



COVERSHEET

Minister	Hon Peeni Henare	Portfolio	Tourism
Title of Cabinet paper	International Visitor Conservation and Tourism Levy investment in Ngā Haerenga New Zealand Cycle Trails Great Rides	Date to be published	28 September 2023

List of documents that have been proactively released

Date	Title	Author
August 2023	International Visitor Conservation and Tourism Levy investment in Ngā Haerenga New Zealand Cycle Trails Great Rides	Office of the Minister of Tourism
30 August 2023	International Visitor Conservation and Tourism Levy investment in Ngā Haerenga New Zealand Cycle Trails Great Rides DEV-23-MIN-0195 Minute	Cabinet Office

Information redacted

YES / NO

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Budget Sensitive

Office of the Minister of Tourism

Cabinet Economic Development Committee

International Visitor Conservation and Tourism Levy investment in Ngā Haerenga New Zealand Cycle Trails Great Rides

Proposal

- 1 The paper seeks agreement to invest \$5 million per annum from the International Visitor Conservation and Tourism Levy (IVL) in Ngā Haerenga New Zealand Cycle Trails (NZCT) Great Rides of New Zealand from 2024/25 onwards. The annual IVL investment protects NZCT's forecast expenditure following a reduction in its baseline of \$5 million per annum from 2024/25 onwards.

Relation to government priorities

- 2 The proposal supports the Government's Fiscal Strategy 2023 as part of the Budget 2023 – Support for Today, Building for Tomorrow. It responds to the immediate financial pressures affecting New Zealanders, while ensuring that we improve the resilience of our economy and infrastructure. This key principle of fiscal sustainability includes finding cost efficiencies and alternate revenue sources to government funding across the wider public sector.

Background

Joint Ministers have agreed to a \$5 million baseline reduction for NZCT from 2024/25 onwards

- 3 As part of the 2023 Rapid Savings Exercise, Cabinet approved a savings initiative from Vote Business, Science and Innovation [CAB-23-MIN-0344 refers]. Cabinet has:
 - 3.1 Authorised the relevant Appropriation Minister and the Minister of Finance (Joint Ministers) to agree to the changes to appropriations and/or capital injections and related recommendations necessary to give effect to the savings initiatives for Vote Business, Science and Innovation.
 - 3.2 Authorised Joint Ministers to agree to the proposed change to appropriations and/or capital injection for 2023/24 approved by Joint Ministers as authorised above be included in the 2023/24 Supplementary Estimates.
 - 3.3 Agreed that the savings detailed in the below recommendations will return to the centre.
 - 3.4 Agreed to the Minister of Finance and Minister of Tourism should make \$20 million per annum in cost savings within the tourism portfolio.

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- 4 The Minister of Finance and I have agreed to the following cost saving measures from Vote Business, Science and Innovation to reflect the 2023 Rapid Savings Exercise:
 - 4.1 \$30 million (one-off) from the Innovation Programme for Tourism Recovery.
 - 4.2 \$5 million (per annum) baseline reduction for the NZCT Fund from 2024/25 onwards.
 - 4.3 \$15 million (per annum) baseline reduction for Tourism New Zealand from 2026/27 onwards.
- 5 I note that these cost savings measures are on top of \$59 million from the tourism portfolio returned to the centre over multiple years as part of Budget 2023:
 - 5.1 \$10 million (one-off) from the Innovation Programme for Tourism Recovery.
 - 5.2 \$4 million (one-off) from the Tourism Recovery Package.
 - 5.3 \$45 million (\$11 million per annum) from the Tourism Portfolio Facilities.

The NZCT Great Rides of New Zealand include more than 2,800 kilometres of trails across Aotearoa

- 6 NZCT has been in operation for about ten years. The Government has invested around \$115 million along with approximately \$60 million of community co-funding to establish 23 Great Rides across New Zealand.
- 7 Prior to the Rapid Savings Exercise 2023, baseline funding for the Ngā Herenga, the New Zealand Cycle Trails Fund (NZCT Fund) from the Crown was \$8 million per annum. Additional funding for the Great Rides is provided through monetary grants from local government and other sources (e.g. Community Trusts).
- 8 Central government and community co-funding is used for trail enhancements, maintenance, extreme weather repairs, supporting the trail governing body NZCT Inc and paying the salary of trail managers.
- 9 The Great Rides showcase the very best of Aotearoa's landscape, environment, heritage and culture. The network makes up an important part of Aotearoa's tourism system, as riders from overseas and across the country can experience our country in a sustainable way and contribute to smaller, regional communities.

The International Visitor Conservation and Tourism Levy is an investment in Aotearoa

- 10 The IVL is a \$35 levy charged to most international visitors¹ to Aotearoa at the time they apply for their visas or New Zealand Electronic Travel Authority (NZeTA).

¹ Some classes of people are exempt from the requirement to pay the IVL, including Australian citizens and permanent residents, diplomats, and people from many Pacific Island countries.

