

OFFICE OF THE MINISTER  
OF TOURISM

The Chair  
CABINET STRATEGY COMMITTEE

INVESTMENT FOR THE DEVELOPMENT OF THE NEW ZEALAND CYCLEWAY  
PROJECT

PROPOSAL

- 1 This paper seeks Cabinet agreement to appropriate an additional \$50 million operating funding to Vote Tourism over three years to progress the New Zealand cycleway project.

EXECUTIVE SUMMARY

- 2 The concept of a national cycleway was one of the Employment Summit "Near Term and High Priority" ideas proposed as a means to stimulate jobs through the present economic crisis while creating the best possible environment for businesses to prosper as economic conditions improve.
- 3 Cycleways can revitalise communities by generating revenue and employment opportunities. I propose to create a series of 'Great Rides' of New Zealand, with a long term aim of creating a network that links these experiences together through branding and/or route development.
- 4 I consider that the main objectives of a New Zealand cycleway are;
  - to create jobs through design, construction and maintenance of the cycle network.
  - to create a high quality tourism asset which will enhance New Zealand's competitiveness as a tourism destination and provide ongoing employment and economic development opportunities for regional economies.
  - to maximise the range of complimentary benefits that the cycle network provides to a wide range of New Zealanders. This includes events, recreational, health and other benefits.
- 5 I propose to appropriate \$50 million operating funding to Vote Tourism to progress the cycleway project. This will comprise an annual Departmental appropriation of \$2.5 million over three years for management of the project. It will also comprise a Non-Departmental three-year multi-year appropriation

of \$47.5 million. This funding will be used for the establishment of the National Cycleway Fund to implement projects throughout New Zealand.

- 6 I am aware of a number of promising cycleway proposals in regions. I propose that regions apply to the National Cycleway Fund to advance work on projects that align with the national cycleway vision. Funding will largely be in the form of grants to third parties to assist with development. Funding criteria are still to be developed, but priority will be given to projects that can demonstrate a commitment to co-funding.
- 7 An Advisory Group will be established to develop criteria to guide the Ministry of Tourism's consideration of regional cycleway proposals to the National Cycleway Fund. The Advisory Group will also assist regional organisations with feasibility work and provide technical advice on regional projects.
- 8 Due to the uncertainty surrounding the funding of each cycleway project and the timing of their roll-out it is essential that there is flexibility to transfer funds across appropriations types and years.
- 9 In order to maintain momentum generated by the Employment Summit, I intend to announce specific projects to form the first sections of the New Zealand cycleway by 30 June 2009.

## **BACKGROUND**

- 10 The 27 February Employment Summit was seen as an opportunity to contribute ideas to stimulate jobs through the present economic crisis while creating the best possible environment for businesses to step up as economic conditions improve.
- 11 The Cabinet paper (CAB Min (09) 8/6 refers) describes the "Near Term and High Priority" ideas arising from the Employment Summit, including designating responsible Ministers and directions to report back by 6 April 2009 on each of the proposals. This paper reports back on the national cycleway proposal.

## **Why a Cycleway?**

- 12 Similar initiatives in other countries, such as the Route Verte in Canada, have demonstrated the potential of cycleways to yield economic benefits for tourism sectors and regional economies.<sup>1</sup>
- 13 Cycle tourists represent a valuable and growing segment of New Zealand's tourist sector and a market segment with significant untapped potential. Domestic cycle tourists have increased 76% since 2004 and continue to be a fast growing segment of the domestic tourist market. On average, they spend almost 20% more than other domestic tourists.

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<sup>1</sup> The Route Verte, a province-wide cycle network in Québec, Canada, which generated 2,000 jobs and economic spin-offs of approximately \$CAD95 million in 2000 (at a time when only 56% of the network was complete).

