

# The Treasury

## Budget 2025 Information Release

### September 2025

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
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- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Information out of scope – the material is not related to Budget 2025

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## Treasury Report: International Visitor Levy — Update on allocation of revenue and next steps

Date:	11 December 2024	Report No:	T2024/3353
		File Number:	SH-1-6-1-3-3-16-3-2-M113491

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	Issue letters to the Minister for Tourism & Hospitality and Minister of Conservation setting out your preferred approach	16 December 2024

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Tim Baxter	Senior Analyst, Regions Enterprise and Economic Development [39]		✓
John Marney	Manager, Regions Enterprise and Economic Development		

### Minister's Office actions (if required)

<b>Return</b> the signed report to Treasury. If agreed <b>issue</b> the letters (Annex One and Two) to Minister for Tourism & Hospitality and Minister of Conservation
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Note any feedback on the quality of the report

Enclosure:      **No**

# Treasury Report: International Visitor Levy — Update on allocation of revenue and next steps

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## Executive summary

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This report seeks final decisions on the allocation and management strategy for International Visitor Conservation and Tourism Levy (IVL) revenue following the rate increase to \$100.

Following your direction in the meeting on 26 November 2024, we recommend allocating \$35 million per year for new investment within the Tourism portfolio and \$55 million per year within the Conservation portfolio from 2025/26 onwards. This new spending will be baselined so the amounts will not change year-to-year even if IVL revenue varies. This will provide Ministers with certainty over the amount available to fund new investment so they can maximise value.

Remaining additional revenue will be attributed to existing activity within the *Services for Conservation Multi-Category* Appropriation and the *Marketing of New Zealand as a Visitor Destination* Appropriation. The overall level of funding for Tourism and Conservation will remain constant (subject to future budget decisions), with a variable proportion of those appropriations attributed to IVL revenue. This will deliver positive fiscal headroom by allowing equivalent general Crown funding to be withdrawn. For the fiscal year 2024/25 we recommend no additional spending given the uncertainty over revenue, meaning all additional revenue is used to fund existing activity.

We have also recommended a set of objectives for new investment, covering key objectives and priorities, and an annual bilateral process with respective Ministers for you to ensure investment plans align with your objectives.

We recommend you write to the Minister for Tourism and Hospitality and Minister of Conservation now setting out your intended approach. We have provided draft letters reflecting the recommended approach at Annex One and Two. Your decisions would then be implemented and announced through the Budget 2025 process.

## Purpose

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1. This report sets out our updated advice on the allocation of additional International Visitor Conservation and Tourism Levy (IVL) revenue. It seeks decisions on the level of funding for discretionary spending for tourism and conservation going forward, objectives for this spending, and the approach to managing remaining IVL revenue. It also covers related choices about decision making governance and public reporting and provides draft letters to the Minister for Tourism and Hospitality and Minister of Conservation setting out your preferred approach.

## Background

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2. In previous Treasury advice (Treasury T2024/3170 refers), and at a meeting with Treasury officials on 26 November, we discussed an approach to allocation of IVL revenue following the increase in the rate to \$100. Specifically:
  - Increase discretionary spending by \$15 million per year in both the Tourism and Conservation portfolios from 2025/26. In this advice, 'discretionary' refers to new investments funded through the IVL, based on decisions by IVL Ministers (rather than baseline activity managed through the Budget process).
  - Retain the existing savings commitments (from previous Budgets) to part-fund NZ Cycle Trails and Tourism New Zealand, which total ~\$21 million per year.
  - Allocate all remaining additional revenue to existing activity within scope of the IVL hypothecation – specifically the *Services for Conservation Multi-Category Appropriation* (MCA) and the *Marketing of New Zealand as a Visitor Destination Appropriation*. This will generate positive fiscal headroom by 'backing out' a equivalent amount of existing Crown funding.
  - Retain the 50:50 ratio for allocating IVL revenue across the Tourism and Conservation portfolios.
  - Manage revenue variance at the centre going forwards, and provide MBIE/DOC with a fixed annual amount of baseline funding for discretionary spending.
  - Retain the existing Cabinet delegation model, but reform decision making and governance to give you greater oversight over discretionary investments.
3. You agreed to write to the Minister for Tourism and Hospitality and Minister of Conservation (portfolio Ministers) setting out your preferred approach. You also requested further advice on:
  - Clarifying appropriation and funding mechanics, including how the IVL hypothecation will be managed.
  - A bilateral process to set strategic direction at Ministerial level across each portfolio.
  - The development of 'guardrails' for discretionary spending aligned with the objectives for each portfolio.

