Cabinet paper material

Proactive release

Hon Tama Potaka, Minister of Conservation

Title: *Modernising Conservation Land Management: Approval to Consult*

Title: *Exploring Charging for Access to Some Public Conservation Land: Approval to Consult*

Title: *Growing Third-Party Revenue for Conservation*

Title: *Conservation Priorities*

Date: 25 November 2024

These documents have been proactively released:

Cabinet paper – Modernising Conservation Land Management: Approval to Consult

Date: 28 October 2024

Author: Office of the Minister of Conservation

Cabinet Committee minute – ECO-24-MIN-0235

Date: 23 October 2024

Author: Cabinet Office

Cabinet paper – Exploring Charging for Access to Some Public Conservation Land: Approval to Consult

Date: 28 October 2024

Author: Office of the Minister of Conservation

Cabinet Committee minute – ECO-24-MIN-0236

Date: 23 October 2024

Author: Cabinet Office

Cabinet paper – Growing Third-Party Revenue for Conservation

Date: 12 August 2024

Author: Office of the Minister of Conservation

Cabinet Committee minute – ECO-24-MIN-0152

Date: 7 August 2024

Author: Cabinet Office

Cabinet paper – Conservation Priorities

Date: 12 August 2024

Author: Office of the Minister of Conservation

Cabinet Committee minute – ECO-24-MIN-0154

Date: 7 August 2024

Author: Cabinet Office

24-B-0128 Briefing: Conservation Amendment Bill

24-B-0264: Briefing: Conservation Amendment Bill – Timeline and scope)

24-B-0390: Proposals for Conservation Amendment Bill

24-B-0463: Briefing - Draft Cabinet Paper for Conservation Amendment Bill

Interim Regulatory Impact Statement - Modernising conservation land management

Interim Regulatory Impact Statement - Land exchanges and disposals

24-B-0186: Briefing - Opportunities to grow revenue from visitors

24-B-0246: Briefing - Further opportunities to grow third-party revenue

Material redacted

Some parts of this information release have been withheld as they are not appropriate for release. Where this is the case, the relevant sections of the Official Information Act 1982 (OIA) that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it. If requested under the OIA, these sections would be reconsidered for release at that time.

New Zealand Government

Cabinet paper *Growing Third-Party Revenue for Conservation*, Cabinet committee minute [ECO-24-MIN-0152] and associated advice

In Confidence

Office of the Minister of Conservation

Cabinet Economic Policy Committee

Growing Third-Party Revenue for Conservation

Proposal

1 This paper seeks Cabinet approval of my proposed Action Plan for increasing third-party revenue for conservation, including the underlying objectives and principles. It also seeks agreement to progress work on two key actions:

1.1 investigating, and publicly consulting on, access charging for some areas of public land; and

1.2 investigating the introduction of rent for access for mining activities on public conservation land (**PCL**).

Relation to government priorities

2 The proposals in this paper relate to the Government's priority to deliver better public services. The proposals will help support best regulatory practices – such as ensuring that the Department of Conservation (**DOC**) is appropriately cost recovering for services. The proposals also help with the Government's priority to rebuild the economy. Conservation-related tourism is already worth $4.1 billion.[1] Ensuring third-parties, including visitors, are contributing to services and experiences they are benefitting from will help maintain those experiences and support sustainable growth in tourism.

Executive Summary

3 Conservation in Aotearoa New Zealand is facing a considerable funding challenge. One of my priorities for the Conservation portfolio is growing third-party revenue to help address this funding challenge.

4 I have developed an action plan to grow third-party revenue which includes four key shifts:

4.1 improve the financial sustainability of the visitor network;

4.2 ensure the Crown gets a fair financial return from commercial activities taking place on PCL;

4.3 increase costs recovered from permissions processes and management; and

1 Department of Conservation (2019). This was an indicative internal estimate on the economic value of tourism activities on PCL aggregated from the regions. Estimates were calculated using Ministry of Business, Innovation and Employment databases, which have been discontinued.

4.4 explore opportunities to participate in existing and emerging markets.

5 There are several actions under each of these key shifts which are outlined in **Appendix One**. A summary graph of the actions, their difficulty to implement, and their estimated additional revenue is included in **Appendix Two**.

6 I am seeking Cabinet agreement to my Action Plan, its four key shifts and underlying objectives and principles. I am also seeking Cabinet agreement to two specific actions: to investigate, and publicly consult on, access charging for some areas of PCL, and investigating the introduction of rent for mining activities on PCL.

Background

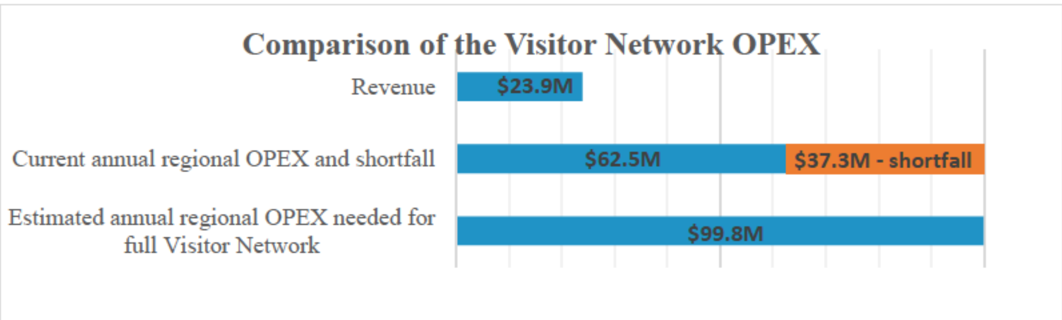
Conservation is facing considerable funding challenges

7 The conservation system is stretched thin, both physically and financially. DOC manages approximately a third of the land in Aotearoa New Zealand, from the top of the country to the bottom, with only 0.44% of the Government's budget.

8 DOC is facing considerable funding challenges due to growing cost pressures (e.g. workforce and inflationary pressures) and wider systemic changes, like climate change. 9(2)(f)(iv) [redacted] Based on recent severe weather events, DOC can also expect to face annual costs pressures of at least $12 million.

9 While efficiencies and other savings have kept operating costs down, continued under-investment in recreation assets has created another major cost driver. The Budget 2022 Natural Resources Cluster Review estimated that there was a backlog of almost 70,000 hours of deferred maintenance work and $300 million of deferred capital expenditure. Half of DOC's assets are fully depreciated.

10 The cost of delivering conservation services and maintaining outcomes for species, ecosystems and DOC's visitor network are increasing. The existing size and scale of DOC's visitor network is not sustainable at current funding levels, and DOC can only fully maintain around 70 per cent of the network as it stands. Approximately $62.5 million of direct operating expenditure (**OPEX**) and personnel costs go towards maintaining the network, but actual costs to maintain are estimated to be almost $100 million (see graph below[2]).



2 'Current annual Regional OPEX' is the actual costs recorded under the Recreational Opportunities Appropriation accounts in the Financial Information System. 'Estimated annual regional OPEX needed for full visitor network' is an estimated figure based on cost modelling for Budget 22 to operate the current full extent of the visitor network.

11 Around 37 per cent of OPEX for the visitor network is currently spent on revenue generating products (e.g. overnight huts and campsites), while the rest is spent on products which don't generate revenue. For example; tracks for day walking and tramping (32 per cent), free huts (20 per cent), and cultural and heritage supporting activities (9 per cent).

12 While price increases and continued high demand for paid huts and campsites are forecast to bring in an additional $3.9 million in revenue in 2024/25, this will not cover the funding gap.

13 In response, DOC has initiated a Financial Sustainability Review (**FSR**) and Future Visitor Network programme (**FVN**). The FSR will provide Cabinet with advice on the costs associated with DOC's roles and functions, what conservation outcomes can be achieved at different funding levels, and options for improving DOC's financial sustainability over the medium-term. The FVN is exploring what changes are needed to DOC's visitor network to improve its financially sustainability and alignment with user preferences. This will include exploring where divestment is needed to reduce costs.

DOC receives some funding from third parties, but there is an opportunity to grow the contribution

14 The Crown provides 83 per cent of DOC's funding and the remaining 17 per cent comes from third parties. This includes:

14.1 concessions revenue, from businesses that are operating on PCL ($20.6 million in 2022/23);

14.2 the International Visitor Conservation and Tourism Levy (**IVL**) (around $40 million a year based on its current rate);

14.3 commercial partnerships (around $3.4 million a year);

14.4 cost recovery charges for regulatory services that DOC provides, such as processing permissions ($2 million a year); and

14.5 hut and campsite fees, when users stay overnight at these facilities (forecast to be $23.9 million in 2024/25).

15 One of my priorities for the Conservation Portfolio is growing third-party revenue. There are opportunities to improve how we are currently generating and collecting third-party revenue and a need to explore new revenue sources.

Analysis

Objectives and Principles for growing third-party revenue

16 I am seeking to grow third-party funding for conservation to achieve three primary objectives:

16.1 grow the funding available for conservation purposes;

16.2 diversify DOC's sources of revenue; and

16.3 grow the financial contribution from users to reflect the private benefits they receive from accessing or using public conservation land.

17 Revenue from third parties has a key role to play in helping to address the funding challenges in conservation. It is also important for DOC to have diverse revenue streams to improve its resilience to changing economic conditions.

18 Individuals and companies receive private benefits from the assets or services that DOC provides and are often not charged, or fully charged, for them. I believe there is an opportunity to grow the financial contribution from users to better reflect the private benefits they receive.

19 Growing third-party revenue must be done strategically. Four key principles, which align with Treasury and Office of the Auditor-General guidance on setting charges, guide the development of the Action Plan. Actions will:

19.1 be consistent with overall Government strategy and priority conservation outcomes;

19.2 deliver a good return on investment;

19.3 be sustainable in the long-term; and

19.4 be as simple as possible to implement.

There are four key shifts in the Action Plan

Key Shift One: Improve the financial sustainability of the visitor network

20 The current approach to charging in the visitor network focusses on overnight facilities such as huts, campsites, and lodges as currently enabled in legislation, but this doesn't align with a shifting preference from visitors for short walks and day trips.[3] The Action Plan includes five actions to grow revenue from third parties through the visitor network. I seek Cabinet agreement to progress one of the actions (discussed below), and the remaining four are underway and are noted in **Appendix One**.

I am investigating access charging to some iconic sites on PCL

21 There are currently no direct charges to access areas of PCL in New Zealand as this is prohibited by sections 17(1) of the Conservation Act 1987 and 4(2)(e) of the National Parks Act 1980. However, visitors do often contribute to conservation via other methods such as ticket prices from concessionaires (e.g. a per person landing fee for visitors to the Subantarctic Islands), or taxes (e.g. GST). Access charging provides an opportunity for users to pay for more of the visitor network which they directly

3 Under the Conservation Act 1987, DOC can impose a reasonable charge for the use of facilities (other than paths and tracks), and can charge a special fee for the use of a facility which does not need to be justified based on pure cost-recovery.

benefit from, making it more financially sustainable, and contributing to conservation outcomes.

22 Access charges are widely used internationally with at least 60 countries worldwide using them, including in the USA, Australia and Canada. Fees range from $10 to $60 NZD. Introducing similar fees here could generate significant revenue for DOC. [redacted] 9(2)(f)(iv) [redacted][4]

23 Officials' discussions with senior tourism stakeholders suggest there is likely to be a degree of support for access charging if funding can be used to address key pain points in the visitor network.

24 Access charging could also support more sustainable tourism by better managing visitor demand at popular sites. There are many areas in New Zealand which are impacted by significant demand from visitors, e.g. Piopiotahi/Milford Sound, Aoraki/Mount Cook and the Tongariro Alpine Crossing.

25 There are potential risks from introducing access charging. This includes potential negative public reactions due to expectations around free access to PCL, particularly by Iwi/hapū members with cultural connections to their respective rohe, impacts on low-income groups, and potential impacts on tourism among other charge increases.[5]

I suggest public consultation on access charging

26 There are a range of key policy issues that need to be worked through, including who to charge, what rate to charge, where to charge, and how to best allocate the funding. I recommend we consult publicly on this proposal. Legislative changes are required to introduce access charging.[6]

27 A key question for the design of access charging is whether it would apply only to international visitors, or to all groups. International tourists are still a minority of the users for large parts of the visitor network, though in many highly popular areas they are the majority.[7] Access charging would generate significant additional revenue if applied to all groups, and differential charging could be used to reflect that New Zealanders already contribute to the network via taxation and local rates.

