



BRIEFING

Budget 2024 Bilateral: Information to support MBIE's Initial Baseline Exercise – Tourism and Hospitality portfolio

Date:	2 February 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1744

Action sought		
	Action sought	Deadline
Hon David Seymour Associate Minister of Finance	Agree to baseline savings for the Tourism and Hospitality portfolio.	9 February 2024
Hon Matt Dooney Minister for Tourism and Hospitality		
Hon Melissa Lee Minister for Economic Development	For your information.	9 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Heather Kirkham	General Manager, Tourism	Privacy of natural persons	✓
Privacy of natural persons	Principal Policy Advisor, Tourism Economy and Environment	Privacy of natural persons	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

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Purpose

To seek agreement to savings for the Tourism and Hospitality portfolio for submission in Budget 2024 for the Ministry of Business, Innovation and Employment's Initial Baseline Exercise.

Executive summary

You are meeting to identify where savings are appropriate in this portfolio. The Minister for Tourism and Hospitality has options to reduce ongoing expenditure in the portfolio by at least 7.5% by scaling the services contained within the portfolio and using funding switches for the International Visitor Conservation and Tourism Levy.

Recommended action

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

- a **Note** that, if the departmental and non-departmental savings identified in this paper are agreed, the Tourism and Hospitality portfolio has met the target for a 7.5% reduction of the four-year average. *Noted*
- b **Agree** to the following \$4.389 million of departmental baseline savings for the Tourism and Hospitality portfolio:

	Four-Year Total Savings (\$m)	Decision
Departmental Expenditure Savings Options		
10% reduction in Policy Advice and Related Services to Ministers	2.707	Yes / No
10% reduction in Tourism Data and Analysis	1.272	Yes / No
7.5% reduction in Tourism Fund Management	0.410	Yes / No
Total Departmental Savings Options	4.389	
Percentage savings from eligible base	9.7%	

- c **Agree** to the following \$32.357 million of non-departmental baseline savings for the Tourism and Hospitality portfolio:

	Four-Year Total Savings (\$m)	Decision
Non-Departmental Expenditure Savings Options		
Reverse earlier funding cuts for Tourism New Zealand	-30.000	Yes / No
Reduce funding to Tourism New Zealand (5% of 2024/25 baseline)	22.390	Yes / No
Funding switch for Tourism New Zealand from Crown to International Visitor Conservation and Tourism Levy	27.967	Yes / No
Funding switch for Great Rides from Crown to International Visitor Conservation and Tourism Levy	12.000	Yes / No
Total Non-Departmental Savings Options	32.357	
Percentage savings from eligible base	7.5%	

- d **Note** that the reduction in Tourism Fund Management returns to the relevant Fund rather than the Crown.


Noted

- e **Note** that the Minister of Finance has directed you to provide targeted policy savings and/or revenue options associated with the International Visitor Conservation and Tourism Levy increase.

Noted

- f **Note** you will receive further advice on process and implications of an International Visitor Conservation and Tourism Levy increase at either \$15 (new rate of \$50) or \$35 (new rate of \$70) that is estimated to raise around an additional \$130 million or \$300 million over four years.

Noted

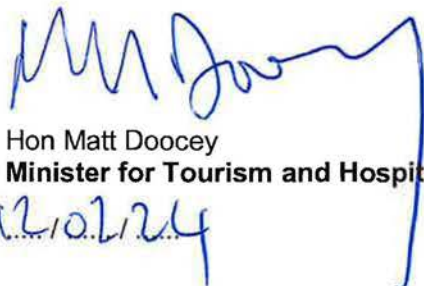


Heather Kirkham
General Manager, Tourism
 Labour Science and Enterprise, MBIE

2 / 2 / 2024

Hon David Seymour
Associate Minister of Finance

..... / /



Hon Matt Dooney
Minister for Tourism and Hospitality

Background

1. In December 2023 and January 2024, we provided the Minister of Tourism and Hospitality with advice on savings and revenue options for the Tourism and Hospitality portfolio [briefings 2324-0926 and 2324-1552 refer].
2. In January 2024, the Minister of Finance directed MBIE to reduce its eligible baseline by 7.5%, and as part of this, to consider growth in fulltime equivalent staff (FTE) numbers since 2017. The Minister of Finance has requested that portfolio ministers work with Hon David Seymour, Associate Minister of Finance, to identify where savings are appropriate. Hon Seymour is meeting with each MBIE Minister to discuss fiscal sustainability in their portfolio. To support that discussion, Hon Seymour has requested information about portfolio expenditure, revenue options and an explanation of changes over time.
3. This briefing provides the information requested and also seeks agreement on which savings options will be submitted for inclusion within Budget 2024.

