



BRIEFING

Ruapehu Alpine Lifts Investment Memorandum for Whakapapa 'Alpine Aerial Tram' Commercial Information

Date:	10 November 2017	Priority:	Medium
Security classification:	In Confidence	Tracking number:	0921 17-18

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Economic Development	<p>Note the information provided in the briefing.</p> <p>Agree that officials continue to work with Ruapehu Alpine Lifts and carry out due diligence of the proposal.</p>	16 November 2017

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Iain Cossar	General Manager, Tourism, Sectors, Regions and Cities	Privacy of natural persons	Privacy of natural persons	
John Doorbar	Manager, Regions and Cities	Privacy of natural persons	Privacy of natural persons	✓
Andrew Beaufort	Policy Advisor, Regions and Cities	Privacy of natural persons		

The following departments/agencies have been consulted
Department of Conservation

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

You have asked officials for advice on an Investment Memorandum for Whakapapa 'Alpine Aerial Tram' Commercial Information presented to you by Ruapehu Alpine Lifts. The briefing outlines these projects and the level of support that is being sought from central government and provides an overview of the proposal and officials' initial view.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the information provided on Ruapehu Alpine Lifts proposal.

Noted

- b **Agree** to officials undertaking due diligence and assessment of the Investment Memorandum and options for a response to Ruapehu Alpine Lifts.

Agree / Disagree

Iain Cossar
**General Manager, Tourism, Sectors,
 Regions and Cities**
 Labour, Science and Enterprise, MBIE

..... / /

Hon Shane Jones
**Minister Regional Economic
 Development**

..... / /

Background

The proposal

1. Ruapehu Alpine Lifts (RAL) has presented you with an Investment Memorandum (IM) for Whakapapa 'Alpine Aerial Tram' Commercial Information . The Alpine Aerial Tram Commercial Information are intended to provide all weather, all year access to the mountain, and act as an attraction to visitors. The memorandum outlines the opportunity for the construction of an Alpine Aerial Tram and associated facilities in the Whakapapa Ski Area Commercial Information Commercial Information .
2. RAL wants to broaden its tourism offerings and grow its operation year round. RAL estimates that Commercial Information will create an extra Commercial Information full-time equivalent jobs in the medium term.¹
3. Total costs for the Commercial Information are estimated to be \$Commercial Information , with Commercial Information expected to be operational within two and a half years. This investment is part of a \$Commercial Information Commercial Information development of RAL's assets on Mount Ruapehu over the next five years. Over the past 18 months, RAL has already invested \$Commercial Information in new equipment and technology to extend the ski season on Ruapehu.
4. **RAL are seeking a \$Commercial Information grant from central government and additional support by way of a guarantee over the \$Commercial Information vendor finance** RAL will enter into with the Commercial Information .
5. The Ministry for Business, Innovation and Employment (MBIE) has been working with RAL on this proposal. **RAL are asking for an additional \$Commercial Information on the original request made to officials' prior to the election.** The original proposal requested \$10 million for the Alpine Aerial Tramway only Commercial Information . The request for non-financial support was also not made in the original proposal.

RAL's proposal has been identified by Accelerate 25 as a priority action

6. In July 2015, Horizons Regional Council and district and city councils across Manawatū-Whanganui, in conjunction with central government, commissioned a Regional Growth Study which identified a number of opportunities and key enablers to help realise the region's economic potential (Ruapehu District falls within this region). The implementation plan for this study is known as Accelerate 25.
7. One of the opportunity areas identified in Accelerate 25 is 'Tourism and Visitors' of which, the Whakapapa Alpine Aerial Tram Commercial Information have been identified as projects of significance through the development of the Ruapehu Visitor Strategy. The region identified both as important because:
 - The estimated Commercial Information full-time equivalent jobs that could be created;
 - The additional tourism revenue generated – estimated to be \$Commercial Information by 2025;
 - It will provide all weather access, and may attract increased visitors during the traditional off season; and
 - The proposal has possible flow on benefits for wider Manawatū-Whanganui and Bay of Plenty regions – for example, the proposed Commercial Information relies on the RAL projects going ahead to make their business case viable.

