boundary or within a CPF RED level or localised lockdown area on the date/s of the event (assuming regional boundary restrictions are in effect); or
 - 10.4 the main artist(s)/subject(s) of the event are located within Alert Level 3 or higher boundary or within a CPF RED LEVEL or localised lockdown area on the date/s of the event (assuming regional boundary restrictions are in effect) and are prevented from attending the event or being transported to the event.
- 11 **agree** the following criteria apply to ensure the ETSP is targeted at events that are regionally significant and is distributed in an equitable way:
 - 11.1 Event date must be scheduled to begin between 1 December 2021 and 3 April 2022.
 - 11.2 Event must have been actively in the market, where tickets or registrations are for sale, or have been advertised, prior to the announcement of this scheme.
 - 11.3 Event must be public facing ie open to the public and in New Zealand.
 - 11.4 Event must be organised by a New Zealand registered organisation (eg an entity registered with the Companies Office or a charitable organisation).

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- 11.5 Event must not be solely delivered by local government and other public authorities (but can be partly funded by those authorities, although costs incurred by local government would not be eligible for recovery).
- 11.6 Event must not be currently receiving funding through the Major Events Fund or receive similar funding for future event resilience from the Ministry for Culture and Heritage for the same period, nor have an agreement in place with underwriting of eighty percent or more of unrecoverable costs from local government or another insurer.
- 11.7 Event must require the use of COVID-19 vaccination certificates.
- 11.8 Event organisers can only apply once for cancellation and once for postponement for an event.
- 12 **agree** that an additional eligibility criterion is that the event must have expected in-person ticketed or paid registered attendees of over:
 - 12.1 **Option one (recommended):** 5,000 in-person attendees (approximately 200 – 250 events).
 - OR,
 - 12.2 **Option two:** over 2,000 in-person attendees (approximately 250 – 350 events) with events between 2,000 and 5,000 attendees required to demonstrate expected gross revenue of at least \$250,000.
- 13 **agree** that the ETSP will be time-limited and seek to cover events over the summer period, beginning from Wednesday 1 December 2021 to on or before Sunday 3 April 2022;

Parameters of the ETSP

- 14 **agree** to the following parameters of the ETSP:
 - 14.1 Eligible event organisers will submit one application per event on behalf of all suppliers to the event.
 - 14.2 Grants to be paid as lump sum post cancellation/postponement and on confirmation of eligibility.
 - 14.3 Event organisers must apply and demonstrate the value of eligible unrecoverable sunk costs (eg venue costs, artist fees). Where a claim is made for postponement of an event, only costs associated with postponement will be eligible for coverage.
 - 14.4 Only eligible unrecoverable costs will be covered (ie costs that are directly associated with the event and unable to transfer to a postponement event date), lost profits are not eligible to be recovered).
 - 14.5 Eligible unrecoverable costs can include costs incurred prior to announcement of the scheme, to ensure equity for events held across the summer period and

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not favour events to be held later in the summer that will carry a wider cost window.

- 15 **agree** that, in addition to the parameters in recommendation 14, the ETSP would provide coverage for either:
- 15.1 **Option one (recommended):** eighty percent of eligible unrecoverable costs;
- OR,
- 15.2 **Option two (the sector's preference):** one hundred percent of eligible unrecoverable costs;
- 16 **note** that there are potential risks of overlap of government support between the ETSP, Wage Subsidy Scheme (WSS) and the Resurgence Support Payment (RSP);
- 17 **authorise** the Ministers of Finance, Revenue, Social Development, Economic and Regional Development and Small Business to jointly make amendments to the ETSP, RSP and WSS, to avoid any overlap of support being provided;
- 18 **agree** that the “primary applicant” (event organiser) for the ETSP will be responsible for demonstrating the eligible unrecoverable costs, and this will need to be signed off by all “related parties” (suppliers) before and application is submitted to ensure that it accurately reflects the costs that are incurred;
- 19 **note** that firms in receipt of the ETSP will not be subject to income tax or be able to claim deductions for expenditure funded by the ETSP, and that GST-registered firms will pay GST on the ETSP, and in turn, be able to claim input tax deductions for the relevant expenditure;

Implementation

- 20 **note** that MBIE will utilise its existing All-of-Government service agreement with the preferred provider to contract application and claims assessment services as required, to fulfil the needs of the ETSP;
- 21 **note** that the preferred provider is expected to be ready to receive applications from 8 November, 2021;

Legislative recommendations

- 22 **note** that the ETSP may constitute an indemnity;
- 23 **note** that the Minister of Finance, as the Minister responsible for the administration of the Public Finance Act 1989, is the Minister with the statutory power under section 65ZD of that Act to grant guarantees and indemnities if he determines it to be necessary or expedient in the public interest to do so;
- 24 **note** that, to the extent the implementation of the ETSP constitutes an indemnity, the ETSP will be subject to the Minister of Finance making a decision under section 65ZD of that Act as to whether to grant that indemnity;

IN CONFIDENCE

Financial recommendations

- 25 **note** that, by agreeing to recommendations 9 – 13, all event organisers that meet the eligibility criteria will receive payment from the ETSP scheme;
- 26 **agree** to establish an appropriation with \$200 million funding for the ETSP and that it be topped up as needed depending on public health restrictions and therefore demand for the ETSP;
- 27 **agree** to provide \$2 million for MBIE and the preferred provider to operationalise and administer the ETSP;
- 28 **agree** to establish the following appropriation in Vote Business, Science and Innovation;

Title	Responsible Minister	Type	Scope
COVID-19 Events Transition Support Payment	Minister of Economic and Regional Development	Non-departmental Other Expense	This appropriation is limited to providing payment to eligible firms to support meeting unrecoverable costs for events that are prohibited from happening due to changes in public health restrictions.

- 29 **agree** to establish the following appropriation in Vote Business, Science and Innovation;

Title	Responsible Minister	Type	Scope
Economic and Regional Development: Economic and Regional Development Fund, Scheme and Grant Management	Minister of Economic and Regional Development	Departmental Output Expense	This appropriation is limited to managing funds, schemes and grants associated with the Economic and Regional Development portfolio.

- 30 **approve** the following changes to appropriations to give effect to recommendation 5 and 27, with the corresponding impact on the operating balance:

Vote Business Science and Innovation Minister of Economic and Regional Development	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Output Expense: COVID-19 Events Transition Relief Payment	200.000	-	-	-	-
Departmental Output Expense: Economic and Regional Development: Economic and Regional Development Fund, Scheme and Grant Management	2.000	-	-	-	-

- 31 **agree** that the expenses incurred as a result of recommendation 30 be charged against the COVID-19 Response and Recovery Fund (CRRF), established as part of Budget 2020;
- 32 **agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 33 **authorise** the Minister of Finance and the Minister of Economic and Regional Development to jointly take decisions relating to the further design details and operational matters, including increasing appropriations, as required to progress the implementation of the ETSP, in alignment with the parameters agreed above;
- 34 **agree** that the Minister of Economic and Regional Development will undertake a review of the ETSP when changes to broader economic support mechanisms or a transition to the CPF takes place and will report back to Cabinet if any changes are required to be made;
- 35 **agree** that the Minister of Economic and Regional Development publicly announce the ETSP scheme shortly after Cabinet decisions are made, in consultation with the Prime Minister and the Minister of Finance.

Authorised for lodgement

Hon Stuart Nash

Minister of Economic and Regional Development