

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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- [12] Not in scope
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2013/611

SH-11-1-4



THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 21 March 2013

To: Minister of Finance  
(Hon Bill English)

Deadline: None  
(if any)

## **Aide Memoire: Treasury Comment: A Growth Package for Tourism**

This aide memoire provides a summary of Treasury's advice in response to a briefing by the Ministry of Business, Innovation and Employment (MBIE) titled *A Growth Package for Tourism* (attached). [6]

Discussions with the Ministry have clarified that an indicative funding of \$80 million per annum might be sought to direct towards increases to tourism and related programmes.

The sections that follow summarise Treasury's advice in terms of the implications of this proposal for tax policy, its alignment with economic strategy and related international legal concerns and the objectives of wider tourism policy. These matters can be considered alongside previous advice by Treasury on related issues.

[6]

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## Tourism Policy

MBIE's briefing includes a number of possible programmes to grow the tourism and related sectors in New Zealand. The value of these programmes is uncertain because of:

- A lack of robust evaluation of similar programmes in New Zealand
- A lack of evidence of market failure being addressed by the programmes. In these circumstances programmes may result in private gains by tourism operators at the expense of the public
- A lack of evidence presented on the efficacy of similar programmes overseas.

Because of these factors, we recommend that these programmes be funded from baselines.

A short valuation of individual programmes follows:

Proposed Programme	Treasury Comment
Increased resources to destination marketing (\$14.2 million over 3 years)	Efforts to focus on higher value marketing targets could be worthwhile. However, it is difficult to determine the value of these proposals as no evidence from overseas or evaluations of similar programmes has been presented.
Stepping up Marketing of NZ as a destination for business and conferences/conventions (\$10 million per annum)	
A resourced strategy for very high net-worth visitors*	Increasing the numbers of high net worth individuals could increase tourism income. However, it is not clear why tourism operators would not already be targeting these individuals if there was an opportunity in the market. In the absence of strong evidence for market failure, funding to lift capability may simply go to private gains and therefore represents a transfer from the public to the tourism sector.
Tourism Innovation programme*	There is no strong evidence of market failure presented for the tourism sector. In the absence of such evidence, funding to lift capability may simply lead to private gains at the expense of the public. This leaves the value for money of these proposals uncertain.
Expanding industry capability to lift productivity*	
Attracting foreign direct investment in New Zealand tourism*	
Ensuring tourism contributes to regional growth*	There is no strong evidence of market failure. In addition, regional efforts to boost tourism would have to be carefully designed to avoid simply transferring tourist dollars spent in one part of New Zealand to another part of New Zealand. These two issues combined mean that the value for money of this proposal is unknown.

**Further programmes have been proposed in subsequent conversations between MBIE and The Treasury:**

[6]	
Increased funding for Major Events Development fund (\$10 million per annum)	The funding for the Major Events Development Fund was increased from \$3 million to \$10 million in 2010. A recent evaluation showed a very wide range of net economic benefits from poor to very good. A subsequent cabinet paper proposed changes to the programme to target higher returns (EGI Min (13) 2/2). However, these changes have not been implemented.
Increased funding for marketing education off shore (\$20 million per annum)	This proposal is to increase Education New Zealand's funding. Education New Zealand is the Crown Entity responsible for encouraging international study in New Zealand. Education New Zealand was formed in September 2011 and is still developing their strategic approach. They have reported an operating surplus of \$5.8 million in 2011/12, which they intend to use building-up their organisational capability and infrastructure. Given their early development, we consider that it would be difficult for the organisation to efficiently allocate the funding to the highest value activities.
*Amounts sought for most of the programmes above are unknown, but we have been informed by MBIE that an indicative amount of \$80 million per annum is being sought in total across the initiatives.	

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*International implications*

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