

BRIEFING

Post-Watershed Ruapehu Options

Date:	21 June 2023	Priority:	Urgent
Security classification:	Sensitive	Tracking number:	2223-4334

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note that along with Pure Tūroa Ltd and Whakapapa Holdings Ltd, Ngāti Tūwharetoa are interested in purchasing RAL</p> <p>Note Negotiations, Confidential advice to Government</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Note that the statutory process for transfer of DOC concessions means that the 2023 ski season can't be undertaken by those looking to purchase RAL assets</p> <p>Agree to fund the liquidator to run the 2023 ski season</p> <p>Note that this decision will be a signal to prospective purchasers that they will not be able to execute the deals in the short-term</p>	21 June 2023
Hon Kiri Allan Minister for Regional Development		
Hon Andrew Little Minister for Treaty of Waitangi Negotiations		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Robert Pigou	Deputy Secretary, Kānoa	Privacy of natural persons	✓
Karl Woodhead	Policy Director	Privacy of natural persons	

The following departments/agencies have been consulted

Department of Conservation, The Treasury, Te Arawhiti, Crown Law

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 |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

BRIEFING

Post-Watershed Ruapehu Options

Date:	21 June 2023	Priority:	Urgent
Security classification:	Sensitive	Tracking number:	MBIE 2223-4334

Purpose

To provide analysis and advice on the post-watershed options available to the Crown and the legal and fiscal risk of these options, and to seek agreement to fund the liquidator to run the 2023 ski season.

Executive summary

Ruapehu Alpine Lifts (RAL) was placed into liquidation today. We had been working with the Voluntary Administrator (VA) (now the liquidator) on options for the sale of RAL assets. The options were with Pure Tūroa Limited (PTL) and Whakapapa Holdings Limited (WHL). These options are based on the operators beginning by 1 July.

Along with the options we had been working with the VA on, a new option has emerged. Priv
 of Ngāti Tūwharetoa has provided an offer that, prima-facie, Commercial Information, Free and frank opinions,
 of

All options will require the transfer of Department of Conservation (DOC) concessions to operate the ski fields. The process for transfer of the concessions is determined by legislation, and the process to transfer will take Contrary to the provisions of a specified en Free and frank opinions, Confidentiality

This means that no deal can be executed before the season begins as there is high uncertainty as to when this can be completed.

This means that the ski season will not happen with these operators. For the 2023 ski season to happen, we recommend that the liquidator is funded to operate the season. We estimate that this will be no more than \$5 million Commercial Information

Free and Frank opinions

Confidentiality

Recommended action

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

a **Note** on 12 June 2023, Cabinet agreed to a package for Pure Tūroa Limited and Whakapapa Holdings Limited to **Commercial Information** assets with the intent of continuing the ski fields on Mt Ruapehu [CAB-23-MIN-0240 refers].

Noted

b **Note** the Courts have granted the order for John Fisk and Richard Nacey to be appointed as liquidators of Ruapehu Alpine Lifts Limited. The company is now in liquidation

Noted

c Confidentiality

Noted

d **Note** advice from Kānoa’s commercial advisors is that Confidentiality, Confidential advice to Government, Negotiations

Noted

e **note** Kānoa Regional Economic Development & Investment Unit (Kānoa) has identified three options available to the Crown:

a. Confidentiality, Confidential advice to Government, Negotiations

b.

c.

f **Note** that all options require several weeks for the consultation required by Conservation legislation to occur in order to transfer the concessions to operate the skifields

Noted

g **Note** that for the 2023 winter ski season to occur the liquidator will need to be assured of revenue to meet their costs

Noted

h **Agree** to provide funding of up to \$5 million for the liquidator to run the 2023 winter ski season on Mt Ruapehu

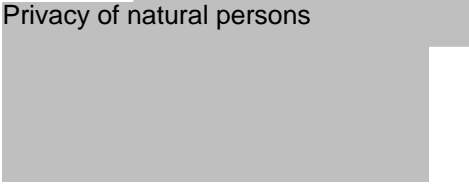
Agree Disagree

Privacy of natural persons

Robert Pigou
Deputy Secretary
Kānoa, MBIE
..... / /

Hon Grant Robertson
Minister of Finance
..... / /

Privacy of natural persons



Hon Andrew Little

Minister for Treaty of Waitangi Negotiations

.21/ .06. /23..

