



**Submission to
Angus and Associates
on the
Review of Government Support for Tourism**

Date: 16 March 2022

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the review of government support for tourism between March 2020 and March 2022.

EXECUTIVE SUMMARY

1. Without the government funding packages many tourism businesses would be in a worse position than current. How many would not currently be here is a matter of speculation though it would be fair to say there would be considerably less than current.
2. The Strategic Tourism Assets Programme (STAPP) was conceived as an innovative way to support assets integral to the tourism system. However due to a range of reasons the programme has left a lasting legacy of frustration and disgruntlement in the industry.
3. We received mixed reports about funding accessed through advisory services. Some members said they found the advice very valuable while others would have preferred the money paid directly to them for business continuity / improvement.
4. We note that \$29.4m (7.4%) of the \$400m fund was allocated to administration costs or supporting government agencies. DOC received \$19.7m for fee waiver, MBIE \$1.8m for support costs and \$8m for STAPP loan administration costs.
5. \$74m (18.5%) of this fund is unspent.
6. This review only covers off five of the twelve initiatives of the \$200m package. The remaining seven projects are currently being rolled out or still to commence. We suggest this review needs to complete at some stage an analysis of those projects.
7. While out of scope of this particular review the Wage Subsidy (WS) and Resurgence Support Payments (RSP) have probably resonated best with tourism operators. The broad-based nature of these payments has meant that support is provided on an equitable basis – many businesses were eligible.
8. Some sectors that were heavily reliant on international visitors were unfairly excluded from some funding due to the way eligibility was calculated, particularly after 2020. It was totally unreasonable to exclude these businesses from grants because they had no business in 2020/2021 and therefore couldn't meet a drop-in-revenue threshold.
9. The review should consider if government had access to the right insight and data to make informed decisions about where the funding would have the most impact. It would be useful to assess whether better data and insight might have improved the decision making.
10. Businesses need to be supported particularly over the next 12 months – until the end of summer 2023. TIA advocates that a further \$100 million (total \$149 million) of Kick-start grants be made available to tourism operators across the motu.

11. Support will also be required in the form of empathetic government policy, such as immigration policy so the industry can get the workers they need to support the recovery.

INTRODUCTION

12. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With around 1,200 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.

13. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability.

14. Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, Advocacy and Engagement Manager at steve.hanrahan@tia.org.nz or by phone on 027 9122 624.

COMMENT

Our understanding of the issue

15. Angus and Associates have been contracted by MBIE's Tourism Policy Unit to undertake an independent review of government support for tourism over the last two years (since March 2020). This review focuses on the two packages of support; the \$400m Tourism Recovery Package (2020) and the \$200 million Tourism Communities: Support, Recovery and Re-set Plan (2021).

Our feedback

16. TIA was interviewed by Angus and Associates on 8 March 2022, with an interview guide sent through to TIA ahead of the meeting. Following the interview TIA decided it would be useful to put our key messages and themes discussed at the interview in writing, hence this submission.

17. Our feedback follows the structure of the interview guide.

Part One - Current Status of tourism operators

Describe the situation for the industry now. Are some parts in a stronger position than others? Which organisations/sectors/regions are at greater risk?

18. Dire. TIA surveyed members in February 2022 to assess the impacts of Omicron variant of COVID-19, and the Red setting of the COVID Protection Framework (CPF) on the tourism industry. The results of TIA's pulse survey are [here](#). Across all sectors, all regions and all sizes of business the impairment of revenue compared to a similar period last year is at nearly 60%. This in turn was half that of pre-COVID levels due to the loss of revenues from international visitors
19. The move to Red level on 23 January 2022 has had a tremendous negative impact across the industry. The level of business reduction wasn't anticipated, as New Zealanders were theoretically still able to travel and get out and about. However with the impending threat of Omicron many have decided to stay local and as a consequence many tourism and hospitality businesses have suffered.
20. There is a sense of optimism returning, based on the view that Omicron will peak in March/April, and the borders will reopen to international visitors soon, without the need for self-isolation.
21. We don't have insight to the balance sheets of tourism operators so it's difficult to assess the financial wellbeing of businesses or how close they might be to shutting the doors. The sense is that those who have made it this far will be here later this year when conditions are expected to improve. Many will have taken an unexpected hit due to the impacts of Red level but will have adjusted and made plans accordingly. Many of those with a heavy reliance on the international market will have been planning for a summer 2022/23 recovery.