28 I intend to come back to Cabinet with a developed discussion document, seeking agreement to its release for public consultation. This will be combined with proposed consultation on wider changes to the Conservation Act if that is approved.

---

4 s9(2)(f)(iv) [redacted].

5 On 29 July Cabinet agreed to raise the IVL to $100 [CAB-24-MIN-0274 refers]

6 Including amendment of sections 17(1) of the Conservation Act and 4(2)(e) of the National Parks Act.

7 International visitors represent 36 per cent of campsite bookings, 31 per cent of Great Walk hut bookings, and 12 per cent of bookable backcountry huts bookings. Pressure on shorter experiences tends to be concentrated at number of pressure points such as the Tongariro Alpine Crossing, where international visitors represent approximately 80 per cent of the.

Other work is planned to increase revenue from the visitor network

29 As part of the Action Plan, DOC intends to:

29.1 **Pilot carpark charging in high demand conservation areas.** DOC does not currently charge any fees for visitors to use DOC-managed carparks, but can under existing legislation. DOC is piloting carpark charging in locations with high visitor demand, for example at Dolomite Point (Punakaiki). This will raise revenue for DOC in a relatively short implementation timeframe, will support demand management at popular sites and encourage other modes of access (e.g. buses and rideshares).[8] I expect the first trials will be ready for the summer of 2024/25.

29.2 **Encourage and enable donations.** DOC has work underway to better manage donations, as well as to become more active in encouraging them. DOC is developing a donations portal for its website which will enable visitors to donate directly to conservation online. It will also trial cashless donation points at popular trailheads which will allow walkers to support conservation while out hiking.

29.3 **Explore expanding retail and merchandise offerings**. This will build upon current basic offerings at visitor centres and could involve an online store.[9] Engagement with domestic and international counterparts will be an essential part of investigations into the revenue potential of retail, including with groups such as Parks Canada, which have a well-developed online store.

29.4 **Review prices for huts, Great Walk huts and campsites.** DOC regularly reviews prices for huts, Great Walk huts and campsites on a three-yearly basis. A recent pricing review has increased prices and this, coupled with continued high demand, is estimated to generate an additional $3.9 million in revenue for 2024/25.

Key Shift Two: Ensure the Crown gets a fair financial return from commercial activities taking place on PCL

30 Economic activities on PCL mostly generate revenue through the concessions process.[10] DOC receives concession fees for a range of activities on PCL including guiding, grazing and telecommunications infrastructure. However, the current approach to fees is lacking standardisation and consistency between activities. The Action Plan outlines two actions to ensure the Crown is getting a fair financial return from commercial activities on PCL. I seek Cabinet's agreement to one of the actions, while the other action is already underway and noted in **Appendix One**.

8 s 9(2)(b)(ii) [redacted]

9 Revenue from retail was $1.73 million in 2022/23, with profit of $0.8 million.

10 The Conservation Act provides the Minister of Conservation with the ability to set rents and royalties for the use of PCL at the market value.

I am seeking Cabinet's agreement for officials to undertake further work to consider introducing rent for mining activities on PCL

31 To prospect, explore or mine on PCL, operators are required to obtain a minerals permit and an access arrangement under the Crown Minerals Act 1991 (**CMA**), and a resource consent under the Resource Management Act 1991, among other approvals. Access arrangements can include conditions to protect against damage to PCL.[11]

32 Mining operators on PCL pay administrative and compensation fees to DOC, and DOC sometimes requires a bond which is held against remediation of any environmental impact. Administration fees allow DOC to recover costs for the services it has provided when processing and monitoring access arrangements to operate on PCL. Compensation fees are charged for damage caused that is not remediated by other conditions.[12]

33 Currently, operators are not charged rent for land access to prospect, explore or mine on PCL. This is inconsistent with other commercial operators on PCL, which pay to operate on PCL.

34 While the Crown receives royalties as a return on its mineral assets, there is a question whether mining companies should also pay rent to operate on PCL. Currently, mining companies can expect to pay royalties as well as rent for operating on private land. It is standard practice in Australia and Canada to pay rent for mining activities on public land.

35 I seek Cabinet's agreement for officials to undertake further work to consider introducing rent for mining on PCL. This will include looking at the full mix of fees that mining operators can expect to pay, interactions with wider strategies to increase mining more broadly, appropriate rates for rent and whether it would apply to existing or new mines. Officials will then report back to myself and the Minister for Resources with recommendations.

Work is underway to ensure the Crown is getting a fair financial return from commercial activities on PCL

36 There is one action underway that will help improve the financial return from PCL for the Crown:

36.1 **Lift activity fee rates and ensure consistency between activities of the same type.** DOC can charge activity fees at the 'market rate' for businesses that operate on PCL, however, it is not always clear what that market rate is. This is particularly the case for activities which largely occur on PCL (helicopter landings, ski fields) and have few equivalents operating on private land. DOC considers that many of the activity fees for concessions are below a fair market rate.[13] While changes are needed to fees themselves, work is also

11 There are currently 69 active access arrangements for mining on PCL, with 6 of these allowing for explorative activities, and the other 63 allowing mining operations to be carried out.

12 DOC estimates that mining compensation revenue for 2023/24 will be approximately $2.3 million.

13 s 9(2)(b)(ii) [redacted]

needed to improve regulatory powers and increase efficiency in processing, work on this is outlined further under key shift three below.

Key Shift Three: Increase costs recovered from permissions processes and management

37 DOC currently under-recovers costs for a range of regulatory services. The Action Plan includes three actions to increase cost-recovery:

37.1 **Explore legislative change to improve regulatory efficiency and performance for the Conservation Act**. Some of the proposed changes will have impacts on the amount of revenue generated through the concessions system, including: better use of competitive allocation for concessions, enabling concession fees to be set in regulations, better certainty for infrastructure concessions, and standardised approaches to high volume permits (e.g. drones) as well as removing the need for permits from some activities. These changes could also encourage further new concession opportunities on PCL.

37.2 **Improve cost recovery under the current legislation**. DOC is working to improve its internal cost recovery rules and processes. This includes increasing base fees for processing, reviewing where fees are charged, increasing efficiency through using new tools, and improving internal cost-recovery culture.

37.3 **Review compensation rates for damage caused to PCL from mining activities**. DOC collects compensation from mines on PCL to reflect the residual damage caused. These rates for compensation were set historically, and do not reflect the actual cost of damage not remediated. I consider it timely to review compensation rates, alongside looking at rent for mining activities.

38 s 9(2)(f)(iv) [redacted] The priority in the short-term is getting the right concessions regulatory framework in place and focusing on reducing wait times and unnecessary red tape.

Key Shift Four: Explore opportunities to participate in existing and emerging markets

39 There are wider Government work programmes which could have future revenue implications for DOC:

39.1 **Development of a biodiversity credit system with a form of DOC participation**. The Government has expressed interest in continuing the development of a biodiversity credit system. DOC will support the development of any biodiversity credit system following the commissioned report-back this year. It could also participate in a system once set up by developing credits for sale and undertaking actions such as pest control (depending on its design).

39.2 **Incentivise ecosystem restoration with carbon and biodiversity benefits as part of the Voluntary Carbon Market (VCM)**. The New Zealand VCM is currently small, unregulated and fragmented, but has the potential to mobilise private investment in domestic climate mitigation. DOC could participate in the VCM by acting as a seller of credits, or enabling native afforestation and wetland restoration, on PCL by third-parties. I will work with relevant colleagues, including the Minister of Forestry, on this work.

39.3 **Incentivise ecosystem restoration with carbon benefits as part of the Emissions Trading Scheme (ETS)**. The ETS is a market mechanism that encourages net emissions reductions by putting a price on emissions from covered sectors. Currently, direct Government participation is not enabled, but DOC is considering how to increase third party investment in native afforestation on PCL through better use of Crown Conservation Contracts (**CCC**).[14] DOC is considering whether policy changes, such as changes to the concessions framework, could make CCC's more financially viable and widely used. I will work with relevant colleagues, including the Minister for Climate Change, on this work.

40 The link between economic output and nature is growing the market for nature-related investment. DOC is well placed to attract investment by working with businesses and philanthropists, and has action underway to do this:

40.1 **Grow the value of commercial partnerships and philanthropic investment**. DOC is experienced in establishing formal funding partnerships and has a number of commercial partnerships with large businesses such as Air New Zealand and Meridian. Work is underway to grow the value of these kinds of partnerships, and ensure work is prioritised to maximise return on investment for conservation. Work is also underway to ensure investment-ready priority conservation work is visible to potential philanthropic investors through an 'investment prospectus', to grow the funding available for conservation purposes.

41 A summary graph of the actions identified in this paper, their difficulty to implement, and their estimated additional revenue is included in **Appendix Two**.

*There will be Te Tiriti o Waitangi - Treaty of Waitangi (**Treaty of Waitangi**) implications*

42 There are important Treaty of Waitangi implications to consider as part of this work. Many Iwi and hapū have ancestral connections to PCL, and rights and interests in the land. Charging Iwi and hapū members to access their ancestral lands will likely be contentious.

14 This is a written agreement with the Crown (including a concession) for the removal and storage of greenhouse gases on post-1989 forest land that is Crown land.

43 There may also be expectations of revenue sharing and partnerships, or expectations to be able to charge for access to land which has been vested in Iwi and hapū. DOC has strong requirements under section 4 of the Conservation Act to give effect to the principles of the Treaty and specific and targeted engagement with Iwi and hapū will be undertaken.

Cost-of-living Implications

44 Options to consider access charging and carpark charging may have implications for the cost-of-living, but this will depend on final policy decisions e.g. who to charge and how much.

Financial Implications

45 There are no immediate financial implications of these proposals for the Crown.

Legislative Implications

46 Charging for access will require legislative change to the Conservation Act 1987 and National Parks Act 1980. This will be considered by Cabinet alongside my wider work programme on a Conservation Amendment Bill.

Regulatory Impact Analysis

47 A Regulatory Impact Statement (**RIS**) is being prepared for a Conservation Amendment Bill. This incorporates the proposed changes to legislation to enable access charging and will outline in further detail the impacts and benefits of the changes.

Population Implications

48 There are no population implications from these proposals.

Human Rights

49 There are no human rights implications from these proposals.

Use of external Resources

50 No external consultants were used in the development of this advice.

Consultation

51 The following agencies were consulted on this paper: the Treasury, the Ministry of Business, Innovation and Employment, Land Information New Zealand, the Department of the Prime Minister and Cabinet, the Ministry for Primary Industries, the Ministry for the Environment, Te Puni Kōkiri, Te Arawhiti, the Ministry for Regulations.

Communications

52 I do not intend to publicly announce proposals in this Cabinet paper, with the exception of the proposal to introduce access charging as part of the Conservation Amendment Bill process. Details for this public announcement will be outlined in my upcoming Cabinet paper on the Conservation Amendment Bill, and are subject to Cabinet agreement.

Proactive Release

53 I intend to proactively release this Cabinet paper within 30 business days.

Recommendations

The Minister of Conservation recommends that the Committee:

1 **Note** that a key priority for the Conservation Portfolio is to grow third-party revenue, and this can increase the amount of money available for conservation work.

2 **Agree** with the objectives for growing third-party revenue to:

2.1 grow the funding available for conservation purposes;

2.2 diversify DOC's sources of revenue; and

2.3 grow the financial contribution from users to reflect the private benefits they receive from accessing or using public conservation land.

3 **Agree** with the principles for growing third-party revenue to:

3.1 be consistent with overall Government strategy and priority conservation outcomes;

3.2 deliver a good return on investment;

3.3 be sustainable in the long-term; and

3.4 be as simple as possible to implement.

4 **Approve** the four key shifts and associated Action Plan in Appendix One for growing third-party revenue.

5 **Note** that access charging is widely used internationally, but is currently not used in New Zealand.

6 **Agree** to the Minister of Conservation consulting on access charging for some areas of PCL, subject to future Cabinet consideration of a draft discussion document

7 **Note** commercial activities on PCL are typically charged rent for operating on public land, with mining being an exception.

8 **Agree** to officials investigating introducing rent for access for mining activities on PCL, while considering the full mix of fees that mining operators can expect to pay and interactions with wider strategies to increase mining more broadly.

9 **Note** officials will report back to the Minister of Conservation and the Minister for Resources on recommendations for any potential changes to the renting regime for mining on PCL.

10 **Note** there are existing and emerging market opportunities which could yield revenue for DOC in the future including: biodiversity credits, the voluntary carbon market, and the Emissions Trading Scheme.

