

AIDE MEMOIRE

Ruapehu Alpine Lifts Limited – Proceeding with negotiations – Talking Points for Cabinet on 15 May 2023

Date:	12 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3806

Information for Minister(s)

Hon Kiri Allan

Minister for Regional Development

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	Privacy of natural persons	✓

The following departments/agencies have been consulted

Te Arawhiti, Department of Conservation

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by

See Minister's Notes

Withdrawn

Comments

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Purpose

To provide you with talking points for an oral item you intend to take to Cabinet on Monday 15 May 2023, regarding Kānoa – Regional Development & Investment Unit's (Kānoa's) intention to undertake negotiations with two prospective purchasers of the assets and skifield operations of Ruapehu Alpine Lifts Limited.

Privacy of natural persons

Robert Pigou

Deputy Chief Executive and Head of Kānoa

MBIE

12 / 05 / 2023

Background

1. Ruapehu Alpine Lifts Limited (**RAL**) was placed in administration on 11 October 2022, owing an estimated \$45 million, including \$15 million in loans through the Provincial Growth Fund (**PGF**), held by Crown Regional Holdings Limited (**CRHL**). Since then, Cabinet:
 - a. on 31 October 2022, agreed to provide bridging finance of \$2 million to RAL to allow time to investigate a potential solution that would ensure the continued operation of the ski fields at Mt Ruapehu and protect the investment of Bondholders [CAB-22-MIN-0477 refers];
 - b. on 28 November 2022, discussed the results of a survey to Life Pass Holders and asked for information on the parties that had expressed an interest in RAL.
 - c. on 5 December 2022, agreed in principle that the Crown provide further bridging support, of up to \$6 million, to allow the necessary time to enable the establishment of “NewCo” including enabling the Voluntary Administrator (the VA) to maintain the assets, retain the management team, and allow limited operations on the mountain [CAB-22-MIN-0561], and on 7 December 2022 noted Ministers with Power to Act agreed this money would come from the Regional Strategic Partnership Fund [DEV-22-MIN-0306].
2. Since then, Kānoa has been working with the Voluntary Administrator to gather Expressions of Interest (**EOI**) from potential purchasers of RAL assets.

The Minister of Finance and yourself have confirmed that Kānoa may undertake negotiations in good faith

3. On 28 April 2023 you were briefed about four EOIs received, and Kānoa’s intentions to proceed with two of the parties, Pure Tūroa and South Island Office (**SIO**) (briefing 2223-3590 refers).
4. On 5 May 2023 you were briefed about the need for the Minister of Finance and yourself to convey in-principal support for additional investment in the skifield/s on Mt Ruapehu, so that negotiations with the two parties could proceed in good faith (briefing 2223-3731 refers).

5. Kānoa has received this assurance from the Minister of Finance and yourself, and has commenced these negotiations.
6. Kānoa has also initiated discussion with iwi and relevant Government agencies.

You intend to update Cabinet as an oral item on Monday 15 May 2023

7. Cabinet has agreed Kānoa would lead negotiations with relevant parties. Cabinet remains the decision-maker on the final form of any deal [CAB-22-MIN-0477 refers].
8. You intend to update Cabinet on Monday 15 May 2023 about the EOIs received, the challenges identified with the previous proposed approach, the two EOIs viable for further consideration, and the intended next steps.
9. Proposed talking points are attached as Annex One to support your oral item at Cabinet. A summary of the four EOIs received from potential purchasers is included as Annex Two and an overview of the Assessment criteria

Annexes

Annex One: Proposed talking points for oral item about RAL on 15 May 2023

Annex Two: Summary of four EOIs received

Annex Three: Assessment criteria and analysis of EOIs

Annex One: Proposed talking points for oral item about RAL on 15 May 2023

- Voluntary administrators were appointed for Ruapehu Alpine Lift Limited (**RAL**) on 11 October 2022. Since then, this issue has been to Cabinet four times, and Cabinet has:
 - on 31 October 2022, agreed to provide bridging finance of \$2 million to RAL to allow time to investigate a potential solution that would ensure the continued operation of the ski fields at Mt Ruapehu and protect the investment of Bondholders [CAB-22-MIN-0477 refers];
 - on 28 November 2022, discussed the results of a survey to Life Pass Holders and asked for information on the parties that had expressed an interest in RAL.
 - on 5 December 2022, agreed in principle that the Crown provide further bridging support, of up to \$6 million, to allow the necessary time to enable the establishment of “NewCo” including enabling the Voluntary Administrator (the VA) to maintain the assets, retain the management team, and allow limited operations on the mountain [CAB-22-MIN-0561], and
 - on 7 December 2022 noted Ministers with Power to Act agreed this money would come from the Regional Strategic Partnership Fund [DEV-22-MIN-0306].
- Since this issue last came to Cabinet on 7 December 2022, Officials from Kānoa have been working with their advisors (Chapman Tripp and Calibre Partners) and the Voluntary Administrator to call for Expressions of Interest (**EOI**) from potential purchasers of RAL assets.