Part Two/Three – Government Support and Impact

How broadly have the various streams of support been accessible to/taken up by organisations? What barriers have existed to wider access/uptake? Which types of organisations have benefitted most?

What forms of government support have been the most effective? Least effective? How did organisations benefit from this support? Were benefits equal? For the least effective forms of support, why were these less effective/ineffective?

\$400m Tourism Recovery Package (2020)

22. \$170.7m of this fund went to tourism businesses via grants (\$66.4m) and loans (\$104.3m) under the Strategic Tourism Assets Programme (STAPP). The fund was conceived as an innovative way to support assets integral to the tourism system to keep functioning. The initial criteria for funding set a high benchmark for eligibility, indicating that only a narrow range of operators would be eligible. As it transpired the grants went to a wide range of operators, leaving many other operators frustrated that

they too may have received grants if they'd applied even though the criteria at face-value would have deemed them ineligible. This has left a lasting legacy of frustration and disgruntlement in the industry, leading to legal action by a group of operators and creating ill-will in some tourism communities between those who received the funding and those who didn't.

23. \$82.2m of this fund was allocated to the tourism system and organisations within that. Of note \$20.2m went to RTOs and it was positive to see the role of RTOs recognised this way as well as funding to support the progress of Destination Management Plans. \$2m was allocated to TRENZ, enabling international trade-ready tourism operators to attend TRENZ Hui 2021 at no charge (or discounted rate if multiple people from one organisation) as well as the development of the TRENZ Connect online platform to enable eligible operators to connect with international buyers despite the closed borders, and throughout the year going forward. \$50m was allocated to the Regional Events Fund and \$10m support for Māori Tourism.
24. \$20m was also allocated to operators via advisory services such as the Tourism Advisory Support Service (\$5m), Digital Capability Funding (\$5m) and support through the Regional Business Partner Network (\$10m). We received mixed reports about these advisory services. Some members said they found the advice very valuable while others would have preferred the money paid directly to them for business continuity / improvement.
25. We note that \$29.4m (7.4%) of the fund was allocated to administration costs or supporting government agencies. DOC received \$19.7m for fee waiver, MBIE \$1.8m for support costs and \$8m for STAPP loan administration costs.
26. \$74m (18.5%) of this fund was unspent. The MBIE website notes this underspend will be returned to the COVID-19 Response and Recovery Fund (CRRF). We would argue this fund should be retained for tourism-specific purposes and re-allocated to initiatives that support the tourism system or tourism businesses.

\$200m Tourism Communities: Support, Recovery and Re-set Plan (2021)

27. It appeared that the 2021 fund of \$200m had been impacted by the lessons of 2020. \$20m was allocated to advisory services and it was pleasing to see that \$10m of this was in implementation grants to assist businesses directly with putting the advice into action.
28. \$41.9m was invested in the tourism system via \$26.8 of grants to RTOs and \$15m for New Zealand Māori Tourism. ITOs had \$12.25m of loans converted to grants.
29. We note that this review only covers off five of the twelve initiatives of the \$200m package. The remaining seven projects are currently being rolled out or still to commence. These are for mental well-being (\$4.5m), Kick-start grants (\$49m), Milford Opportunities Project (\$15m), Queenstown Lakes Economic Transformation and

Resilience Fund (\$20m), Industry Transformation Plan (\$10m), DOC (\$10m), and Tourism Infrastructure Fund (\$16.5m).

