



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



## BRIEFING

### Ruapehu Alpine Lifts Alpine Aerial Tram proposal

<b>Date:</b>	27 April 2018	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	3108 17-18

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>Note</b> the details and analysis of Ruapehu Alpine Lifts Limited's proposal for support from the PGF for the construction of an Alpine Aerial Tram on Whakapapa ski field.</p> <p><b>Agree</b> to official's recommendations on supporting the proposal.</p> <p><b>Confirm</b> the Minister of Finance approves MBIE to lend \$10m from the PGF to RAL and executing legal documentation subject to, standard conditions precedents (including any further due diligence that may be required), appropriate terms and conditions being agreed with RAL.</p>	2 May 2018
Hon Phil Twyford <b>Minister of Transport</b>	<p><b>Note</b> the details and analysis of Ruapehu Alpine Lifts Limited's proposal for support from the PGF for the construction of an Alpine Aerial Tram on Whakapapa ski field.</p> <p><b>Agree</b> to official's recommendations on supporting the proposal.</p>	2 May 2018
Hon David Parker <b>Minister for Economic Development</b>	<p><b>Note</b> the details and analysis of Ruapehu Alpine Lifts Limited's proposal for support from the PGF for the construction of an Alpine Aerial Tram on Whakapapa ski field.</p> <p><b>Agree</b> to official's recommendations on supporting the proposal.</p>	2 May 2018
Hon Shane Jones <b>Minister for Regional Economic Development</b>	<p><b>Note</b> the details and analysis of Ruapehu Alpine Lifts Limited's proposal for support from the PGF for the construction of an Alpine</p>	2 May 2018

3108 17-18

	Aerial Tram on Whakapapa ski field. <b>Agree</b> to official's recommendations on supporting the proposal.	
Fletcher Tabuteau <b>Parliamentary Under-Secretary for Regional Economic Development</b>	<b>Note</b> the details and analysis of Ruapehu Alpine Lifts Limited's proposal for support from the PGF for the construction of an Alpine Aerial Tram on Whakapapa ski field.  <b>Note</b> official's recommendations on supporting the proposal.	N/A

<b>Contact for telephone discussion (if required)</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Nigel Bickle	Head of Provincial Development Unit	Privacy of natural persons	✓
Andrew Beaufort	Senior Policy Advisor, Provincial Development Unit	Privacy of natural persons	

<b>The following departments/agencies have been consulted</b>
DoC, TPK Treasury has been informed

**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**



## BRIEFING

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#### Purpose

1. Ruapehu Alpine Lifts Limited (RAL) is planning to construct an Alpine Aerial Tram (Gondola) at Whakapapa Ski Field. It is part of a wider set of actions being considered to increase the number of visitors to Ruapehu District throughout the year. RAL has requested central government financial assistance to complete this project.
2. As a Minister with delegated authority for proposals up to \$20m [CAB-18-MIN-0005 refers], MBIE seeks your approval to invest up to \$10m in the RAL Alpine Aerial Tram project.

#### Executive Summary

##### The proposal

3. Ruapehu Alpine Lifts Limited (RAL) is seeking \$10m grant from the Provincial Growth Fund (PGF) to partially finance an Alpine Aerial Tram at Whakapapa. We do not consider a grant appropriate given it is a commercial venture. Commercial Information [REDACTED]
4. The Independent Advisory Panel has reviewed the proposal and has provided the Minister for Regional Economic Development with its independent advice which supports investment from the Provincial Growth Fund (PGF) on a commercial basis for RAL's Alpine Aerial Tram.
5. The Alpine Aerial Tram is the centrepiece of RAL's plans to create an all-year-round visitor attraction at Whakapapa. This Alpine Aerial Tram will replace the Waterfall Express chairlift, is fully enclosed, will at capacity, carry 2,400 people per hour and is able to operate in more extreme wind conditions.
6. The Alpine Aerial Tram is expected to attract increased non-skier visitor numbers to Whakapapa from Commercial Informa non-skiers per year use of existing facilities in 2016/17 to more than Commercial Information users within three years. The project is expected to expand the tourism sector in the Ruapehu/Taupo region by 14 per cent and the economy of the region by 2 per cent. A 6 per cent increase in tourism sector employment in the region is expected and 1 per cent more full-time equivalent (FTE) positions region-wide (Commercial new FTE) and in total creates Commercial FTEs nationwide.
7. \$Commercial is being contributed to the project by co-funders. RAL will contribute \$Commercial, with Ruapehu District Council, Taupo District Council and the Tuwharetoa Collective subscribing to Infrastructure Bonds with a Commercial per cent coupon (with uplift rights) and a 10 year term which may be extended. RAL was granted Works Approval from the Department of Conservation on 16 April 2018 and a decision on resource consent is pending.