Authorised for lodgement

Hon Tama Potaka

Minister of Conservation

Appendix One: Detailed Action Plan for Key Shifts

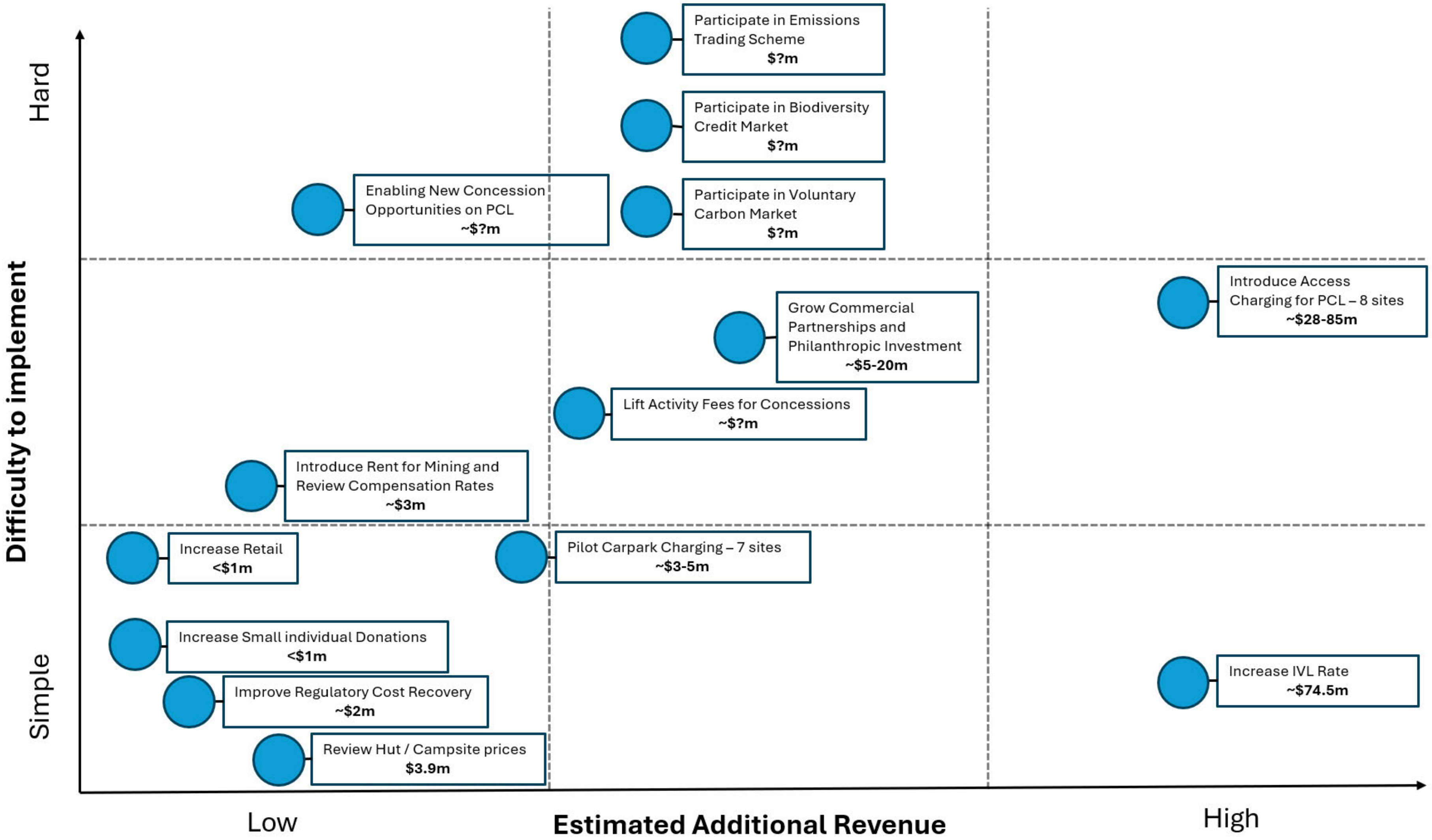
Key shift	Actions	Estimated additional revenue (per annum)	Method for implementation	Increase in revenue expected in			Risks/Assumptions
				24/25	25/26	26/27	
	Raise the International Visitor Levy to $100	$74.5M [based on conservation continuing to receive 50% of IVL funding] Allocation to be confirmed by subsequent decision.	Amend the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010				Estimated revenue assumes that international visitor numbers return to 100 per cent of pre-COVID numbers and that any increase to the IVL amount does not impact demand
Improve the financial sustainability of the visitor network	Access charging	s 9(2)(f)(iv) [redacted] The scale of other opportunities suggests that if entry fees of $10 to $30pp were in place at 8 other popular sites it could raise in the order of $28M-$85M.	Develop policy options and undertake public consultation Statutory changes to the Conservation Act and National Park Act The implementation model will vary site by site. Individual sites will require feasibility assessments to ensure charges are practical to implement				Reduced visitor numbers Inconsistency with principles of the Treaty of Waitangi, and section 4 of the Conservation Act Impacts on equity of access Negative public responses Needs to be considered alongside car parking to avoid double charging. Analysis based on: fees multiplied by estimated visitor numbers at the 8 sites Estimates are gross (not net) revenue and do not include capital and operational costs.
	Car park charging	9(2)(b)(ii) [redacted]	Prepare business case and IVL funding bid for pilot projects				Could drive perverse parking behaviours or fee avoidance behaviour e.g. parking along roadside

		Exploring 6 other potential pilot sites. Collectively may generate $3M-$5M a year.					s 9(2)(b)(ii) [redacted] Needs to be considered alongside access charging to avoid double charging
	Donations	<$1M (Punakaiki PayWave trial collected $1,700 in one month, current donation revenue of $0.5M).	Trial cashless donations at trailheads, and develop online portal for DOC's website				Need to consider appropriateness if progressing access or car park charging
	Increase revenue from retail	$1M (current retail profit $0.8M).	Investigate opportunities to expand offerings, including online store				Visitor centre closures Low returns and insufficient 'working budget' for inventory management
	Increase revenue from huts and campsites	$3.9M in 2024/25, an increase of 16 per cent from 2023/24.	Review of Great Walks, hut, campsite and other facility prices on 3-yearly cycle, and examining new payment methods (e.g. Te Araroa Trail Pass)				Increase in 2024/25 based on increased prices and increased demand
Ensure the Crown gets a fair financial return from commercial activities taking place on public	Rent on mining access arrangements	$0.5 - $2M based on either: Rates equal to equivalent rent/royalty ratio from overseas, or Rent charged on a percentage of revenue as is the case for some concessions already.	Undertake further analysis with MBIE and engage with mining sector and other interested groups before reporting back to Minister of Conservation and Minister for Resources				Likely to only apply to new mines and access arrangements Interactions with new Government mining strategy Opposition from the mining sector

conservation land	Lift activity fees rates and ensure consistency between activities of the same type	Unquantified. s 9(2)(b)(ii) [redacted].	Review activity fees to increase rates and improve consistency				Will face resistance from concessionaires with risk of more disputes and reduction in Crown revenue Increased costs to businesses
	Grazing	Unquantified.	Consider revenue options e.g. allowing more grazing, or charging higher rates				Assumes there is demand for more grazing on PCL and depends on legal and planning rules
Increase costs recovered from permissions processes and management	Explore legislative change to improve regulatory efficiency and performance for the Conservation Act.	Further work needed to quantify – RIS in development.	Develop policy options and undertake public consultation				Requires legislative process, potentially lengthy Could encourage new/additional demand for concessions opportunities on PCL
	Improve cost recovery under the current legislation	$2M.	Increase processing fees, improve cost recovery culture and increase efficiency through use of new tools				Current costs are poorly understood Efficiencies offset cost recoveries (i.e. zero sum game)
	Review compensation rates for damage caused to PCL from mining activities	$0.7M (current revenue $2.3M – inflation adjusted to $3M).	Undertake further analysis with MBIE and engage with mining sector and other interested groups				Opposition from the mining sector

Explore opportunities to participate in existing and emerging markets	Development of a biodiversity credit system with a form of DOC participation	Further work needed to quantify.	Support development of any system following the commissioned report back this year.				Requires significant work to set up Markets are new internationally and domestically
	Incentivise ecosystem restoration with carbon and biodiversity benefits as part of the Voluntary Carbon Market	Further work needed to quantify.	Explore participation, consider alongside potential work in other markets				Current market is small, unregulated and fragmented
	Incentivise ecosystem restoration with carbon benefits as part of the Emissions Trading Scheme	Further work needed to quantify.	Provide advice on options to allow afforestation on PCL by third parties e.g. through better use of Crown Conservation Contracts				Complexity of system
	Grow the value of commercial partnerships and philanthropic investment	$5M-$20M – noting some of the available funding requires matched funding, and will grow funding for conservation through others (not directly as revenue to DOC).	Develop an investment prospectus Seek additional business partners				Assumes appetite for further investment and mobilising international investors in the current global economic climate

Appendix Two: Summary of Estimated Additional Revenue



ECO-24-MIN-0152

Cabinet Economic Policy Committee

Minute of Decision

Growing Third-Party Revenue for Conservation

Portfolio **Conservation**

On 7 August 2024, the Cabinet Economic Policy Committee:

1 **noted** that a key priority for the Conservation portfolio is to grow third-party revenue, as outlined in the companion paper under ECO-24-SUB-0154, and that this can increase the amount of money available for conservation work;

2 **agreed** that the objectives for growing third-party revenue be to:

2.1 grow the funding available for conservation purposes;

2.2 diversify the Department of Conservation's (DOC's) sources of revenue;

2.3 grow the financial contribution from users to reflect the private benefits they receive from accessing or using public conservation land;

3 **agreed** that the principles for growing third-party revenue be to:

3.1 be consistent with overall Government strategy and priority conservation outcomes;

3.2 deliver a good return on investment;

3.3 be sustainable in the long-term;

3.4 be as simple as possible to implement;

4 **approved** the four key shifts and associated Action Plan, attached as Appendix One to the submission under ECO-24-SUB-0152, for growing third-party revenue;

5 **noted** that access charging is widely used internationally, but is currently not used in New Zealand;

6 **agreed** to the Minister of Conservation consulting on access charging for some areas of public conservation land (PCL), subject to future Cabinet consideration of a draft discussion document;

7 **noted** that commercial activities on PCL are typically charged rent for operating on public land, with mining being an exception;

8 **agreed** to officials investigating the introduction of rent for access for mining activities on PCL, while considering the full mix of fees that mining operators can expect to pay and interactions with wider strategies to increase mining more broadly;

9 **noted** that officials will report back to the Minister of Conservation and the Minister for Resources on recommendations for any potential changes to the renting regime for mining on PCL;

10 **noted** that there are existing and emerging market opportunities that could yield revenue for DOC in the future, including biodiversity credits, the voluntary carbon market, and the Emissions Trading Scheme.

Rachel Clarke
Committee Secretary

Present:
Rt Hon Christopher Luxon
Rt Hon Winston Peters
Hon David Seymour
Hon Nicola Willis (Chair)
Hon Brooke van Velden
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins KC
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Andrew Hoggard
Hon Melissa Lee
Hon Penny Simmonds
Hon Chris Penk
Hon Nicola Grigg
Hon Mark Patterson
Hon Andrew Bayly
Simon Court MP

Officials present from:
Office of the Prime Minister
Officials Committee for ECO

Briefing: Opportunities to grow revenue from visitors

To	Minister of Conservation	**Date submitted**	7 May 2024
Action sought	**Agree** to the proposed next steps for progressing options to grow revenue from visitors. **Direct** officials to draft a Cabinet paper with a proposed action plan to grow third-party revenue. **Indicate** if you would like to have a deep-dive session with officials on opportunities to generate revenue.	**Priority**	Very High
Reference	24-B-0186	**DocCM**	DOC-7628140
Security Level	In Confidence		

Risk Assessment	Medium	**Timeframe**	13 May 2024
Attachments	**Attachment A**: Overview of Phase Two of the Financial Sustainability Review **Attachment B:** Summary of opportunities to grow revenue from visitors **Attachment C:** Potential sites for revenue approaches **Attachment D:** Access fees for protected areas in other countries (2021) **Attachment E:** Test case – carparking at Aoraki / Mt Cook **Attachment F:** Overview of potential revenue opportunities in the visitor journey		

Contacts	
Name and position	**Cell phone**
Ruth Isaac, Deputy Director-General, Policy and Regulatory Services	s9(2)(a) [redacted]
James Johnson, Manager, Budget and Funding Policy	s9(2)(a) [redacted]
Sam Harrison, Senior Policy Advisor, Budget and Funding Policy	s9(2)(a) [redacted]

Executive summary – Whakarāpopoto ā kaiwhakahaere

- Advising on opportunities to grow third-party revenue is a key part of Phase Two of the Department of Conservation's (**DOC**'s) Financial Sustainability Review (**FSR**) and is one of your key priorities. Growing and diversifying DOC's funding sources will improve DOC's long-term financial sustainability and conservation outcomes. **Attachment A** provides an overview of Phase Two of the FSR.
- We recommend three principles to guide the growth of third-party revenue. Measures to grow third-party revenue should be consistent with the Government's overall strategy and priority conservation outcomes; deliver a good return on investment; and be sustainable in the long term.
- This paper focusses on growing revenue from the visitor network. We will be providing you with advice on wider opportunities later in May 2024. This briefing and its later counterpart will seek your direction on which actions you wish to progress to grow third-party revenue. This will form the basis for a Cabinet paper on growing third-party revenue, which you have requested for mid-2024.

