



COVERSHEET

Minister	Hon Carmel Sepuloni	Portfolio	Auckland
Title of Cabinet paper	Cyclone Recovery – Proposal to fund marketing for the Thames Coromandel region	Date to be published	21 July 2023

List of documents that have been proactively released

Date	Title	Author
31 May 2023	Cyclone Recovery – Proposal to fund marketing for the Thames Coromandel region	Office of Minister for Auckland
7 June 2023	Cyclone Recovery: Proposal to Fund Marketing for the Thames Coromandel Region DEV-23-MIN-0107 Minute	Cabinet Office

Information redacted

NO

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.

Office of the Minister for Auckland

Cabinet Extreme Weather Recovery Committee

Cyclone Recovery – Proposal to fund marketing for the Thames Coromandel region

Proposal

- 1 This paper seeks agreement to reprioritise \$200,000 from within the Ministry of Business, Innovation and Employment (MBIE) to support the Thames Coromandel’s regional recovery. Promoting visitors to this particular region is important due to its economic reliance on the tourism sector and the particular hardships this region is facing since the North Island weather events.

Relation to government priorities

- 2 This paper concerns the Government’s ongoing recovery to this year’s North Island Weather Events.

Background

- 3 Cyclone Gabrielle caused severe flooding in the northern and eastern parts of the North Island from 12-16 February 2023, compounding damage from the Auckland Anniversary floods on 27 January 2023 (in combination referred to as the “North Island Weather Events”).
- 4 The Government has funded and undertaken a broad array of activity to support communities and businesses in both the immediate response phase and within the recovery phase. This includes Budget 2023 initiatives, which takes the total amount of North Island Weather Events government funding to approximately \$2 billion.
- 5 On 9 May 2023, I announced that the repairs to State Highway 25A (SH25a) are expected to be completed within the next 9-12 months, commencing in early June 2023. In addition, I announced that the Government is working to develop a package of economic support to help businesses in the Thames-Coromandel district that rely on the direct route to bring people into the peninsula.

The Department of the Prime Minister and Cabinet has a process under development to manage regional recovery initiatives

- 6 The Cyclone Recovery Unit (CRU) within the Department of the Prime Minister and Cabinet (DPMC) is responsible for coordinating central government’s processes for providing funding to regional recovery initiatives.
- 7 Affected regions currently have regional recovery plans underway, and it is expected that these plans will contain proposals for support that go beyond the funding we have already provided (including additional funding in Budget 2023).
- 8 Having a process that sits across the different regions and sector requests will ensure that central government has a coherent approach to managing these proposals.

- 9 However, even before final recovery plans are received, agencies are receiving ad hoc requests from regions for support. As lead Minister for the Thames Coromandel region, I have a particular interest in those initiatives that relate to this region given my announcement about SH25a and the implications this may have for businesses.

The Thames-Coromandel District Council has requested \$500,000 to support marketing and other business support

- 10 MBIE officials advise me that the Thames-Coromandel District Council has sought support with various proposals within their draft recovery plan. Two initiatives that I have asked MBIE to progress are:
- 10.1 **Visitor promotional programme:** \$200,000 requested to support Destination Hauraki-Coromandel promote the area for visitation.
- 10.2 **Targeted support for business through local business associations:** \$300,000 sought to support business associations to undertake a range of business advisory activities.

Business support

- 11 MBIE has already provided \$300,000 to the Thames-Coromandel District Council for targeted business support (as outlined in paragraph 10.2), through minor changes to the existing Business Recovery Grant. The scope of this Grant already allowed for a capped amount of the allocated regional fund to be prioritised towards targeted business support in addition to business grants.
- 12 This business support funding will be allocated to four business associations in the region to undertake programmes to promote and drive upturn, provide workshops for businesses looking to pivot or hibernate, and provide psychosocial support for business owners (and potentially employees) struggling with the downturn of revenue.

Visitor promotional programme

- 13 I further propose that MBIE reprioritise \$200,000 to support the proposed visitor promotional programme.
- 14 Tourism can be significantly impacted following a disaster – even after a region is ready to receive visitors. Media surrounding a disaster can be off-putting for visitors, both in the short term, but also as they are planning their holidays. Where a region has a vibrant tourism sector, this can have significant impacts on an affected region's economic recovery. A lack of visitors will directly affect retail, hospitality, as well as tourism operators. It may also have flow on effects to supporting services, such as freight and accountancy services.

- 15 This issue is particularly significant for the Coromandel peninsula as:
- 15.1 Domestic visitor spend in February 2023 was down 43% compared to February 2022. This is the biggest drop in domestic visitor spend across all the regions (the next most affected were Hawke's Bay with a reduction of 25% and Tairāwhiti with a reduction of 21%)¹.
- 15.2 The ongoing effects could be long-lived, given the nature of SH25a repairs, as many businesses rely on this route to bring people to the peninsula over summer months.
- 16 Funding from MBIE will be used to support Destination Hauraki-Coromandel to lead and coordinate marketing activities to promote the area for visitation, alongside the local tourism industry, stakeholders, Māori/iwi and communities. Marketing is expected to have a focus on drawing visitors to the region over summer 2023/2024.