## Setting the level of discretionary spending

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4. You indicated your preference to allocate \$15 million of additional revenue per year to each portfolio in addition to existing levels of discretionary spending, and fix the overall level of discretionary spending over the forecast period.

### ***Setting the baseline for existing discretionary spending***

5. Under the status quo, funding for discretionary spending varies year-to-year in line with the level of IVL revenue collected. To set the baseline level going forward we recommend using the expected level of IVL revenue for the current financial year prior to the decision to raise the IVL rate to \$100 for the 2024/25 year, ~\$80 million in total. This figure has been the basis of most decision making to date and is consistent with the current estimate of steady-state visitor numbers once they have returned to pre-COVID-19 numbers (forecast to be in 2026/27).
6. This approach is relatively generous as it does not reflect the recent downward adjustment to forecast visitor numbers in the short term. There are various alternative options. For example, using visitor numbers from prior years or attempting to extrapolate the equivalent revenue from a \$35 rate from updated forecasts. These would risk setting new investment at lower levels than the status quo which would make public communications about the level of new investment more complex.

### ***Overall level of discretionary funding***

7. Table One below shows how much overall discretionary funding would be available for each portfolio under our recommended approach – i.e. \$55 million per year for conservation and \$35 million for tourism. This reflects the following:
  - Combining the recommended \$80 million of funding (split between portfolios) based on the discretionary funding under the status quo, plus the \$15 million increase in funding for each portfolio.
  - Taking into account that funding (\$21.899 million once fully implemented<sup>1</sup>) has already been committed to existing activity within the Tourism portfolio.
8. We recommend rounding the Tourism existing discretionary assumption up to \$20 million per year (from its actual implied level of \$18.111 million) to help provide a clearer figure for public communications. Equally you could choose not to do this rounding, which would set total discretionary funding at \$33.111 million within the Tourism portfolio

***Table One – Recommended fixed discretionary funding across the two portfolios (\$m)***

		2025/26	2026/27	2027/28	2028/29
Existing discretionary funding assumption	Tourism	20	20	20	20
	Conservation	40	40	40	40
New discretionary funding allocation	Tourism	15	15	15	15
	Conservation	15	15	15	15
<b>Total discretionary funding going forwards</b>	<b>Tourism</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
	<b>Conservation</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>

### ***Implementation and fiscal management***

<sup>1</sup> \$8 million a year for New Zealand Cycle Trails and \$13.899m for Tourism New Zealand once we reach steady state

9. These funding 'pots' (\$55 million and \$35 million respectively) will be for new investment, distinct from existing baseline spending. To support good governance and public transparency (both for levy-payers and the wider sector) statutory reporting should clearly de-lineate new IVL-funded discretionary investment from other baseline activity.
10. To achieve this, we recommend:
  - a. Within the Tourism portfolio: re-purposing the existing IVL appropriation so that it only tracks and governs the expanded discretionary element of the Tourism portfolio. That appropriation is *Tourism Strategic Infrastructure and System Capability* and is currently used to fund all the activity currently attributed to the IVL.

**Figure One – Mock-up of revised *Tourism Strategic Infrastructure and System Capability* appropriation (illustrative)**

	2025/26	2026/27	2027/28	2028/29
Tourism and Hospitality: Tourism Strategic Infrastructure and System Capability (\$m)	35	35	35	35

- b. Within the Conservation portfolio:
  - i. Absorbing both discretionary and existing activities (detailed below) in the *Services for Conservation* MCA. There is currently no specific appropriation for IVL Revenue within Vote Conservation due to an appropriation structure based around large MCAs.
  - ii. To provide transparency we recommend managing the discretionary element using a components table that outlines the quantum of activities specifically funded by IVL revenue. This table will appear in the Estimates of Appropriations within the MCA, as illustrated in figure two.

