



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Title of Cabinet paper	Government support for Aerospace Strategy implementation	Date to be published	16 December 2022

List of documents that have been proactively released

Date	Title	Author
29 June 2022	Government support for Aerospace Strategy implementation	Office of the Minister for Economic and Regional Development
29 June 2022	Government support for Aerospace Strategy implementation DEV-22-MIN-0153 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of confidential advice to Government.

Minister for Economic and Regional Development

Minister for Tourism

Cabinet Economic Development Committee

Government support for Aerospace Strategy implementation

Proposal

1. This paper seeks Cabinet agreement to transfer a forecast underspend of up to \$3.700 million from within the Ministry of Business, Innovation and Employment's appropriations for 2021/22 to 2022/23 appropriations to be used on developing the Aerospace Strategy.

Background

2. With the Ministers of Transport and Research, Science and Innovation, I am at an advanced stage developing an economic development and innovation focused Aerospace Strategy (Strategy) that sets direction for the government and the aerospace sector out to 2030.
3. In preparation for finalising an Aerospace Strategy, a public consultation period on the core elements of the Strategy was planned. [REDACTED]
Confidential advice to Government [REDACTED]
[REDACTED]
[REDACTED] I will come back to Cabinet seeking decisions on public consultation on the Strategy at a later date.
4. A scaled Aerospace Budget bid was successful in Budget 2022 and will see a package of investments to support the Enabling Drone Integration work programme at a total cost of \$8.85 million for Vote Transport. This funding is important for building fundamental elements of the civil aviation regulatory framework. It will ensure safe and secure drone operations, as well as manage the growing noise, privacy and nuisance issues associated with the increasing usage of drones.
5. The Enabling Drone Integration funding, while important, does not enable growth for the wider aerospace sector nor does it address the issue of a regulatory system that is not built to respond to challenges that come with innovation.

Option for Funding Wider Aerospace Strategy

6. With the Minister of Research, Science and Innovation, I directed officials to investigate options for funding that would give effect to the Strategy [REDACTED]
Confidential advice to Government Options have been identified in Vote Business, Science and Innovation to fund the research-related components of the Strategy's implementation, with the potential to also fund some elements of data also noted as a priority in the draft Strategy.
7. MBIE has identified an underspend in 2021/22 within Tourism Facilities MCA - Tourism Facilities Development Grants where funding can be reprioritised to help address the funding challenges in the financial year 2022/23.

8. MBIE has also identified an underspend in 2021/22 within Policy Advice and Related Services to Ministers MCA – ‘Policy Advice and Related Services to Ministers - Economic Development, which could also be transferred to 2022/23 to help fund elements of the Strategy.
9. I am seeking in-principle expense transfers from these two appropriations to 2022/23 in advance of further decisions on funding (including potential reprioritisation of funding) and governance by Cabinet on the Strategy.
10. With the Ministers of Transport and Research, Science and Innovation, I intend to present a paper to Cabinet on the proposed Strategy by the end of August 2022 with a view to announcing support for the sector at the Aerospace Summit in Christchurch in September 2022.

Financial Implications

11. This paper contains two fiscally-neutral adjustments:
 - a. An in-principle expense transfer of up to of \$1.500 million from the Tourism Facilities MCA – Tourism Facilities Development Grants Appropriation operating expenditure from 2021/22 to 2022/23
 - b. An in-principle expense transfer of up to of \$2.200 million from the Policy Advice and Related Services to Ministers MCA – ‘Policy Advice and Related Services to Ministers - Economic Development operating expenditure from 2021/22 to 2022/23

Legislative Implications

12. There are no legislative implications with the proposals in this paper.

Impact Analysis

Regulatory Impact Statement

13. Regulatory impact statement requirements do not apply to the proposals in the paper.

Climate Implications of Policy Assessment

14. There are no climate impacts of the proposals in the paper.

Human Rights

15. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

16. The Treasury were consulted in the development of this proposal and the Department of the Prime Minister and Cabinet was informed.

Communications

17. With the Ministers of Transport and Research, Science and Innovation, and following Cabinet’s consideration, I intend to announce support for the sector at the Aerospace Summit in Christchurch in September 2022.

Proactive Release

18. I intend to release this Cabinet Paper as soon as practicable following announcement of the proposals in the paper.

Recommendations

The Minister for Economic and Regional Development and for Tourism recommends that the Committee:

1. **note** that Budget 2022 provided a scaled package of \$8.85 million for Vote Transport safe and secure drone operations associated with the increasing usage of drones;
2. **Confidential advice to Government**
3. **note** that the Minister for Economic and Regional Development and the Minister of Research, Science and Innovation directed officials to investigate options for funding to enable growth for the wider aerospace sector;
4. **note** that the Ministry of Business, Innovation and Employment has identified an underspend in 2021/22 within the *Tourism Facilities MCA - Tourism Facilities Development Grants* appropriation up to \$1.500 million;
5. **note** that the Ministry of Business, Innovation and Employment has identified an underspend in 2021/22 within *the Departmental Output Expense: Policy Advice and Related Services to Ministers - Economic Development* appropriation up to \$2.200 million;
6. **note** that, in order to use these underspends to address the funding challenges faced, in-principle transfers are required of up to the following maximum amount from 2021/22 to 2022/23:
7. **approve** in-principle expense transfers of up to the following maximum amounts of operating expenditure from 2021/22 to 2022/23 to give effect to the policy decision in recommendations 4 and 5

Vote Business, Science and Innovation Minister for Tourism	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: Tourism Facilities MCA					
Non-departmental Other Expense:					

Tourism Facilities Development Grants	(1.500)	1.500	-	-	-
Minister for Economic and Regional Development					
Departmental Output Expense:					
Policy Advice and Related Services to Ministers - Economic Development	(2.200)	2.200	-	-	-

8. **authorise** the Minister of Finance, the Minister for Tourism and the Minister for Economic and Regional Development jointly to agree the final amounts to be transferred, following completion of the 2021/22 audited financial statements, with no impact on the operating balance and/or net core Crown debt across the forecast period;
9. **authorise** the Minister of Finance, the Minister for Tourism and the Minister for Economic and Regional Development to approve a fiscally neutral adjustment from the *Tourism Facilities MCA – ‘Tourism Facilities Development Grants’* category to the *Policy Advice and Related Services to Ministers MCA – ‘Policy Advice and Related Services to Ministers - Economic Development’* category in 2022/23 to value of the agreed final amounts from recommendation 8;
10. **note** that the Ministers of Economic and Regional Development, Transport and Research, Science and Innovation intend to present a paper to Cabinet on the proposed Aerospace Strategy (including potential further funding reprioritisation across the three portfolios) by end of August 2022.