Growing revenue from the visitor network

- Our current approach to charging in the visitor network focusses on overnight facilities such as huts, campsites and lodges. The revenue generated by facilities in 2022/23 was $20 million. In comparison, in 2023/24 the Crown provided us with $192 million to provide recreational opportunities and maintain the visitor network.

1. Based on current Government funding and forecast revenue, our visitor network is not financially sustainable in the long-term. Early estimates suggest that significant divestment of up to a third of the network might be required to bring costs in line with available funding. The future scale and nature of the visitor network is being considered as part of the Future Visitor Network programme.

- Ensuring users make an appropriate financial contribution will support a more financially sustainable visitor network. Some Government subsidy for the visitor network is justified due to the public benefits it provides. However, international experience suggests there is a significant opportunity and case for increasing the portion paid for by users due to the private benefits they receive from the network, particularly for international visitors.

We recommend several actions to grow revenue from visitors

- We are working to improve revenue through improvements to our current 'BAU' approach to charging, which focusses on overnight facilities. This includes getting better data on the cost of our visitor assets, setting an explicit focus on levels of cost recovery (as we often under recover costs), and improving our online payment system (e.g. moving more facilities onto our online booking system). DOC is progressing work in these areas in 2024 and will keep you updated. However, these actions to improve BAU will not result in significant revenue growth or a much greater proportion of costs being met by network users.
- We recommend investigating changing the Conservation Act 1987 and the National Parks Act 1980 to enable charging for access to iconic sites on public conservation land (**PCL**). We have identified this as the single biggest potential revenue opportunity. Access charging would also support demand management, be simple to implement at the right location and is successfully used overseas. Given many countries have entry fees for their national parks, there is a particularly strong case for such charges being placed on international visitors.
- The policy, legislative and implementation processes to enable charging for access would take time (a standard legislative process can take up to a year). In the meantime, we have identified two approaches that could be prioritised to increase visitor revenue – growing visitor donations and charging for carparking. Other

opportunities such as value-add services (e.g. guiding) and retail will be covered in the next revenue briefing.

- Visitor donations are utilised internationally in areas like national parks to fund conservation and we see an opportunity to grow them in New Zealand. We recommend that DOC take a more strategic and nationally-coordinated approach to growing donations, including providing guidance to the regions on best methods to collect donations, advice on which sites are appropriate, and how to maximise the amount donated. We also seek your endorsement to progress rolling out cashless donation options at popular trailheads around the country such as Cathedral Cove.

2. We do not charge for any DOC-managed carparks. There is a strong case to explore carpark charging, as it offers a potential mechanism to raise revenue off short-term visitors and also helps manage demand. It is commonly used domestically (by local councils and other parties) and internationally. We seek your agreement to pilot carpark charges in areas that have experienced excess visitor demand, including in Aoraki/Mt Cook National Park and at Dolomite Point (Punakaiki). This would require upfront capital investment for infrastructure, outside of current budgets. Additional FTE may also be required to drive implementation. We propose that these costs be funded from the International Visitor Conservation and Tourism Levy (**IVL**).

- While these new charges (such as access charging and car park charges) offer the potential for additional revenue for conservation, they will need to be carefully considered alongside the wider Government objective of reducing the cost of living for New Zealanders, New Zealanders' ingrained expectation of free access to PCL, and wider Treaty of Waitangi considerations.

We recommend that you … (Ngā tohutohu)

		Decision
a)	**Note** growing third-party revenue will increase funds available for the Department of Conservation (**DOC**) to use for conservation purposes.	*Noted*
b)	**Agree** that growth of third-party revenue should be guided by the following three principles: I. be consistent with overall Government strategy and priority conservation outcomes II. deliver a good return on investment III. be sustainable in the long term.	Yes / No
c)	**Note** most of the visitor network is taxpayer-funded and there is a case for increasing the portion paid for by users.	*Noted*
d)	**Note** increasing the financial contribution users make to the visitor network will help improve the financial sustainability of the network and will support parts of the network to remain open for New Zealanders and international visitors to enjoy.	*Noted*
e)	**Note** we are working to improve revenue from our 'BAU' focus on overnight facilities including getting better data on the cost to provide our visitor assets and improving our online payment systems – but this is unlikely to significantly grow revenue.	*Noted*
f)	**Note** we have identified several options to grow revenue from the visitor network (**Attachment B**).	*Noted*

g)	**Agree** to officials investigating the feasibility of introducing access charges to some public conservation land (**PCL**).	Yes / No
h)	**Note** that focussing access charges on international visitors could mitigate potential negative reactions resulting from public expectations of free access to PCL or from potential impacts on the cost of living.	*Noted*
i)	**Agree** that we will develop a more strategic approach to growing donations, including providing guidance on best methods to collect donations, advice on which sites are appropriate, and how to maximise the amount donated.	Yes / No
j)	**Agree** to DOC progressing the rollout of cashless donations at popular trailheads such as Cathedral Cove	Yes / No
k)	**Agree** that we will prepare a business case for sites to pilot carpark charging, and that this will include an investment proposal for the International Visitor Conservation and Tourism Levy to cover the upfront capital investment required and additional FTE to drive implementation of revenue opportunities.	Yes / No
l)	**Agree** we will report back to you in late May 2024 with a stocktake of popular reserves we manage with high-level cost-benefit analysis of the implementation of potential fees.	Yes / No
m)	**Direct** officials to draft a Cabinet paper with a proposed action plan to grow third-party revenue, which includes the actions discussed in recommendations g) to l) above.	Yes / No
n)	**Note** officials will provide you with further advice on wider options to grow third-party revenue later in May 2024 also for inclusion in your Cabinet paper if you agree.	*Noted*
o)	**Indicate** if you would like to have a deep-dive session with officials on opportunities to generate revenue.	Yes / No

section 9(2)(a)

[redacted]

Date: 7/03/2024

Ruth Isaac
Deputy Director-General
Policy and Regulatory Services
For Director-General of Conservation

Date: / /

Hon Tama Potaka
Minister of Conservation

Purpose – Te aronga

To seek your agreement to further investigate key opportunities to grow revenue from visitors and to draft a Cabinet paper with an action plan to grow third-party revenue for your consideration.

Background and context – Te horopaki

3. Advising on opportunities to grow third-party revenue is part of Phase Two of the Financial Sustainability Review (**FSR**) and is one of your key ministerial priorities.

4. An overview of how we are approaching Phase Two of the FSR can be found in **Attachment A**. We are proposing to stage our advice to you over the next year, culminating in a final report and recommendations in March 2025.

5. One of the key workstreams in FSR is focused on opportunities to grow third-party revenue. This includes revenue that can be generated from the visitor network, as well as through other opportunities such as partnerships, donations, concessions, retail, value-add experiences and markets.

6. This briefing first sets out the principles we recommend should guide our approach to third-party revenue more generally and then it focuses on opportunities to grow revenue in the visitor network. We will be providing further advice on other opportunities later in May 2024.

Principles to guide the growth of third-party revenue

7. Growing and diversifying DOC's funding sources will improve DOC's long-term financial sustainability and conservation outcomes. However, we need to ensure that growing revenue is done in a strategic way and is aligned with DOC and the Government's wider objectives.

8. We recommend that growing third-party revenue is guided by the following principles:

#	***Measures to grow third-party revenue should…***	**Explanation**
I.	*be consistent with overall Government strategy and priority conservation outcomes*	Revenue generation should be carefully balanced with objectives, including managing natural resources for conservation purposes, fostering recreation, and allowing tourism.
II.	*deliver a good return on investment*	We should be focussing our efforts on revenue generation opportunities that offer the best return on investment for our time, resources, and funding.
III.	*be sustainable in the long-term*	The objective of growing third-party revenue is to aid the long-term financial sustainability of DOC – opportunities pursued should reflect this.

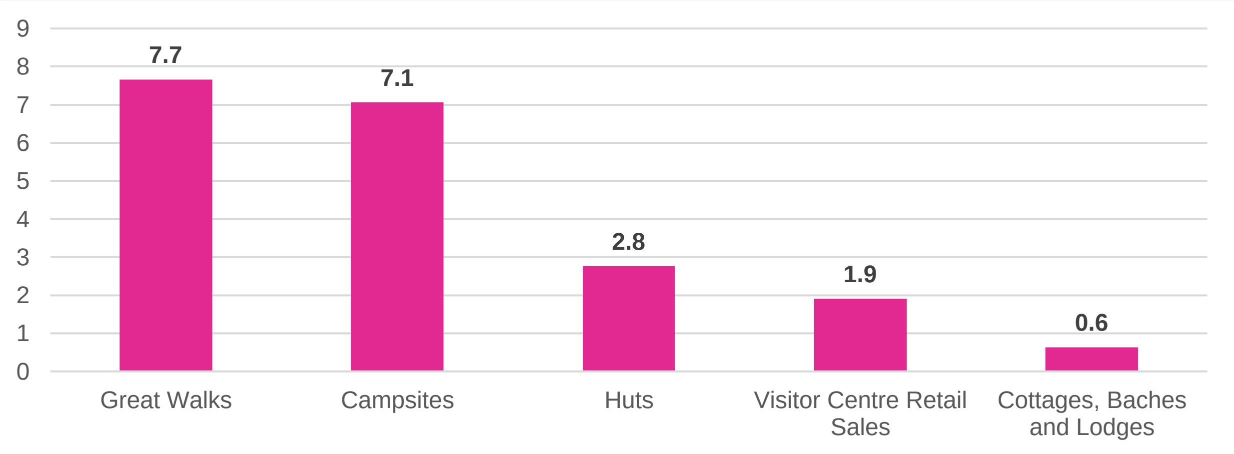
There is a case for users to make a greater contribution to the visitor network

9. Under the Conservation Act 1987 we can impose a reasonable charge for the use of facilities (other than paths and tracks), and we can charge a special fee for the use of a facility which does not need to be justified based on pure cost-recovery.[1] Our current approach to charging in the visitor network focusses on overnight facilities such as huts, campsites, and lodges.

1 Section 17(2) and section 60D, Conservation Act 1987.

10. The revenue generated by facilities in 2022/23 was $20 million.[2] This is broken down in **Figure One**. Note that although Great Walks generate the largest amount of revenue ($7.7 million), the 35 Great Walk huts and associated tracks are expensive to maintain ($8.8 million).

Figure One: Revenue from direct user charges for 2022/23 ($m)



11. We review the pricing of our facilities on a cyclical basis to improve cost recovery. Visitor revenue has increased by 27 per cent since 2019. While this goes some way towards recovering part of the cost of the opportunities we provide, the vast majority of recreational opportunity expenditure remains taxpayer-funded.

12. Visitor charges currently represent approximately 13 per cent of the funding for recreational opportunities. This proportion has remained relatively steady over the last two decades. Some Crown funding for the visitor network is justified as it creates public benefits such as:

- a shared sense of stewardship over New Zealand's natural heritage
- improved public awareness and knowledge of natural heritage
- a sense of national identity
- health and wellbeing benefits to individual users and consequent reductions in the costs of government healthcare provision.

13. However, international experience suggests there is a case for increasing the portion of the visitor network paid for by users due to the private benefits they receive.[3]

14. In 2023/24 the Crown provided us with $192 million to provide recreational opportunities and maintain the visitor network. Based on current Government funding and forecast revenue, our visitor network is not financially sustainable in the long-term. Early estimates suggest that significant divestment of up to a third of the network might be required to bring costs in line with available funding. The future scale and nature of the visitor network is being considered as part of the Future Visitor Network programme.