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- 11 The IVL came into effect in 2019. Estimates forecast that the IVL would generate \$80 million per annum based on 2019 international visitor arrivals, when Aotearoa welcomed 3.9 million annual international visitors.
- 12 The IVL ensures that international visitors contribute to tourism and conservation projects that benefit communities, visitors and the environment.
- 13 Section 399A of the Immigration Act 2009 states that the purpose of the IVL “is to fund, or contribute to the funding of, conservation, infrastructure used for tourism (including the costs of operating the infrastructure), and other initiatives related to tourism.”
- 14 Revenue generated through the IVL is split equally (50:50) between conservation projects (administered by the Department of Conservation) and tourism projects (administered by the Ministry of Business, Innovation and Employment).
- 15 Joint IVL Ministers (Minister of Finance, Minister of Tourism and Minister of Conservation) published a revised IVL Investment Plan in July 2023. It was agreed that the IVL will aim to:
- 15.1 contribute to government stewardship of, and aims for, the tourism and conservation systems,
 - 15.2 reflect Te Tiriti o Waitangi principles,
 - 15.3 contribute to broader system change across tourism and biodiversity,
 - 15.4 have flexibility to respond to change over time,
 - 15.5 complement existing funding mechanisms, rather than duplicate, and
 - 15.6 contribute to the government’s overall economic strategy of productive, sustainable and inclusive growth.

IVL investment in Ngā Haerenga New Zealand Cycle Trails’ Great Rides

- 16 As Joint Ministers, the Minister of Finance and I have agreed in principle to invest \$5 million of funding from the tourism component of the IVL in NZCT’s Great Rides from 2024/25 onwards.
- 17 Cabinet approval is required for this investment, as Joint IVL Ministers agreed to the following financial delegations in the IVL Investment Plan 2023:

Tiered financial delegations for total project cost²	
Departmental Chief Executive or delegate approval	Up to \$1 million total project cost for projects aligning with priorities
Individual Minister approval	Between \$1 million - \$10 million total project cost for projects aligning with priorities

² Total project cost is defined as the ‘whole of life’ spend on a project.

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Joint IVL Ministers approval	Between \$10 million - \$20 million total project cost for projects aligning with priorities
Cabinet decision	Over \$20 million total project cost for projects aligning with priorities

- 18 This investment will ensure that the NZCT’s Great Rides continue to operate with an annual budget of \$8 million.
- 19 While each annual investment is under the threshold that would allow me to approve this investment alone, the quantum of investment beyond four years requires a Cabinet decision.
- 20 I propose that an annual investment in the NZCT’s Great Rides from 2024/25 and outyears aligns with the IVL Investment Plan 2023 (the Plan).
- 21 The Plan provides a direction for the next stage of IVL investments in a post-COVID-19 context. The Plan includes a Tourism Investment Statement: ‘the IVL will invest in tourism projects that are or have the potential to be *nationally significant* or *provide a co-ordinated approach to addressing shared tourism challenges*.’
- 22 An annual investment in the NZCT would be nationally significant because it will provide benefits across multiple regions and businesses, as well as the wider tourism sector, through the nationwide network of 23 trails.
- 23 Overall, the Great Rides network improves the way tourism serves communities and contributes to the local economies which host NZCT’s Great Rides.
- 24 Furthermore, nationally significant investments are expected to have wide-reaching and positive network effects for the tourism system. This funding is likely to create wider knock-on benefits (beyond just tourism) through at-place investments across the trail network.
- 25 A recent evaluation³ of the NZCT’s Great Rides found that the 23 trails deliver a wide range of benefits across the four capitals identified in the Treasury’s Living Standards Framework.
- 25.1 The Great Rides deliver \$724.7 million per annum economic benefits to the regional economies they serve, at year end February 2020.
- 25.2 There were 795 Official Cycle Trail partners and 1,591 businesses providing facilities and services for Great Rides users.
- 25.3 88 per cent of surveyed stakeholders agree the community values their local Great Ride.
- 25.4 As a result of cycling on the Great Rides, there is an associated \$11.19 million of health benefits.

³ Angus and Associates, *2021 Evaluation of Ngā Haerenga Great Rides of New Zealand* (January 2022), prepared for the Ministry of Business, Innovation and Employment. Accessed at: <https://www.mbie.govt.nz/dmsdocument/19854-2021-evaluation-of-nga-haerenga-great-rides-of-new-zealand-pdf>

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- 25.5 Across the Great Ride network, there were over 17,000 volunteer hours over the year to a value of nearly \$600,000.

There would be material impacts on the NZCT's Great Rides if IVL funding is not invested

- 26 Approximately \$8 million of the Great Rides funding is already committed to Cyclone Gabrielle recovery work and ongoing funding support for NZCT Inc over the 2023/24 and 2024/25 financial years.
- 27 If IVL funding is not approved, all additional Great Rides work would need to cease until the next financial year when the reduced baseline funding becomes available. This would include stopping all pre-committed multi-year trail extension and upgrade work immediately. This includes any further extreme weather event support and anticipated work to address recently completed trail audit safety and hazard findings across the Great Rides network.
- 28 Without sufficient funding, the Trail Governance Groups may consider the risk too great to remain open. Some Great Rides are likely to become unviable and trails may close.
- 29 A \$5 million per annum baseline reduction would see a reduced level of service as a result of decreased maintenance and trail improvements (including resilience works to future proof the trails against climate change impacts). These impacts will only compound as the trails age and degrade.
- 30 Continuing to provide support for the Great Rides through the IVL will allow sufficient time for a full strategic review of the programme and for Cabinet consideration to determine sustainable funding avenues for this tourism infrastructure of national importance and the role of the Crown.

