



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Development
Title of Cabinet paper	Sale of Ruapehu Alpine Lifts Limited's Whakapapa Ski Field: Options	Date to be published	17 February 2024

List of documents that have been proactively released

Date	Title	Author
December 2024	Sale of Ruapehu Alpine Lifts Limited's Whakapapa Ski Field: Options	<i>Office of the Minister for Regional Development</i>
9 December 2024	Sale of Ruapehu Alpine Lifts Limited's Whakapapa Ski Field: Options CAB-24-MIN-0483 Minute	<i>Cabinet Office</i>

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Commercial Information, Confidential Advice to Government and Legal professional privilege.

In Confidence

Office of the Minister for Regional Development

Cabinet Economic Policy Committee

Proposal

- 1 To provide funding support for Whakapapa Holdings 2024 Limited’s (WHL) bid to purchase Ruapehu Alpine Lifts Limited’s (in Liquidation and Receivership) (RAL) Whakapapa ski field assets.

Relation to government priorities

- 2 This paper does not relate to a specific government priority but requires Cabinet approval given the policy and funding implications.

Executive Summary

- 3 This paper presents Cabinet with two options to decide the future of RAL. Cabinet can agree to provide \$5 million of financial support to WHL to allow WHL to purchase RAL’s Whakapapa assets. Under this option, WHL would operate most of the existing Whakapapa ski field, which would defer the ‘make good’ costs to the Crown, and provide the economic benefits of the ski field’s continued operation.

- 4 Commercial Information, Confidential advice to Government [Redacted]

- 5 If WHL’s bid is supported, the Commercial Information, Confidential advice to Government [Redacted]

- 6 Confidential advice to Government [Redacted]

- 7 If Cabinet does not agree to support and fund WHL’s proposal, and does not seek to provide RAL with further funding, then Commercial Information [Redacted]

- 8 There are several scenarios that could emerge Commercial Information, Confidential advice to Government [Redacted]

- 9 Commercial Information, Confidential advice to Government [Redacted]
- 10 Commercial Information [Redacted]
- 11 Commercial Information, Confidential advice to Government [Redacted]
- 12 Commercial Information, Confidential advice to Government [Redacted]
- 13 Confidential advice to Government, Commercial Information [Redacted]

Background

- 14 RAL has been in various insolvency processes since October 2022. RAL’s Receivers continue to run RAL under a concession granted by the Minister of Conservation. RAL’s Receivers have control of infrastructure that enables it to operate the Whakapapa ski field on Mount Ruapehu, including the Sky Waka gondola. RAL operated the Tūroa ski area until it was sold to Pure Tūroa Limited (PTL) with \$3.05 million of Crown support in April 2024 [CAB-MIN-0070.01 refers].
- 15 Pre-insolvency, MBIE had loaned RAL \$15 million through the Provincial Growth Fund (PGF) to assist with the financing of the Sky Waka gondola, which was completed in 2019. The Sky Waka gondola is the key access lift for the Whakapapa ski field and for sightseeing.
- 16 Financing for the Sky Waka gondola was supplemented by \$14 million of Tourism Bonds, which were funded by iwi and local government entities, collectively referred to as the ‘bondholders’. The bondholders have a security interest over the Sky Waka gondola asset.
- 17 [Legally privileged] Legal professional privilege [Redacted]

18 Since insolvency, MBIE has provided a further \$24.3 million of loans to RAL through the PGF and the Regional Strategic Partnership Fund (RSPF). On 11 March 2024, Cabinet agreed to provide \$7 million of further funding to RAL’s Receivers to “operate its Whakapapa assets for the 2024 ski season, and defer future decisions on RAL until late 2024 or early 2025” [CAB-24-MIN-0070.01].

19 The Minister of Conservation and I issued a press release on 13 March 2024 stating that “the Government cannot indefinitely sustain the ski fields. That is why Cabinet is signalling a clear end point. If no acceptable commercially led solution can be found within the next year, there will be no additional government funding for RAL’s Whakapapa ski operations.”

20 On 12 April 2024, **Legal professional privilege** RAL’s Receivers launched the first stage of a two-staged EOI process to determine if there were bidders with an interest in acquiring the business and assets of Whakapapa ski-field. Final bids were provided to RAL’s Receivers on 10 June 2024.

21 RAL’s Receivers entered negotiations with WHL, the bondholders, and MBIE officials between late June and September 2024 on the commercial terms of the sale and proposed Crown funding arrangements. Negotiations concluded on 17 September 2024, which resulted in all parties agreeing in principle to the commercial arrangement, including a request for funding support from the government.