15. Ensuring users make an appropriate financial contribution will support a more financially sustainable visitor network and will support parts of the network to remain open for New Zealanders and international visitors to enjoy.

16. We are working on opportunities to improve revenue through improvements to our current approach to charging which focusses on overnight facilities. This includes getting better data on the cost of our visitor assets, setting an explicit focus on levels of cost recovery (as we often under recover costs), and improving our online payment

2 Note that international visitation in 2022/23 was 2.9 million visitors, 25 per cent lower than the 2019 high of 3.9 million.
3 *Funding Recreational Opportunity Provision on the New Zealand Conservation Estate* (2006), New Zealand Treasury, at page 9.

system (e.g. moving more facilities onto our online booking system). DOC is progressing work in these areas in 2024 and will keep you updated.

17. However, it is unlikely that these improvements will result in significant revenue growth (or a much greater proportion of costs being meet by network users). If significant revenue growth is to be achieved, we will likely need to look outside our traditional focus on overnight facilities.

18. Shorter walks have higher visitor capacity (as they are not restricted by bunks) and are expensive to maintain due to higher track standards. Despite this, we currently generate negligible revenue off our shorter experiences, and we do not charge any fees. We recommend that priorities for further investigation should include access charges, visitor donations and carparking charges. A summary of opportunities is included in **Attachment B**.

19. The success of these approaches will be heavily influenced by appropriate site selection. Areas with high visitor demand are likely to offer the greatest revenue potential due to volume and lack of substitutability. At the same time thought needs to be given to the impact of local geography on compliance (e.g. number of access points) and whether the approach is consistent with good visitor management. Potential sites are identified in **Attachment C**.

Access charging represents the biggest potential revenue source from visitors

20. The Conservation Act and the National Parks Act 1980 prohibit charging the public for access to public conservation land (**PCL**). We recommend investigating amending legislation to enable access charges as there are significant potential benefits. Access charges:

   - **are widely used internationally** – around 60 countries worldwide use access charging, including the USA, Australia, and Canada; fees ranging from $10 to $60 NZD (see **Attachment D** for detailed comparisons).
   - **have large revenue potential** – s 9(2)(f)(iv) [redacted]
   - **support demand management** – access charges have the potential to allocate access to individuals who value the experience the most, reducing visitor impact on sensitive ecological areas. Use of access charging for demand management was suggested by the Parliamentary Commissioner for the Environment in 2021.[5]
   - **would potentially be simple to implement at the right location** – iconic sites reached via a single access road (e.g. Milford Sound, Tongariro Alpine Crossing) are prime candidates as fee-avoidance would be difficult.

21. Initial analysis suggests that focus on charging for vehicle access has the biggest potential return on investment, as this would be the easiest to monitor and enforce. It is the most common approach used across national parks in the USA, Australia, and Canada.

22. The benefits of access charging need to be considered relative to the:

   - potential negative public reaction due to the ingrained expectation that access to PCL should be free
   - potential impact on low-income families (although this could be mitigated through discounting)

---

4 s 9(2)(f)(iv) [redacted]

5 *Not 100% – but four steps closer to sustainable tourism* (2021), Parliamentary Commissioner for the Environment.

- Treaty of Waitangi considerations - charging Māori to access PCL that they have cultural connections with could be seen as a limit on their ability to exercise kaitiakitanga
- potential interpretation that such changes are not aligned with the Government's wider objective to reduce to the cost of living for New Zealanders
- potential impact on tourism (if charges are imposed on international visitors).

23. A key consideration for the design of access charging will be whether it should apply to New Zealanders or only international visitors. Targeting only international visitors would mitigate some of the potential risks but would also reduce the revenue generated.

24. International visitors (with some exceptions) already pay an International Visitor Conservation and Tourism Levy (**IVL**). However, previous research suggests that even if the IVL rate were raised to $70 (currently $35) it would not fully recover the costs tourists impose on conservation.

25. A 2023 survey indicated that 79 per cent of the international visitors surveyed supported the idea of an access charge to Milford Sound. Approximately 80 per cent of visitors to key sites like Aoraki/Mt Cook, the Tongariro Alpine Crossing and Milford Sound are from overseas. Higher rates for international visitors are commonly used internationally and are already in use for the Great Walks.

26. Investing some of the revenue earned 'at place' may also improve support for this type of charging.

The policy and legislative process for introducing access charges would take time

27. A substantial policy and consultation process would be required to understand the impacts of access charging, including on different visitor groups. Work would also need to be undertaken to verify suitability of sites. We recommend any options to recognise Māori rights and interests are jointly developed with a Treaty partner reference group. We estimate that a full policy process would take a year.

28. The legislative changes required to enable access charging could be relatively simple to draft. Section 17(1) of the Conservation Act and section 4(2)(e) of the National Parks Act would need to be amended or deleted, and associated provisions would need to be inserted into the Acts to make fee avoidance an offence.[6]

29. You agreed on 8 April 2024 to progress work on a Conservation Amendment Bill to improve regulatory performance and ensure land management processes and settings are fit for purpose (24-B-0128 refers). Should you wish to introduce access charging, we recommend that inclusion in this Bill be investigated. Final policy decisions for the contents of the Bill will be sought in March 2025.

30. We seek an indication from you if you want us to investigate the feasibility of introducing access charges. This would include an international review on access charging, scoping the policy and engagement process and identifying sites that are potentially suitable for implementation.

31. We recommend you test Cabinet's comfort with exploring access charging in the upcoming Cabinet paper. If Cabinet wishes to progress this work, we recommend officials undertake further detailed analysis of policy options and test these, in confidence, with key stakeholder groups such as the external reference group for the Future Visitor Network Programme. We would then report back to you with our key findings.

s9(2)(f)(iv) [redacted]

6 Policy 9.1(g) of the Conservation General Policy would also need to be amended or removed.

32. s 9(2)(f)(iv) [redacted]

In the short-term, we recommend progressing growing donations and introducing carpark charges

33. The policy, legislative and implementation processes required to enable charging for access would take time. In the meantime, we have identified two approaches that could be prioritised to increase visitor revenue – growing visitor donations and charging for carparking. Other opportunities such as value-add services (e.g. guiding) and retail will be covered in the briefing later in May 2024.

An increased focus on growing visitor donations

34. Visitor donations are a common revenue stream utilised internationally in places such as the USA and Japan to fund the operation and maintenance of protected areas. The use of donations has some advantages over track charges (e.g. use of turnstiles). These include:

- it can be implemented quickly for low cost
- no compliance costs
- it will not generate the same public criticism as with charging for access

35. Our approach to visitor donations has not changed substantially since DOC was established. The most common way we collect donations is through cash boxes which are increasingly problematic as they are a target for theft and visitors are not carrying cash.

36. In 2023 we trialled collecting cashless donations using PayWave machines. This showed promising results.[7] This could be expanded relatively quickly to popular trailheads such as Cathedral Cove, as well as historic sites. Advantages to focussing on donations include low implementation costs, no compliance costs and they do not interfere with the existing expectations of free access. However for iconic sites with suitable geography, access charging is likely to have higher revenue potential.

37. In the medium-term we recommend the development of a more strategic approach to growing visitor donations. This could include providing guidance to the regions on the best methods to collect donations, advice on which sites are appropriate and how to maximise the amount donated.[8]

38. s 9(2)(g)(i) [redacted]

Charging for carparking at key sites

39. We do not charge for any DOC-managed carparks.[10] This is likely due to expectations around free access, lack of national direction, budget constraints and an absence of incentives for regional offices to implement carpark charging. There is a strong case to

7 In April 2023 we conducted a PayWave trial at Punakaiki outside the visitor centre using a hired eftpos terminal. Revenue for the month was $1780, offsetting hire costs for the terminal of $40 and merchant transaction fees.

8 International research has shown that the effectiveness of a donations strategy rests on how it is communicated to the public and how donations are collected, see *Voluntary Contributions to Hiking Trail Maintenance: Evidence From a Field Experiment in a National Park, Japan* (2018).

9 s 9(2)(g)(i) [redacted]

10 There is currently one concessionaire-managed carpark on PCL (Milford Sound, Fiordland National Park) that requires fees be paid. The carpark operates using a barrierless license-plate recognition system and is priced at $10 per hour. s 9(2)(j) [redacted]

explore carpark charging, as it offers a potential mechanism to raise revenue off short-term visitors and also helps manage demand. It is commonly used domestically and internationally to achieve both those outcomes.[11]

40. Carparking charges have the potential to create negative externalities, and further work is needed to understand how we might mitigate these. For example, hourly carpark charges will have disproportionate impacts on overnight visitors, resulting in under-utilisation of accommodation facilities. Carpark charges may also incentivise undesirable behaviour such as parking on the road verge (with associated compliance costs) or pushing visitors towards more remote areas unsuitable for their experience level.

41. We seek your agreement to pilot carpark charges in areas that have experienced excess visitor demand, including in Aoraki/Mt Cook National Park and at Dolomite Point (Punakaiki). This would require upfront capital investment for infrastructure, outside of current budgets. We propose that these costs be funded from the IVL. Ongoing operational and maintenance costs would be funded out of the revenue generated.

42. If you agree, we will come back to you with a detailed business case and an investment proposal for the IVL for any required capital expenses and FTE required to drive implementation of revenue opportunities. As part of the business case analysis, we will investigate options to mitigate potential negative externalities. Further detail on the potential at Aoraki/Mt Cook is included in **Attachment E**.

43. There may be some negative public responses to carpark charging. The proposed business case will outline how we intend to work with local communities to mitigate this risk.

Other options considered

44. Other options within current legislative settings were identified as part of the development of this advice, but we do not recommend them as immediate priorities.

Charging for the use of facilities under the Reserves Act 1977

45. Using bylaws under the Reserves Act 1977, fees can be charged in some classifications of reserve for the use of facilities such as footpaths and driveways. We currently manage 3,491 reserves, totalling 0.8 million hectares. This power is currently used at Pūkaha/Mt Bruce National Wildlife Centre Reserve and was previously used at Waimangu Scenic Reserve (transferred to Ngāti Rangitihi in 2022).

46. There are potentially more popular DOC-managed reserves where fees could be introduced, s9(2)(f)(iv) [redacted]. Potential revenue would need to be balanced with the operational costs of maintaining required infrastructure such as turnstiles and fencing. Rangers may also be required to ensure compliance with fees.

47. If you agree, we will report back to you in late May 2024 with a stocktake of popular reserves we manage s9(2)(f)(iv) [redacted] with high-level cost-benefit analysis of the implementation of potential fees.

Charging "Community Contribution Fees" on concessions

48. Some experiences on PCL are primarily accessed through use of transport provided by concessionaires, such as a ferry or a shuttle. Examples include access to the Tongariro Alpine Crossing, Rangitoto Island, the Sub-Antarctic Islands and the Dusky Track.

11 Comparable agencies such as the USA's National Park Service (e.g. Hawaii volcanoes) and the National Trust in the UK both utilise carpark charges.

49. We have the ability under sections 17ZH and 60D of the Conservation Act to charge concessionaires a “community contribution fee” to recover costs related to the provision of services or facilities provided for the benefit of the concessionaire. These fees are in use for concessions related to the Kepler, Hollyford, Milford and Routeburn tracks and the Shotover Valley.

50. In 2024, a $3 per person community contribution fee was introduced for new concessions on the Tongariro Alpine Crossing, to ensure ongoing resource to maintain sustainable management of the crossing including additional ranger presence.[12] Once fully implemented, the fee is expected to generate $255,000 off 85,000 visitors.

51. Wider use of community contribution fees could be investigated. We do not recommend prioritising this in the short-term because:

- the fee could only be imposed on new concessions, meaning there would be potentially significant lead in times before revenue was generated
- s9(2)(g)(i) [redacted]
- the fee may represent double charging when visitors would also be required to pay for the use of a facility like a hut
- effective implementation for land-accessible sites requires restricting access to the public through methods like parking restrictions, and this would only be practical in a limited range of circumstances.

Charging for access to heritage sites

52. We manage around 600 archaeological and historic sites, making us the largest manager of heritage in New Zealand. We do not currently charge for access to heritage sites under our management. We can likely charge for access to the 149 historic reserves we manage under the Reserves Act. Further legal advice is required to determine if we can charge for access to heritage sites on other classifications of PCL.

53. Admission charges are currently used at historic sites managed by others, such as the Waitangi Treaty Grounds. We could investigate charging for admission to reserves containing historic sites. Potential sites include Awaroa/Godley Head, Fort Takapuna and Kawau Island (Mansion House).