Services within the Tourism and Hospitality portfolio

4. The tourism and hospitality sector can be complex to define, with overlapping portfolios and interests. 'Tourism' is defined through expenditure which takes place more than 40 kilometres from a customer's home. This means it can incorporate large, medium and small businesses, who operate in diverse locations throughout the country and across multiple sectors (transport operators, cafés, venues, supermarkets). Governments have generally managed the performance of tourism in New Zealand through marketing, policy co-ordination and investment tools.
5. Between 2017 and 2024 the Tourism portfolio had a number of time limited appropriations largely relating to supporting the industry through COVID. These have largely now ended. As a result, there are a small number of programmes in the Tourism and Hospitality portfolio that have an appropriation in 2024/25. **Annex One** and **Annex Two** provide more detail on each, as well as Tourism and Hospitality appropriations over time. Appropriations include:
 - a. **Tourism New Zealand** (Marketing New Zealand as a Visitor Destination) (non-departmental) – this provides funding to Tourism New Zealand, a Crown entity. Tourism New Zealand's 2024/25 baseline is **\$111.950** million (decreasing to \$96.950 million in 2026/27).
 - b. **Ngā Haerenga, The New Zealand Cycle Trail Fund** (non-departmental) – this provides operational funding for maintenance, development and promotion of the Great Rides. The Crown provides funding alongside Ngā Haerenga New Zealand Cycle Trails Incorporated. In 2024/25, **\$3.000** million of Crown funding is appropriated for this activity.¹
 - c. **Tourism Data and Analysis** (departmental) – MBIE also coordinates shared services for data and insights, including the support of a specific tourism data workstream. This includes funding a tier one statistic (the International Visitor Survey) and three other data products that help the sector and regional planning. These tourism data products are developed by Statistics New Zealand under contract to MBIE. In 2024/25, **\$3.179** million was appropriated for this activity.
 - d. **Policy Advice and Related Services to Ministers** (departmental) – MBIE supports the Tourism and Hospitality Minister and their policy priorities. In 2024/25, **\$9.157**

¹ As part of a rapid savings exercise in mid-2023, annual funding for the Great Rides was adjusted so that only \$3 million per annum of operational funding was provided by the Crown, with \$5 million provided directly from the International Visitor Tourism and Conservation Levy.

million was appropriated for this activity. This appropriation falls annually, to \$5.319 million in 2027/28, as time limited funding ends.

- e. **Tourism Fund Management** (departmental) – MBIE carries out fund management activities, which includes management of the International Visitor Conservation and Tourism Levy. In 2024/25, **\$2.793** million was appropriated for this activity. This appropriation falls annually, to \$0.793 million in 2027/28, due to fund closures with the International Visitor Conservation and Tourism Levy being the only fund remaining to be managed

This appropriation is funded directly from the funds that MBIE manage for the tourism and hospitality portfolio; if no funds exist then there is no appropriation for this service. Any savings in fund management increases the amount able to be distributed through the relevant Fund, rather than being returned to the Crown.

6. Tourism's 50% share of third-party revenue from the **International Visitor Conservation and Tourism Levy** (IVL) is included within the Tourism and Hospitality portfolio. Levy revenue of approximately **\$35.243** million annually is recorded as non-departmental spend. A further **\$1.808** million annually incurred as departmental spend on bank fees and transaction costs. The Tourism and Hospitality Minister (with the Minister of Conservation and Minister of Finance) will consider additional revenue and spending options from raising the rate of the IVL.
7. There have been several one-off work programmes and funds established between 2017 and 2020, especially in support of the sector's recovery from the COVID-19 pandemic. Four remaining tourism funds have appropriations in 2023/24, but none have on-going funding.
8. There is opportunity to realise further savings from two of these funds for the 2023/24 financial year, which would not count toward MBIE's Initial Baseline Exercise:
 - a. **Innovation Programme for Tourism Recovery** (non-departmental, with a small departmental fund management allocation) – this is a contestable fund that seeks to grow the tourism sector by co-funding innovative business models, products and services that will support its ongoing growth and resilience. The fund has a total of **\$13.707** million across non-departmental and departmental funding remaining, with almost all of this allocated in the 2023/24 financial year. While applications closed on 17 December 2023, this funding has not been spent, it has been provided as an option for reprioritisation to the Minister of Tourism and Hospitality. As almost all of the funding is appropriated in 2023/24, it does not contribute to baseline savings required.
 - b. **GST obligation for Tourism New Zealand** (non-departmental) – this is a one-off appropriation of **\$13.883** million created to assist Tourism New Zealand meet the shortfall in unfurnished GST arising from a change to domestic activities as a result of COVID-19. This is no longer required and will be returned to the Crown, but it does not contribute to baseline reductions required.
 - c. **Tourism Infrastructure Fund** (non-departmental) – this was a fund established in 2017 to support local communities facing pressure from tourism growth and in need of assistance to develop public infrastructure used by visitors – particularly in areas with high visitor numbers but small ratepayer bases. The fund has a **\$27.444** million appropriation in 2023/24, but this funding is committed or spent.
 - d. **Tourism Facilities Development Grants: Freedom Camping Transition Fund** (non-departmental) – this was a small fund established to support local authorities to undertake activities relating to the transition from the existing freedom camping system to the new freedom camping rules during 2022/23 and 2023/24. The fund has a **\$5.000** million appropriation in 2023/24, but this funding is committed or spent.

