



## COVERSHEET

<b>Minister</b>	Hon Kiri Allan	<b>Portfolio</b>	Regional Development
<b>Title of Cabinet paper</b>	Ruapehu Alpine Lifts Limited (RAL) – Post-Watershed Options and funding for 2023 ski season	<b>Date to be published</b>	18 December 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
23 June 2023	<i>Ruapehu Alpine Lifts Limited (RAL) – Post-Watershed Options and funding for 2023 ski season</i>	<i>Office of the Minister for Regional Development</i>
26 June 2023	<i>CAB-23-MIN-0276 Ruapehu Alpine Lifts Limited (RAL) – Post-Watershed Options and funding for 2023 ski season</i>	<i>Cabinet Office</i>

### Information redacted

YES / NO (please select)

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Some information has been withheld for the reason of confidentiality, negotiations, commercial information, privacy of natural persons, free and frank opinions, legal profession privilege, confidential advice to the Government, and confidential advice entrusted to the Government.

**In Confidence**

Office of the Minister for Regional Development

Cabinet

**Ruapehu Alpine Lifts Limited (RAL) – Post-Watershed Options and funding for 2023 ski season**

**Proposal**

- 1 This paper updates Cabinet on key changes since the Watershed meeting of RAL creditors on Tuesday 20 June 2023, seeks agreement to provide Crown support for one additional bid new from Ngāti Tūwharetoa for the purchase of the former RAL assets and business and seeks funding for the RAL liquidator to operate the Mt Ruapehu ski fields for the 2023 ski season.

**Relation to government priorities**

- 2 Regional Economic Development (RED) is a key focus for the Government’s economic vision of an economy that provides economic security in good times and bad. Kānoa – Regional Development & Investment Unit (Kānoa) delivers on RED priorities by providing catalytic investment, from the Regional Strategic Partnership Fund (RSPF) and other funds under its management, in projects that directly contribute to the Government’s strategic economic objectives in alignment with regions’ economic development priorities.

**Executive summary**

- 3 Following the Watershed meeting this week RAL has been placed into liquidation.

- 4 The purchase of the RAL assets Commercial Information, Confidentiality, Negotiations

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

- 5 Further, Ngāti Tūwharetoa have expressed a strong interest in purchasing RAL. Commercial Information, Confidentiality, Negotiations

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

Commercial Information, Confidentiality, Negotiations

- 6 Because the ski season will not be able to operate for several weeks, officials recommend funding the liquidator to run the season, there is precedent for this to occur. If we don't make a decision on this quickly, the staff who are ready to be employed will leave RAL and look to work elsewhere, leaving the ski fields at significant risk of not being able to source staff. The liquidator has said that they need a guarantee of \$5 million in order to run the ski fields – as the ski fields generates revenue this figure will reduce (and may end up being nothing), but it provides an assurance that they can operate and not lose money. Confidentiality

## Background

- 7 RAL operated the Whakapapa and Tūroa Ski Areas on Mt Ruapehu and owns the assets of the two ski areas. RAL entered Voluntary Administration on 11 October 2022, owing creditors an estimated \$45 million at the time; including \$15 million in loans from the Crown, approximately \$13 million to ANZ Bank, and \$14 million to various community trusts, iwi organisations and local government authorities (the Bondholders<sup>1</sup>). Further, RAL have a contingent debt to the Crown to “make good” the mountain by removing all infrastructure if they stop operating – this has been valued at between \$47 million and \$88 million.
- 8 On 31 October 2022, Cabinet 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].
- 9 On 5 December 2022, Cabinet 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 VA to maintain the assets, retain the management team, and allow limited operations on the mountain [CAB-22-MIN-0561], and on Cabinet 7 December 2022 noted Ministers with Power to Act agreed this money would come from the Regional Strategic Partnership Fund [DEV-22-MIN-0306].
- 10 This brings the total Crown investment in RAL to \$23 million to date.
- 11 On 22 May 2023, Cabinet considered the history of RAL, government support to date, the concessions required to operate on Mt Ruapehu and the Expressions of Interest (EOI) process for RAL assets. In addition, Cabinet agreed to the parameters within which any deal requesting Crown funding should be negotiated within [CAB-23-MIN-0192 refers].