**Figure Two – Mock-up of *Services for Conservation* MCA components table (illustrative)**

*Components of the Appropriation*

	2024/25		2025/26
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Discretionary activities funded by the IVL	35 000	35 000	55 000
Existing activities funded by the IVL	TBD	TBD	20 000
Total	35 000	35 000	75 000

11. Under our recommended approach, revenue from the IVL that funds conservation will increase from ~7 per cent of DOC's baseline at present to 11.5 per cent of DOC's baseline in FY25/26, and 18 per cent of baseline from FY26/27 onwards. DOC has an annual budget of around \$650 million (0.45 per cent of Core Crown spending).

## Governance and bilateral process for discretionary spending

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12. You have indicated you wish to develop a bilateral governance process for each portfolio focused on your overall priorities and direction for each discretionary funding 'pot', as well as providing you assurance of the relative value of proposed investments.
13. We recommend you do this by writing to the relevant Ministers setting out your expectations and objectives (see below) and inviting them to set out their proposed investment plans for the upcoming financial year. We expect that the same objectives would remain constant year on year, though there would be scope for flexibility when required. Once you have considered those investment plans you could decide whether a meeting is required. This would give you the opportunity to ensure investment plans are aligned with your priorities. Individual spending decisions would then continue to be managed through the existing Cabinet delegation model, which requires your approval for investments with a total value over \$10 million and retains the capacity to agree larger, more impactful projects which are cross-funded from both Tourism and Conservation discretionary funding.
14. For the first iteration we recommend writing to portfolio Ministers setting out the objectives and commissioning them to set out their proposed investment plans for your consideration no later than the end of February – which would then be formalised into an annual process. This approach is reflected in the draft letters at Annex One and Two.

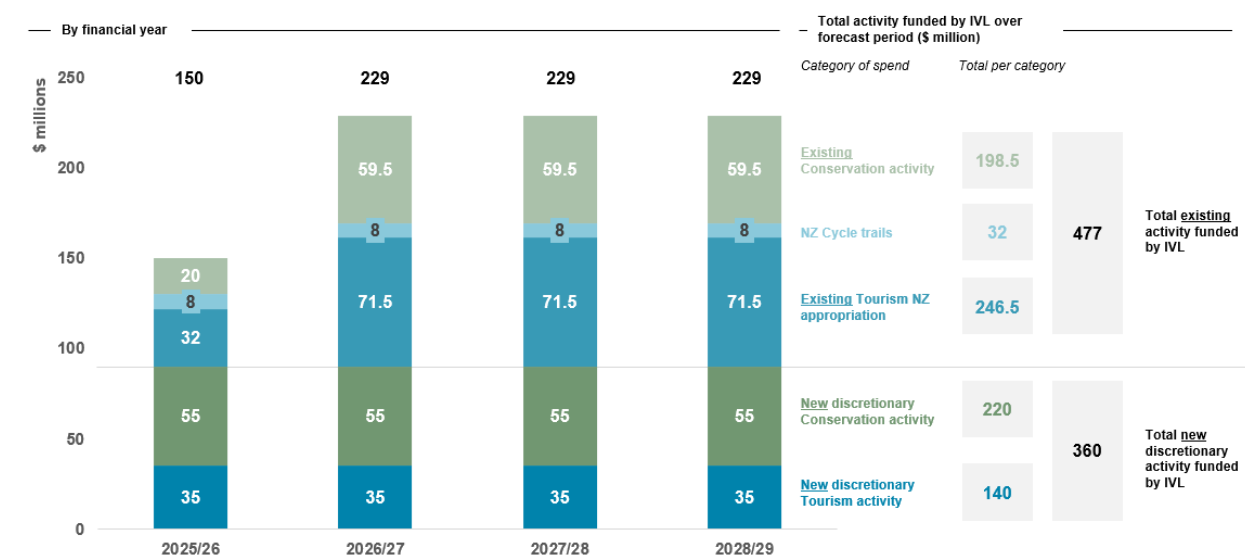
## Management of remaining IVL revenue and funding of existing activity