- 14 Similarly, international cycling tourists spend, on average, 49% more than the average trip spend for all international tourists. In addition, they also stay twice as long in New Zealand than the average international tourist.
- 15 Australia is a particularly well positioned market to attract for this kind of initiative due to its size and accessibility to New Zealand. Australia is New Zealand's largest tourist market, accounting for 40% of visitor arrivals. The cycleway provides an opportunity to attract Australian visitors for a cycling holiday in a manner similar to a skiing holiday.
- 16 The Otago Central Rail Trail (OCRT) demonstrates the potential of regional cycleways to act as an engine for community revitalisation by generating revenue and employment opportunities in local communities.
- 17 A 2005 survey of the OCRT indicated that each trail user spends approximately \$350 locally, and that the trail had generated 200 additional full and part-time jobs in the accommodation and related services sector. A 2008 survey indicated that one third of businesses considered the OCRT a very important factor in their decision to buy or start their business.

#### **Proposition – 'Great Rides' of New Zealand**

- 18 I propose to create a series of 'Great Rides' of New Zealand, with a long term vision of creating a network that links these experiences together. This represents a pragmatic approach to developing a uniquely New Zealand set of scenic cycling experiences that showcase the best of what New Zealand has to offer. A strong brand image, appropriate signage and other instruments such as maps can link regional experiences, as there may be situations where it is not feasible or desirable to physically join sections of the route.
- 19 The cycleway route will be influenced by pre-existing cycleways, facilities and iconic tourism attractions. Work is underway on an inventory of trails and pathways, railway corridors, 'paper' roads, and any gaps to forming a national cycleway.
- 20 I also consider it is very important to offer experiences that cater to a variety of cycling styles and varying levels of ability in order to ensure that the cycleway appeals to the widest possible range of users.
- 21 If approached as a series of regional cycling experiences, the cycleway will support regional clusters of economic activity. Success will be gauged less by the continuity or distribution of route coverage and more by the impact that it makes in regions in terms of economic development and community engagement.

#### **Rationale for Investment in the New Zealand Cycleway Project**

- 22 Overall, I consider the main objective of the New Zealand cycleway is to create a lasting economic resource which enhances New Zealand's competitiveness as a tourism destination. By investing now we can both support New Zealand businesses in a difficult economic climate as well as

position them to take advantage of opportunities as economic conditions improve. In the short term, the design and development of the cycleway will stimulate new jobs, or retain jobs which may otherwise have been lost.

- 23 The New Zealand cycleway would diversify New Zealand's tourism product mix, giving potential visitors a further reason to visit in a way which complements our '100% Pure' brand image. It will also give domestic tourists a reason to choose a New Zealand holiday in favour of an overseas trip.
- 24 A well-designed and implemented national cycleway will stimulate both short-term and long-term economic benefits for New Zealand.

*Short term Economic Benefits:*

- Employment opportunities for individuals involved in the design, construction, and maintenance of projects;
- Creation of demand for secondary services throughout regions as construction progresses; and
- The distribution of routes throughout New Zealand will help support regional growth and development, in contrast to other proposed economic stimulus ideas which are focused on urban centres.

*Longer term Economic Benefits:*

- Stimulating regional economic development by spreading visitor flows and expenditure to regions and encouraging regional distinctiveness;
  - Employment opportunities in the tourism, accommodation and services sectors, particularly for small and medium sized firms;
  - Positioning New Zealand businesses to prosper when the economic upturn occurs;
  - Turning non-economic entities, such as disused rail lines, into economic assets that support long term sustainable business opportunities in the regions;
  - Diversification of New Zealand's tourism product mix. The national cycleway can be marketed offshore and give New Zealand a competitive advantage by offering a greater range of tourism experiences;
  - Attracting a high-value and fast growing segment of New Zealand's visitor market; and
  - Greater capacity to host cycling events that generate revenue and provide opportunities to promote tourism in the off-season.
- 25 In addition, a national cycleway would provide a recreational asset to all New Zealanders; encouraging health and transport benefits. The national

cycleway idea has also generated a tremendous positive response from the New Zealand public and represents an opportunity to unite and inspire communities through difficult economic times.