54. We do not recommend this work is prioritised in the short-term as visitation is relatively low when compared to our nature experiences. Therefore, potential returns are likely to be low. Many historic reserves have also been subject to Treaty settlements. In the medium-term, regional offices could identify historic sites where admission charges would be suitable and progress those opportunities individually.

Risk assessment – Aronga tūraru

55. While user charges are more equitable in some senses than Crown funding, new charges may lead to the exclusion of low-income groups. This would be in tension with the objective to offer recreational opportunities and avenues to connect with nature to all New Zealanders, regardless of income.

56. The overall impact of fees on the behaviour of low-income groups is uncertain, as our fees generally comprise a small proportion of an overall cost of a trip (as travel is typically required to the sites considered appropriate for access charging).[13] Discounts could be explored.

12 Specifically, to fund Manaaki Rangers, visitor and environmental monitoring, cultural wānanga for concessionaires, and road and track maintenance

13 *Funding Recreational Opportunity Provision on the New Zealand Conservation Estate* (2006), New Zealand Treasury, at page 22.

57. Further analysis will be required to understand the potential combined effect of proposed and existing user charges on different visitor groups, how these will impact the customer journey, and how negative outcomes might be mitigated. **Attachment F** provides an overview of potential revenue opportunities in the visitor journey.

Treaty principles (section 4) – Ngā mātāpono Tiriti (section 4)

58. Māori have rights and interests across PCL, including at our most iconic sites that have the highest potential to generate revenue. We recommend engagement is undertaken with our Treaty partners at identified sites. This would enable us to better understand their views on any new charging approaches progressed, and their rights and interest at relevant sites.

59. s9(2)(g)(i) [redacted]

Consultation – Kōrero whakawhiti

60. The Treasury and the Ministry of Business, Innovation and Employment's tourism group have been consulted during the development of this briefing.

Next steps – Ngā tāwhaitanga

61. We have sought your agreement to investigate three different revenue approaches: access charges, visitor donations and carpark charges.

62. If you agree that more work should done on:

- **investigating access charges**, we will begin detailed analysis of their feasibility, costs and benefits and different options for scope s9(2)(f)(iv) [redacted]. This would include an international review on access charging, scoping the policy and engagement process and identifying sites that are potentially suitable for implementation. We suggest you test Cabinet's comfort with exploring access charging in the upcoming revenue Cabinet paper.
- **growing visitor donations**, we will begin developing a more strategic approach, including guidelines, for growing donations and progress with rolling out cashless donations at key trailheads.
- **introducing carpark charges**, we will come back to you with a business case for pilot sites alongside an IVL funding request.
- **charging for facilities in reserves**, we will report back to you in late May 2024 with a stocktake of popular reserves we manage (including Cathedral Cove) with high-level cost-benefit analysis of the implementation of potential fees.

63. As requested, we will prepare a draft Cabinet paper with an action plan to grow third-party revenue. This will also be informed by the next tranche of advice on growing third-party revenue for conservation. Our proposed timeline for a complete Cabinet process is noted in **Table One** below. We will keep you updated on the progress of this work via the weekly update on your priorities.

Table One: Timeline of upcoming advice and Cabinet process

Date	Item
Late May 2024	Briefing on third-party revenue from other sources
6 June 2024	Briefing with draft Cabinet paper – setting out opportunities to grow third-party revenue, including proposed action plan

Proposed Cabinet Committee date: 24 July 2024	Cabinet Economic Policy Committee (ECO)
Proposed Cabinet date: 29 July 2024	Cabinet

ENDS

Attachment A: Overview of Phase Two of the Financial Sustainability Review

s9(2)(f)(iv)

[redacted]

Attachment B: Summary of opportunities to grow revenue from visitors

s 9(2)(g)(i)

[redacted]

s 9(2)(f)(iv)

[redacted]

Attachment D: Access fees for protected areas in other countries (2021)

National Park	Country	Foreigner fee (NZD)	Domestic fee (NZD)	Timeframe
Volcanoes National Park (gorilla tracking)	Rwanda	2,295	2,295	Per day
Galapagos National Park	Ecuador	153	9	Multi-day
Amboseli/Lake Nakuru National Park	Kenya	92	12	Multi-day
Volcanoes National Park (nature walk)	Rwanda	61	5	Per day
Torres del Paine National Park	Chile	48	14	Per day
Plitvice Lakes National Park	Croatia	46	?	Differs by season
Victoria Falls Rainforest	Zimbabwe	46	11	Per day
Kakadu National Park	Australia	43	0	Differs by season
Kruger National Park	South Africa	36	9	Per day
Yosemite National Park	United States	31	31	Multi-day
Cradle Mountain-Lake St Clair National Park	Australia	27	27	Per day
Komodo National Park	Indonesia	25	1	Per day
Manuel Antonio National Park	Costa Rica	24	<1	Per visit
Everglades National Park	United States	23	23	Multi-day
Tortuguero National Park	Costa Rica	23	3	Unknown
Kosciuszko National Park	Australia	12	12	Per day, differs by season
Banff National Park	Canada	11	11	Per day

Source: *Not 100% – but four steps closer to sustainable tourism* (2021), Parliamentary Commissioner for the Environment.

Attachment E: Test case – carparking at Aoraki / Mt Cook

We are facing escalating capex costs to replace infrastructure in Aoraki/Mt Cook National Park. For example, the estimated cost of replacing the Hooker Valley Bridge No 2 is at least $1.8 million. The cost of servicing, maintaining and managing visitor facilities at Aoraki/Mt Cook, including flying out toilet waste, have escalated and exceed operational budgets. Currently there are no charges on visitors who do not stay at a facility in the park.

White Horse Hill carpark is the main carpark for Aoraki/Mt Cook National Park. The existing visitor carparks at White Horse Hill were constructed in 2006 and can accommodate approximately 180-200 vehicles. The White Horse Hill carpark provides parking for day visitors using the Sealy Tarns, Kea Point and Hooker Valley tracks, and overnight visitors using the 28-bunk Mueller Hut and the 8-bunk Hooker Hut.

Carparking facilities within the park are under extreme pressure during peak season from January to February. For example, in 2018/19 (pre-COVID) there were 1,066,000 visits to Mt Cook Village and nearly 200,000 people walked the Hooker Valley Track from White Horse Hill carpark. Approximately 300,000 vehicles accessed the park in the same period. During peak hours about 120 to 130 vehicles access the park per hour. Visitor numbers for 2023/24 are not currently available, but early indicators suggest a return to pre-COVID visitation levels. When the carpark is are overflowing, cars park on either side of the road, sometimes backing up for 1 km. The picture below shows the pressure on carparking experienced in January 2024.

<u>White Horse Hill – Crowding and congestion in January 2024</u>

There is a strong case for introducing carparking charges at White Horse Hill. Charges could help generate revenue to offset costs related to facilities such as toilets and bridges, as well as helping to manage excess demand. Without carparking charges significant funding will still be required to manage vehicles during summer.

s9(2)(j) [redacted] This would be offset by costs associated with maintaining a carparking payment system. Upfront investment would also be required to install infrastructure to support carpark charging. Such investment would likely be a good candidate for funding from the International Visitor Conservation and Tourism Levy (**IVL**).

In the long-term further demand management solutions, such as park and ride, may be required to avoid the negative impacts of overcrowding on visitor experience and the environment.

14 s 9(2)(j) [redacted]

Attachment F: Overview of potential revenue opportunities in the visitor journey

Opportunities to grow revenue across the visitor experience

Considering revenue opportunities from a visitor journey perspective helps us to consider the cumulative impact of different options and potential packaging of options. The use of passes is common overseas, to simplify visitor experience and provide discounts for frequent users. Further use of passes could be explored in New Zealand.

For most of the opportunities identified there are options as to whether it would be led by DOC, a commercial concessionaire or a not-for-profit organisation.

Arrival in NZ	Entering PCL					On PCL			Leaving PCL & NZ
International visitors enter the country	Visitors arrive in a private vehicle	Visitors who arrive on a bus, ferry or shuttle	Private parking on PCL	Visitors using tracks	Visitors using facilities and heritage sites	Visitors staying overnight at huts, campsites or private accommodation	Visitors participating in organised activities	Retail opportunities	Visitors leave PCL and international visitors leave the country
Border levy (IVL)	PCL vehicle entry charge Time based charging for vehicles	Access charge through the concessionaire DOC-run transport services	Pay per entry charge Pay per hour charge Coupon charge Parking passes	Track charges (turnstiles, online) Multi-day track charges (online) Bike charges Cashless donations	Access charge for heritage sites Museum and visitor centre experience charges Toilet charges Value-add amenities such as hot showers and BBQs	Charges for bunks and campsites Charges for additional facilities, amenities and equipment (e.g. gas, firewood, hot shower, food, alcohol) Rent for private accommodation on PCL Hut and campsite passes	Cruises Guided walks Wildlife experiences Adventure sports	Merchandise Food	Donations at airports (cash or cashless) Merchandise

Briefing: Further opportunities to grow third-party revenue

To	Minister of Conservation	**Date submitted**	27 May 2024
Action sought	**Agree** to officials exploring further the opportunities outlined in this briefing and note the actions underway	**Priority**	Very High
Reference	24-B-0236	**DocCM**	DOC-7648150
Security Level	In Confidence		

Risk Assessment	Low risk	**Timeframe**	10 June 2024 We are discussing this briefing with you on 13 June 2024
Attachments	Attachment A – Summary of third-party revenue opportunities Attachment B – Mines on Public Conservation Land		

Contacts	
Name and position	**Cell phone**
Ruth Isaac, Deputy Director-General, Policy and Regulatory Services	s9(2)(a) [redacted]
James Johnson, Manager, Budget and Funding Policy	s9(2)(a) [redacted]

Executive summary – Whakarāpopoto ā kaiwhakahaere

1. On 7 May 2024, we gave you advice on opportunities to grow third-party revenue from visitors (24-B-0186 refers). This briefing builds on that advice by providing further opportunities to grow revenue; it also recommends a high-level approach and narrative for your Cabinet paper on revenue for your consideration.

2. To help frame the Cabinet paper, and the goals of this work, we propose the following objectives for growing third-party revenue: to grow the funding available for conservation purposes; to diversify the Department of Conservation's (**DOC**'s) sources of revenue; and to grow the financial contribution from users of public conservation land or visitor network.

3. We already have a number of work programmes underway that will likely support growth in third-party revenue. These include:
   - consulting on increasing the International Visitor Conservation and Tourism Levy (**IVL**)
   - developing commercial partnerships
   - encouraging and enabling donations
   - increasing revenue from retail
   - improving the recovery of regulatory processing costs and overdue fees
   - increasing activity fees to market rates
   - progressing the Conservation Amendment Bill.

4. In addition to these work programmes, we have identified two further revenue opportunities that we recommend exploring. These are:
   - **DOC providing value-add services** – internationally this is commonplace with services such as guiding. Further work is required to determine the potential return on investment, and whether this role would be consistent with your overall focus for DOC.
   - **introducing rent and increasing compensation rates for mining** – no rent is currently charged for mining on public conservation land. This is out of line with standard practice domestically and internationally. Our compensation rates also require updating.

5. We recommend these opportunities are included in your Cabinet paper alongside the interventions you agreed to explore in our visitor revenue briefing – access charging, carparking charges and visitor donations (24-B-0186 refers).

6. There are also several cross-agency policy work programmes underway that could have a positive impact on revenue in the future and provide wider conservation benefits. These include:
   - developing and participating in a biodiversity credit system
   - selling credits in the voluntary carbon market
   - selling credits in the Emissions Trading Scheme (**ETS**).