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15. IVL revenue above the amounts allocated to discretionary activity or already earmarked for specific tourism activities will be managed against existing Tourism and Conservation activity consistent with the purposes of the levy. We recommend using the *Services for Conservation* MCA (~\$540 million per year) and the *Marketing of New Zealand as a Visitor Destination* Appropriation (~\$100 million per year). The size of these two appropriations provides sufficient scope to manage currently forecast revenue.
16. In practice this means that the first \$90 million of revenue in a given year will be attributed to discretionary activity. Remaining revenue will be attributed to existing activity. The overall level of funding for existing Tourism and Conservation activity will not change. The variable factor (depending on the level of IVL revenue) year to year will be the proportion of the *Marketing of New Zealand as a Visitor Destination* Appropriation and *Services for Conservation* MCA that is funded by IVL revenue and the proportion that is funded by general Crown revenue.
17. Because the fiscal treatment of IVL revenue and general Crown revenue is the same, no in-year appropriation changes will be required and the positive fiscal impact will be directly driven by increased revenue.
18. Figure 2 below illustrates the breakdown of IVL revenue allocation over the forecast period based on forecast revenue.



Figure Three – Allocation of IVL revenue as per current forecasts



Reporting and public communication

- 19. We propose managing public reporting and attribution of IVL revenue through a half-yearly update issued by MBIE alongside the HYEPU / BEPU process. This would provide the simplest basis for explaining the new approach to the sector and interested stakeholders, as well as for reporting on the total amount of IVL-funded activity going forwards.
- 20. We will commission MBIE and DOC to develop specific proposals for how this communications process is managed, but expect that it will entail an explanatory table along the lines of Figure three above, as well as a public statement covering key projects and priorities that were funded by the IVL. The first iteration of this process should be published alongside the 2025 BEPU update, covering both 2024/25 and 2025/26.

Recommended objectives for discretionary investment

- 21. You requested we develop objectives for future discretionary funding to ensure it is directed towards initiatives of substantial value to external stakeholders. We recommend focusing on a set of objectives arranged around three key principles; visitor numbers, sustainable growth and high value investment. These are intended to be shared priorities across tourism and conservation (with the potential for some investments to straddle both discretionary funding pots).

Visitor numbers

- 22. Increasing visitor numbers to maximise the economic contribution tourism makes to New Zealand; measured through:
  - Recovery and growth of visitors: Of New Zealand's five largest sources of overseas visitor arrivals, only India has been above pre-pandemic levels in most months over the last year. Visitor numbers are the key input and primary driver of economic benefits.

- Reduce seasonal visitor variance in high variance regions by transforming New Zealand into a year-round destination: New Zealand is a highly seasonal tourist destination, with 40 per cent of tourism spending occurring in the three months over summer<sup>i</sup>.
- Identify high-growth potential countries and grow the market share of visitors from those countries: There has been significant growth in recent years in the number of tourists from destinations which are rapidly growing in prosperity. Early intervention in those markets could have significant long-term benefits in terms of tourism attraction.
- Increased infrastructure capacity to attract and support visitors: Many areas of New Zealand lack the necessary infrastructure to enable larger numbers of visitors to visit, stay and contribute to the local economy and support is needed to enable these activities.

### *Sustainable growth*

23. Enhancing the visitor experience, managing the impact of tourism on the conservation estate, retaining public consent to allow for continuous growth, and supporting other government outcomes. These would be measured through:
- Preserving and enhancing a world class conservation estate: Survey data consistently shows our natural environment is the primary international drawcard for visitors.
  - Enhanced regional dispersal of visitors outside of the main tourist centres: Reducing the pressure on these locations and enable other areas to receive greater benefits from tourism.
  - Retaining and enhancing the social contract: Maximising the economic and social benefits that visitors bring to local areas, including the creation of high value jobs and business, and ensuring that a greater proportion of the economic benefits remain within local communities.

### *Delivering high value investment*

24. All investments funded by the IVL need to demonstrate robust value for money and alignment with overall Government priorities, measured through:
- Strong investment discipline: proportionate application of best practice analysis to demonstrate value and deliverability of proposed investments (Value for Money criteria, Return on Investment approach, Cost-benefit analysis).
  - Whole of life costings: clear evaluation of ongoing operating costs and whole-of-life capital costings, including clarity on how they will be funded
  - Cohesive decision-making processes: investments that reflect IVL Ministers key priorities and allows trade-offs to be made across portfolios to deliver best value.

### 2024/25 fiscal year

25. Given the uncertainty over the level of revenue this year (as the new rate was implemented in October) and lack of time to develop new high-value investment opportunities) we recommend that no additional discretionary spending is agreed for the current year. This means you are effectively deciding that all additional revenue in 2024/25 is used to fund existing activity, replacing other Crown funding.