¹ This is based off RAL's modelling for the Whakapapa "Aerial Alpine Tram" and their assertion that the impacts of the Commercial Information are near identical.

8. Officials have been discussing the proposal with the Accelerate 25 'Tourism and Visitors' and RAL and this is the first time we have seen the full IM.

RAL is a limited-purpose public benefit entity

9. RAL is a limited-purpose public benefit entity (not-for-profit for shareholders) regulated under the Companies Act 1993 and their Constitution. RAL has 4,000 shareholders and is constitutionally prohibited from making distributions of any kind to shareholders.
10. RAL retains and reinvests all surplus revenues to fund the fulfilment of its principal purpose – the provision, promotion and development of amateur alpine sports for the public.
11. This limits RAL's ability to raise capital through conventional means. However, RAL has successfully raised capital through initiatives such as issuing life passes.²

Initial view on the proposal

The proposal fits as part of a broader opportunity for the Ruapehu District

12. The opportunity sits in a broader context. There has been considerable work put into a visitor strategy for the Ruapehu and surrounding areas. This has involved local government, the private sector, MBIE, the Tourism Industry Aotearoa, and the Department of Conservation (DOC).
13. The strategy concluded that the Central North Island represents a potentially significant growth opportunity for the broader tourism sector. The area with its three volcanic peaks has the underlying natural attractions to be a national and international draw card. The area could be positioned as the North Island's premier adventure walking and biking destination building on the iconic Tongariro Crossing extending the visitor offering.
14. What would be required is an integrated investment programme across the private and public sector to develop the area's potential.
15. The gondola has the potential to be the linchpin investment creating the 'must do' attraction around which other investments would work. Working with DoC is integral to this. For example, if the gondola was to proceed, the visitor attraction would be enhanced if DOC were to invest in an existing rough track that could be positioned as one of their recently launched Great Short Walks. This would start at the top of the gondola ride.
16. We believe that the gondola investment opportunity is considered in this broader context and that further advice be provided on both the gondola but also the regional long term opportunities in the Ruapehu District and what role this could play in a broader tourism strategy for the region.

There may be merit in the proposal, though it requires further work.

17. There may be merit in the project and there would be wider benefits to the Ruapehu District, and surrounding areas. To enable a considered decision we recommend the following happen:
 - Full due diligence be carried out to confirm the estimated benefits;
 - Testing why RAL are requesting \$Commercial Information from central government in light of the original request of \$10 million;
 - An assessment of RAL's financial arrangements and options;

² RAL launched this initiative in October 2016, raising \$Commercial Information.

- Check the case for the Crown acting as guarantor (underwriting); and
 - Engaging Treasury, DoC, and Te Puni Kōkiri (TPK).
18. RAL want a decision to be made before 18 December so they can order the equipment for construction to begin in August 2018. As we have only seen the proposal in this form for the first time, and the amount requested has increased significantly (an extra \$^{Commercial Information} since the election), we need to carry out due diligence and work through the issues of underwriting RAL. Officials do not believe the timeframes requested by RAL allow central government to make a considered decision.
19. The proposal merits consideration as part of a bigger package of investment in the Ruapehu District. This will require further information and coordination by the private sector, local and central government.
20. We intend to continue working with RAL and the region to establish what the wider public benefits are (as it could be transformational for Ruapehu District); understand their financing arrangements and how to assist them. This will include how the project fits with the Provincial Growth Fund that is under development.

Next Steps

21. Officials will:
- Progress this work with RAL, the Accelerate 25 Lead Group, Bay of Connections, Doc, Treasury and TPK;
 - Initiate the due diligence process; and
 - Report back to you with recommendations on options.