

BRIEFING

Ruapehu Alpine Lifts Next Steps

Date:	28 April 2023	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2223-3590

Action sought		
	Action sought	Deadline
Hon Kiri Allan Minister for Regional Development	<p>Agree to Kānoa's recommendation to progress negotiations with the stronger two proposals (Pure Turoa and South Island Office).</p> <p>Agree to the proposal of the Crown investing an additional approximately Confidentiality, subject to negotiations and terms and conditions.</p>	1 May 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive and Head of Kānoa – Regional Economic Development & Investment Unit MBIE	Privacy of natural persons	✓

The following departments/agencies have been consulted



Minister's office to complete:

- Approved
- Noted
- Seen
- See Minister's Notes

- Declined
- Needs change
- Overtaken by Events
- Withdrawn

Comments

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Purpose

This briefing provides you an update on four Expressions of Interests for Ruapehu Alpine Lifts Limited (Administrators Appointed) (RAL) and seeks your agreement for Kānoa to immediately engage with the two preferred parties to negotiate final terms and conditions and deal structure.

Recommended action

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

- a **Note** four potential bidders for the RAL business have been identified and have submitted revised Expressions of Interest.

Noted

- b **Note** Kānoa has consulted with Tūwharetoa and Ngāti Rangi about the bids made to take over the business of RAL, but not the specific details, and how Iwi may wish to be involved.

Noted

- c **Note** Kānoa seek your agreement to progress with the stronger two proposals (Pure Tūroa and South Island Office (SIO)).

Noted

- d **Agree** to Kānoa's recommendation to progress with the stronger two proposals and parties.

Agree / Decline

- e **Note** a successful transaction with these two parties would mean the Crown would need to invest approximately \$^{Negotiations, Commercial Information}, subject to negotiations, terms and conditions and final approval by Cabinet. Kānoa proposes to structure this funding as either

Commercial Information, Negotiations

[REDACTED] *Noted*

f **Note** that Confidentiality [REDACTED]
[REDACTED]
[REDACTED]

Noted

g **Note** that a successful transaction will require the Crown to write off its \$15 million loan to RAL (as previously conditionally agreed) and Confidentiality [REDACTED]
[REDACTED]

Noted

h **Agree** that negotiations be entered into on the basis that the Crown will invest approximately \$ Commercial Information, Negotiations [REDACTED] but subject to final approval by Cabinet.

Agree / Decline

Privacy of natural persons
[REDACTED]

Robert Pigou

**Deputy Chief Executive and Head of Kānoa –
Regional Economic Development &
Investment Unit, MBIE**

Hon Kiri Allan

Minister for Regional Development

..... / /

28 / 04 / 2023

Background

1. Ruapehu Alpine Lifts Limited (RAL) was put into Voluntary Administration (VA) on 11 October 2022, at the request of its directors.
2. Bridging funding of \$2.5 million has been provided to the Administrators of RAL by ANZ Bank, and the Crown has provided \$2 million in November 2022, and an additional \$6 million in December 2022.
3. This bridging funding is expected to provide the RAL Administrators with sufficient funding to maintain business functions until 30 June 2023, or the date of a Watershed Meeting if sooner, to allow options to be explored, and a restructuring plan developed.
4. Kānoa – Regional Economic Development & Investment Unit (Kānoa) has engaged Chapman Tripp and Calibre Partners to provide legal and commercial advice in relation to the various options being explored.
5. Four potential bidders for the RAL business have been identified and, after initial consultations have now submitted revised Expressions of Interest (EOI), which are summarised below.
6. Kānoa has consulted with Tūwharetoa and Ngāti Rangī about the EOI's and how Iwi may wish to be involved going forward.
7. The earlier proposal to establish a new company (NewCo) and raise the required capital of circa \$15 million from Life Pass Holders (LPH), via payment of a transfer fee of \$2,500, has proven to be highly unlikely to succeed. Attraction of quality directors was also difficult without an established NewCo and committed capital base.
8. Key points relating to each of the EOI's are summarised below.

Pure Tūroa Limited (Pure Tūroa)

9. Commercial Information, Negotiations

10. Pure Tūroa is made up of a group of local Ohakune businesspeople.

11. Led by its directors Greg Hickman and Cam Robertson, Pure Tūroa would

Commercial
Information,
Negotiations

[REDACTED]

12. Greg is the founder and major investor in various successful companies ranging from IT to beverages in USA and parts of Asia. Cam is a local developer and 15 years ski industry experience in NZ and overseas.