## **DOC Investment Priorities 2024/25**

26. The Minister of Conservation has submitted to you DOC's Investment Priorities for the 2024/25 financial year [DOC Report 24-B-0557 refers]. DOC has reported challenges in making large or multi-year investments due to uncertainty around actual IVL revenue on a year-to-year basis.
27. We recommend you agree the investment priorities proposed by DOC as they are broadly consistent with the recommended objectives. However you should also signal you expect improvements from 2025/26 with a greater focus on larger strategic projects, and improvements in the underlying analysis.

### **Next steps**

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28. We recommend you write to the Minister for Tourism and Hospitality and the Minister of Conservation outlining your preferred approach. Draft letters reflecting the contents of this advice are included in Annex One and Annex Two.
29. We recommend allocation decisions are formalised through the Budget 2025 Cabinet Paper, and announced alongside Budget decisions next year. This will allow difficult decisions, particularly on the allocation of new IVL revenue to existing activities, to be contextualised within the overall fiscal strategy and narrative. <sup>[36]</sup>
30. Alternatively, it would be possible to finalise and announce decisions on the allocation of IVL revenue in advance of Budget 2025, though this would require a Cabinet paper. Officials can provide further advice if you wish to pursue this option.

## Recommended actions

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We recommend that you:

- a) **agree** that total discretionary funding going forward will be baselined at:

- i. \$35 million per year in the Tourism portfolio

*Agree / disagree*

- ii. \$55 million per year in the Conservation portfolio

*Agree / disagree*

- b) **note** that these figures include:

- i. an additional \$15 million per year for discretionary investment in both the Tourism and Conservation portfolios  
ii. rounding the level of existing discretionary activity with the Tourism portfolio from \$18.111 million up to \$20 million

- c) **agree in principle** to manage discretionary funding within the Tourism portfolio through the *Tourism Strategic Infrastructure and System* appropriation:

	2025/26	2026/27	2027/28	2028/29
Tourism and Hospitality: Tourism Strategic Infrastructure and System Capability (\$m)	35	35	35	35

*Agree / disagree*

- d) **agree in principle** to manage discretionary funding within the Conservation portfolio through the Services for Conservation Multi-Category Appropriation:

	2025/26	2026/27	2027/28	2028/29
Services for Conservation Mutli- Category Appropriation	55	55	55	55

*Agree / disagree*

- e) **note** that discretionary funding within the Conservation portfolio will be made publicly transparent through a components table outlining the quantum of activities that will appear in the Estimates of Appropriations
- f) **agree** to commission the Minister for Tourism and Minister for Conservation to set out their proposed investment plans for 2025/26 – within the objectives set out in this report - for your consideration no later than the start of February.

*Agree / disagree*

- g) **agree** that in future years additional revenue above the level of discretionary spending will be used to fund existing activity and attributed to the *Services for Conservation Multi-Category Appropriation*, and the *Marketing of New Zealand as a Visitor Destination Appropriation* retaining the 50:50 ratio between portfolios.

*Agree / disagree*

- h) **agree** to retain existing levels of spending for the 2024/25 fiscal year, with all additional revenue used to fund existing activity.

*Agree / disagree*

- i) **agree** to commission MBIE to establish a bi-annual public reporting process to track and report IVL revenue and IVL-funded spending.

*Agree / disagree*

- j) **agree** to the recommended objectives for IVL-funded discretionary spending.

*Agree / disagree*

- k) **agree** to issue the letters (annex one and annex two) to the Ministers for Tourism and Hospitality and Minister of Conservation.

*Agree / disagree*

## **Annex One – Draft letter to the Minister of Conservation**

Dear Hon Tama Potaka,

I have considered advice from Treasury officials regarding the allocation of the additional revenue that will be created following Cabinet's decision to increase the International Visitor Conservation and Tourism Levy (IVL) to \$100 per person. Given the current fiscal situation I wish to take the opportunity set out my expectations for how this funding should be allocated, particularly as the updated forecasts already show a reduction in predicted revenue over this and the next financial year as visitor numbers continue to recover at a slower than expected rate. I can confirm my intent to continue to allocate all IVL revenue within the Tourism and Conservation portfolios consistent with the purposes of the levy.