30. At this early stage we have some question-marks over whether the \$4.5m investment into mental well-being in the Five Communities is delivering wide-spread benefits. There has certainly been some positive work done but with the work spread across three different DHBs it's proving difficult to get a good picture of the integration of this work into the tourism communities and the impact it is having.
31. We suggest this review needs to complete at some stage an analysis of the seven projects above. They arguably have the ability to make a significant difference in the tourism system, such as Industry Transformation Plan, Milford Opportunities, and mental well-being and as such should be reviewed for effectiveness and outcomes.

Part Four – Overall impression of government support

What is our overall view of the effectiveness of government support for the tourism sector? What has government done well? And not so well? How would we describe support provided in 2021 compared with that provided in 2020?

32. While out of scope of this particular review the Wage Subsidy (WS) and Resurgence Support Payments (RSP) have probably resonated best with tourism operators. The broad-based nature of these payments has meant that support is provided on an equitable basis – many businesses were eligible. Wages are usually one of the biggest cost-centres for a business and the WS has probably been the thing that has enabled many small business operators to hold on to key staff. Likewise the RSP has landed well with operators as it provided them some flexibility as to where those funds could be applied. It's fair to say that without the WS and RSP many tourism businesses would be in a worse position than current. How many would not currently be here is a matter of speculation though it would be fair to say there would be considerably less than current.
33. Some sectors that were heavily reliant on international visitors were unfairly excluded from some funding due to the way eligibility was calculated, particularly after 2020. It was totally unreasonable to exclude these businesses from grants because they had no business in 2020/2021 and therefore couldn't meet a drop-in-revenue threshold. More should have been done to ensure these operators were extended the same support as other operators.
34. One of the areas both government and industry have failed to effectively do is identify a business support model that works well for a large cohort of operators, outside of the generic WS and RSP. RTOs, ITOs and NZ Maori Tourism are three sectors receiving targeted sector support, outside of those there was the divisive STAPP fund and the Kickstart Grants that are yet to commence.
35. Our views on the STAPP are noted earlier, the business advisory grants worked for some though it did seem to be a bit paternalistic and looked like it lacked faith in

recognising operators as being best placed to make the right decisions for their business. The \$49m Kick-start grant is probably the closest the government has come to providing grants to business owners directly, after STAPP, though the scheme hasn't opened yet.

36. The most effective forms of support are those that benefit operators directly, e.g. Kick-start fund. Support paid to EDA's and consultants are less effective. Every dollar spent should flow into the industry.

37. One question to be answered is did government have access to the right insight and data to make informed decisions about where the funding would have the most impact? Possibly not, as a lack of quality data has been a perennial issue for government and industry. It may be useful to assess whether better data and insight might have improved the decision making.

Part Five – Communication

How would we describe government's communication with the sector?

38. A mixed report card on the government communications. When the STAPP funds were announced and concerns raised by industry it was difficult to get answers and in the end the release of cabinet papers provided the required insight.

39. Information on the MBIE Tourism website became more transparent over time and provided good insight into the distribution/allocation of funds.

Part Six – Looking forward

How do we see the prospects for the future? Does this alter with/without government support?

40. Recent border announcements are welcomed by the industry. However, the industry operates with long lead times. In the short-term there will be an injection of visitor dollars into the system. However, the industry's own recovery modelling suggests that it will be 2-3 years before we get back to full scale.

41. Businesses need to be supported particularly over the next 12 months – until the end of summer 2023. The Government has allocated funds for the sector through the Tourism Kick-start Fund (\$49 million) to help tourism businesses in five South Island regions prepare for the return of international visitors. Details about this fund are expected soon as government has now made public its plan for a staggered border reopening.

42. TIA advocates that a further \$100 million (total \$149 million) of Kick-start grants be made available to tourism operators across the motu. These grants should provide targeted support to eligible New Zealand tourism and hospitality businesses to continue

offering a viable product, retain their employees and enable businesses to increase their workforce as domestic and international tourism markets fully open.

43. Support will also be required in the form of empathetic government policy, such as immigration policy so the industry can get the workers they need to support the recovery.

44. A copy of our 18 February 2022 letter to Minister Nash, Support for Tourism Businesses, is attached.

Follow up process

45. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

End.