Hon Kiri Allan

Minister for Regional Development

..... / /

Background

1. On 12 June 2023, Cabinet agreed to a package for Pure Tūroa Limited (PTL) and Whakapapa Holdings Limited (WHL) to Commercial Information with the intent of continuing the ski fields on Mt Ruapehu [CAB-23-MIN-0240 refers]. This package included:
 - a. Confidentiality, Negotiations
 - b. [Redacted]
 - c. [Redacted]
2. At the Watershed meeting the result was that control of RAL was returned to the Directors. This morning, the High Court ordered that RAL be put into liquidation with PWC appointed as liquidators
3. On Tuesday morning Te Arawhiti and DOC became aware from Privacy of natural pers that Ngāti Tūwharetoa had an interest in purchasing RAL assets. Privacy of natural pers met with the Voluntary Administrator (VA) in 2022 Confidentiality
4. Kānoa Regional Economic Development & Investment Unit (Kānoa) has identified Confidentiality options available to the Crown:
 - a. Confidentiality, Confidential advice to Government, Negotiations
 - b. [Redacted]
 - c. [Redacted]
5. At Ministers meeting last night we advised you of the interest from Ngāti Tūwharetoa. Ministers requested further information on the options available and the legal and fiscal risk of these options.

Ngāti Tūwharetoa interest in purchasing RAL

6. As part of the discussion on the future of RAL, it emerged that Ngāti Tūwharetoa had stated to the RAL Voluntary Administrators in November 2022 that they were interested in purchasing RAL.

7. Confidentiality
[Redacted]

8. Confidentiality
[Redacted]

9. Confidentiality
[Redacted]

10. The commercial elements of the proposal are that:

- a. Confidentiality [Redacted]
- b. [Redacted]
- c. [Redacted]
- d. [Redacted]
- e. [Redacted]
- f. [Redacted]

- g. Confidentiality
- h.
- i.
- j.

Analysis

Confidentiality, Negotiations

11. Confidentiality, Negotiations

12. Given that the proposal only re-emerged on 20 June 2023, there is little or no awareness of it outside of Ngāti Tūwharetoa and therefore iwi have not been engaged on it as with the Pure Tūroa/Whakapapa Holdings Limited proposals.

More work will be required to turn this into a firm deal

13. Negotiations, Free and frank opinions

14. A more detailed business case from Ngāti Tūwharetoa will be required, Confidentiality, Negotiations

15. Confidentiality, Negotiations

[Redacted]

Liquidation process

The liquidator must get the best deal for creditors and shareholders

16. RAL is now in liquidation, with a liquidator (PWC) appointed. The role of the liquidator is to realise the company's assets for the benefit of the company's creditors. The liquidator acts in the best interests of the creditors, and so has a duty to obtain the best price reasonably obtainable for the assets.
17. Legally there are no time periods within which a liquidator must act. Practically, liquidators typically sell as quickly as possible, because they have no funding and it is extremely difficult to hold a business together in a liquidation (staff leave, suppliers won't provide credit, customers find other operators).
18. Liquidators usually run a competitive process for the assets. Confidentiality, Commercial Information

[Redacted]

The decision to put the company into liquidation does not change the status of Crown support for PTL and WHL

19. The parties agreed Confidentiality, Negotiations

[Redacted]

20. Confidentiality

[Redacted]

The liquidator can continue to operate the business if it prepares the business for sale

21. The liquidators have the power to carry on RAL's business in the name and on behalf of the company under the existing concessions. However, they can only do so if it is for the purpose of liquidating the company in a manner that is in the best interests of the creditors.

- 22. In other words, the liquidators cannot just trade on the business under the concessions with an intention to make a profit going forward, but can do it if it is necessary for preparing to sell off the assets/business.

Confidentiality, Negotiations

Confidentiality, Negotiations

What is the Crown's role?

- 26. The Crown has two roles with regard to RAL:
 - a. It is a creditor in the company, and
 - b. RAL is a significant employer in the region, giving the Crown an interest in seeing it's ongoing operation.
- 27. The Crown's position has been that it is prepared to take a loss on its investments if in return the assets of the business are sold to operators who have a chance of being fiscally sustainable in operating the business in years to come.

