

# The Treasury

## Budget 2011 Information Release

### Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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**Vote Conservation**

# Four-year Budget Plan

29 November 2010

Submitted by:

**Department of Conservation**

## **Section 1: New Baseline and Summary of Changes**

### *Direction of Change*

#### ***Contributing to the Government's priorities***

The Department's outcome statement is that New Zealanders gain environmental, social and economic benefits from healthy functioning ecosystems, from recreation opportunities, and from living our history.

The Department's management of public conservation lands and waters contributes substantially to the provision of ecosystem services such as water quality and soil fertility which underpin New Zealand's primary production economy and determine New Zealanders' prosperity.

Sound management of natural resources also contributes strongly to tourism, New Zealand's largest single foreign exchange earner. Conservation plays a critical role in supporting the '100% pure, clean and green' brand which is the market advantage on which New Zealand's producers and society rely. The businesses that support and complement tourism are major contributors to the national, regional and local economies.

In addition to continuing to manage public conservation land to deliver economic, social and environmental benefits, the priorities for the conservation portfolio focus on policies and programmes that contribute directly to Government priorities around lifting productivity, increasing employment and delivering better public services through:

1. Engaging with the business sector to realise the benefits of conservation, deliver appropriate business opportunities on conservation land and increase net revenue flows to the Department;
2. Increasing public engagement and awareness of the benefits and value of conservation to ensure that public conservation land remains relevant and continues to deliver high quality recreation and tourism opportunities; and
3. Improving services and increasing efficiency to achieve better conservation outcomes and deliver a greater range of recreation opportunities while realising gains from rationalisation of service delivery and reducing costs.

Initiatives to deliver on these priorities are largely in train and will not require significant reprioritisation of resources at this stage. The major programmes are as follows:

#### ***1. Engaging with the business sector***

- New business opportunities. Develop new business opportunities with key business sectors including renewable energy, commercial camping and species tourism. Target of 13 new projects by 2014.
- Increase investment from the private sector in conservation. Target of doubling sponsorship investment from \$2.5 million to \$5 million and increasing concessions revenue from \$13.5 million to \$14.5 million by 2014.

- Improve returns on investment for key DOC businesses. Target of improving net Visitor Centre network performance and increasing revenues from Great Walk, camping, hut and other user fees.
- Demonstrate gains in effectiveness and performance. Establish base satisfaction levels for customers of Department products and services and monitor progress.
- Realise value from carbon. Target of 75% of eligible Post-1989 land offered to investors to establish forest carbon sinks by 2014. Work with the Ministry for the Environment and the Ministry of Agriculture and Forestry to implement the Government's agreement around the five-iwi group afforestation programme for carbon sequestration.
- Maximise appropriate business opportunities. Develop biodiversity offsets methodology by 2012. Promote methodology and guidelines to business and other interested parties for wider application and adoption as appropriate.
- Mineral prospects. Work with the Ministry of Economic Development to identify mineral prospects to ensure that conservation values and mineral values on public conservation lands are balanced to give maximum possible benefits to New Zealanders.
- Work with the Fish & Game Council to develop differential fishing licenses for New Zealand residents and overseas visitors.

## ***2. Increasing public engagement and awareness***

- New National Park. Advance the proposal for a Kauri National Park centred around Northland's Waipoua Forest, sufficiently to allow the New Zealand Conservation Authority (NZCA) to make recommendations to the Minister of Conservation.
- New recreational opportunities. New cycleways to contribute to the national network and affordable campsites. Working collaboratively with businesses, the Walking Access Commission, Te Araroa Trust and the Ministry for Economic Development to increase and diversify the range of recreational opportunities available in New Zealand.
- Establish a Game Animal Council advisory group to maximise tourism and recreation opportunities for hunting of deer and other animals.
- Education strategy. Develop a conservation education web site for primary teachers and children for the purpose of increasing New Zealanders' sense of conservation as a fundamental contribution to our lifestyle, prosperity and wellbeing. Create an expert reference group of educators, advisors, Ministry of Education, NZ Council for Educational Research, Maori educators and conservation /natural history specialists.

## ***3. Improving services, increasing efficiency and reducing costs***

- More effective and efficient use of resources. Complete the development and further implement the Natural Heritage Management System to optimise the management of species and ecosystems within existing funding levels.