13. The companies advisory board comprises:

- Privacy of [REDACTED] Executive General Manager Corporate Services, BNZ
- Privacy of [REDACTED], CEO, OMD New Zealand/Part of Clemenger Group

14. Additional members if transition proceeds, includes:

- Privacy of natural persons [REDACTED]
- [REDACTED]
- [REDACTED]

15. Kānoa understands that Pure Tūroa is financed through Commercial Information [REDACTED]

16. Pure Tūroa has suggested the Crown Commercial Information, Negotiations [REDACTED]

17. Pure Tūroa has proposed it would Commercial Information, Negotiations [REDACTED]

18. The proposal would see Commercial Information, Negotiations [REDACTED].

19. The EOI proposes that Commercial Information, Negotiations [REDACTED]

20. The indicated timeline has a Commercial Information, Negotiations [REDACTED]

21. Pure Tūroa has advised it has Commercial Information, Negotiations [REDACTED]

Commercial Information, Negotiations

22. A key component of Pure Tūroa's model is to Commercial Information, Negotiations

23. Pure Tūroa's has advised that its Commercial Information, Negotiations

24. Ngāti Rangī has confirmed to Kānoa that it has had engagement with parties interested in operating Tūroa but has not wished to indicate its preference or support at this time least this colour or sway our consideration of the proposals.

25. Kānoa's position is outlined in the in the Consideration of EOIs section below.

South Island Office Limited (SIO)

26. The SIO is a Christchurch based equity investor established in 2019. It invests in a wide range of businesses including food production, property and education. Its founders are Sam Rolfe, James Stringer, Rob Farrell and Tom Elworthy, with Dave Mazey, ex RAL CEO, as consultant. SIO has a successful capital raising record having raised \$50 million over the past five years.

27. SIO has proposed it would Commercial Information, Negotiations

28. Commercial Information, Negotiations

29. Commercial Information, Negotiations

30. Commercial Information, Negotiations

[Redacted]

31. Commercial Information, Negotiations

[Redacted]

32. Commercial Information, Negotiations

[Redacted]

33. Commercial Information, Negotiations

[Redacted]

34. Commercial Information, Negotiations

[Redacted]

35. SIO proposes Commercial Information, Negotiations

[Redacted]

36. Kānoa's position is outlined in the in the Consideration of EOIs section below.

Ruapehu Skifields Stakeholders Association (RSSA)

37. RSSA is a friendly society incorporated to preserve and promote alpine sports in the Ruapehu region, indicating that amongst their thousands of members and dozens of volunteers they have the knowledge and know-how to capitalise and operate an intergenerational sustainable alpine operation on Mt Ruapehu that supports regional economic growth.

38. The RSSA proposal is led by Sam Clarkson, a local Ohakune hotel owner, and Robert Krebs, a Whangarei based financial advisor. They have been appointed as LPH representatives on the RAL creditor committee. Messrs Clarkson and Krebs have assembled a support group of people that includes parties familiar with crowd funding.