Breakdown of expenditure and FTE growth since 2017

9. Tourism is one of New Zealand's largest export industries. Pre-COVID-19, the direct impact of tourism (both international and domestic) totalled more than five per cent of New Zealand's Gross Domestic Product. Annual visitor arrivals and total tourism expenditure both grew 17% between 2016 and 2019 (the last full year before COVID-19). International tourism has recovered strongly in 2023/24 and is expected to return to one of New Zealand's top exports this summer.
10. The growth in non-departmental spend between 2017 and 2024 is linked to third-party revenue from the IVL (Tourism's 50% share in revenue is included in Tourism and Hospitality as an appropriation). IVL revenue began to be reflected in tourism appropriations from 2019/20.
11. The growth in departmental spend between 2017 and 2024 is linked to tourism growth, and the establishment of the IVL. Policy work (and resource) expanded with Ministerial demand to support tourism growth and maintain social licence (including work to implement the IVL, freedom camping, supporting destination management, partnerships like Milford Opportunities Project, and the now closed Industry Transformation Plan). A reduction in some policy work is reflected in the falling Policy Advice appropriation. Departmental spending includes bank fees related to the collection of the IVL (\$1.8 million per year). Funding for departmental appropriations over time is demonstrated in Table 1, below.
12. A new team was established to manage tourism-related funds and contracts (including Ngā Haerenga New Zealand Cycle Trails' Great Rides of New Zealand, Tourism Infrastructure Fund, Strategic Tourism Assets Protection Programme, Innovation Programme for Tourism Recovery, and the IVL). All these funds, except the IVL and the Great Rides, are time limited and this is reflected in the falling Tourism Fund Management appropriation.

Table 1: Summary of departmental appropriations for the Tourism and Hospitality portfolio

\$m	2016/17	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
<i>[Levy Revenue] International Visitor Conservation and Tourism Levy Collection (bank/collection fees)</i>	-	1.808	1.808	1.808	1.808	1.808
Policy Advice and Related Services to Ministers	3.620	11.533	9.157	6.598	5.998	5.319
Tourism Data and Analysis	4.394	3.379	3.179	3.179	3.179	3.179
Tourism Fund Management	-	3.061	2.793	1.093	0.793	0.793
Total	8.014	19.781	16.937	12.678	11.778	11.099

13. Several one-off work programmes and funds since 2020 are the reason for non-departmental spend growth between 2017 and 2024. There is a significant reduction in non-departmental funding from 2024/2025, and a continuing reduction in departmental spend, as COVID-19 related funds expire. The non-departmental appropriation over time is demonstrated in Table 2, below.

Table 2: Summary of non-departmental appropriations for the Tourism and Hospitality portfolio

\$m	2016/17	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
<i>[Levy Revenue] Tourism: Tourism Strategic Infrastructure and System Capability (IVL)</i>	-	35.163	35.243	35.243	35.243	35.243
Marketing New Zealand as a Visitor Destination (Tourism New Zealand)	117.350	111.450	111.950	111.950	96.950	96.950
Tourism Growth Partnership	2.830	-	-	-	-	-
Tourism Facilities Development Grants	6.267	5.000	-	-	-	-
GST obligation for Tourism New Zealand	-	13.883	-	-	-	-
Tourism Infrastructure Fund	-	27.444	-	-	-	-
COVID-19 Tourism Response (Innovation Programme for Tourism Recovery)	-	9.939	-	-	-	-
Regional Events Fund	-	9.405	1.613	-	-	-
Ngā Haerenga, The New Zealand Cycle Trail (various names)	7.675	21.091 ²	3.000 ³	3.000	3.000	3.000
Total	134.122	233.375	151.806	150.193	135.193	135.193

14. Due to the addition of new functions, the number of staff working directly to the Tourism and Hospitality portfolio has grown over time. The current count of operational staff is 40.4 FTE, however there are 11 vacancies. **Annex Two** contains more detail on changes to portfolio FTE since 2017.