- Improve and innovate. Continue to test and develop new technologies that have the potential to significantly increase the effectiveness and decrease the costs of pest control and other programmes.
- Reduce red tape. Align concession and resource consent processes where relevant on public conservation lands and waters.
- Cross-government resourcing. Identify opportunities within the Natural Resources Sector and the wider public sector to collaborate with other agencies to deliver products and services at lower cost without reducing quality.

### Overall Impact

The proposed work programme will be funded through increasing efficiency, reducing costs and increasing revenues and will be delivered within existing baseline funding and within the current Vote allocation.

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	367,551	340,054	343,549	344,880	350,802
Cost of new/increased activities	0	0	0	0	0
Amount reprioritised	0	0	0	0	0
New baseline	367,551	340,054	343,549	344,880	350,802

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	0	0	0	0	0
Capital proposals seeking decisions in Budget 2011 funded within baselines.	0	0	0	0	0
Total capital intentions	0	0	0	0	0

## Section 2: Vote Priorities and Pressures

### Context

The Department of Conservation has a statutory management responsibility for a third of New Zealand's land area (about 8.5 million hectares), 33 marine reserves (covering 1.28 million hectares), and 6 marine mammal sanctuaries (covering approximately 2.4 million hectares). To achieve its outcome statement that New Zealanders gain environmental, social and economic benefits from healthy functioning ecosystems, from recreation opportunities, and from living our history, the Department has to ensure that ecosystem services continue to be delivered, biodiversity declines are halted, tourism is provided for and recreational opportunities are available. Careful prioritisation of resources is essential to balance many and sometimes competing priorities.

Increasingly, public conservation land must also contribute to the Government's economic growth agenda through realising business opportunities that can deliver the best overall value to New Zealand in areas such as tourism, renewable energy and mineral extraction, while maintaining the environmental base on which these are built.

### Priorities

With the above as context, the Department intends to implement a programme of work that:

- Applies prioritisation techniques and tools to improve decision-making and increase conservation outcomes;
- Improves services, tourism and recreation opportunities and delivers more efficient use of resources;
- Increases opportunities for businesses on public conservation land; and
- Increases engagement with councils, iwi, business and communities to achieve conservation outcomes.

In doing so, the Department will contribute directly to government priorities to invest in productive infrastructure, remove red tape, improve regulation, improve education, lift skills and productivity and improve services in the public sector.

The improved decision-making and prioritisation tools in particular will highly likely result in significant changes to work programmes over the next several years:

- Some conservation programmes will be reduced in size or no longer be funded, allowing resources to be moved to cover a greater range of threatened and protected species and ecosystems.
- Recreation and tourism opportunities will become more demand-driven, focussing on improving visitor experiences for New Zealanders and overseas tourists, such as in areas closer to population centres and tourism hotspots.
- Conservation outcomes will increasingly be delivered in partnership with business and communities.

### Pressures and drivers of costs

Due to the geographical scale, diversity, extent and unpredictability of the work required to manage New Zealand's natural and historic resources, there are a number of pressures on the Vote:

- Unpredictable events such as fires and marine mammal strandings must be reacted to and incur unavoidable costs.
- Biodiversity monitoring is an increasingly important investment in understanding the effectiveness of management actions to allow more efficient and effective use of resources in the future.
- Greater community involvement and expectations leads to increased demand for financial assistance, putting further pressure on biodiversity assistance funds that are already oversubscribed by two to one.
- Investment in long-term assets such as huts and visitor centres creates ongoing financial commitments that can constrain the Department's ability to respond to changes in demand for services.
- Delivering on the Government's priorities on Treaty Settlements requires considerable investment in staff time and resources, particularly in the preliminary stages of negotiation.
- Inflationary pressures act on the Department's principal operating costs of wages, salaries and operational contractors, which totalled \$155 million in 2009/10. The cost of salary increases for 2010/11 is approximately \$3 million and a further increase of a similar amount is expected in 2011/12. The Department is also susceptible to increasing fuel costs for vehicles, aircraft and helicopter hire, and flights.
- Emerging biosecurity issues such as didymo increase pressure on biodiversity, create unexpected costs and can impact on recreation and tourism.
- Animal and plant pests are a constant pressure that will continue to cause significant declines in biodiversity and will increase pressure on ecosystem services such as fresh water and soil fertility. Further management action by the Department may therefore be required to sustain species and ecosystems.