Four EOIs have been received

- EOIs have been received from:
 - Pure Tūroa, a group of local Ohakune business people Commercial Information, Negotiations
 - Tūroa Alpine, a recently established company led by a former RAL director.
Commercial Information, Negotiations
 - South Island Office (**SIO**), a Christchurch-based equity investment company
Commercial Information, Negotiations



- Ruapehu Skifields Stakeholders Association (**RSSA**), an incorporated society, led by two members of the RAL creditor committee representing life pass holders (Commercial Information, Negotiations)
- Kānoa believes that the four EOIs represent the best proposals available, and that no other deals or interested parties are likely to emerge.

Kānoa and its advisors have analysed the EOIs, and intend to progress negotiations with Pure Tūroa and SIO

- The four EOIs varied significantly in terms of calibre and experience of the acquiring parties, ski field/s to be operated, purchase price, sources of funding (including amount of Crown funding requested) and other conditions.
- Kānoa and its advisors (Chapman Tripp and Calibre Partners) developed assessment criteria, in order to determine which parties could operate the business on a sustainable basis.
- This analysis determined that the best available option was to progress negotiations with Pure Tūroa and SIO. This would provide the best opportunity for employment and business continuity in Ohakune, Raetihi, National Park and Taupō, as well as the continued operations of the skifields on Mount Ruapehu.

Further Crown funding will be required to make the deal work

- All of the EOIs, including the two assessed as more viable, require (Commercial Information, Negotiations) [redacted]
- Commercial Information, Negotiations [redacted]
- Commercial Information, Negotiations [redacted]
- Commercial Information, Negotiations [redacted]

Kānoa officials have determined that the previous approach was unlikely to succeed

- The earlier proposal to establish a new company and raise the required capital of around \$15 million from Life Pass Holders discussed at Cabinet on 5 December 2022 has proven to be highly unlikely to succeed. Life Pass Holder surveys have provided no confidence that Life Pass Holders are prepared to commit this level of money to maintain their life-time benefits.
- Additionally, officials have advised the attraction of quality directors would be likely to be difficult without an established “NewCo” and committed capital base.

... but there are compelling reasons for the Crown to remain involved

- Kānoa officials and their advisors are of the view that the state of the RAL assets and business is such that no transaction that is likely to lead to the ongoing operation of the skifields is possible without the involvement of the Crown.

- Commercial Information, Negotiations
[Redacted]

- Negotiations
[Redacted]

- The Department of Conservation (**DOC**) has estimated the potential liability as between \$47-88 million to fulfil the make good clause in the licence/concession granted to RAL. As Commercial Information, Negotiations
[Redacted]

I anticipate to returning to Cabinet in June to seek final decisions

- Kānoa officials are now engaging with parties.
- Cabinet remains the decision-maker on the final form of any deal. I intend to return to Cabinet in June to seek final decisions, including on the source of any funding.

- Subsequent to final Cabinet decisions the proposed deal will need to go to a vote at the “watershed meeting” of all RAL creditors that will be conducted by the Voluntary Administrators (PwC).
- I note that for the statutory process to transfer any concessions to the new operator/s, the Minister of Conservation (or delegate) is the decision maker.

Annex Two: Summary of four EOIs received

RAL Proposals

Item

Pure Tūroa Negotiations, Commercial I


Negotiations, Commercial Information



RAL Proposals

Item	Tūroa Alpine	Commercial Information
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Commercial Information, Confidential information entrusted to the Government



RAL Proposals

Item	South Island Office	Commercial Information
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Commercial Information, Confidential information entrusted to the Government



RAL Proposals

Item	Ruapehu Skifields Stakeholders Association (RSSA)	Commercial Information
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Commercial Information, Confidential information entrusted to the Government



2. Following this analysis, Kānoa believes the best available option is to progress negotiations with Pure Tūroa and SIO. This would provide the best opportunity for employment and business continuity in Ohakune, Raetihi, National Park and Taupō, as well as the continued operations of the skifields on Mount Ruapehu.

RAL Proposals


Item Pure Tūroa Commercial Information, N
Commercial Information, Negotiations



RAL Proposals

Item	Tūroa Alpine <small>Commercial Information</small>
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Commercial Information, Confidential information entrusted to the Government



RAL Proposals

Item	South Island Office	Commercial Information
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Commercial Information, Confidential information entrusted to the Government



RAL Proposals

Item	Ruapehu Skifields Stakeholders Association (RSSA)	Commercial Information, Confidential information entrusted to the Government
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Commercial Information, Confidential information entrusted to the Government