Alignment of current expenditure with Government priorities

15. The Coalition Government has a priority to deliver practical support to lift the contribution of tourism to the New Zealand economy. The key tools government has to support the tourism and hospitality sector are through:
- the types and level of activities which are provided in the Tourism and Hospitality portfolio (marketing, infrastructure and business support, data and insights, policy advice); and
 - the funding sources for those activities (Crown funding, visitor levies, access charges, departure taxes).
16. The Minister of Tourism and Hospitality identified three key portfolio priorities as set out in his Ministerial priority letter to the Prime Minister:
- Growing the value of international tourism**, by setting the direction for the types of visitors and activities in which Tourism New Zealand should focus for growth, championing airline connectivity with New Zealand, working with the Minister for Economic Development on Major Events and including tourism as a key part of any trade missions.

Ensuring that the pressures of international visitors are managed within communities and growth is balanced against social licence and environmental constraints is also a priority within this, and the Minister has highlighted immediate work to ensure that freedom camping reforms have balanced issues of the safe and sanitary operation of a self-contained vehicle, against compliance costs and past practice.
 - Supporting regions to maximise the value of tourism**, by reviewing the settings for the IVL, with the Ministers of Conservation and Finance, and work with the Minister for

² Includes funding carried over from previous years' appropriations for committed projects for trail extensions, enhancements and repairs that span multiple financial years. Some projects have been impacted by delays caused by COVID-19 and securing land access agreements.

³ \$5 million funding switch to IVL, ongoing from 2024/25.

Local Government on revenue options to support regions with the impact and the costs that tourism present. There are manifesto commitments to establish a regional events fund and e-bike chargers on Great Rides through the IVL.

- c. **Supporting the people who make up the tourism and hospitality workforce** by working with the Minister of Education, industry and education stakeholders on the implementation of new NCEA tourism achievement standards.
17. The Coalition Government has direct priorities around e-bike chargers on Great Rides, a Regional Events Fund for promotion and a range of reforms in other portfolios that will support tourism and hospitality. There is a direct work programme for the government to grow the value of tourism and lend support where challenges are being faced locally.
18. Visitors rely on a range of publicly provided goods and services that are paid for and used by local ratepayers and/or taxpayers. This includes everything from roads to water infrastructure to walking tracks. Work to ensure international visitors contribute to the amenities that they use and costs they create will be a priority for government. There is expected to be a programme of work to make sure the IVL rate is appropriate and explore if other revenue tools are needed.

Revenue and expenditure options

Savings options

19. We have proposed a range of options to the Minister of Tourism and Hospitality, both through savings and through funding switches to existing levy funding to deliver savings, to meet fiscal targets. These are summarised in Table 3, below. Between 2024/2025 and 2027/2028, the options sum to \$36.746 million or an 7.7% reduction in the eligible Tourism and Hospitality portfolio baseline.
20. As non-departmental spend makes up over 90% of the Tourism and Hospitality portfolio, the key savings choices are within non-departmental spend, including:
 - a. Reducing Tourism New Zealand's baseline and switching some baseline funding to the IVL. Tourism New Zealand is a key lever to grow tourism, so savings may impact on Tourism New Zealand's ability to deliver on this goal (**\$20.357** million over four years).
 - b. Switching funding for Ngā Haerenga New Zealand Cycle Trails Great Rides baseline to the IVL (**\$12.000** million over four years).
21. As part of the rapid savings exercise in mid-2023, Tourism New Zealand's baseline was reduced from \$111.950 million to \$96.950 million, effective from 2026/2027 onwards (a 13% percentage decrease). We have proposed a revenue switch from the Crown to the IVL, to make savings but mitigate the impact on Tourism New Zealand as a way to deliver growth in international tourism, which impacts on other Crown revenue (including GST).
22. Large COVID-19 funds have closed so there are no additional savings which would contribute the savings target.
23. For departmental spend, MBIE will realise a 10% reduction the cost of policy support and specific tourism data contracted to Statistics New Zealand and a 7.5% reduction in the cost of tourism fund management services and functions (**\$4.389** million over four years). Reductions in discretionary costs, such as travel, conferences, training and recruitment is being managed by MBIE as an agency, with a 15% target set. There are no other eligible appropriations for savings in departmental spend.

