



Summary

Inquiry into the Strategic Tourism Assets Protection Programme

Covid-19 created unprecedented challenges for New Zealand. The border closure on 19 March 2020 and the lockdowns that followed severely affected the tourism sector. By May 2020, the Government had forecast 92,000 job losses in 2020 and cumulative losses of \$18-21 billion over four years for the tourism sector.

The \$290 million Strategic Tourism Assets Protection Programme (STAPP) formed part of a \$400 million government response to support the tourism sector. STAPP aimed to provide rapid financial support for strategically significant tourism assets that contribute significantly to the region that they are in and to tourism in New Zealand.

A group of Ministers (known as the Tourism Recovery Ministers) was responsible for making decisions about STAPP funding.

Concerns have been raised in the media and with our Office about how STAPP was managed. In particular, tourism businesses have questioned the clarity and transparency of STAPP's criteria for funding and whether they were applied consistently. Because of these concerns, and the amount of public money involved, we decided to inquire into the STAPP

eligibility criteria for funding and the process for assessing funding applications.

When STAPP began, it was unclear how many tourism businesses with strategically important tourism assets it would fund. The Ministry of Business, Innovation and Employment (the Ministry) designed the application and assessment processes with the understanding that it would cover up to 50 tourism businesses with strategic tourism assets. In the end, 127 tourism businesses received funding.

As with some other government Covid-19 response initiatives, STAPP involved a high-trust approach. This approach required limited evidence and relied on representations from tourism businesses applying for funding to establish eligibility.

Unclear criteria

Some aspects of STAPP's criteria were not as clear as they could have been. Criteria needed to be clear and provide enough guidance so tourism businesses applying for funding could self-assess whether they met the criteria and whether it was worthwhile applying. One key criterion was that tourism businesses applying for funding had to have



“exhausted all other avenues of support”. What this meant in practice was unclear. The Ministry did not seek information to support each tourism business’s representation about this criterion. No inquiries were made about tourism businesses’ equity position or parent company resources.

In our view, more thought should have been given to what corroborating information could have been sought and how officials could verify at a later stage whether the criteria had in fact been met.

Ultimately, officials advised that they could not confirm whether applicants had in fact exhausted all other avenues of support. One Tourism Recovery Minister told us that they wanted to ensure that profitable parent companies did not call on STAPP funding to support their subsidiary tourism businesses. The Tourism Recovery Ministers did give funding to tourism businesses with profitable parent companies, including two parent companies that received funding of \$31.2 million and \$30 million respectively for their subsidiary tourism businesses. In our view, a scheme should not include criteria if they are ambiguous or inconsequential. That does not provide clarity to applicants nor does it provide confidence to the public and Parliament that public money is being spent as intended.

Consistency of assessment process

There was a two-stage process for assessing STAPP applications. This included officials seeking feedback from other government agencies and New Zealand Māori Tourism (a non-government organisation that represents the Māori tourism industry). However, this was limited due to time constraints and some constraints on access to application information. A financial assessment and a moderation process were also part of this assessment. Through this assessment process, tourism businesses were given a score out of 30. Although the assessment process was consistent, we did not see a documented consistent methodology for deciding the amount of funding awarded.

The Tourism Recovery Ministers’ decisions

In July 2020, officials advised the Tourism Recovery Ministers that the economic context had changed so much that STAPP should be stopped or alternative

options developed. The Tourism Recovery Ministers did not accept officials’ advice to stop STAPP or fund a small number of tourism businesses. They asked officials to provide alternative options and requested further advice from officials and New Zealand Māori Tourism about what support was being provided for Māori tourism businesses before making their final decision.

The Tourism Recovery Ministers decided to fund all tourism businesses that scored more than 15 out of 30 points in the assessment process. They also decided to fund all eligible Māori tourism businesses, including those that scored less than 15 out of 30 points in the assessment process. The Ministers told us that they decided to fund more tourism businesses because they believed this gave best effect to Cabinet’s original intentions for STAPP: to gain maximum leverage over strategic tourism assets that offered significant regional benefits.

Ministers have broad discretion to make decisions. They can seek further advice from other parties and rely on their own knowledge of particular regions and tourism businesses when making decisions. However, all decisions to spend public money come with an obligation to ensure that the decision-making is consistent and transparent. We saw limited evidence explaining the reasons for the decisions. Without those records, those who have made the decisions are not able to adequately explain why funding was provided. In our view, this is not acceptable practice, regardless of the circumstances. To ensure that the public can be confident in the integrity of the decisions made, the reasons for this should be clearly explained and well documented.

Trust and confidence in government depends on transparency and accountability when spending public money. This trust and confidence can be undermined where the criteria are not clear and when some applicants are treated, or are perceived to be treated, differently than most applicants or where there is limited documentation supporting decisions made by Ministers. We saw aspects of each of these factors.

To ensure that future schemes build on the lessons learned from STAPP, we suggest that the Ministry commit to formally reviewing the effectiveness of STAPP against its goals.