Commercial Information, Confidential information entrusted to the Government

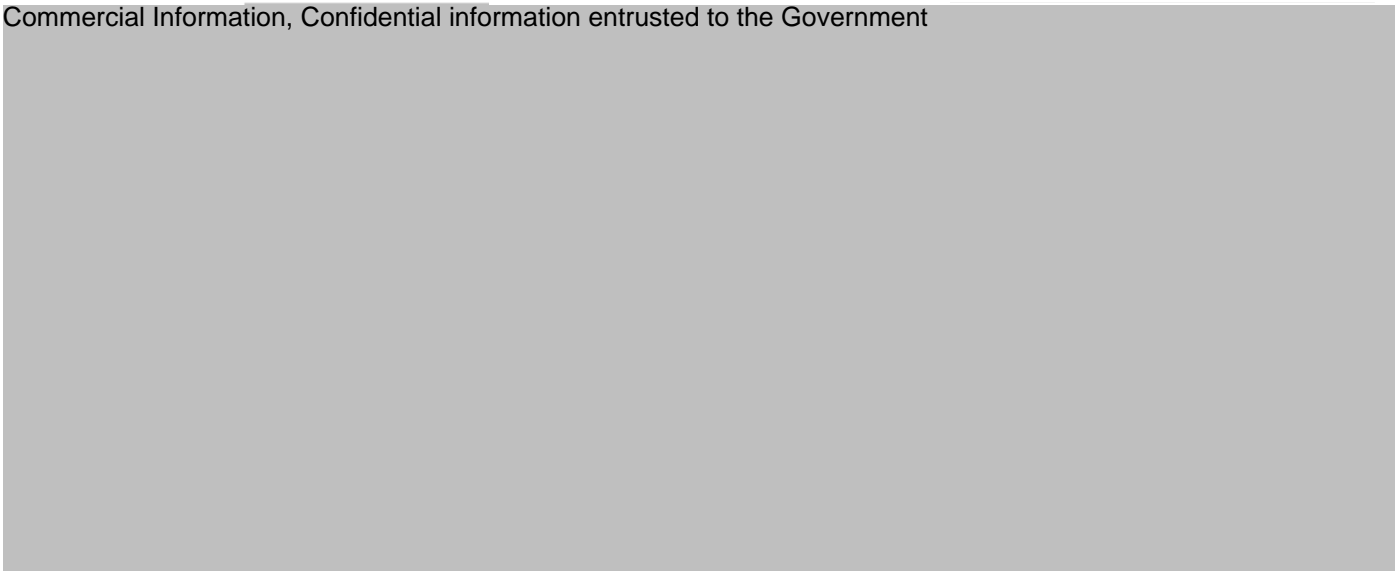
47. Kānoa's position is outlined in the in the Consideration of EOIs section below.

Tūroa Alpine Limited (Turoa Alpine)

48. The Tūroa Alpine is a company recently established and led by John Sandford, an Auckland based business consultant and ex RAL director. The Tūroa Alpine EOI relates to the Tūroa Skifield business only.

Commercial Information, Confidential information entrusted to the Government

Commercial Information, Confidential information entrusted to the Government

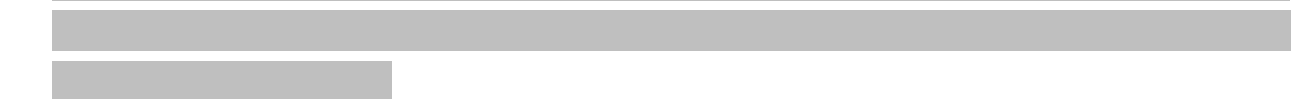


Evaluation of EOIs

Commercial Information, Confidentiality, Negotiations



64. Commercial Information, Negotiations



Consideration of EOIs

	Pros	Cons
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Confidential information entrusted to the Government, Commercial Information, Negotiations

Pure Tūroa

SIO



	Confidential information entrusted to the Government, Commercial Information, Negotiations
RSSA	Confidential information entrusted to the Government, Commercial Information



Confidential information entrusted to the Government, Commercial Information

Tūroa Alpine

Confidential information entrusted to the Government, Commercial Information

65. All four proposals are Commercial Information, Negotiations

66. All require Commercial Information, Negotiations

67. It is Kānoa's opinion, supported by our advisors Chapman Tripp and Calibre Partners, that the Pure Tūroa and SIO proposals are better proposals and more likely to deliver a successful outcome for the following reasons:

- **Crown equity** Commercial Information, Negotiations
- **Strong commercial experience** - SIO and Pure Tūroa are both backed by individuals who appear to have the commercial experience and the resources available to successfully operate the ski fields on a sustainable basis.
- **Best available options** - The SIO and Tūroa proposals provide the best options available for continued operation of the Tūroa and Whakapapa ski fields.
- Confidential information entrusted to the Government

Confidential information entrusted to the Government

68. Therefore, Kānoa recommend you agree that we now commence detailed negotiations with these two parties to conclude the structure, terms and conditions for a transaction that would result in them purchasing the Tūroa and Whakapapa assets, respectively, from RAL.

Next Steps

69. Subject to your agreement we will immediately engage with the two preferred parties to negotiate final terms and conditions and deal structure.
70. We will liaise with the relevant leaders in Tūwharetoa and Ngāti Rangī to agree process and ongoing liaison and involvement by them.
71. We will consult with DOC regarding amendments to the current DOC licence
72. We will commence drafting a CAB paper to be submitted to you as soon as broad terms are agreed with the two preferred parties. We anticipate this will be mid May.