International tourists to New Zealand enjoy visiting our natural and public spaces, and in return provide significant economic and cultural benefits. Preserving our ability to sustainably fund public goods and mitigating any negative impacts on the conservation estate due to tourism is important to protect and enhance the visitor experience, and to retain public consent for relatively high visitor numbers. Successfully doing so will help ensure a sustainable and productive tourism sector that makes a positive contribution to our natural environment, a key part of our overall export strategy. Therefore my intention is to extend the use of the IVL revenue to fund these activities.

### **Allocation of additional IVL revenue**

The additional revenue generated by the new IVL rate allows us to consider new ways to support and enhance the vital contribution the conservation estate makes to our overall export strategy. I intend to allocate an additional \$15 million per year to the Conservation portfolio for new investment. This will commence from the 2025/26 year onwards and bring the total available for discretionary investment up to \$55 million per year.

To provide certainty and maximise the value of investment decisions this level of funding will be baselined, guaranteeing an appropriate level of Government support for the sector. Remaining IVL revenue will be allocated to *Services for Conservation Multi Category Appropriation*. This will enable us to place this valuable activity on sustainable fiscal footing and allow scarce Crown resources to be deployed elsewhere. These activities will retain their current overall levels of funding, but the proportion funded by IVL revenue will vary year to year.

### **Objectives for investment**

Going forward I will be establishing a process to set direction on shared priorities for the Tourism and Conservation portfolios. From 2025/26 this significantly enhanced level of investment will be targeted at the following objectives:

#### ***Visitor numbers***

Increasing visitor numbers to maximise the economic contribution tourism makes to New Zealand:

- Prioritising recovery and growth of visitor numbers

- Reduce seasonal visitor variance in high variance regions by transforming New Zealand into a year-round destination
- Identify high-growth potential countries and grow the market share of visitors from those countries.
- Increased infrastructure capacity to attract and support visitors

### *Sustainable growth*

Enhancing the visitor experience, managing the impact on the conservation estate and retaining public consent to allow for continuous growth:

- Preserving and enhancing a world class conservation estate
- Alignment with existing Conservation priorities
- Enhanced regional dispersal of visitors outside of the main tourist centres
- Retaining and enhancing the social contract.

### *Delivering high value investment*

All investments funded by the IVL need to demonstrate robust value for money and alignment with overall Government priorities:

- Strong investment discipline.
- Whole of life costings.
- Cohesive decision-making process.

Please instruct your officials to develop an 2025/26 Investment Plan reflecting these objectives and the increased level of funding for me to consider by the end of February. To ensure this investment provides maximise value this process will be formalised going forward. The current delegated decision limits will still apply.

### 2024/25 Investment priorities

My office has received DOC's Investment Priorities for the current financial year. Recognising that these priorities were developed before my officials developed these principles, I am satisfied that the Priorities for 2024/25 are sufficiently aligned with our strategic investment approach. For DOC's 2025/26 IVL-funded investment package, my expectation is to see fewer investments but in more substantive projects and delivery of high-value conservation objectives in areas of interest to international visitors.

Given the uncertainty over the level of actual revenue this year existing spending plans for 2024/25 will continue to apply.

### Governance and decision making

To ensure we give levy payers and the wider public clarity over how IVL revenue is spent and assurance that Government investment decisions are creating maximum value I have asked the Minister for Tourism to commission MBIE officials to develop proposals for a new bi-annual public reporting process aligned with the existing forecast update cycle, with input from Treasury and your officials. This will set out in a transparent manner the level of forecast and actual IVL revenue, how that revenue is allocated each year and detail on investment performance.

These changes will be confirmed through the Budget 2025 process, to take effect from next financial year. To provide certainty to the sector, I recommend we make public the allocation [as soon as is practical / alongside the Budget 2025 process.]

[I have asked my office to find time for us to discuss our collective priorities and public handling at the earliest possible opportunity].