### Managing pressures

The programme of work that the Department is implementing will manage these pressures through reducing costs, increasing revenues, improving efficiency and increasingly engaging with the business community, regional councils, iwi and communities in directly supporting conservation work.

While the Department anticipates that the proposed work programme can be delivered within existing baseline funding, this will only be achieved through a continued focus on efficiency, effectiveness and additional revenue generation over the four-year budget plan period.

### *Reducing costs and improving efficiency*

Over the last year, the Prioritising for the Future programme has been working to help the Department to become more effective and efficient in a number of its work areas. Already, \$9.6 million of cost savings over the next four years have been enacted from programmes for supply of information technology, data and telephony services; extending term of computer leases; and reducing travel. Efficiency gains from reducing resource use such as through rationalising the Department's transport fleet and fuel use are also expected.

The Department's Business Improvement Programme will continue for the next two years, focussing on a combination of cost reductions and revenue and service improvements to drive effectiveness, efficiencies and new ways of operating. Opportunities have been identified in procurement and support services to achieve further savings of \$14 million over the Budget period.

### *Increasing revenues*

Revenue gains are anticipated from increased commercial activities on public conservation land. The Department has a target of doubling sponsorship investment from \$2.5 million to \$5 million and increasing concessions revenue from \$13.5 million to \$14.5 million by 2014.

### *Working collaboratively*

Even as the Department's resources are deployed more efficiently and effectively, the pressure on natural resources is such that there will continue to be further significant declines in biodiversity and increasing demands on ecosystem services such as fresh water and soil fertility.

Government, communities, regional councils, iwi and businesses will need to make a conscious choice to work together to address or accept these risks and to more fully take advantage of the opportunities that are naturally abundant and unique to New Zealand.

Experience to date shows that the Department can leverage significant funding from other agencies and communities. For example, the Biodiversity Condition and Advice Funds provide grants for biodiversity projects on private land. Since 2000, \$25 million of Crown funding has been matched by the same amount of landowner and other funding making a total of \$50 million invested in biodiversity on private land. The Department will continue to work to address this ongoing challenge and to create new partnerships and opportunities.

### *Managing expectations*

Delivery of the proposed work programme will challenge the views of some communities. For example:

- There may be resistance from some sectors of society if some resources are moved away from relatively secure iconic species to lesser known species that are in greater need of active management.
- Responding to increased demand in the front country will mean that investment in our backcountry wilderness will need to be reduced, potentially displeasing traditional users of the backcountry such as trampers and hunters.

- While increasing business opportunities on public conservation land will bring a net benefit to New Zealanders, they may also result in reduced access to some areas and an increased impact from commercial activity.

The Department considers that these risks can largely be managed through more effective engagement with communities on the benefits of the proposed work programme. The development of Conservation Management Strategies over the next few years will provide a forum for addressing any concerns over the transitions that the Department is proposing.

### **Section 3: Proposed Changes for Budget 2011 (Reprioritisation)**

The work programmes identified in Section 1 represent significant changes to the way that the Department thinks and operates. Of particular note is the formation of a Commercial Business Unit, the development and implementation of a world leading optimisation framework for conservation activities and a significant new focus on ensuring that the Department's assets are aligned to maximise recreation and tourism outcomes.

#### *Changes to the management of natural resources*

The Natural Heritage Management System will increase the efficiency and effectiveness of natural resource management by ensuring that the most efficient level of resources necessary to achieve conservation outcomes are deployed to manage a particular species or ecosystem.

As a result, some programmes may be reduced in size or stopped altogether. Resources will be refocussed to work on higher priority species that are currently not being effectively managed, leading to a net gain in conservation outcomes at the same level of cost.

#### *Changes to the management of recreation and tourism activities*

The Department's Destination Management Framework is a new approach to planning and priority-setting. More effort will be put in to understanding what people want from conservation destinations and will ensure that visitor assets such as huts, tracks and visitor centres will focus on providing the greatest benefit to New Zealanders and overseas visitors.

The Commercial Business Unit is working to deliver positive commercial outcomes, build productive business partnerships, increase net revenue flows and enable business opportunities that are high quality and allow a greater number of New Zealanders to enjoy public conservation land.

These programmes are being funded through increasing efficiency, reducing costs and increasing revenues and will be delivered within existing baseline funding and within the current Vote allocation.

## **Section 4: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3 (see attached reports).