7. The opportunities outlined in this briefing are summarised in **Attachment A**.

8. We will discuss the contents of this briefing with you on 13 June 2024.

We recommend that you … (Ngā tohutohu)

		Decision
a)	**Agree** to the following three objectives for growing third-party revenue: a. to grow the funding available for conservation purposes b. to diversify the Department of Conservation's sources of revenue c. to grow the financial contribution from users to reflect the private benefits they receive from accessing or using public conservation land.	Yes / No
b)	**Note** that we have an ongoing work programme that will increase third-party revenue, including: • consulting on increasing the International Visitor Conservation and Tourism Levy • developing commercial partnerships • encouraging and enabling donations • increasing revenue from retail • improving the recovery of regulatory processing costs and overdue fees • increasing activity fees to market rates • progressing the Conservation Amendment Bill.	*Noted*
c)	**Agree** to investigate DOC providing value-add services such as guiding	Yes / No
d)	**Agree** to DOC, in principle, introducing rent and increasing compensation rates for access arrangements for prospecting, exploration and mining on public conservation land.	Yes / No
e)	**Note** the following cross-agency policy work programmes may provide revenue and wider conservation benefits, and these opportunities will continue to be analysed: • developing and participating in a biodiversity credit system • selling credits in the voluntary carbon market • selling credits in the Emissions Trading Scheme.	*Noted*
f)	**Note** that the scale of opportunity across recommendations b) – e) is not yet fully quantified.	*Noted*
g)	**Note** we will be providing you with a draft Cabinet paper on options to grow third-party revenue in mid-June 2024.	*Noted*

section 9(2)(a) [redacted]

Date: 27/05/2024

Ruth Isaac
DDG Policy and Regulatory Services
For Director-General of Conservation

Date: / /

Hon Tama Potaka
Minister of Conservation

Purpose – Te aronga

1. This briefing updates you on work to grow third-party revenue, seeks your agreement to investigate additional key opportunities to grow revenue, and seeks your direction on what to include in your revenue Cabinet paper.

Background and context – Te horopaki

2. Advice on growing third-party revenue is part of Phase Two of the Financial Sustainability Review (FSR). On 7 May 2024, we gave you advice on opportunities to grow third-party revenue from visitors (24-B-0186 refers). This briefing builds on that advice, outlining:

   - proposed approach and objectives for your revenue Cabinet paper
   - existing work programmes underway to grow third-party revenue
   - revenue opportunities we recommend for further policy analysis (additional to those recommended in 24-B-0186)
   - wider cross-agency policy work programmes that could have revenue and wider conservation benefits in the future.

3. The revenue opportunities outlined vary in magnitude, complexity, and timeframes for implementation. All opportunities have resourcing implications for the Department of Conservation (**DOC**) and some will require new funding or reprioritisation of existing resource.

4. We intend to provide you with a draft of your Cabinet paper in mid-June 2024 for your feedback. This will allow us to incorporate your feedback on this briefing into the draft Cabinet paper.

Proposed approach to revenue Cabinet paper

5. We seek your feedback on how you wish to approach your revenue Cabinet paper. We propose the following as an initial outline:

   - how growing revenue fits into your wider priorities for conservation (building on a Cabinet paper ahead of the revenue paper that outlines your conservation priorities for the term)
   - background on DOC's financial position, including issues with the financial sustainability of the visitor network, and the goals of DOC's Financial Sustainability Review
   - your objectives and principles for growing third-party revenue
   - an outline of work already underway to grow third-party revenue
   - additional work you'd like to progress with Cabinet endorsement, including actions from the visitor revenue briefing
   - wider government policy work that could generate revenue for DOC in the future.

6. If you wish to progress access charging for visitors to iconic destinations on public conservation land this would be a significant policy decision for Cabinet. The cabinet paper would include analysis of this option and recommend next steps.

7. To help frame the Cabinet paper, and the goals of this work, we propose the following objectives for growing third-party revenue:

	Objective	Explanation
a.	*Grow the funding available for conservation purposes*	Increasing our third-party revenue will result in more funding being available to direct towards achieving priority conservation outcomes.
b.	*Diversify DOC's sources of revenue*	Ensuring we have a healthy portfolio of third-party revenue streams will improve our financial resilience from future shocks (e.g. COVID-19).
c.	*Grow the financial contribution from users*	Ensuring that those who receive private benefits from the use of the services we provide, or access to public conservation land, make a greater financial contribution.

8. The principles you agreed to in the last revenue briefing supplement these objectives (24-B-0186 refers). The principles focus on 'how' we will grow third-party revenue, and the objectives focus on 'why'.

We have work underway to increase revenue

Consulting on increasing the International Visitor Conservation and Tourism Levy

9. The International Visitor Conservation and Tourism Levy (**IVL**) currently generates around $40m per year for conservation. You and the Minister for Tourism and Hospitality recently approved the release of a discussion document to seek public feedback on the IVL rate and investment priorities. The consultation process opened on 15 May 2024 and will run through to 11 June 2024.

10. Compared with other interventions in this briefing, the IVL has the potential to generate significant additional revenue for us with minimal additional implementation time and costs. An increase to an IVL rate of $100 (the highest option in the discussion document) would generate an extra $75m per year for conservation, if the current 50/50 conservation and tourism split is retained.

11. Once consultation has finished, DOC and the Ministry of Business, Innovation and Employment (**MBIE**) will provide IVL Ministers with advice on the IVL rate, investment priorities, and any other recommended changes to how the IVL is currently working (such as, how we currently allocate IVL funding after it has been accrued).

Developing commercial partnerships and piloting a donations prospectus

12. We are experienced in establishing formal funding partnerships with businesses, philanthropists and other groups to bring in third-party revenue.

13. We have a number of commercial partnerships with large New Zealand businesses, such as our ongoing partnership with Air New Zealand who invest s9(2)(b)(ii) [redacted], as well as landscape scale collaborations, and large philanthropic initiatives. Our national partnerships currently bring in $3.4m per year.

14. We are working to grow the value of our partnerships, noting the work programme will need to be balanced with the resources we have available. We will be deliberate in the prioritisation of work to maximise our return on investment for conservation.

15. We are developing a Nature Investment Prospectus. This will be an online searchable tool to showcase DOC priorities as investment-ready project offerings and will make it easy for businesses, investors and donors to donate to priority DOC conservation projects. The first step in this programme will be piloting a donations prospectus.

16. You recently received a briefing on 15 May 2024 (24-B-0059 refers) which outlines this work in more detail.

Encouraging and enabling donations

17. We are not currently set up to receive donations directly without significant effort. Instead, we encourage funds be donated via conservation related trusts and funds, such as the New Zealand Nature Fund.

18. As we look at the potential to increase the contribution from donations, we are investigating the most effective way to hold and distribute funds, including receiving donations directly to DOC. We have identified three potential areas where donations could come from:

- bequests s9(2)(a) [redacted]
- online small-scale donations
- visitor donations (covered in briefing 24-B-0186).

19. Our current focus is how to best use an external agency to manage and distribute funds; this will likely be our approach to the donations prospectus. Over time, we will consider whether DOC should, and could, hold funds.

20. At the same time, we are working to become more proactive in our encouragement of donations. On 9 May 2024 you agreed to fund a nationwide campaign to connect New Zealanders to nature from the IVL (24-B-0224 refers). The project includes funding upgrades to our website such as the development of a 'donations portal' to enable online donations. This work is scheduled in 2025/26.

21. As we progress, we will need to ensure that the cost of soliciting and managing donations does not outweigh the potential returns.

Increasing revenue from retail

22. As part of the nationwide campaign to connect New Zealanders to nature (funded by the IVL), we will also be exploring an expanded retail and merchandise offering. Our revenue from retail was $1.73m in 2022/23, with a profit of just over $0.8m.[1] Four out of 17 visitor centres made over $100k in sales (Aoraki / Mt Cook, Fiordland, Paparoa, and Tongariro). This work is scheduled in 2025/26.

23. Engagement with domestic and international counterparts will be an essential part of our investigation into the revenue potential of retail. For example, Parks Canada have a well-developed online store which provides unique, Canadian made gifts which help to fund their work.

24. In addition to being a potential revenue stream, branded merchandise contributes to brand value and awareness. These benefits need to be considered alongside costs to establish and run.

25. How we approach retail sales is connected to our strategy for the wider visitor network and the future role of visitor centres. This is being considered in our Future Visitor Network programme.

Improving recovery of regulatory processing costs and overdue fees

26. Work is underway to increase our cost recovery. It is currently estimated that we are only recovering around 20 per cent of the costs of doing regulatory processing, equalling approximately $2m of a possible $10m. Estimating total costs of regulatory processing is challenging, and the $10m estimate is likely to be an underestimate.

1 In comparison, Zealandia wildlife sanctuary, whose shop is in the entrance to their sanctuary, made $1.8m on goods sold in 2022/23, with a profit of $0.8m.

27. A series of priority actions to increase our cost recovery have been identified. Some of the work underway includes:

- s9(2)(f)(iv) [redacted]
- increasing efficiency through the use of new tools and a new permissions database
- changing internal culture and rules around fee collection.

28. We expect this work will increase the proportion of costs we recover and at the same time reduce our expenditure so we become cost-neutral overtime. We will keep you updated as this work progresses. We are considering the use of cost recovery targets to ensure this work programme delivers timely results.

29. We are also considering other actions to increase compliance and debt recovery. This includes investigating debt recovery tools to pursue unpaid or overdue concession activity fees s9(2)(f)(iv) [redacted] Currently we have an estimated $3.5m of outstanding concessions debt.

30. s9(2)(f)(iv) [redacted] This may result in more operations being captured under the concessions regime and therefore additional revenue over time.

Increasing activity fees to market rates across concessions

31. Section 17Y of the Conservation Act 1987 allows concession activity fees to be set at the market rate but does not outline how that rate is determined. Many of our activity fees for concessions are well below what we consider to be a fair market rate.

32. Work is underway to lift activity fees to a market rate by creating consistent internal policies. s9(2)(j) [redacted] Concession revenue is estimated to be $25m in 2023/24.

33. Increasing activity fees is likely to encounter significant pushback and resistance from concessionaires. Fee increases often generate significant churn around whether increases constitute a lift to the 'market rate', or are acceptable to operators who can simply 'hold out'.

34. s9(2)(j) [redacted].

35. s9(2)(j) [redacted]

Progressing the Conservation Amendment Bill

36. As discussed with you on 2 May 2024, we are developing options for legislative change through a potential Conservation Amendment Bill (24-B-0128 refers).

37. Some of the options we are currently exploring would likely improve revenue from the concessions system, specifically by:

- creating a clear framework for allocating concessions that encourages the use of competitive allocation mechanisms (e.g. auctions and tendering) that increase returns to conservation where demand exceeds supply
- enabling concession fees to be set in regulation to improve effectiveness and efficiency.

38. Other changes being explored would enable a more standardised approach to high volume permits for things such as drones, guiding, and buses. We would expect this standardisation to improve revenue by making it easier for users to obtain a permit and pay the associated fees, increasing the volume of those willing to do so.

39. Improving the efficiency of our permission processes will also reduce costs, helping to bridge the currently significant cost recovery gap as well as potentially reducing costs to users.

40. We will brief you in early June 2024 outlining the options for legislative change to improve regulatory efficiency and performance – including improved returns to conservation from concessions.

We seek your agreement to undertake further policy work on these opportunities

Exploring value-add services

41. We could seek to develop 'value-add services', such as guided walks. There are similar offerings at locations such as Zealandia and other private providers which are extremely popular and largely limited by guide availability, rather than demand. Guided tours enable visitors to learn about priority conservation activity, and are effective at communicating the value of conservation work.

42. Guided day tours at Zealandia are priced at $60 and generated $1.09m in 2022/23. Parks Canada also offers a range of guided walks and other visitor experiences from $5 - $100, with the revenue reinvested into visitor services and facilities. Other services offered overseas include hot showers and food/beverage provision.

43. A key aspect of exploring this further will be considering whether or not we are best placed to do this work. Running value-add services would require upfront investment of both capital and training. It would also potentially divert staff away from core conservation activities if there is not a parallel increase in resourcing.

44. Alternatively, value-add services could also be run by concessionaires, providing revenue to us through activity fees. However, offering services ourselves would enable us to keep more of the revenue and likely provide a better return on investment (especially without concession pricing reform). DOC rangers are also highly regarded by visitors, enabling us to potentially attract a price premium relative to concessionaires.

45. Providing value-add services would be outside of our current approach, which focusses on providing the basics in many areas and leaving commercial opportunities to concessionaires. We recommend investigating value-add services further, including engagement with international counterparts so we can better understand the scale of the opportunity and therefore if adjusting our role would be worthwhile.

Introducing rent for mining on PCL and increasing compensation rates

46. To prospect, explore or mine on PCL, operators are required to obtain a minerals permit and an access arrangement under the Crown Minerals Act 1991 (CMA). Access arrangement applications are evaluated by DOC and recommendations are made to the Minister of Conservation on whether access should be granted. If it is to be granted, recommendations are given on conditions to protect against damaging PCL. Information on the scale of mining activity on PCL are included in **Attachment B**.