XXXX,

XXXXXX



**Annex Two– Draft letter to the Minister for Tourism & Hospitality**

Dear Hon Matt Doocey,

I have considered advice from Treasury officials regarding the allocation of the additional revenue that will be created following Cabinet’s decision to increase the International Visitor Conservation and Tourism Levy (IVL) to \$100 per person. Given the current fiscal situation I wish to take the opportunity set out my expectations for how this funding should be allocated, particularly as the updated forecasts already show a reduction in predicted revenue over this and the next financial year as visitor numbers continue to recover at a slower than expected rate. I can confirm my intent to continue to allocate all IVL revenue within the Tourism and Conservation portfolios consistent with the purposes of the levy.

International tourists to New Zealand enjoy visiting our natural and public spaces, and in return provide significant economic and cultural benefits. Preserving our ability to sustainably fund public goods and mitigating any negative impacts on the conservation estate due to tourism is important to protect and enhance the visitor experience, and to retain public consent for relatively high visitor numbers. Successfully doing so will help ensure a sustainable and productive tourism sector that makes a positive contribution to our natural environment, a key part of our overall export strategy. Therefore my intention is to extend the use of the IVL revenue to fund these activities.

**Allocation of additional IVL revenue**

The additional revenue generated by the new IVL rate allows us to consider new ways to support and enhance the vital contribution the conservation estate makes to our overall export strategy. I intend to allocate an additional \$15 million per year for new investment within the Tourism portfolio. This will commence from the 2025/26 year onwards and bring the total available for discretionary investment up to \$35 million per year – almost double current levels.

To provide certainty and maximise the value of investment decisions this level of funding will be baselined, guaranteeing an appropriate level of Government support for the sector. This will be delivered through the *Tourism Strategic Infrastructure and System* appropriation, which going forward will be used to fund new investments only:

	2025/26	2026/27	2027/28	2028/29
Tourism and Hospitality: Tourism Strategic Infrastructure and System Capability (\$m)	35	35	35	35

As well as continuing to fund New Zealand Cycle Trails any remaining additional revenue will be allocated to *Marketing of New Zealand as a Visitor Destination*. This will enable us to place this valuable activity on sustainable fiscal footing and allow scarce Crown resources to be deployed elsewhere. These activities will retain their current overall levels of funding, but the proportion funded by IVL revenue will vary year to year.

**Objectives for investment**

Going forward I will be establishing a process to set direction on shared priorities for the Tourism and Conservation portfolios. From 2025/26 this significantly enhanced level of investment will be targeted at the following objectives:

#### *Visitor numbers*

Increasing visitor numbers to maximise the economic contribution tourism makes to New Zealand:

- Prioritising recovery and growth of visitor numbers
- Reduce seasonal visitor variance in high variance regions by transforming New Zealand into a year-round destination
- Identify high-growth potential countries and grow the market share of visitors from those countries.
- Increased infrastructure capacity to attract and support visitors

#### *Sustainable growth*

Enhancing the visitor experience, managing the impact on the conservation estate and retaining public consent to allow for continuous growth:

- Preserving and enhancing a world class conservation estate
- Alignment with existing Conservation priorities
- Enhanced regional dispersal of visitors outside of the main tourist centres
- Retaining and enhancing the social contract.

#### *Delivering high value investment*

All investments funded by the IVL need to demonstrate robust value for money and alignment with overall Government priorities:

- Strong investment discipline.
- Whole of life costings.
- Cohesive decision-making process.

Please instruct your officials to develop an 2025/26 Investment Plan reflecting these objectives and the increased level of funding for me to consider by the end of February. To ensure this investment provides maximise value this process will be formalised going forward. The current delegated decision limits will still apply.

Given the uncertainty over the level of actual revenue this year existing spending plans for 2024/25 will continue to apply.

#### Governance and decision making

We need to ensure we give levy payers and the wider public clarity over how IVL revenue is spent and assurance that Government investment decisions are creating maximum value. Please instruct your officials to develop proposals for a new bi-annual public reporting process aligned with the existing fiscal update cycle, working with Treasury and DOC. This

should set out in a transparent manner the level of forecast & actual IVL revenue, how that revenue is allocated each year and detail on investment performance.

These changes will be confirmed through the Budget 2025 process, to take effect from next financial year. To provide certainty to the sector, I recommend we make public the allocation [as soon as is practical / alongside the Budget 2025 process.]

[I have asked my office to find time for us to discuss our collective priorities and public handling at the earliest possible opportunity].

XXXX,

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XXXX,

XXXXXX

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