Revenue switches

24. Tourism New Zealand holds the single largest pool of funding in the Tourism and Hospitality portfolio, with annual baseline funding of \$111.950 million in 2024/2025. Tourism New Zealand has operated on a fixed baseline since 2013, and are now managing a number of cost pressures (from global media inflation and competition from international destination marketing agencies). We have proposed an additional 5% reduction in the 2024/25 baseline, but with a revenue switch from the IVL (third-party revenue) to offset the rapid savings exercise reduction. This would create a total ongoing baseline reduction for Tourism New Zealand of 5% from 2024/2025.
25. A less than 7.5% reduction in TNZ's baseline is proposed given the important work that they do to support the Tourism industry and their flat baseline since 2013 despite increasing global competition and rising media costs.
26. With a 5% baseline reduction, Tourism New Zealand will need to reprioritise their work to manage cost pressures, including prioritising focus areas (for example, promoting visitors to travel off peak, which puts less pressure on our tourism assets and provides more sustainable work opportunities).
Confidential advice to Government
27. We have also proposed a revenue switch to the IVL for the remaining \$3 million annual Crown funding allocated to Ngā Haereinga New Zealand Cycle Trails Great Rides (the Great Rides). This would mean that all government funding for the Great Rides would come from the IVL.

Confidential advice to Government

Table 3: Summary of potential fiscal savings for the Tourism and Hospitality portfolio

	Four year total (2024/25-2027/28) \$m
Departmental Expenses	
Total Eligible Departmental Expenses	45.260
10% reduction in Policy Advice and Related Services to Ministers	2.707
10% reduction in Tourism Data and Analysis	1.272
7.5% reduction in Tourism Fund Management	0.410
Total Departmental Crown Expenditure Savings by FY	4.389
Savings required (7.5% of Eligible Base)	3.395
Over/Under	0.995
Non-Departmental Expenses	
Total Eligible Non-Departmental Expenses	431.413
Reverse earlier funding cuts for Tourism New Zealand	-30.000
Reduce funding to Tourism New Zealand (5% of 2024/25 baseline)	22.390
Funding switch for Tourism New Zealand to IVL	27.967
Funding switch for Great Rides to IVL	12.000
Total Departmental Crown Expenditure Savings by FY	32.357
Savings required (7.5% of Eligible Base)	32.356
Over/Under	0.001
Total Eligible Base Tourism Portfolio	476.673
Total Required Fiscal Saving	35.750
Total Fiscal Savings	36.746

Progress on savings options set out in the Government's 100-day plan and coalition agreements

28. Tourism had a specific Industry Transformation Plan, which had a time-limited programme of work to tackle systemic issues in tourism productivity and tourism's impact on communities and the environment. MBIE returned uncommitted Industry Transformation Plan funding of over \$127 million through the December 2023 mini-Budget, including \$16.750 million for the Tourism Industry Transformation Plan (included within the Economic Development portfolio).

Progress on savings for scaling MBIE shared services, savings on contractors, vacancies and overheads

29. All policy and operational areas of MBIE are targeting the 7.5% savings from their baselines. They are on track to achieve the approximately \$45 million in savings that this represents. All corporate and technology functions are included in this work (HR, IT and other corporate functions). In addition, a 15% target has been set for discretionary spending, for example travel, conferences, training and recruitment. Once Ministers have made final decisions, these corporate and technology functions will seek further operational efficiency savings to support these decisions. MBIE's departmental base (which is a portion of MBIE's eligible base) for the savings target has been reduced to approximately \$570 million as Immigration New Zealand and other functions were removed through the Treasury calculations.

Risks and impact

30. Given your priority to increasing the value of New Zealand exports, including growing the value of international tourism, a reduction in all-of-MBIE services (including policy and data), and a reduction in baseline funding for Tourism New Zealand may require some trade-offs against policy priorities.
31. Access to government-supported data and Tourism New Zealand funding are hot topics within the tourism sector. There are strong advocates for Tourism New Zealand to retain or grow its funding to directly shape the mix of international visitors and for more data which provides the evidence base for growing the tourism sector.

Targeted policy savings and revenue options

32. In their letter to Hon David Seymour from 22 December, the Minister of Finance has identified there should be targeted policy savings and/or revenue options associated with the IVL. As part of Budget 2024, the Minister of Finance has asked for significant revenue options from the IVL of at least \$100 million over four years (approximately \$25 million annually).