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<sup>1</sup> The Tourism Bonds are held by Tūwharetoa (\$9.5 million), Taupō District Council (\$1 million), Bay of Plenty Community Trust (\$1.5 million), Māori Investments (\$1 million), Atihau-Whanganui Inc (\$500,000) and the Ruapehu District Council (\$500,000 loan)

12 On 12 June 2023, Cabinet agreed to a package for Confidentiality [REDACTED] to purchase Ruapehu Alpine Lifts Limited (RAL) assets with the intent of continuing the ski fields on Mt Ruapehu [CAB-23-MIN-0240 refers]. This package included:

12.1 Commercial Information, Confidentiality, Negotiations [REDACTED]

12.2 Commercial Information, Confidentiality, Negotiations [REDACTED]

12.3 Commercial Information, Confidentiality, Negotiations [REDACTED]

13 The Watershed meeting of RAL creditors was held on 20 June 2023. Due to a stalemate vote, the outcome of that meeting was that control of RAL was returned to the Directors of RAL.

14 On 21 June 2023 the High Court ordered that RAL be put into liquidation, with PWC appointed as liquidators. The role of the liquidator is to sell the company, or the company's assets for payment to the company's creditors and shareholders. The liquidator acts in the best interests of the creditors and shareholders, and so has a duty to obtain the best price reasonably obtainable for the assets.

15 Liquidators usually run a competitive process for the assets. Confidentiality, Commercial Information [REDACTED]

### Update on the processes to transfer concessions

*The concession transfer process has been more complex than originally planned*

16 Commercial Information, Confidentiality, Negotiations [REDACTED]

17 Commercial Information, Confidentiality, Negotiations [REDACTED]

18 Commercial Information, Confidentiality, Negotiations [REDACTED]

19 Commercial Information, Confidentiality, Negotiations  
[Redacted]

20 Commercial Information, Confidentiality, Negotiations  
[Redacted]

21 Commercial Information, Confidentiality, Negotiations  
[Redacted]

**Ngāti Tūwharetoa have expressed interest in purchasing RAL assets and business**

22 Commercial Information, Confidentiality  
[Redacted]

23 In November 2022, Kānoa was forwarded from the Voluntary Administrator an email outlining Privacy of natural persons [Redacted] initial interest in purchasing the business and assets of RAL. Commercial Information, Confidentiality, Negotiations  
[Redacted]

24 Confidentiality  
[Redacted]

25 Confidentiality  
[Redacted]

26 Commercial Information, Confidentiality, Negotiations  
[Redacted]

27 Officials consider for a number of reasons this proposal merits further investigation, and that the Crown has a responsibility to do so. Specifically:

27.1 Ngāti Tūwharetoa have associations different in kind, and interests in, the ongoing care on protection of the maunga above those of the general public. As a Treaty partner, the Crown has a responsibility to ensure these interests are being fairly considered.

27.2 as part of this process, expressions of interest were sought from parties seeking to operate the ski field. Kānoa assessed these bids and progressed the two that represented the most viable propositions. Ngāti Tūwharetoa expressed interest early on, however, chose not to make a formal expression of interest, due to the way the engagement the Voluntary Administrator occurred. In fairness, given expressions of interest were assessed from everyone who submitted, and support was extended to two of these parties, plus the additional mitigating factor of the Voluntary Administrator's interaction with [Redacted: Privacy of natural person], officials consider the Crown has responsibility to assess the application against the criteria in the same way as the others.