The Crown looked to support purchasers in order to set up these businesses for success

- 28. An expressions of interest process was used earlier this year for the RAL assets. This elicited several offers for the business. Confidentiality, Negotiations
- 29. Confidentiality, Negotiations

- 30. This led to the Crown supporting PTL and WHL through the process, as we assessed they were the best operators available and more likely to be a commercially sustainable businesses with less risk of future failure.
- 31. Two expressions of interest were not supported on the basis that there were not likely to be sustainable businesses.

Option A: Confidentiality [Redacted]

- 32. The Crown has agreed terms for supporting the offers that the liquidator has from PTL and WHL. Currently these are the only deals on the table for the liquidator and, as a result, the deals that the liquidator can progress.
- 33. For the deals to happen, the DOC concessions to operate the skifields must be transferred to the new operators. The statutory process that DOC must follow requires DOC to give effect to the principles of the Treaty of Waitangi. This in turn requires a series of meaningful consultations with affected iwi and hapū. It is not possible for any new business to operate without the concession transfer.

- 34. Confidentiality [Redacted]

Confidentiality [Redacted]

- [Redacted]
- Confidentiality [Redacted]

Confidentiality

[Redacted]

[Redacted]

[Redacted]

Confidentiality

38. Confidentiality, Negotiations

[Redacted]

[Redacted]

Option B: Confidentiality

40. Confidentiality

[Redacted]

Confidentiality

4 [Redacted]

42. Confidentiality

43.

44.

45.

Option C: Confidentiality

46. Confidentiality, Negotiations

47.

48.

49.

Confidentiality, Negotiations

50.


Risks

51. There are several risks with the proposals discussed above.

Risk	Mitigation
------	------------

Confidentiality, Negotiations

Confidentiality, Negotiations



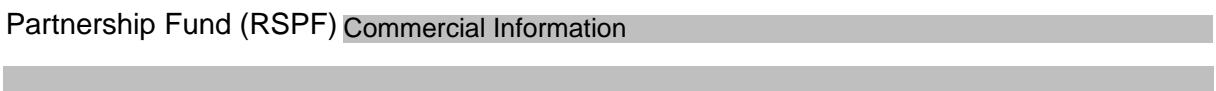
Funding

52. PwC (then, as Voluntary Administrator) has indicated to Kānoa, on 19 June 2023, that it would be able to run the ski field operations on both Whakapapa and Tūroa ski fields for the 2023 season if required, and provided indicative costings.

Commercial Information

- a.
 - b.
 - c.
- 

53. In addition, PwCs fees as administrators, currently estimated to be Commercial Information, will need to be paid immediately.

54. Given that Cabinet had previously agreed to provide Commercial Information from the Regional Strategic Partnership Fund (RSPF) Commercial Information
- 

Commercial Information

[REDACTED]

55. Commercial Information

[REDACTED]

[REDACTED]

56. Subject to RED Ministers decision, the \$5.0 million required for the operation of the 2023 ski season could be provided from the emerging priorities allocation of the RSPF MCA category Grants to support regional and sector initiatives, however more work is required to determine where the Commercial Information in VA fees could be funded from.

Next steps

57. If you agree to funding the liquidator to run the ski season we will enter into a funding agreement to provide a line of credit. We will also provide communications material to support an announcement, including material that will be provided to PTL, WHL and Ngāti Tūwharetoa on why we are doing this and what this means for any deal.

58. The longer-term options will require further consultations on the transfer of the DOC concessions. We will work with DOC and Te Arawhiti on an engagement plan for these consultations, with likely timelines for what this means for concession transfers.

Annexes

Annex One: Chapman Tripp legal advice on a number of issues raised over the past day [Legally privileged]

Annex Two:

Annex One: Chapman Tripp legal advice on a number of issues raised over the past day [Legally privileged]



Annex One -
Chapman Tripp Adv

Annex Two: Te Arawhiti advice on current position

Confidentiality [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]

- [Redacted]

Confidentiality

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

- [Redacted list item]
- [Redacted list item]
- [Redacted list item]

[Redacted text block]