## Next Steps

### *The National Cycleway Fund*

- 26 I propose to appropriate \$50 million operating funding to Vote Tourism to progress the cycleway project. This will comprise an annual Departmental output expense appropriation of \$2.5 million over three years for management of the project. It will also comprise a Non-Departmental three-year multi-year appropriation of \$47.5 million for the establishment of the National Cycleway Fund to implement projects throughout New Zealand.
- 27 I am aware of a number of promising cycleway proposals in regions. I propose that regions apply to the National Cycleway Fund to advance work on projects that align with the national cycleway vision. Funding will largely be in the form of grants to third parties to assist with development. Funding criteria are still to be developed, but priority will be given to projects that can demonstrate a commitment to co-funding.
- 28 Regional engagement will be vital to ensure that the cycleway receives buy-in and support, and to ensure that proposed initiatives maximise resources and leverage off partnership opportunities. Local expertise of conditions on the ground will enable the most efficient and effective design and delivery. I envisage that in most cases regional partners will own the majority of assets, and will retain ongoing responsibility for maintenance costs.
- 29 To guide decision making, I propose to establish an Advisory Group with funding sourced from the Departmental appropriations. The Advisory Group's responsibilities will include:
- Developing a set of criteria to guide the Ministry of Tourism's consideration of regional cycleway proposals.
  - Assisting regional organisations with feasibility work that considers priority areas for development, optimal route location, costs and benefits, environmental considerations, maximising co-funding opportunities and timing of projects.
  - Identifying potential risks and issues of concern such as negotiating land access.
  - Undertaking work on brand development and signage that will link the regional experiences together.
- 30 Due to the uncertainty surrounding the funding of each cycleway project and the timing of their roll-out it is essential that there is flexibility to transfer funds across appropriations types and years.

### *Immediate Projects*

- 31 *This information has been deleted because it is necessary to withhold it to enable a Minister of the Crown and the Ministry to carry on negotiations (including commercial and industrial negotiations) and withholding that information is not outweighed by other considerations which render it desirable, in the public interest to make the information available.*
- 32 The commencement of these projects, or appropriate alternatives, subject to more detailed feasibility work will send a strong message that Government is acting quickly to ensure that the long term vision of a national cycleway is realised. The Ministry of Tourism will report back on the *[text deleted for reasons covered in point 31]* projects to form the first sections of the New Zealand cycleway by 30 June 2009.

### **CONSULTATION**

- 33 The Treasury, the Department of Conservation, the Ministry of Transport, the Department of the Prime Minister and Cabinet, the Ministry of Social Development and the New Zealand Transport Agency have been consulted in the preparation of this paper, and their views reflected.

### **FISCAL IMPLICATIONS**

- 34 This paper seeks \$50 million in total to take the national cycleway project forward. It comprises an annual departmental output expense appropriation of \$2.5 million over three years for management support of the project. It also comprises a three-year multi-year non-departmental other expense appropriation of \$47.5 million in total for the establishment of the National Cycleway Fund to implement projects throughout New Zealand.
- 35 A multi-year appropriation on the non-departmental side is the preferred option as there is uncertainty surrounding the funding required for each cycleway project, and the timing of their roll-out. There will also be a range of recipients of funding, including the Department of Conservation, local authorities and other groups.
- 36 The management costs of the project will be higher in the early stages, as an Advisory Group is established, the optimal route is designed, brand development work is undertaken, and criteria for joint region-central Government funding are developed. For these reasons, it is proposed that the Ministers of Tourism and Finance be delegated authority to transfer funds across different appropriations types and years.

### **HUMAN RIGHTS AND GENDER IMPLICATIONS**

- 37 There are no human rights or gender implications arising from this paper.

### **LEGISLATIVE IMPLICATIONS**

- 38 No legislative or regulatory changes are required as a result of this paper.

## REGULATORY IMPACT STATEMENT

- 39 The Regulatory Impact Statement requirements do not apply, as there are no legislative implications associated with this paper.

## PUBLICITY

- 40 Publicity will be coordinated by my office, in conjunction with the Ministry of Tourism. It is also proposed that this paper be published on the Ministry of Tourism website, subject to any appropriate withholdings that may be required in accordance with the Official Information Act 1982.