*Analysis*

28 Commercial Information, Confidentiality, Negotiations  
[Redacted]

29 In order to analyse the original offers, Kānoa and its advisors (Chapman Tripp and Calibre Partners) developed the following assessment criteria, in order to determine which parties could operate the business on a sustainable basis:

29.1 Commercial Information, Confidentiality, Negotiations  
[Redacted]

29.2 [Redacted]

29.3 [Redacted]

29.4 [Redacted]

29.5 [Redacted]

29.6 [Redacted]

29.7 [Redacted]

30 Commercial Information, Confidentiality, Negotiations  
[Redacted]

- Commercial Information, Confidentiality, Negotiations  
[Redacted]
- 31 Commercial Information, Confidentiality, Negotiations  
[Redacted]
- 32 Commercial Information, Confidentiality, Negotiations  
[Redacted]
- 33 Commercial Information, Confidentiality, Negotiations  
[Redacted]
- 34 Commercial Information, Confidentiality, Negotiations  
[Redacted]

**Further expressions of interest have, and may continue to, emerge**

*Officials understand the liquidator has received a letter from Confidentiality [Redacted]*

- 35 The letter outlined <sup>Free and frank opinions</sup> [Redacted] proposal to revive the ski fields and run the 2023 ski season on similar terms to that which was provided to Confidentiality [Redacted]
- 36 Confidentiality, Free and frank opinions  
[Redacted]
- 37 Confidentiality, Free and frank opinions  
[Redacted]

## The RAL liquidator could run the ski fields for the 2023 ski season

*The liquidator must get the best deal for creditors and shareholders*

- 38 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.
- 39 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).
- 40 Liquidators usually run a competitive process for the assets. Commercial Information, Confidentiality

[REDACTED]

[REDACTED]

[REDACTED]

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

- 41 The traditional start of the ski season is the beginning of the July school holidays, which is the end of this week (1 July). Staff have been recruited on the expectation that the season will begin, and have chosen to work at RAL. If they believe they will not be employed for the start of the season, they will look to leave the Ruapehu district and seek work elsewhere (i.e. South Island ski fields).
- 42 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. 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.
- 43 Officials are confident the liquidator can run the ski fields as they have retained key staff, are familiar with the business and have been operating it over the summer period, and operated the Tūroa ski field when it was put into receivership in 2000.

*Funding the liquidator to operate the business for the 2023 ski season will mean that consultation for concession transfer can take a longer path*

- 44 Confidentiality [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]



45 Confidentiality [Redacted]

*A loan of \$5 million will be required for the liquidator to operate the ski fields over the 2023 ski season*

46 PWC (then, as Voluntary Administrator) had 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.

47 For a period longer than 30 working days (e.g. until the end of the ski season in November 2023), a stand-by facility that RAL could draw on in order to fund its operating costs and commitments (including any necessary forward commitments to preserve the ability to open for a future 2024 season) would be required. The administrators anticipate that this may need to be around \$5.0 million.

48 PWC, through its lawyers Legal professional privilege [Redacted]

49 RAL has an outstanding loan to ANZ of \$Commercial Information Payment of this will be deferred until the settlement of the eventual transaction, likely to be under a super priority status.

50 To date, Regional Economic Development (RED) Ministers have approved \$Commercial Information million worth of regional development projects across all RSPF streams including the \$Commercial Information m for Commercial Information, Confidentiality leaving a total of \$Commercial Information million remaining.

51 Cabinet approval is required for any projects requiring over \$20.0 million of PGF funding [CAB-18-MIN-0045 refers]. To date \$23.0 million has been approved for the investment in Ruapehu Alpine Lifts

52 I propose the \$5.0 million required for the operation of the 2023 ski season be provided from the emerging priorities allocation of the RSPF MCA. This will mean that additional reprioritisation within the RSPF (beyond that previously agreed by Cabinet [CAB-23-MIN-0227 and CAB-23-MIN-0240 refers]) will be needed to fund Crown support for an eventual transaction on comparable terms to those signalled to date.