Implementation

- 31 The Ministry of Business, Innovation and Employment administers both the NZCT and IVL and is the responsible agency for this proposal.

Cost-of-living Implications

- 32 These proposals do not have an impact on the cost-of-living for New Zealanders.

Financial Implications

- 33 This proposal will not generate any additional Crown funding, as Joint Ministers already agreed to the baseline reduction for NZCT.
- 34 Prior to the 2023 Rapid Cost Savings Exercise, NZCT received \$8 million per annum of Crown funding for the Great Rides work programme. However, the investment from the IVL will ensure that NZCT's existing baseline remains unaffected.
- 35 As noted in para 11, the IVL was initially forecasted to generate revenue of approximately \$80 million per year split 50:50 between conservation and tourism, based on 2019 visitor arrivals. However, IVL revenues reduced significantly

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following the 2020 closure of the international border to protect Aotearoa from COVID-19 and the consequential reduction in international visitors.

- 36 As international visitors return to Aotearoa, I estimate that the total IVL revenue may equate to around \$68 million per year (based on 85 per cent of 2019 international visitor arrivals). Based on this estimate, the allocation of \$5 million per annum for NZCT is expected to represent around 14 per cent of IVL revenue available for tourism per year.
- 37 As at July 2023, the uncommitted total balance of the IVL Memo Account is \$38.433 million.
- 38 The proposal places a large proportion of NZCT's baseline funding to a volatile revenue funding stream dependent on international visitors. This revenue could be prone to volatility if another pandemic or significant event were to impact the tourism sector.

Legislative Implications

- 39 This proposal does not raise any legislative implications.

Impact Analysis

Regulatory Impact Statement

- 40 A Regulatory Impact Statement is not required.

Climate Implications of Policy Assessment

- 41 A Climate Implications of Policy Assessment is not required.

Population Implications

- 42 This proposal does not have any population implications.

Human Rights

- 43 This proposal does not have any human rights implications.

Use of external Resources

- 44 There has been no use of external resources.

Consultation

- 45 The Treasury, Department of Conservation and Department of Prime Minister and Cabinet were consulted on this proposal.

Communications

- 46 The Minister's office will be leading communicating this decision and the MBIE website will be updated to this effect.

Proactive Release

47 The contents of this paper will be proactively released as soon as practicable with appropriate redactions.

Recommendations

- 1 **Note** the Government has conducted the 2023 Rapid Savings Exercise and agreed that the Minister of Finance and Minister of Tourism should make \$20 million per annum in cost savings within the tourism portfolio [CAB-23-MIN-0344 refers].
- 2 **Note** that \$59 million from the tourism portfolio was already returned to the consolidated fund as part of Budget 2023.
- 3 **Note** that the Minister of Finance and Minister of Tourism have confirmed the following cost saving measures:
 - 3.1 **Agreed** to return \$30 million from the Innovation Programme for Tourism Recovery.
 - 3.2 **Agreed** to reduce New Zealand Cycle Trails’ baseline funding by \$5 million per annum from 2024/25.
 - 3.3 **Agreed in-principle** to invest \$5 million per annum from the IVL in New Zealand Cycle Trails from 2024/25.
 - 3.4 **Agreed** to reduce Tourism New Zealand’s baseline funding by \$15 million per annum from 2026/27.
- 4 **Note** the cost savings measures at recommendation (3) will be reflected in the appropriation and fiscal forecasts provided to the Treasury for preparing the Pre-election Economic and Fiscal Update.
- 5 **Agree** to invest \$5 million funding from the International Visitor Conservation and Tourism Levy in New Zealand Cycle Trails for financial years 2024/25 and outyears.
- 6 **Approve** the following changes to appropriations to give effect to investing \$5 million per annum from the International Visitor Conservation and Tourism Levy for New Zealand Cycle Trails for financial years 2024/25 on outyears.

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Vote Business, Science and Innovation					
Minister of Tourism					
Multi-Category Expenses and Capital Expenditure:					
Tourism Facilities MCA					
Non-Departmental Other Expenses					

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Nga Haerenga, The New Zealand Cycle Trail Fund (funded by IVL)	-	5.000	5.000	5.000	5.000
Total Operating	-	5.000	5.000	5.000	5.000

- 7 **Note** the New Zealand Cycle Trails’ overall existing operating budget remains at \$8 million per annum, as the Crown will continue to provide \$3 million of funding per annum for New Zealand Cycle Trails Great Rides work programme.

Hon Peeni Henare

Minister of Tourism