Funding for Coromandel visitor promotion can be achieved through reprioritisation of MBIE baselines

- 17 MBIE have advised me that this reprioritisation of funding can be achieved by transferring likely underspends in the 2022/23 Policy Advice and Related Services to Ministers – Economic Development appropriation to the 2023/24 Provincial Growth Fund multi-category appropriation.
- 18 Funding will be transferred to the 'Grants to support regional and sector initiatives' appropriation in the Regional Economic Development portfolio.
- 19 If Cabinet agrees to approve this transfer, funding will be made available to the Thames-Coromandel District Council from 1 July 2023.

Financial Implications

- 20 The proposal will look to reprioritise funding of up to \$200,000 with an in-principle expense transfer from 2022/23 to 2023/24 from the Policy Advice and Related Services to Ministers multi-category appropriation to the Provincial Growth Fund multi-category appropriation.
- 21 MBIE does not anticipate the need to provide early confirmation of this transfer (prior to the October Baseline Update), as sufficient funding in the Provincial Growth Fund can be utilised in the meantime.

Population Implications

- 22 The Thames Coromandel region has low economic wellbeing, with the regional household income being well below the national average, and approximately 78% of households earning less than \$50,000 a year. Approximately 20% of the region's population are in the most deprived categories of the Socioeconomic Deprivations Index.

¹ As measured by the Domestic Tourism Electronic Card Transactions. International visitor expenditure has not been included, as the most affected regions have high shares of domestic visitors and international visitation was affected by border closures in summer 2022/23. A comparison with 2019 levels of domestic expenditure also shows Coromandel is the most affected (26% loss in domestic spend), with Hawke's Bay showing similar losses (23%).

- 23 The key contributing sectors of the regions (to GDP) are rental and real estate services, construction, and retail. GDP contributions from the sector will likely decrease, as these sectors rely heavily on visitors to region.
- 24 The region has a small population (approximately 32,000) but large weekend and summer populations (estimated to be 70,000 and 110,000 respectively), due to it being a key holiday and weekend destination (with many people owning holiday houses in the region). For this reason, businesses in the region rely heavily on continued high levels of tourism.
- 25 This is also indicated by the high rate of self-employment. Approximately 29% of the working population in the region are self-employed.
- 26 MBIE has provided \$7,882,560 to 502 businesses in the region as business support grants. While the region still requires further support, it is appropriate that this support is provided via a broad stimulus (such as increasing visitors to the region) rather than in further grants.

Consultation

- 27 This paper was prepared by MBIE. The following agencies were consulted: the Department of the Prime Minister and Cabinet, the Treasury, the Ministry of Transport, Waka Kotahi, and the Ministry of Social Development.

Communications

- 28 I intend to announce the package of initiatives for Thames-Coromandel.

Proactive Release

- 29 I intend to release this Cabinet paper within the standard 30 business days, with appropriate redactions where information would have been withheld under the Official Information Act 1982.

Recommendations

I recommend the Committee:

- 1 **note** that the Department of the Prime Minister and Cabinet is developing a process for central government to consider supporting regional recovery initiatives;
- 2 **note** that I recently announced that state highway 25a will be likely be repaired at the end of 2024, and that this delay in repair may have economic impacts on the region;
- 3 **note** that I also announced that the Government would develop a package of economic support to help businesses in the Thames-Coromandel district;
- 4 **note** that the Ministry of Business, Innovation and Employment (MBIE) has provided \$300,000 to the Thames-Coromandel District Council for targeted business support using existing allowances in the Business Recovery Grant;
- 5 **agree** that MBIE reprioritise up to \$200,000 for visitor promotional programmes in Thames Coromandel from the Policy Advice and Related Services to Ministers multi-category appropriation in 2022/23 to the Provincial Growth Fund multi-category appropriation in 2023/24;

- 6 **note** that visitor promotional programmes in the Thames Coromandel region require the in-principle transfer of up to the following maximum amounts of operating expenses from the Policy Advice and Related Services to Ministers multi-category appropriation in 2022/23 to the Provincial Growth Fund multi-category appropriation in 2023/24;

	\$m – increase/(decrease)				
Vote Business, Science and Innovation Minister for Economic Development	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears
Multi-Category Expenses and Capital Expenditure: Policy Advice and Related Services to Ministers MCA Departmental Output Expense: Policy Advice and Related Services to Ministers – Economic Development (funded by revenue Crown)	(0.200)	-	-	-	-
Vote Business, Science and Innovation Minister for Regional Development					
Multi-Category Expenses and Capital Expenditure: Provincial Growth Fund MCA Non-departmental Output Expense: Grants to support Regional and Sector Initiatives	-	0.200	-	-	-

- 7 **authorise** the Minister of Finance, the Minister for Economic Development, and the Minister for Regional Development to jointly agree the final amount to be transferred, following completion of the 2022/23 audited financial statements, with no impact on the operating balance across the forecast period.

Authorised for lodgement

Hon Michael Wood
Minister for Auckland