22 **Commercial Information**
[Redacted]

23 **Confidential advice to Government, Commercial Information**
[Redacted]

24 On 11 November, Cabinet deferred consideration of an earlier version of this paper for up to four weeks, to enable further work to be undertaken [CAB-24-MIN-0441]. MBIE officials understand this further work included **Commercial Information**
[Redacted]

25 **Commercial Information, Confidential advice to Government**
[Redacted]

26 **Commercial Information, Confidential advice to Government**
[Redacted]

- 27
- 28
- 29

Cabinet decisions are required now to determine the next steps in RAL’s Whakapapa ski field sale process

- 30
- 31

Table One: Commercial Information

Scenario	Description	Commercial Information
WHL proposal proceeds – RAL’s Receivers continue operating as a ‘going concern’	RAL’s Receivers continue to operate most of the Whakapapa ski field until the sale of assets to WHL is expected to be completed in April 2025.	Commercial Information
Commercial Information, Confidential advice to Government	Commercial Information, Confidential advice to Government	Commercial Information

Commercial Information [Redacted]	Commercial Information [Redacted]	Commercial Information [Redacted]
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32 Deferring decisions on RAL creates operating complications for RAL’s Receivers. This includes business planning challenges, undertaking expensive maintenance of equipment that may end up being unnecessary, and complications with hiring and keeping sufficient staff to operate.

33 It also delays the completion of any potential purchase of RAL’s assets and increases uncertainty in the local Ruapehu community. Commercial Information, Confidential advice to Government
[Redacted]

34 Regardless of the approach selected by Cabinet, Confidential advice to Government, Commercial Information
[Redacted]

35 Commercial Information, Confidential advice to Government
[Redacted]

Option 1: Provide a loan of up to \$5 million to support WHL’s proposal to purchase RAL’s Whakapapa ski field business assets and operations, subject to WHL obtaining a concession from the Minister of Conservation to operate (recommended)

36 I recommend that Cabinet agrees to support WHL’s proposal and provide WHL with a loan of up to \$5 million to allow WHL to purchase and operate RAL Whakapapa ski field assets, conditional on WHL being granted a concession to operate from the Minister of Conservation.

37 Commercial Information
[Redacted]

38 I recommend that the Minister of Finance and I are delegated authority to undertake any decisions on this funding relating to the completion of the sale, Commercial Information
[Redacted]

39 **Annex One** provides an overview of the commercial arrangement. The key commercial terms of the sales are:

39.1 Commercial Information
[Redacted]

Commercial Information
[Redacted]

39.2 Commercial Information
[Redacted]

39.3 Commercial Information
[Redacted]

39.4 Commercial Information
[Redacted]

40 If Cabinet agrees to the loan, the Minister of Finance will need to consider the loan under section 65L of the Public Finance Act 1989 to be necessary or expedient in the public interest. MBIE officials will work with the Treasury to give further advice.

WHL’s commercial proposal has been assessed by MBIE officials, who consider that the proposal could be progressed but any decision to do so is marginal due to the risks

41 Commercial Information
[Redacted]

42 Commercial Information
[Redacted]

43 Commercial Information
[Redacted]

44 Commercial Information, Confidential advice to Government
[Redacted]

45 Commercial Information, Confidential advice to Government
[Redacted]

Commercial Information, Confidential advice to Government
[Redacted]

46 Commercial Information, Confidential advice to Government
[Redacted]

Commercial Information, Confidential advice to Government
[Redacted]

47 [Legally privileged] Legal professional privilege
[Redacted]

48 RAL's Receivers have advised MBIE officials that the bondholders support WHL's bid. Negotiations between RAL's Receivers, the bondholders, MBIE officials and WHL resulted in the following provisions Commercial Information:

48.1 Commercial Information
[Redacted]

48.2 Commercial Information
[Redacted]

48.3 Commercial Information
[Redacted]

49 Commercial Information, Confidential advice to Government
[Redacted]

50 Commercial Information
[Redacted]

Commercial Information, Confidential advice to Government
[Redacted]

51 Commercial Information, Confidential advice to Government
[Redacted]

52 I also recommend Commercial Information, Confidential advice to Government

Economic benefits and 'make good' obligation

53 RAL is a key contributor to the Ruapehu district's economy. An analysis by Infometrics from 2022, when RAL operated both the Tūroa and Whakapapa ski fields, suggests that RAL contributes around 5 per cent of the Ruapehu district's jobs.

54 Information provided by RAL's Receivers in early 2024 estimates that if its Whakapapa assets were to cease operation, the impact on the local economy could result in a loss of 70 year-round jobs and 250 winter jobs directly employed by Whakapapa, an additional loss of around 650 jobs in the region, the loss of 258,000 guests per year to the region, and a decline of around \$64 million in annual regional spending .

55 MBIE officials now consider these figures describe the maximum economic loss, which is likely to be at least partially mitigated by the following factors:

55.1 **The continued operation of the Tūroa ski field:** Since the usage of ski fields in the central North Island is heavily driven by domestic patrons, if Whakapapa were to cease operating and Tūroa was the only remaining ski field in the area, it is expected that some patrons of Whakapapa would move their business to Tūroa.