Increasing the rate of the IVL

33. The IVL is the primary funding tool outside of the annual Budget process to financially address tourism issues. It is a \$35 charge paid by many international visitors when they travel to New Zealand. Assuming the current rate of the charge, the IVL is expected to raise around \$80 million per annum. It is currently split evenly between the Tourism and Conservation portfolios.
34. The IVL is supported by primary legislation and currently has a specific purpose to fund (or contribute to the funding of) conservation, tourism infrastructure, or initiatives related to tourism, as set out in the Immigration Act 2009. The IVL cannot currently be used for general Crown purposes.

35. **Confidential advice to Government**

Confidential advice to Government

Other revenue tools

40. In addition, there are also other options for new charging tools which could be considered individually or as a package. These would ensure visitors make a fair contribution, support regions to manage tourism, provide potential revenue streams to offset under-investment, and increase government revenue. Charging tools, including the examples below, could all be set at a level that did not affect demand or access for New Zealanders (i.e. could apply only to international visitors):
- a. further differentiated charging for Great Walks and Great Rides;
 - b. regional or local accommodation levy; or
 - c. a departure tax ('decarbonisation charge') to address the emissions associated with international air travel.

41. There are choices and limitations with each.

Next steps

42. Further information for portfolio meetings is available on request.

Annexes

Annex One: Summary of functions within the Tourism and Hospitality portfolio

Annex Two: Changes in Tourism and Hospitality portfolio expenditure and fulltime equivalent staff since 2017

Annex Three: Background on the IVL and commitments and potential pressures against the IVL

Annex One: Summary of functions within the Tourism and Hospitality portfolio

Table 5: Tourism and Hospitality portfolio 2023/24 functions (non-departmental)

Function	Statutory	Discretionary	Evaluations and reviews undertaken	Assessments of economic value/return	Other information
Tourism New Zealand (Marketing New Zealand as a Visitor Destination)	Yes	No, but scalable	Various, including the production of an annual report, Domestic Demand Review (Feb 2023) and the Tourism New Zealand Report (Sept 2019).	Various, performance measures in annual Statement of Performance Expectations.	Funding for Tourism New Zealand, Crown entity.
GST obligation for Tourism New Zealand	No	No	N/A	N/A	One-off appropriation to meet the shortfall in unfurnished GST arising from a change to domestic activities as a result of COVID-19. No ongoing funding.
International Visitor Conservation and Tourism Levy (Tourism Strategic Infrastructure and System Capability)	Yes	No	Levy rate is reviewed every five years, due for review in 2024.	Third-party revenue from international visitors collects approximately \$80 million per year in revenue, hypothecated for Tourism and Conservation.	
Ngā Haerenga, The New Zealand Cycle Trail Fund	No	No, but scalable	Various, including Evaluation of Ngā Haerenga Great Rides of New Zealand (2021) and Cycle Tourism Insights Research Report (2021).	In the year ended February 2022, the direct economic contribution of the Great Rides to their regions was assessed to be \$950 million annually.	Already reprioritised, funding switch proposed for remaining funding.
Innovation Programme for Tourism Recovery	No	Yes	Programme begun in late 2022, no formal review undertaken as programme has not been completed	Evaluation of programme expected in 2026. This is a contestable fund that seeks to grow the tourism sector by co-funding innovative business models, products and services that	\$30 million from the programme has been reprioritised as part of rapid savings exercise in 2023. Available funding is \$9.939 million.

Function	Statutory	Discretionary	Evaluations and reviews undertaken	Assessments of economic value/return	Other information
				will support its ongoing growth and resilience.	
Regional Events Fund	No	N/A	International Marketing Alliances (IMA) groupings provide six-monthly reports to MBIE on the impact of their plans.	Benefits provided by IMA six-monthly reporting.	COVID-19 recovery funding. Remaining contractual funding to be paid in July 2024 and fund ends in September 2025. No ongoing funding.
Tourism Infrastructure Fund	No	N/A	Evaluation (2019) found fund was contributing to a higher quality visitor experience and had been effective at maintaining the social license for tourism at a local level.	2019 evaluation undertaken as per Cabinet requirement.	Funding has been exhausted and contracts continuing until 2026.
Tourism Facilities Development Grants (Freedom Camping Transition Fund)	No	N/A	Local authorities provide reports to MBIE on the activities undertaken.	Progress on transition to new freedom camping requirements is provided in regular reporting by each council.	Remaining contractual funding to be paid in 2023/24. No ongoing funding.