53 Commercial Information [Redacted]

Commercial Information [Redacted]

**The decision to put the company into liquidation does not change the status of Crown support for** Commercial Information, Confidentiality [Redacted]

54 Commercial Information, Confidentiality, Negotiations [Redacted]

55 The stalemate outcome from the Watershed was not totally unexpected, with the plan being to sign all documents after the company was placed in liquidation (either by a vote by creditors at the RAL Watershed meeting, or the appointment of the liquidator by the Court. The bidders were comfortable with this approach because it maintained their flexibility.

56 Commercial Information, Confidentiality, Negotiations [Redacted]

57 Free and frank opinions [Redacted]  
and frank opinions [Redacted]

**Risks – legal privilege**

58 There are a number of risks to this proposal, however I believe these are outweighed by the impact to the Ruapehu community of the mountain not opening for the 2023 ski season. Parts of this following section are legally privileged.

59 Commercial Information, Confidentiality, Negotiations [Redacted]

60 Legal professional privilege [Redacted]

61 Commercial Information, Confidentiality, Negotiations  
[Redacted]

62 Commercial Information, Confidentiality, Negotiations  
[Redacted]

63 Free and frank opinions  
[Redacted]

64 Commercial Information, Confidentiality, Negotiations, Free and frank opinions  
[Redacted]

65 Commercial Information, Confidentiality, Negotiations  
[Redacted]

66 There are risks for the liquidator to operate the season. Negotiations, Confidentiality  
[Redacted]

67 There is a risk that the \$5 million for the liquidator to operate the season may not be enough. PWC, through its lawyers [Redacted], has advised Legal professional privilege [Redacted]

Legal professional privilege  
[Redacted]

68 Finally, if the 2023 ski season does not begin on 1 July, there is a significant reputational risk to the Crown with there having been options available to operate the ski fields that weren't pursued. Further, there is a significant risk that key staff will leave RAL, leaving it unable to operate if a purchase of the asset occurred mid-season.

**Next steps**

69 Following our decisions today, Kānoa will enter into an agreement with the liquidator to run the 2023 ski season. This will provide certainty for the local communities. We expect that the operator will immediately start selling season passes to generate revenue.

70 The Minister of Finance, as the Minister responsible for the administration of the Public Finance Act 1989, is the Minister with the statutory power under section 65L of that Act to loan money if he determines it to be necessary or expedient in the public interest to do so. No loans can be made until he has made this determination.

71 Commercial Information, Confidentiality, Negotiations  
[Redacted]

72 Commercial Information, Confidentiality, Negotiations  
[Redacted]

73 Commercial Information, Confidentiality, Negotiations  
[Redacted]

74 Commercial Information, Confidentiality, Negotiations  
[Redacted]

**Financial Implications**

75 There are no fiscal implications to the Crown from this proposal, as funding will be reprioritised from the existing RSPF appropriation.

**Legislative Implications**

76 There are no legislative implications associated with this proposal.

## Impact Analysis

### *Regulatory Impact Statement*

77 A regulatory impact analysis is not required for this proposal.

### *Climate Implications of Policy Assessment*

78 A Climate Implications of Policy Assessment is not required for this proposal as the direct impact on greenhouse gas emissions is unlikely to be equal to or above 0.5 million tonnes CO<sub>2</sub>-e within the first ten years of the proposal period.

## Population Implications

79 Supporting the continuation of the operation of the ski fields on Mt Ruapehu helps to mitigate the risk of closure or reduction in operations of many other small businesses that rely on the visitors the ski fields bring into the region. A closure or reduction in operations would have a negative impact on the region, businesses and people who rely on them – including vulnerable populations.

## Treaty of Waitangi Implications

80 The Crown is committed to collective negotiations with the iwi with interests in Tongariro National Park (including Ngāti Tūwharetoa, Ngāti Rangi, Te Korowai o Wainuiārua, Ngāti Hāua). Te Arawhiti has advised that the Crown should engage broadly with all iwi as it seeks a solution in respect of the ski fields.