55.2 Commercial Information, Confidential advice to Government

If successful and sustainable, this could help to mitigate the economic impact of the loss of the ski field operations.

55.3 **Average snowfall levels on the Whakapapa ski field have declined over time and continue to trend downwards:** It is likely that climate change will result in less snowfall where the ski field currently operates. Over time, this is expected to decrease the commercial viability of a ski-based business.

56 Based on these factors, over a five-year period the continued operation of the Whakapapa ski area could mitigate a part of the maximum economic impact.

57 If Cabinet supports WHL's proposal, WHL is granted a concession by the Minister of Conservation to operate the ski field, and the sale is completed, the Whakapapa ski field assets will continue to be used and Confidential advice to Government

The concession process is expected to take several months to complete

58 An earlier version of this paper recommended to allow a concession decision to be made by Confidential advice to Government, a concession application needed to be publicly notified by

SENSITIVE

Confidential advice to Government . If the concession application is not notified until late December 2024 (noting that the period between 20 December and 10 January are not working days for the purposes of public notification) it is highly unlikely a lawful and robust decision can be made by Confidential advice to Government

59 WHL has already submitted a concession application and DOC has shared this with iwi and hapū. If Cabinet agree to support WHL’s proposal, I recommend Cabinet directs DOC to work towards the following timeframes to allow a decision on the concession application by 30 April 2025:

- 59.1 Publicly notify WHL’s application within ten working days of Cabinet’s decision;
- 59.2 Complete public hearings by 28 February 2025.
- 59.3 Analyse submissions and iwi feedback, complete the statutory analysis and seek final comments from WHL and iwi by 31 March 2025.
- 59.4 Provide advice to the Minister for Conservation by 19 April 2025, for the Minister to make a decision on the application by 30 April 2025.

60 DOC officials have advised that to meet this timeframe, a complete concession application must be able to be publicly notified by 20 December 2024 and the applicant must have undertaken engagement with all relevant iwi. DOC officials recommend the Minister of Conservation communicate this timeframe to iwi and hapū with an interest in Whakapapa ski field.

Iwi may be dissatisfied with the sale process and could seek to challenge it

61 Officials understand that iwi have been unhappy with the Crown's approach and conduct in managing commercial processes and concessions in relation to RAL. Confidential advice to Government

62 Confidential advice to Government

63 Confidential advice to Government

64 [Legally privileged] Legal professional privilege

Option 2: Do not provide support for WHL's proposal Confidential advice to Government

65 If Cabinet does not agree to option 1, I recommend that Cabinet agree
Confidential advice to Government

66 Confidential advice to Government

66.1 Confidential advice to Government, Commercial Information

66.2 Confidential advice to Government, Commercial Information

67 Confidential advice to Government, Commercial Information

68 Confidential advice to Government, Commercial Information

69 I propose that no further funding is provided to RAL Confidential advice to Government, Commercial Information

70 Confidential advice to Government, Commercial Information

71 Confidential advice to Government, Commercial Information

Confidential advice to Government, Commercial Information

72 Confidential advice to Government, Commercial Information

73 Confidential advice to Government, Commercial Information

74 Confidential advice to Government, Commercial Information

75 Confidential advice to Government, Commercial Information

76 [Legally privileged] Legal professional privilege

77 [Legally Privileged] Legal professional privilege

Confidential advice to Government, Commercial Information

78 Confidential advice to Government, Commercial Information

79 Confidential advice to Government, Commercial Information

Confidential advice to Government, Commercial Information *the Crown will be required to set aside funding for the decommissioning of infrastructure*

80 There is substantial ski field infrastructure at Whakapapa. Under the terms of RAL’s concessions, RAL must remove all infrastructure and remediate the land on termination of their concessions – known as the ‘make good’ provision.

81 As RAL cannot afford to fulfil the make good obligation, the obligation to remove redundant infrastructure and remediate the mountain will fall to the Crown [CAB-23-MIN-0240]. There will be a strong public – and iwi – expectation that redundant infrastructure is removed rather than left on the mountain.

82 It is currently not possible to confirm the likely decommissioning costs. [REDACTED]
Confidential advice to Government, Commercial Information [REDACTED] DOC officials have a better understanding of what infrastructure will be redundant. This will enable DOC to reliably estimate decommissioning costs.

83 If Cabinet agree to Option 2, I recommend Cabinet invite the Minister of Conservation to report back to Cabinet in early 2025 to provide final cost estimates for the removal of any redundant infrastructure and funding options.

Cost-of-living Implications

84 There are no direct cost-of-living implications in this paper. However, if RAL ceases operating and there are job losses in the area, this could exacerbate cost-of-living pressures on those impacted.