##### Risks

8. The project will mitigate a significant part of the construction and engineering risks and cost escalation by entering into a Fixed Price Turnkey contract for \$Commercial with the Commercial Informa company,

**Commercial Information** which is a specialist manufacturer of ski field equipment including lifts and gondolas.

- 9. The project has a 12 month construction timetable with opening of the new Alpine Aerial Tram scheduled for **Commercial Information**.
- 10. The project is exposed to weather/climate risks and also those associated with being located on an active volcano. The project is also exposed to market and demand risks which are always difficult to forecast. However, research and analysis by an internationally recognised research company, **Commercial Information** has determined the aerial tram will enable a substantial increase in tourists to Whakapapa especially non-skiers/boarders and also in the shoulder-low seasons of the year.
- 11. **Commercial Information**

**Action**

- 12. Subject to negotiation and documentation, we recommend that the PGF provide funding to RAL in support of the Alpine Aerial Tram on a commercial basis.

**Recommended action**

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

- a **Note** as a Minister with delegated authority for proposals up to \$20m, approval is sought from the Minister of Finance, Minister of Transport, Minister of Economic Development, and Minister for Regional Economic Development, together with any other relevant portfolio Minister [CAB-18-MIN-0005 refers];

*Noted*

- b **Note** the Independent Advisory Panel has reviewed the proposal and has provided the Minister for Regional Economic Development with its independent advice which supports investment from the Provincial Growth Fund (PGF) on a commercial basis for RAL's Alpine Aerial Tram;

*Noted*

- c **Note** the details and risks associated with Ruapehu Alpine Lifts Limited's (RAL) proposal that is seeking \$10m from the Provincial Growth Fund (PGF) to partially finance an Alpine Aerial Tram at Whakapapa;

*Noted*

- d **Agree** subject to negotiation and documentation, that the PGF can provide funding to RAL in support of the aerial tram on the following basis;

Amount	\$10m
Term	<b>Commercial Information</b>
Interest Rate	To be negotiated. Between <b>Commercial Information</b> per cent.
Repayments	<b>Commercial Information</b>

Other terms as described in paragraph 85.

- e **Confirm** the Minister of Finance approves MBIE to lend \$10m from the PGF to RAL and executing legal documentation subject to, standard conditions precedents (including any further due diligence that may be required), appropriate terms and conditions being agreed with RAL.

*Confirm*

## Privacy of natural persons

Nigel Bickle  
**Head of Provincial Development Unit**  
MBIE

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Hon Grant Robertson  
**Minister of Finance**

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Hon Phil Twyford  
**Minister of Transport**

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Hon David Parker  
**Minister for Economic Development**

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Hon Shane Jones  
**Minister for Regional Economic Development**

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## Project overview

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### Alpine Aerial Tram proposal – the opportunity and benefits