81 Iwi have the longest association and connection with the land comprising the national park, and the associated ski fields, and consider the maunga tupuna (ancestors). Iwi therefore have associations different in kind, and interests in, the ongoing care on protection of the maunga above those of the general public. Iwi also acknowledge the current ski field operations provide training and employment for their people, and revenue for the local business communities that is vital to the economy and to the communities of the central plateau.

82 While there are varying views from within the iwi collective about operations on the Maunga, who the operators should be and the concession, the appropriateness of infrastructure remaining on their ancestor, Crown officials have engaged with the relevant iwi to ensure that:

82.1 iwi are informed about the potential outcomes, and the Crown's preparedness to remain involved in the ski-fields;

82.2 the Crown is as well informed as possible by iwi views as it moves to make its decisions; and

82.3 their involvement through the concession is important;

82.4 Confidentiality, Negotiations [Redacted]

83 Confidentiality [Redacted]

84 Confidentiality [Redacted]

85 Under s4 of the Conservation Act 1987, DOC must give effect to the principles of the Treaty of Waitangi when making decisions on any applications to transfer RAL's concessions to new operators. Commercial Information, Confidentiality, Negotiations [Redacted]

### Human Rights

86 There are no human rights implications associated with this proposal.

### Consultation

87 The Treasury, Te Arawhiti, Crown Law Office and DOC have been consulted. The Department of Prime Minister and Cabinet (Policy Advisory Group) was informed of this proposal.

### Communications

88 I intend to release a statement outlining the Crown commitment to providing funding for the operation of the 2023 ski season, that there is a statutory process to enable DOC to transfer the concessions to new operators and the Crown is bound to diligently follow this process and that subsequent to RAL being placed in liquidation additional bids have been received.

### Proactive Release

89 I intend to proactively release this paper, subject to any redactions necessary to protect the commercial sensitivity of relevant parties, within 30 business days of it being appropriate to do so.

### Recommendations

The Minister for Regional Development recommends that the Committee:

- 1 **note** that the Watershed meeting for RAL was held on 20 June, with no agreement on who would purchase RAL's assets.
- 2 **note** that RAL is now in liquidation.

3 **note** that it is not possible for the concession transfer process to be completed in time for the start of the 2023 ski season, and it is likely that this process will take a number of weeks or months.

4 **note** that Ngāti Tūwharetoa has expressed an interest in purchasing the assets of RAL.

5 Commercial Information, Confidentiality, Negotiations

6 Commercial Information, Confidentiality

7 Commercial Information, Confidentiality, Negotiations

8 Commercial Information, Confidentiality, Negotiations

9 **note** that the RAL liquidator would be able to operate the facilities for the 2023 ski season, under the existing DOC concessions that the company holds.

10 **note** that officials are confident that the liquidator has the capability and staff to operate the ski fields

11 **note** the liquidators will require the availability of a loan of up to \$5m to meet any operating costs and commitments which are required to be incurred during the ski season (including any necessary forward commitments to preserve the ability to open for a future 2024 season), and to fund payment of both the liquidators' fees and expenses, and payment of outstanding administrators' fees and expenses from the Voluntary Administration trading period, in order to operate the ski fields for the 2023 season.

12 **note** Kānoa officials recommend this loan proposal be funded through emerging priorities allocation of Regional Strategic Partnership Fund and that this will require further prioritisation within the fund to meet the final costs of a transaction, beyond that previously agreed by Cabinet [CAB-23-MIN-0227 and CAB-23-MIN-0240 refers].

13 **agree** to approve up to \$5.0 million of loan funding to provide for the operating costs and commitments for the Whakapapa and Tūroa ski fields for the 2023 season (subject to approval from the Minister of Finance under section 65L of the Public Finance Act 1989).

14 Commercial Information, Confidentiality, Negotiations

(Commercial Information, Confidentiality, Negotiations [redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

15 Commercial Information, Confidentiality, Negotiations [redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

16 Commercial Information, Confidentiality, Negotiations [redacted]  
[redacted]  
[redacted]

Authorised for lodgement

Hon Kiri Allan

Minister for Regional Development