

AIDE MEMOIRE

Ruapehu Alpine Lifts Limited –Negotiations parameters– Talking Points for Cabinet on 22 May 2023

Date:	19 May 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-3951

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

The Treasury, Te Arawhiti, Department of Conservation

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by

See Minister's Notes

Withdrawn

Comments

AIDE MEMOIRE

Ruapehu Alpine Lifts Limited – Agreeing parameters for further Crown funding – Talking Points for Cabinet on 22 May 2023

Date:	19 May 2023	Priority:	High
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Purpose

To provide you with talking points to support the paper you intend to take to Cabinet on Monday 22 May 2023, *Ruapehu Alpine Lifts Limited – Agreeing parameters for further Crown funding*. The paper seeks agreement to parameters for further Crown funding to enable potential sales of the assets and business of Mt Ruapehu Alpine Lifts Limited (RAL).

Privacy of natural persons

Isabel Poulson

General Manager, Strategy, Planning and Performance, Kānoa – Regional Development & Investment Unit.

Ministry of Business, Innovation & Employment

19 / 05 / 2023.

Background

1. On 22 May 2023 you intend to take the paper *Ruapehu Alpine Lifts Limited – Agreeing parameters for further Crown funding* directly to Cabinet. The paper seeks agreement to parameters for further Crown funding to enable potential sales of the assets and business of Mt Ruapehu Alpine Lifts Limited (RAL).

Overview of the paper

Background

2. Ruapehu Alpine Lifts Limited (RAL) was placed in administration on 11 October 2022, owing an estimated \$45 million, and appointed PwC as Voluntary Administrators (the VA).
3. The total Crown investment in RAL, through the Provincial Growth Fund (PGF) and the Regional Strategic Partnership Fund (RSPF) is \$23 million, comprised of:
 - a. A \$10 million loan, from the PGF, in 2018, to assist with the financing of the “Sky Waka” gondola
 - b. A \$5 million loan, from the PGF, in 2020, for operating expenses
 - c. A \$2 million loan, from the Multi-Year Capital Allowance, through the PGF, in November 2022, as bridging finance while the VA investigates options for RAL’s capital structure [CAB-22-MIN-0477]
 - d. A \$6 million loan, from the RSPF, in December 2022, as further bridging finance to allow the VA to maintain the assets, retain the management team, and allow limited operations on the mountain [CAB-22-MIN-0561].
4. On 15 May 2023 you updated Cabinet, through an oral item, about the Expressions of Interest (EOIs) for the purchase of RAL assets and business received, the challenges identified with the previous proposed approach, the two EOIs viable for further consideration (Pure Tūroa and South Island Office (SIO)), and the intended next steps.

Negotiation Parameters

5. The paper seeks agreement to particular parameters within which Kānoa should seek to negotiate a deal. These parameters are outline in paragraph 39 of the paper.
6. Notwithstanding any agreement to the proposed negotiating parameters, no Crown funding decision is final unless agreed by Cabinet. Cabinet remains the decision-maker on the final form of any deal [CAB-22-MIN-0477 refers].

Transferring the License/Concession to operate on Mt Ruapehu

7. Under the conservation legislation, all commercial activities on conservation land need to be authorised by a concession, and all concessions must be consistent with the relevant statutory planning documents, in this case the Tongariro National Park Management Plan (**TNPMP**).
8. The Department of Conservation (**DOC**) will need to transfer RAL's concessions to operate on the mountain to the new entities to allow them to operate. Kānoa will work with DOC to facilitate this process.
9. The Minister of Conservation, or a delegated official, will be the decision maker on DOC's regulatory process to transfer concessions. The process is outlined in paragraph 41 of the paper.
10. DOC has confirmed with most iwi that they will be able to review the assignment applications quickly and provide feedback in a matter of days after the watershed meeting. DOC has been unable to yet discuss the consultation process with Ngāti Rangī. Ngāti Rangī may seek a longer process for consultation, in line with standard protocols.

Allowing new activities in the National Park

11. The TNPMP restricts activities permitted in the National Park. For example mountain biking is only allowed on specified tracks near Ohakune, which was the result of a partial review of the TNPMP a few years ago.
12. To allow activities not currently permitted under the TNPMP, DOC would need to run a statutory process to change the plan to allow these activities. This is outlined in paragraph 44 of the paper.
13. Confidentiality [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Why should the Crown remain involved

14. If the Crown wants ski fields to continue to operate on Mt Ruapehu then further investment by the Crown is required. This does not guarantee success – changing climate conditions and weather patterns may have a significant impact on the viability of the ski fields. However, it is certain that they will not operate without Crown investment.

15. Detailed reasons for the Crown to remain involved are outlined in paragraphs 53-57 of the paper.
16. Information on likely outcomes if a deal was not reached are outlined in paragraphs 59-61 of the paper.

Agency consultation

17. Kānoa has consulted with the Treasury, DOC and Te Arawhiti. The Department of Prime Minister and Cabinet was informed.
18. Kānoa will continue to work closely with these agencies through the negotiations and the development of the deal for decisions by Cabinet on 12 June 2023.