1. Ruapehu Alpine Lifts Limited (RAL) proposed Alpine Aerial Tram will be the biggest aerial ropeway of its kind in New Zealand. It will traverse striking terrain within the backdrop of the Dual World Heritage listed Tongariro National Park. It will take passengers in enclosed 10 person cabins from an altitude of 1650 metres to the Knoll Ridge Café at over 2000 metres above sea level in five minutes. It will have capacity of up to 2400 people per hour. It will replace the Waterfall Express chairlift, enhance the upper mountain offering at Whakapapa and enable it to become a year-round destination dramatically reducing 'closed days' because of its stable performance in high winds and alpine weather.
2. The opportunity sits in a broader context of increasing the number of visitors to Ruapehu District. There has been considerable work put into a visitor development plan for the Ruapehu and surrounding areas. This has involved local government, the private sector, tourism sector experts, MBIE, Tourism Industry Aotearoa, and the Department of Conservation (DoC).
3. RAL's proposal for the construction of an Alpine Aerial Tram at Whakapapa could be transformative for the Ruapehu and Taupō Districts. The project may lead to increased numbers of visitors, new business opportunities, new jobs and further economic and social development opportunities for residents. It is a priority action under both the Ruapehu Regional Visitor Development Plan (RRVDP) and the Manawatū-Whanganui region's Accelerate 25 Plan.
4. The project also has the broad support of the community, local government and Iwi.
5. The construction and operation of the aerial tram would lead to an estimated <sup>Commercial</sup> full-time equivalent (FTE) positions.
6. The Alpine Aerial Tram is forecasted to generate <sup>Commercial Information</sup> additional visitor days by 2025. Visitor use is estimated to grow from <sup>Commercial Information</sup> non-skiers per year use of existing facilities in 2016/17 to more than <sup>Commercial Information</sup> users within three years of opening of the new facility. Additional visitor expenditure at \$ <sup>Commercial</sup> per user, per day may amount to additional regional revenue of \$ <sup>Commercial</sup> by 2025.
7. The Alpine Aerial Tram may assist to change domestic versus international split of users and generate more high-yield visitors. RAL believe it will provide a base for expansion of the RAL local employee training / ski development programmes to cover <sup>Commercial</sup> staff. They intend to offer guided walks and other associated visitor sector experiences from the Knoll Ridge café. It is expected there will be a longer and 'de-risked' ski season with less weather affected days. It will also allow for RAL to offer visitors' access to activities on the mountain during summer.
8. The project is estimated to cost around \$ <sup>Commercial</sup> in total to construct and install. Operating costs in year one is expected to be \$ <sup>Commercial Information</sup> increasing to \$ <sup>Commercial Information</sup> in year ten.
9. RAL is seeking \$10m from central government towards the project which would trigger investment from local government and Iwi. However, this venture is exposed to climatic and demand risks. Without central government support, the project is not likely to proceed.

## Costs and Funding sources

### Cost and funding sources

10. The major costs of the project relate to the design, construction, assembly and installation of the Alpine Aerial Tram. The principal components of the projects budget are shown in the table below:

Project Budget	
Item	Amount (\$millions)
Alpine Aerial Tram including commissioning	\$ Commercial
Assembly and Installation	\$ Commer
Civil works/Ropeway/Foundations	\$ Commer
Buildings (Garage and control rooms)	\$ Commerc
Contingency	\$ Commer
<b>Alpine Aerial Tram total</b>	<b>\$ Comm</b>
Consultants and associated minor works (including \$ Commercial Informa contingency)	\$ Com
<b>Total Cost</b>	<b>\$ Commerc</b>

11. The proposed sources of funding consists of the following:

Funding	Amount (\$millions)
Partner	
Commercial Information	\$ Commer (in principle agreement)
Commercial Information	\$ Comm (indicative)
Commercial Information	Commercial Information (in principle)
Commerc	\$ Commer (committed)
Government	\$10 (requested)
<b>Total</b>	<b>\$ Comm</b>

## RAL

**The ability of RAL to raise capital through conventional means, including the capital markets is limited by their company structure.**

12. Founded in 1953, RAL is a limited liability company regulated under the Companies Act 1993 and their Constitution. RAL's 4,000 shareholders may not benefit in any way from the company in their capacity as a shareholder. RAL is therefore, a 'not for profit' organisation and is designated as a public benefit entity for accounting purposes.
13. RAL's scope of business is focused on provision, promotion and development of amateur alpine sports for the public within the Tongariro National Park.
14. RAL uses all surplus revenues to fund the fulfilment of its principal purpose – that being the provision, promotion and development of amateur alpine sports for the public. All profits generated from the activities carried out by RAL are retained and re-invested in full.