Financial Implications

85 Regardless of the option Cabinet selects, Commercial Information [REDACTED]

86 If option 1 is agreed to, the Crown will provide WHL with a loan of up to \$5 million, pending WHL being granted a concession to operate. No new funding will be needed. Commercial Information [REDACTED]

87 If option 2 is agreed to, Commercial Information [REDACTED]

88 Commercial Information [REDACTED]

89 Confidential advice to Government [REDACTED]

Decommissioning liability for the removal of infrastructure and cost to maintain essential services on Ruapehu

90 If Ministers agree to option 2, DOC estimates the cost to remove all infrastructure and remediate the Whakapapa ski field to be up to \$^{Commercial Information}, based on updated costs provided by surveyors in February 2024 [CAB-24-MIN-0070.01]. In general, there is no specified timeframe for the Crown to remove infrastructure.

91 Confidential advice to Government

Legislative Implications

92 There are no legislative implications associated with the proposals this paper.

Impact Analysis

Regulatory Impact Statement

93 A regulatory impact analysis is not required for the proposals in this paper.

Climate Implications of Policy Assessment

94 There are no climate change implications in this paper.

Population Implications

95 The Māori workforce in Ruapehu is a considerably larger proportion of the overall District's workforce, compared to the national average. In 2021, the Māori workforce equated to 32 per cent of total employment in Ruapehu District, compared to 13 per cent for the entire New Zealand workforce. If RAL were to cease operating and no new operator replaced RAL, Māori in the Ruapehu District may be disproportionately impacted by job losses resulting in the closure of the ski field.

Human Rights

96 There are no human rights implications associated with these proposals.

Use of external Resources

97 External legal and commercial consultants were engaged as part of the development of this paper. The policy development and drafting of this paper was undertaken by salaried MBIE employees.

Consultation

98 The Department of Conservation, The Treasury, Te Arawhiti.

Communications

99 I intend to release a statement on the option agreed to by Cabinet.

Proactive Release

100 All I intend to proactively release this paper, subject to any redactions necessary, within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister for Regional Development recommends that the Committee:

- 1 Authorise the Minister of Finance and Minister for Regional Development to undertake further decisions as required in relation to the implementation of option one or option two, including any decisions relating to Confidential advice to Government, Commercial Information
- 2 Agree Confidential advice to Government
- 3 Agree Commercial Information

Option One: Crown provides WHL with a loan of up to \$5 million to support its purchase of RAL's Whakapapa business

- 4 Agree to confirm the government's support for the sale of the Whakapapa ski field assets from RAL to WHL on the terms set out in the conditional Sale and Purchase agreement to be entered into by RAL's receivers and WHL, and the terms of the Funding Agreement to be entered into by MBIE and WHL.
- 5 Approve up to \$5 million of loan funding to WHL to enable it to complete the purchase of the RAL's Whakapapa assets and to operate the Whakapapa ski field, subject to WHL obtaining a DOC concession to operate.
- 6 Agree Commercial Information
- 7 Agree Commercial Information
- 8 Agree Commercial Information
- 9 Agree Commercial Information
- 10 Agree Commercial Information

- 11 Agree Commercial Information [redacted]
- 12 Agree Confidential advice to Government [redacted]
- 13 Direct DOC to work towards the following timeframes:
 - 13.1 Publicly notify WHL’s application within ten working days of Cabinet’s decision;;
 - 13.2 Complete public hearings by 28 February 2025;
 - 13.3 Analyse submissions and iwi feedback, complete the statutory analysis and seek final comments from WHL and iwi by 31 March 2025; and; and
 - 13.4 Provide advice to the Minister for Conservation by 19 April 2025, for the Minister to make a decision on the application by 30 April 2025.
- 14 Direct the Minister of Conservation to communicate the timeframes in recommendation 13 to iwi and hapū with an interest in Whakapapa ski field.

Option Two: No Crown support for Whakapapa Holdings 2024 Limited’s (WHL’s) bid [redacted]
Confidential advice to Government, Commercial Informa

- 15 Agree Confidential advice to Government, Commercial Information [redacted]
- 16 Agree Confidential advice to Government, Commercial Information [redacted]
- 17 Agree Confidential advice to Government [redacted]
- 18 Agree Confidential advice to Government [redacted]
- 19 Invite the Minister of Conservation to report back to Cabinet in early 2025 to provide an update and final estimate for the cost of removing any remaining redundant infrastructure and funding options.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Development

Annex One: Overview of commercial terms for Whakapapa Holdings 2024 Limited (WHL) to purchase Ruapehu Alpine Lifts Limited's (in Liquidation and Receivership) (RAL's) Whakapapa ski field business

Purchase price	Commercial Information
Loan	
Repayment terms	
Loan General Security Arrangements (GSA)	
Capitalisation	
Equity	
Payment of creditors	
Settlement	