## RECOMMENDATIONS

- 41 It is recommended that the Committee:

1. **Note** that the national cycleway proposal is one of the Employment Summit "Near Term and High Priority" ideas considered as a means to stimulate jobs through the present economic climate while creating conditions for businesses to prosper as economic conditions improve.
2. **Agree** that the primary objectives of the New Zealand cycleway are;
  - to create jobs through design, construction and maintenance of the cycle network.
  - to create a high quality tourism asset which will enhance New Zealand's competitiveness as a tourism destination and provide ongoing employment and economic development opportunities for regional economies.
  - to maximise the range of complimentary benefits that the cycle network provides to a wide range of New Zealanders. This includes events, recreational, health and other benefits.
3. **Agree** with the preferred approach to create a series of 'great rides' of New Zealand with the long term goal of creating a network that links these experiences together through branding and/or route development.
4. **Note** that work has begun on an inventory of existing trails and pathways, railway corridors, 'paper' roads, iconic tourism attractions, and any issues to forming a national cycle network.
5. **Agree** that the Ministry of Tourism progress the cycleway project and conduct feasibility work in partnership with regions and other agencies to identify potential sections for the cycleway.
6. **Note** the practicalities of the proposal, including the establishment of an advisory group composed of public and private sector experts to assist decision making, and the intent to work in partnership with councils to design and develop the national cycleway.

7. **Note** that the advisory group will assist regional organisations with feasibility work which considers priority areas for development, optimal route location, costs and benefits, environmental considerations, maximising co-funding opportunities, timing of projects, and identification of potential risks and issues of concern such as negotiating land access.
8. **Agree** to establish a new Departmental Output Expense "Management Support of the National Cycleway" in Vote Tourism;
9. **Agree** that the scope of the new Departmental Output Expense shown in the Estimates will be "this appropriation is limited to the provision of support and advice for the National Cycleway Fund, support services for the Cycleway Advisory Group and associated ministerial servicing";
10. **Approve** the following changes to appropriations to Vote Tourism to fund the Management Support of the National Cycleway, with a corresponding impact on the operating balance:

Vote Tourism Minister of Tourism	\$m – increase/(decrease)				
	2009/10	2010/11	2011/12	2012/13	2013/14 & Outyears
Departmental Output Expense: Management Support of the National Cycleway (funded by revenue Crown)	1.500	0.500	0.500	-	-

11. **Agree** the Ministers of Tourism and Finance be jointly delegated authority to:

- Transfer funds to or from the non departmental other expense appropriations (below) when required; and
- Transfer any unspent funds in any given year to the next financial year with values to be confirmed following presentation of the audited financial statements of the Ministry of Economic Development.

12. **Agree** to establish a new Non Departmental Other Expense "The National Cycleway Fund" as a three year multi-year appropriation in Vote Tourism;

13. **Agree** that the scope of the new Non Departmental Other Expense shown in the Estimates will be "this appropriation is limited to the provision of financial assistance for the development of a National Cycleway";

14. **Approve** the following changes to appropriations for The National Cycleway Fund, with a corresponding impact on the operating balance:

Vote Tourism Minister of Tourism	\$m – increase/(decrease)				
	2009/10	2010/11	2011/12	2012/13	2013/14 & Outyears
Non Departmental Other Expense: The National Cycleway Fund		47.500		-	-



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15. **Note** that the indicative spending profile for the three year appropriation is as follows:

Vote Tourism Minister of Tourism	\$m – increase/(decrease)				
	2009/10	2010/11	2011/12	2012/13	2013/14
Indicative Spending Profile	15.500	16.000	16.000	-	-

16. **Agree** the Ministers of Tourism and Finance be jointly delegated authority to:

- a. transfer funds to other non departmental other expense appropriations when required, and
- b. bring forward funding from future years should the annual spend look as though it will exceed the indicative annual spending profile in any given year.

17. **Direct** the Ministry of Tourism to report back to the Minister of Tourism on the first set of regional projects that will receive funding from the National Cycleway Fund by 30 June 2009 at the latest.

18. **Note** that this paper will be published on the Ministry of Tourism website, subject to any appropriate withholdings that may be required in accordance with the Official Information Act 1982.

Hon John Key  
Minister of Tourism

Date signed: \_\_\_\_\_