15. RAL's constitution limits its ability to access conventional capital. RAL is also limited in how much it can borrow from commercial lenders due its constitution and RAL's abnormal operating environment (weather dependent and based on an active volcano). RAL has in the past raised capital through crowd funding – specifically, through selling life passes which raised a significant amount to allow for reinvestment.

### Directors and key management

16. Directors of RAL are as follows:

- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural persons (Chair)
- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural person

17. Key RAL staff are:

- Privacy of natural persons (Chief Executive Officer)
- Privacy of natural persons (Finance Manager & Company Secretary)
- Privacy of natural persons (Environmental & Risk Manager)
- Privacy of natural persons (General Manager - Sales & Marketing).

### Financial risks

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#### RAL have forecast three different scenarios

18. RAL and its advisors have undertaken modelling and analysis of the financial impacts derived from the project.
19. RAL have forecast three different growth scenarios of the financial performance of the project over ten years. These are:
- Expected visitor/revenue growth;
  - Low Visitors Sensitivity; and
  - Low Visitors and No growth in yields sensitivity.
20. All the scenarios reflect the incremental revenue and costs associated with the project. Therefore, these are additional to the current RAL operations.
21. Under RAL's expected forecast, in year one of operation the project would lead to a Commercial Information. This includes the \$ Commercial cost of the Alpine Aerial Tram project.<sup>1</sup> In year ten the forecast is for a net incremental profit of \$ Commercial Information.
22. Under RAL's Low Visitor Sensitivity forecast, in year one of operation the project would lead to a Commercial Information. In year ten the forecast is for a net incremental profit of \$ Commercial Information.

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<sup>1</sup> The cost \$ Commercial cost of the Alpine Aerial Tram is counted in year one of all three scenarios.



23. Under Low Visitors and No growth in yields sensitivity forecast, year one of operation would see a forecasted **Commercial Information** Year 10, the forecast is for a net incremental profit of \$ **Commercial Information**
24. However, based on an independent review we have commissioned, we concur with the analysis of **Commercial Information** that Whakapapa Ski Area meets the test of commercial viability, but only just. The business is exposed to small swings in costs and revenue **Commercial Information**  
**Commercial Information**

## Commercial risks

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### Contractual arrangements

25. RAL has completed the design and tendering phase of the project and has awarded a conditional contract for construction of the Alpine Aerial Tram to **Commercial Information** The contract has been awarded as a full turn-key, fixed price package.

26. **Commercial Information**

27.

### Payment Conditions

28. Detailed conditions including timing of payments are outlined in the contract.
29. This contract will be transferred into an NZS3916: Design and Build Standard Conditions of Contract which sets out an agreed payment claims methodology.
30. Upon confirmation of the funding and final execution of the construction contract, RAL will agree with **Commercial Information** payment schedule and create a cash flow forecast for the project.

### Cost over-runs risk/Contingencies

31. There exists risks that there will be cost over-runs through weather delays, delay in delivery, under-estimating engineering costs etc. RAL is largely mitigating this through the Fixed Price Turnkey Contract.
32. Contingency of approximately **Commercial Inform** per cent has been set for all aspects of the project including purchase and build of the Alpine Aerial Tram.

## Timetable

Date	Action
Commercial Information	Financing arrangements complete
	Aerial tram construction commences
	Delivery of heavy steel elements of the lift and transport them over snow to Whakapapa
	Installation
	Official opening

33. RAL will require sufficient snow cover to transport materials to the top of the mountain. This will be subject to weather conditions and the winter season they experience. Risks exist around the timing of delivery and climatic conditions. These are not easily mitigated.