Table 6: Tourism and Hospitality portfolio 2023/24 functions (departmental)

Function	Statutory	Discretionary	Other information
Policy advice and related services to Ministers	No	No, but scalable	
Tourism Data and Analysis	No	No, but scalable	The International Visitor Survey is a Tier 1 tourism statistic produced by MBIE. The remaining suite of tourism statistics meet government and stakeholder identified needs.
Tourism Fund Management	No	No, but scalable	Contract management and evaluation for Tourism-related funds (including International Visitor Conservation and Tourism Levy and Ngā Haerenga New Zealand Cycle Trails' Great Rides of New Zealand).
International Visitor Conservation and Tourism Levy Collection	No	No	Bank fees and charges for collecting the International Visitor Conservation and Tourism Levy.

Annex Two: Changes in Tourism and Hospitality portfolio expenditure and fulltime equivalent staff since 2017

Table 7: Tourism and Hospitality portfolio appropriations 2016/17 – 2027/28

\$m	2016/17	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Reasons for change
Departmental							
<i>[Levy Revenue] International Visitor Conservation and Tourism Levy Collection</i>	-	1.808	1.808	1.808	1.808	1.808	New third-party revenue, introduced in 2019.
Tourism Fund Management	-	3.061	2.793	1.093	0.793	0.793	New team established to contract, and ensure appropriate measures and accountability for tourism-related contracts/funds/grants, including the IVL, and others related to supporting growth and COVID-19 recovery. Largely funded from within the funds themselves.
Policy Advice and Related Services to Ministers	3.620	11.533	9.157	6.598	5.998	5.319	Expanded policy and advisor resource to meet Ministerial, local authority, and other agencies demand for MBIE to support tourism growth and maintain social licence, including working on: <ul style="list-style-type: none"> o Freedom camping development and implementation. o Supporting regions with destination management. o time limited projects such as the Industry Transformation Programme. o changing our ways of working to leverage partnerships with the sector.
Tourism Data and Analysis	4.394	3.379	3.179	3.179	3.179	3.179	No substantive change to appropriation.
Departmental total	8.014	19.781	16.937	12.678	11.778	11.099	
Non-departmental							
<i>[Levy Revenue] Tourism: Tourism Strategic Infrastructure and System Capability</i>	-	35.163	35.243	35.243	35.243	35.243	Tourism share of IVL - New third-party revenue, introduced in 2019.
Marketing New Zealand as a Visitor Destination (Tourism New Zealand)	117.350	111.450	111.950	111.950	96.950	96.950	\$15m annual decrease in appropriation, effective 2025/26.
Tourism Growth Partnership	2.830	-	-	-	-	-	Fund closed.
Tourism Facilities Development Grants (Freedom Camping Transition Fund)	6.267	5.000	-	-	-	-	Fund established in 2000s for supporting the development of tourism facilities that demonstrate clear public good