DOC comment

19. DOC provided specific comments, outlined in paragraph 77 of the paper.
20. Specially DOC raises that:
 - a. DOC cannot carry the \$47-88 million “make good” provision
 - b. Confidentiality [REDACTED]
 - c. The process to transfer concessions will need to include time for meaningful consultation with iwi.
 - d. Concession activities must be consistent with the TNPMP. Confidentiality [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Te Arawhiti comment

21. Te Arawhiti provided feedback to Kānoa via email, which was passed to your Office.
22. Specifically, Te Arawhiti raises that it:
 - a. Confidentiality [REDACTED]
[REDACTED]

Confidentiality [Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

- [Redacted]

Next steps

- 24. Proposed talking points are attached as Annex One to support *Ruapehu Alpine Lifts Limited – Agreeing parameters for further Crown funding.*
- 25. Kānoa officials commenced negotiations with Pure Tūroa and SIO in the week commencing 8 May 2023 and expect these to be concluded in the week commencing 29 May 2023.
- 26. Cabinet remains the decision-maker on the final form of any deal. You intend to return to Cabinet on 12 June 2023 to seek final decisions, including on the source of any funding.
- 27. 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). Details of the thresholds required to be met are outlined in paragraph 47 of the paper.

28. I note that any deal presented to Cabinet will be conditional on a number of other Ministerial agreements. Officials will provide a full list of subsequent decisions required when I report back to Cabinet.

Annexes

Annex One: Proposed talking points to support *Ruapehu Alpine Lifts Limited – Agreeing parameters for further Crown funding.*

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

Background

- Ruapehu Alpine Lifts Limited (**RAL**) was placed in administration on 11 October 2022, owing an estimated \$45 million, and appointed PwC as Voluntary Administrators (**the VA**).
- The total Crown investment in RAL, through the Provincial Growth Fund (**PGF**) and the Regional Strategic Partnership Fund (**RSPF**) is \$23 million, comprised of:
 - A \$10 million loan, from the PGF, in 2018, to assist with the financing of the “Sky Waka” gondola
 - A \$5 million loan, from the PGF, in 2020, for operating expenses
 - A \$2 million loan, from the Multi-Year Capital Allowance, through the PGF, in November 2022, as bridging finance while the VA investigates options for RAL’s capital structure [CAB-22-MIN-0477]
 - A \$6 million loan, from the RSPF, in December 2022, as further bridging finance to allow the VA to maintain the assets, retain the management team, and allow limited operations on the mountain [CAB-22-MIN-0561].
- On 15 May 2023 I updated Cabinet, through an oral item, about:
 - the Expressions of Interest (EOIs) for the purchase of RAL assets and business received from,
 - Pure Tūroa, a group of local Ohakune business people Commercial Information, Negotiations
[REDACTED].
 - 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

- the challenges identified with the previous proposed approach,
- the two EOIs viable for further consideration (Pure Tūroa and SIO); and
- the intended next steps.

Negotiations parameters

- It is appropriate that Cabinet give direction to Kānoa as it undertakes negotiations with the two preferred parties. This will ensure that Kānoa can be assured that any deal it negotiates within these parameters will likely be acceptable to Cabinet.
- This does not presuppose that Cabinet will agree to any deal presented later in the process, even if it is within agreed parameters.
- The proposed parameters are outlined in paragraph 39 of the paper.

Transferring the License/Concession to operate on Mt Ruapehu

- The Department of Conservation (**DOC**) will need to transfer RAL's concessions to operate on the mountain to the new entities to allow them to operate. Kānoa will work with DOC to facilitate this process.
- Under s4 of the Conservation Act 1987, DOC needs to give effect to the principles of the Treaty of Waitangi when considering transferring the concessions. DOC is working to ensure this process can happen as quickly as possible, including having early conversations with iwi.
- DOC will initiate formal consultation in May to allow iwi time to consider draft proposals prior to the watershed meeting. DOC has confirmed with most iwi that they will be able to review the assignment applications quickly and provide feedback in a matter of days after the watershed meeting. DOC has been unable to yet discuss the consultation process with Ngāti Rangī.

Why should the Crown remain involved

- If the Crown wants ski fields to continue to operate on Mt Ruapehu then further investment by the Crown is required. This does not guarantee success – changing climate conditions and weather patterns may have a significant impact on the viability of the ski fields. However, it is certain that they will not operate without Crown investment

Confidentiality, Negotiations

[Redacted]

- Negotiations
[Redacted]
- Negotiations, Commercial Information
[Redacted]

If negotiations were unsuccessful

- Negotiations
[Redacted]

If the deal was not passed at the Watershed meeting

- If a deal is reached that was not accepted by RAL creditors at the Watershed meeting, Kānoa officials advise the VA would then likely sell any moveable assets to cover its costs, put RAL into liquidation and hand responsibility back to the licensee (DOC). In this event it is almost certain that the 2023 ski season would not be viable.
- A possible scenario is that the Bondholders will look to operate the Sky Waka Gondola. While the Sky Waka is a significant and attractive tourism asset, without other attractions in the vicinity it may struggle to generate the level of activity needed to be financially viable in the medium term.

Comments from Agency Consultation

- DOC have provided a specific comment in paragraph 77 of the paper.
- Te Arawhiti officials have provided Kānoa officials with comments regarding the status and potential scope of Tongariro National Park negotiations, in regards to the TNPMP. Specifically Confidentiality
[Redacted]

- Confidentiality
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- Kānoa officials will continue to work with DOC and Te Arawhiti, alongside the Treasury, as RAL negotiations proceed.

I anticipate to returning to Cabinet on 12 June 2023 to seek final decisions

- Kānoa officials commenced negotiations with Pure Tūroa and SIO in the week commencing 8 May 2023 and expect these to be concluded in the week commencing 29 May 2023.
- Cabinet remains the decision-maker on the final form of any deal. I intend to return to Cabinet on 12 June 2023 to seek final decisions, including on the source of any funding.
- Following 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). Details of the thresholds required to be met are outlined in paragraph 47 of the paper.
- I note that any deal presented to Cabinet will be conditional on a number of other Ministerial agreements. Officials will provide a full list of subsequent decisions required when I report back to Cabinet.