## Construction risks

### Main contractor

34. Construction risks are largely mitigated by the Fixed Price Turnkey contract with Commercial Information as this includes assembly and installation of the Alpine Aerial Tram.

### Other technical advisors/experts

35. RAL also sought advice from:
- Commercial (Geotechnical Engineering)
  - Commercial (Structural Engineering)
  - Commercial (Planning and Surveying)
  - Commerci (Architects)
  - Commercial Information (has been in New Zealand finalising calculations).

## Environmental risks

### There are a number of environmental risks present

36. RAL operates in an abnormal risk environment compared to other businesses. RAL's operations are on the side of an active volcano and are subject to climatic variations and extreme weather.
37. In the past, both volcanic eruptions and climatic events have affected the financial performance of RAL.
38. RAL is mitigating some of the climate risks through the investment in new snow-making gear and it hopes that the Alpine Aerial Tram will be a year round attraction with non-snow sport related visitors being its predominant growth market.

39. RAL also intends that the Alpine Aerial Tram will reduce weather related closures through being able to operate at higher wind speeds than current infrastructure can and open the mountain to non-snow related activities across the year.
40. The Alpine Aerial Tram infrastructure has also been designed to mitigate the impact of lahars in the event of volcanic eruption and the company has comprehensive volcanic activity monitoring systems in operation.

### **Managing risks to the environment**

41. While there will be some environmental impact as a result of the Alpine Aerial Tram, RAL has mitigations in place to reduce some of these impacts, such as erosion and sediment control, while others, such as the risk of diesel or oil spill, will be dealt with through a construction management plan agreed with DoC.
42. DoC is satisfied the environmental and visitor impacts of the proposal have been properly addressed by RAL and that there is adequate mitigation in place to prevent any loss of conservation values or environmental risks either from the construction of the gondola, operation of the ski field or the projected increase in visitors. This was crucial to RAL being granted Works Approval by DoC.

### Commercial Information



### **Consenting risks**

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47. The resource consent hearing for RAL's proposal was held on 27 April 2018. A decision on granting resource consent is pending.
48. While RAL has good relationships with key stakeholders (i.e. DoC, Ruapehu District Council and Iwi) and the local community, there is risk that RAL may not receive the necessary Resource Consent, or experience delays in getting the Resource Consent.

### **Market Risks**

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#### **Competitors/competition**

49. RAL holds a monopoly over ski field operations on Mount Ruapehu and faces no significant competition within the North Island for snow sport offerings (there is a small ski field on Mount Taranaki. It is centrally located between Auckland and Wellington and therefore receives a large proportion of visitors from these two cities.

50. However, with cheaper domestic airfares, and more reliable snow conditions, Ruapehu faces stiff competition from South Island ski fields for snow sport visitors and towns like Queenstown with a broader tourism offering.
51. RAL would face competition from gondola operations in Queenstown, Rotorua and Christchurch. However, RAL's point of difference would be offering more reliable access to snow for those seeking a non- skiing snow experience and the experience of a gondola ride up the side of an active volcano.

### **Demand/ Market research – independent review**

52. The project is also exposed to market and demand risks which are always difficult to forecast.
53. RAL has previously experienced a decline in snow sport visitors. Skiing numbers to Ruapehu ski areas Commercial Information visitors in 2010 to Commercial Information in 2016. The lack of capital investment while awaiting licence renewals was a primary concern, exacerbated by successive poor snow years. The granting by Department of Conservation (DoC) of a new 30-year concession enabled this concern to be cleared.<sup>2</sup>
54. RAL contracted Commercial Information, an internationally recognised research company to undertake market research for the proposal.
55. RAL have forecast that their largest growth market is likely to be those visiting the mountain seeking non-snow sport related experiences (Commercial Information users are expected within three years of the opening of the Alpine Aerial Tram). In year ten, RAL estimate they will receive Commercial Information visits.<sup>3</sup>
56. A return trip for an adult will cost between \$Comme and \$Comme, a child – between \$Commer and \$Comm. This is compared to:
  - Skyline Queenstown – \$39 for an adult and \$24 for a child;
  - Skyline Rotorua – \$31 for an adult and \$15.50 for a child; and
  - Christchurch Gondola – \$28 for an adult and \$12 for a child.
57. RAL has informed us that they are already receiving enquiries from travel agents and tour group firms registering their interest in including the proposed Alpine Aerial Tram in their offering to clients.