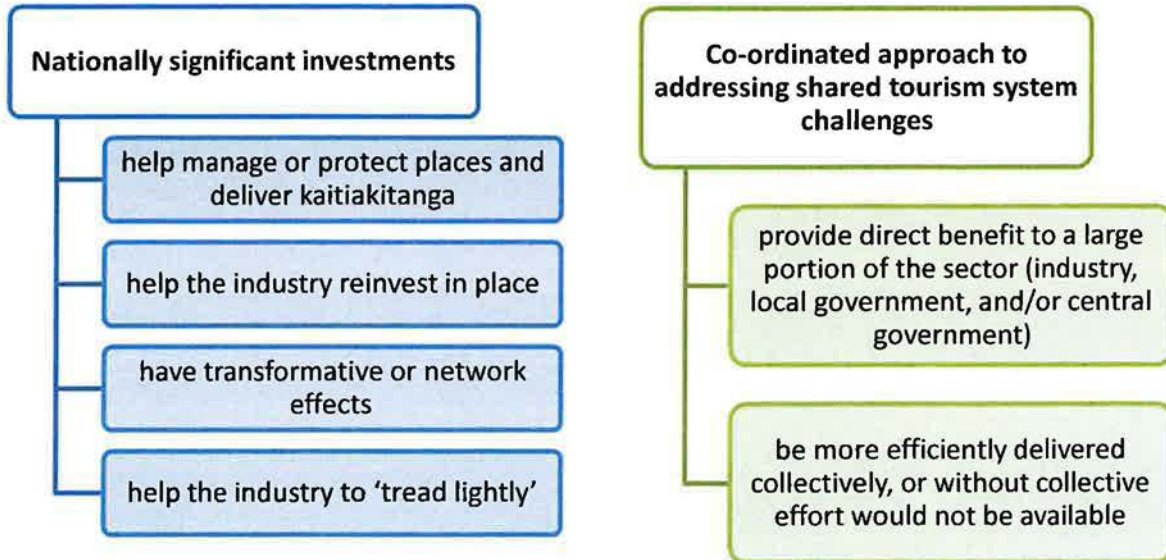
\$m	2016/17	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Reasons for change
							benefits that could not be established commercially. Remaining contractual funding to be paid in 2023/24. No ongoing funding.
GST obligation for Tourism New Zealand	-	13.883	-	-	-	-	One-off appropriation to resolve Tourism New Zealand's issues with GST. No ongoing funding.
Tourism Infrastructure Fund	-	27.444	-	-	-	-	Fund established in 2017, providing \$15-20m annually to support local authorities facing pressure from tourism growth. Remaining contractual funding to be paid in 2023/24, no ongoing funding.
COVID-19 Tourism Response (Innovation Programme for Tourism Recovery)	-	9.939	-	-	-	-	Part of the 2021 Tourism Communities: Support, Recovery and Re-set Plan, \$54m fund to support innovation and growth in tourism as it recovered from COVID-19. \$30m from the programme has been reprioritised as part of rapid savings exercise in 2023. Available funding is \$9.939 million.
Regional Events Fund	-	9.405	1.613	-	-	-	Part of the 2020 Tourism Recovery Package, \$50m fund to support the events sector to replace spending from international tourists due to the border closure. Remaining contractual funding to be paid in July 2024 and fund ends in September 2025. No ongoing funding.
Ngā Haerenga, The New Zealand Cycle Trail (various names)	7.675	21.091 ⁴	3.000	3.000	3.000	3.000	Three funds existed in 2016/17 to support Great Rides, combining to one fund in 2020/21. Baseline funding to support Great Rides was \$8m in 2023/24, with \$5 million of this switching to the IVL, ongoing from 2024/25.
Non-departmental total	134.122	233.375	151.806	150.193	135.193	135.193	
Portfolio total	142.136	253.156	168.743	162.871	146.971	146.292	
FTE	24.5 (MBIE) ~160 (Tourism NZ)	40.4 (MBIE) ~168 (Tourism NZ)					See departmental spend. Currently, 11 FTE vacancies to reflect the ongoing scaled work programme.

⁴ Includes funding carried over from previous years' appropriations for committed projects for trail extensions, enhancements and repairs that span multiple financial years. Some projects have been impacted by delays caused by COVID-19 and securing land access agreements.

Annex Three: Background on the IVL and commitments and potential pressures against the IVL

The IVL investment plan was introduced in 2023. The tourism element of IVL investment plan is guided by the following 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 system challenges.** Conservation has a separate investment statement.

The current tourism investment plan aims to prioritise investment under two pillars:



The previous Government agreed a set of priority criteria for the investment plan. This included excluding certain types of spend from the fund's remit (e.g., marketing was excluded).

These priorities and exclusions can be changed to ensure the Investment Plan aligns with the Government's objectives. This could be an amendment to the current plan or as a new investment plan.

Spending under the IVL is approved by either; delegated Chief Executives, the relevant Minister (Minister of Tourism or Minister of Conservation), Joint IVL Ministers (Ministers of Tourism, Conservation and Finance) or Cabinet. This depends on the investment level. Table 8, below illustrates current and potential investments from the IVL.

Table 8: Current and potential investments from the IVL 2023/24 – 2027/28

\$m	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Committed					
Tourism Data Leadership Group	5.000	-	-	-	-
Local revenue tools guidance	0.400	-	-	-	-
Freedom camping implementation	1.800	1.100	1.100	1.100	-
Destination Management Plans, professional development	0.300	-	-	-	-
iSITE network upgrade	1.200	0.800	-	-	-
Fund management	2.100	2.100	2.100	2.100	2.100
Great Rides (rapid savings exercise savings)	-	5.000	5.000	5.000	5.000
Manifesto commitments					
E-bike chargers	-	0.750	0.750	0.750	0.750
Regional events promotion	-	2.500	2.500	-	-
Total (Committed + Manifesto)	10.800	12.250	11.450	8.950	7.850
Proposed funding					
Tourism New Zealand funding switch	-	0.145	0.024	13.899	13.899
Great Rides (all remaining funding)	-	3.000	3.000	3.000	3.000
Total	-	3.145	3.024	16.899	16.899
Remaining (Total)	29.200	24.605	25.526	14.151	15.251

Confidential advice to Government

Total possible IVL spend
(IVL total \$40 million annually)

Confidential advice to Government