<u>Introducing rent for access</u>

47. No rent is charged to operators prospecting, exploring or mining on PCL; only administrative and compensation fees are charged.[2] This is at odds with the treatment

2 Some structures such as staff accommodation require a concession under the Conservation Act and therefore require payment of associated fees including rent.

of all other commercial activities on PCL, which are required to obtain a concession under the Conservation Act and pay associated rent for the privilege of operating on PCL (i.e. activity fees). Rent is different from the royalties charged under the CMA, which are charged by the Crown as a return on the mineral asset.

48. This treatment is also out of line with standard practice on private land. Private landowners charge for the right to exclusively access their land, even when the landowner does not own the minerals (e.g. gold). Anecdotal evidence suggests that some private landowners on the West Coast charge as much as 10 per cent of gold revenues in exchange for access to land.

49. Internationally rent for access to mine public land is commonplace, including in Australia and Canada.

<u>Updating compensation rates</u>

50. As mentioned above, we can require that operators provide compensation for damage caused that is not remediated by other conditions. We currently collect approximately $0.3 million annually as compensation for minerals activities on PCL. Rates for compensation were set historically and likely do not reflect the actual cost of residual damage.

51. We recommend that introducing rent and increasing compensation rates are investigated including further international and domestic comparisons, and engagement with stakeholders and MBIE's Resources team. This recommendation is supported by the Parliamentary Commissioner for the Environment's recommendation in their 2010 report "*Making Difficult Decisions: Mining the conservation estate*".

Wider government policy work is underway that could generate revenue

52. There is wider cross-government policy work underway that may provide benefits to conservation, including possibly additional revenue. In general, these are large work programmes, led by other agencies, and may require complex and potentially contentious legislative change. Helping to fund DOC's work is not the primary policy rationale of these work programmes, but could be a secondary benefit.

53. Work programmes underway are listed below for your information. We will continue to engage in this work from a range of perspectives, including for funding biodiversity protection on and off PCL.

Developing a biodiversity credit system with a form of DOC participation

54. The Government has expressed its interest in continued exploration of a biodiversity credit system in New Zealand. Estimates indicate global demand for voluntary biodiversity credits could reach $2 billion by 2030 and $69 billion by 2050.

55. s9(2)(f)(iv) [redacted]

56. DOC will support the development of any biodiversity credit system following the commissioned report back this year, s9(2)(g)(i) [redacted]

57. s9(2)(f)(iv) [redacted]

- s 9(2)(f)(iv) [redacted]

- s9(2)(f)(iv) [redacted]

58. s 9(2)(g)(i) [redacted]

[redacted]

60. One of our partner groups (Southern Lakes Sanctuary Trust) is operating on PCL and offering biodiversity credits via a third party – the Climate Action Company. The purchase of these credits provides them with funding to protect and restore biodiversity and supplement the work we do. This does not directly provide us with revenue, but takes pressure off local work programmes.

Incentivise ecosystem restoration with carbon and biodiversity benefits as part of the Voluntary Carbon Market

61. The Voluntary Carbon Market (**VCM**) complements the Emissions Trading Scheme (**ETS**). VCMs encourage the creation of new projects (such as forests or renewable energy) to lower or remove emissions, generating credits. These credits are then purchased by buyers as part of their climate goals (e.g. net zero). An effective VCM requires high-integrity action and efforts to ensure emissions reductions/removals are realised.

62. The New Zealand VCM is small (with only two projects actively issuing credits), unregulated and fragmented, but has the potential to mobilise private investment in domestic climate mitigation. A lack of certainty and clarity has held back the market from expanding. We understand that there are no short-term plans for the Government to get more involved.

63. An initial estimate places the size of the New Zealand VCM at $20 million. Globally, the VCM has increased in total market value from $200 million USD in 2016, to over $2 billion USD ($3.6 billion NZD) in 2023 with growth expected to continue.

64. DOC could participate in the VCM by acting as a seller of credits as initial analysis suggests there are no legislative barriers. s9(2)(f)(iv) [redacted] The primary objective and outcomes of participation in a VCM would be improved climate outcomes. It may reduce the cost of undertaking planting on Crown land and have wider biodiversity benefits.

65. s9(2)(f)(iv) [redacted]

66. There are likely to be interactions between the VCM and the developing biodiversity credit system. s9(2)(f)(iv) [redacted]

Incentivise ecosystem restoration with carbon benefits as part of the Emissions Trading Scheme

67. DOC is engaged in a wider programme of work on the ETS which may have revenue generation benefits, or (more likely) enable third party investment on PCL through incentivising carbon removal activities (for example, native afforestation). This is not possible under current policy settings and significant change would be needed to both

enable this on Crown land and ensure ETS settings incentivise biodiversity-positive removals.

68. The ETS is a market mechanism that encourages net emissions reductions by putting a price on emissions from covered sectors. The ETS provides a financial incentive to either reduce gross emissions or to increase removals through planting new forests. To date, the ETS has incentivised significant additional planting of rotational exotic forests, as this is often cheaper than reducing gross emissions.

69. s9(2)(f)(iv) [redacted]

70. s 9(2)(f)(iv) [redacted]

71. s9(2)(f)(iv) [redacted]

72. Another significant existing issue is that due to the economics of native planting (high seedling cost and slower carbon sequestration rates) there are very few native forests registered in the ETS. As such, policy setting change or government subsidisation would be required to make any native planting economic.

73. Planting exotics is not aligned with the underlying purpose of PCL, as set out in section 6(a) of the Conservation Act, meaning there are very limited circumstances where exotics can be planted on PCL.

74. DOC is contributing to cross agency work on the ETS being led by the Ministry for the Environment. This work is considering how non-forest removals (such as wetland restoration, or rewetting peatlands) might be better included in climate policy. s9(2)(f)(iv) [redacted] s9(2)(g)(i) [redacted]

75. s9(2)(f)(iv) [redacted]. We will provide you further advice in June in relation to opportunities for afforestation as part of the work on the Emissions Reduction Plan 2, and on wider opportunities for PCL to help deliver the Government's climate commitments in July.

We have identified an additional intervention that we do not recommend

Introducing a new conservation tax or levy hypothecated to DOC

76. Environmental taxes and levies are commonly used around the world, including in New Zealand, and generally fall into two categories: taxing negative externalities and taxing resources. Examples include placing taxes on pesticides and fertilisers, based on a 'polluter pays' principle. In Australia, there are environmental levies paid by ratepayers

3 s 9(2)(f)(iv) [redacted]

at the regional level. Any similar considerations here would require extensive consultation with local councils.

77. Introducing a new levy or tax has the potential to generate significant revenue as shown by the IVL. Compared to other countries there is scope for New Zealand to increase its environmental tax take. In 2019 New Zealand ranked 30th out of 33 OECD countries for environmental tax revenue as a share of total tax revenue. Over 80 per cent of that revenue comes from fuel tax, road user charges and vehicle registration fees and the majority of revenue goes to the National Land Transport Fund.

78. However, introducing new levies or taxes would require Cabinet support, legislative change and a significant programme of cross-agency work, and would need to resolve whether it makes sense to have another levy/tax alongside the IVL.

79. Progressing this option would be a major work programme requiring significant resources and reprioritisation from other work. Therefore, we do not recommend progressing this at this point in time in a general sense – [redacted]

Risk assessment – Aronga tūraru

80. Most of the options considered in this briefing will have resourcing implications for the Department both to develop advice on, and then, if the case is made, to implement. We will not be able to do all the options at once and there will need to be a balancing of priorities between new opportunities to pursue and keeping resourcing available to continue to deliver existing priorities.

81. Options which will involve considerable work and are likely to have low yield should be shelved in the short term, in favour of higher return work in relation to your wider conservation priorities.

82. There is the potential for a focus on revenue for DOC to be poorly received with the public at a time when the cost of living is rising, particularly if it involves new taxes or levies.

83. There will need to be ongoing careful consideration of the breadth of opportunities for increased revenue, and how these interact with each other. Consideration will need to be given to how particular groups will be affected across the many different revenue generating opportunities.

Treaty principles (section 4) – Ngā mātāpono Tiriti (section 4)

84. As part of any further analysis for the recommended options above, we will need to undertake a fulsome analysis of our Treaty of Waitangi obligations, including under section 4 of the Conservation Act.

85. Some of the options described in this paper may provide commercial opportunities for Māori on PCL. For example, providing value-add services, or increasing commercial opportunities for PCL. There may be opportunities for DOC to partner with Māori in our provision of these services. There is the opportunity to explore revenue sharing as part of this as well.

86. As part of the Conservation Amendment Bill process, we are considering how to ensure the concessions and permissions system better recognises Māori rights and interests and enables this work.

87. As exploration continues, we will need to engage with Māori at place when proposing changes to existing systems, or considering new opportunities in their rohe.

Consultation – Kōrero whakawhiti

88. We have begun engagement with relevant agencies on the policy objectives and options for increasing revenue for Vote Conservation, including the Treasury. Agencies expressed a desire to be involved in relevant policy work going forward where it overlaps with their responsibilities.

89. MBIE's Resource Policy team expressed support for considering increasing compensation for mining and introducing ground rent. They noted that engagement with the extractives sector will be needed, and consideration of how current rates for compensation are not matching the impact of activities.

90. Some agencies highlighted related work programmes, for example Land Information New Zealand are also considering ways to increase revenue, and third-party afforestation on their land. We will continue to engage and share learnings with them.

Next steps – Ngā tāwhaitanga

91. If you agree that more work should be done on:

- **Exploring potential value-add services**, we will scope a programme of work to scan for opportunities around the country and identify some potential pilot sites. We will then develop detailed business cases and secure appropriate funding before running the pilots.
- **Increasing mining compensation and introducing rent**, we will undertake an international comparison of compensation regimes on public land, as well as an international and domestic comparison of rent for access to land arrangements. Subject to agreement to pursue this, we will then undertake engagement with stakeholders and MBIE before developing and introducing guidelines for setting new/updated rates.

92. We also seek your agreement on which actions from this and the earlier briefing on visitor related charging you wish to include in your upcoming Cabinet paper on growing third-party revenue.

93. Our proposed timeline for a complete Cabinet process is noted in Table One below. We will keep you updated on the progress of this work via the weekly update on your priorities.

Table One: Timeline of upcoming advice and Cabinet process

Full Cabinet process	Condensed Cabinet process	Item
Tuesday, 11 June 2024	Tuesday, 11 June 2024	Briefing with draft Cabinet paper – setting out opportunities to grow third-party revenue, including proposed action plan.
Thursday, 13 June 2024	Thursday, 13 June 2024	Discussion with officials on Revenue (FSR/Revenue rescheduled deep dive).
Wednesday, 19 June 2024 – Wednesday, 3 July 2024	Monday, 17 June 2024 – Monday, 24 June 2024	Inter-agency consultation on the draft Cabinet paper. Potential for Ministerial meetings on your proposals ahead of formal Ministerial consultation on draft Cabinet paper.
Thursday, 4 July 2024	Wednesday, 26 June 2024	Updated draft of Cabinet paper provided to you.
Monday, 8 July 2024 – Friday, 19 July 2024	Thursday, 27 June 2024 – Thursday, 11 July 2024	Ministerial consultation on the draft Cabinet paper (2 weeks required).

Thursday, 25 July 2024	Thursday, 18 July 2024	Lodgement.
Proposed Cabinet Committee date: Wednesday, 31 July 2024	*Proposed Cabinet Committee date*: Wednesday, 24 July 2024	Cabinet Economic Policy Committee (ECO).
Proposed Cabinet date: Monday, 5 August 2024	*Proposed Cabinet date*: Monday, 29 July 2024	Cabinet.

ENDS

Attachment A: Summary of third-party revenue opportunities

This is being withheld under s 9(2)(g)(i). Refer to Appendix One: Detailed Action Plan for Key Shifts in the Cabinet paper 'Growing Third-Party Revenue for Conservation.'

Attachment B: Mines on Public Conservation Land

As of 16 December 2022, there were 83 active access arrangements on PCL. Of these, 10 allow for explorative activities and the remaining 73 allow for mining operations to be carried out.

The following tables present information relating to the types of minerals extracted from PCL, the number of operations targeting those minerals, and the level of impact that these operations have on conservation values. We will provide you up to date access arrangement figures in a status report item once they are compiled.

Table One: The number of active access arrangements targeting different minerals on PCL (as at December 2022)

Mineral type	Number of access arrangements
Aggregates	6
Coal	11
Dolomite	1
Gold	59
Limestone	2
Pounamu	1
Rock	1
Sandstone	2
Total	**83**

Table Two: The level of impact to conservation values associated with access arrangements on PCL (as at December 2022)

Level of impact	Number of access arrangements
Low impact	42
Medium impact	34
High impact	7