### **Regional economic benefits**

58. Economic forecasting carried by Commercial Information out on behalf of RAL indicates a possible economic impact of \$10m in increased expenditure in the Taupō/Ruapehu areas during construction and \$Commercial per annum in operation.
59. The same forecasting predicts an extra Commerc jobs created during construction and an extra Commercial jobs during operation. This is forecasted would lead to an extra \$Commercial in household income during construction and \$Commerc during operation.
60. Commercial Information concluded “The Project expands the tourism sector in the region by Comme per cent and the economy of the Region by Commercial per cent. The Project creates Commerc per cent more tourism sector employment in the Region and Commercial per cent more FTE jobs region-wide.”

<sup>2</sup> In 2016, RAL were granted a licence to operate at Whakapapa for a term of 30 years, with the ability to earn six extensions for up to an additional 30 years in total, provided that certain performance criteria are met.

<sup>3</sup> This figure can be broken down into Commercial Inform skier visits and Commercial Informa non skier visits.

## Compliance with the PGF criteria

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### **The proposal contributes to increasing the area's productivity potential through opening up the Ruapehu tourism sector to new investment and increases employment**

61. The opportunity sits in a broader context of increasing the number of visitors to Ruapehu District and RAL's proposal is a key opportunity identified in the RRVDP.
62. The plan 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.
63. What would be required is an integrated investment programme across the private and public sector to develop the area's potential.
64. The Alpine Aerial Tram has the potential to be the linchpin investment creating the 'must do' attraction around which other investments would work. For example, if the Alpine Aerial Tram was to proceed, the visitor attraction would be enhanced by other investments being considered as part of the RRVDP.
65. A combination of investments could generate increased interest in the Central North Island as a visitor destination and more visitors. The suite of investments being considered would also expand the area's offering across seasons and attract more visitors to the area over summer.
66. The expansion of offerings, and increased number of visitors throughout the year would create new and less seasonally affected jobs. It would enable businesses to operate throughout the year with less peaks and troughs.
67. RAL have forecasted that <sup>Commercial</sup> FTE positions would be created in the medium term with opportunities for a further <sup>Commercial</sup> positions year round through spin-off activities related to the tram. RAL intend to recruit from the local population and already have two well established recruitment and training schemes operating.
68. RAL is proactive in its application of programmes to develop the skills of locals, particularly iwi. This is to ensure they are strong applicants for employment. The Company is committed to local employment and guarantees an interview to local applicants.

### **Additionality**

69. The proposal will add value to the existing tourism offering in the Ruapehu area and possibly trigger further investments. While there are existing gondola operations in the North and South Islands (Queenstown, Rotorua and Christchurch), it does not necessarily duplicate these activities with its own unique value proposition of offering trips up the side of an active volcano.

### **Māori aspirations/connections**

70. The proposal has the support of Ngāti Tuwharetoa who is the relevant iwi where the Alpine Aerial Tram will be located. Ngāti Tuwharetoa is particularly supportive of the project as it limits the infrastructure footprint on the side the Mountain which they consider to be sacred.
71. RAL has a close working relationship with Ngāti Tuwharetoa and other iwi in the area. They work closely with iwi to ensure RAL's activities are conducted in a culturally sensitive manner and to develop pathways for Māori youth into employment at RAL.

72. We understand that Ngāti Rangī have objected to the proposal as they would prefer no development on Mount Ruapehu. Te Puni Kōkiri (TPK) Officials are working to better understand these objections and what agreements between parties can be reached.
73. Ruapehu District also has a higher than average Māori population (43 per cent versus 16 per cent nationally) and RAL try to recruit as much as possible from the local population.

### **Environmental sustainability**

74. While there will be some unavoidable physical landscape effects, on the whole, the project would be considered to be environmentally sustainable.

#### *DoC Works Approval*

75. DoC has approved an application for a Works Approval from Ruapehu Alpine Lifts (RAL) for the installation of an Alpine Aerial Tram within the Whakapapa Ski Area.
76. Works Approval is a requirement of the Tongariro National Park Management Plan (the Plan). The Plan and RAL's licence envisage that, during the lifetime of the licence, RAL will have an ongoing cycle of replacing and upgrading ski lifts and buildings on an as-required basis. The Works Approval is the mechanism for ensuring appropriate conditions are placed on the activity.
77. DoC ensured RAL was clear on expectations regarding ecological and landscape assessments, planning assessments and iwi consultation as part of pre-application engagement.
78. Following public notification on 20 and 21 February 2018, a hearing on the proposal was held on 26 March 2018 in Ruapehu District. The application was approved on 16 April 2018.

#### *RAL has received Qualmark Gold Sustainable Business Accreditation and received ISO14001 certification in 2016*

79. In April 2017 RAL were assessed by Qualmark and have received a Gold Sustainable Tourism Business Accreditation. This is the highest level attainable under the Qualmark rating scheme.
80. RAL also received International Organization for Standardization (ISO) 14001 certification for environmental sustainability management practices in 2016.

### **Independent Advisory Panel advice**

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81. The Independent Advisory Panel (IAP) considered RAL's request for PGF funding at its meetings on 13 March 2018 and 6 April 2018.
82. The IAP has provided the Minister for Regional Economic Development with its independent advice on this proposal.
83. That advice affirms the approach advocated by the Provincial Development Unit (PDU) and outlined in this briefing.

### **Recommendations and options**

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84. Officials have considered several options as to how the PGF funding for this project could be structured as well as the views of the IAP. Some options considered were:
  - A grant – not considered appropriate due to RAL's commercial status;
  - Equity – not considered suitable due to RAL's status as a public benefit entity meaning the Crown would receive no return on investment;

- Commercial loan – considering the financial analysis of **Commercial Information**, it was concluded that this option would not be appropriate to RAL’s situation;
- **Commercial Information** – our preferred option to ensure accountability, return on investment without placing a heavy financial strain on RAL and risking the viability of the project.

85. We recommend that a **Commercial Information** loan be provided on terms, including, but not limited to those set out below, with final terms and conditions subject to negotiation and legal documentation:

Conditions	Details
Amount	\$10m
Term	<b>Commercial Information</b>
Interest rate	To be negotiated. Between <b>Commercial Information</b> per cent.
Drawdown	Pro-rata with co-funders. To match milestone payments. Contingency drawdown needs PDU’s approval
Standard repayments	<b>Commercial Information</b>
Security	<b>Commercial Information</b>
Reporting	Six monthly – financial performance as well as visitor numbers, new jobs created and new training schemes.
Conditions Precedent	<ul style="list-style-type: none"> <li>• RAL receives all necessary approvals – i.e. resource consent;</li> <li>• Confirmed forecasts for visitor numbers and revenue projections;</li> <li>• Evidence of unconditional funding commitments from other co-funders;</li> <li>• The executed, unconditional Fixed Price Turnkey contract with <b>Commercial Information</b> for \$ <b>Commercial Inf</b></li> <li>• Quantity surveyor to confirm costs and milestone payments;</li> <li>• No other major capital expenditure undertaken without MBIE consent; and</li> <li>• Executed agreements between RAL and The Lines Company (TLC) for the installation of a new 11 kilovolt (KV) power supply.</li> </ul>
Other	Customary undertakings, representations and warranties, events of default and review.

## Next steps

86. Subject to Ministers approval, officials will conclude negotiations with RAL.
87. Once negotiations are complete, we will notify you of final details and possible announcements.