Index

Submission number	Page number
WHL2024-526-1	P2
WHL2024-454-1	P3-6
WHL2024-463-1	P7-23
WHL2024-334-1	p24
WHL2024-464-1	p25-27
WHL2024-356-1	p28-32
WHL2024-527-1	p33-36
WHL2024-407-1	p37 -272 p296-304
WHL2024-440-1	p273
WHL2024-455-1	274-295
WHL2024-520-1	p305-308
WHL2024-525-1	p309-3010
WHL2024-381-1	p311-313
WHL2024-528-1	p314-315
WHL2024-178-1	p316
WHL2024-529-1	p317-318
WHL2024-484-1	p319-321
WHL2024-497-1	p322-418
WHL2024-446-1	p419
WHL2024-487-1	P420-423

31 January 2025

ESM 04 04
CN:LB

To Whom It May Concern

ACCELERATE 35 – Whakapapa Holdings

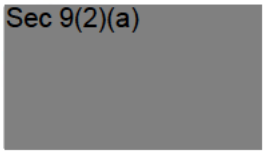
Accelerate 35 serves our region by inspiring and connecting key people, organisations, and resources to work as one across Manawatū-Whanganui. It is governed by Business, Iwi, Central and Local Government and enabled through the Regional Council. The Accelerate 35 Lead Team facilitates initiatives, encourages thought leadership, enables investment, and drives growth off central government strategies and support funding. This supports the Central North Island to be a growth centre for the New Zealand economy.

Accelerate 35 supports the Whakapapa Holdings application for their 10-year lease application of the Whakapapa Ski Area. Accelerate 35 has historic and ongoing support for Ruapehu Tourism including Sky Waka, cycleways and the overall district tourism strategy. This application fits well within our priority of Tourism by providing certainty to the Ruapehu District that has undergone significant economic challenges in the past two years.

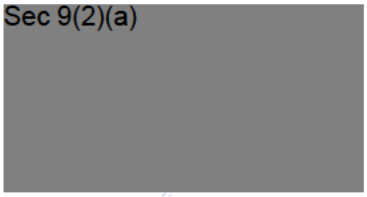
This certainty is very important to our Ruapehu community by providing jobs and the flow on economic benefits of a strong ski industry in the Central North Island. Utilising Whakapapa Holdings' passion and experience, they will be employing local talent across a wide range of operational and hospitality functions.

This application is endorsed by the Accelerate 35 Lead Team and soundly supported through our Manawatū-Whanganui Regional Chiefs (Mayors, Chair and Chief Executives of the 8 local Authorities).

Yours sincerely



Craig Nash
Programme Director



Michael McCartney
Chief Executive

07 February 2025

Attention: Permissions and Regulatory Services
Department of Conservation, Conservation House
18-32 Manners Street, Te Aro, Wellington 6011
sent by email to: mtruapehusubmissions@doc.govt.nz

Federated Mountain Clubs of New Zealand Inc. Submission on the application for a concession (lease, licence and easement) by Whakapapa Holdings 2024 Limited to operate the Whakapapa Ski Area for a period of ten years

Tēnā koe,

Introduction

Thank you for the opportunity to submit on the above concession application. FMC wishes to be heard in support of our submission at a hearing.

Federated Mountain Clubs of New Zealand Inc. (FMC) was founded in 1931 to, amongst other things, promote free public access to our outdoors and to preserve our backcountry for non-commercial outdoor recreation. We continue to advocate for New Zealand's backcountry and outdoor recreation on behalf of over 22,000 New Zealanders in 96 member clubs, and speak for the large number of New Zealanders who enjoy entering our backcountry each year.

Summary of our submission

FMC is generally supportive of a new concession being granted to Whakapapa Holdings Limited 2024 Limited to operate the Whakapapa Ski Area for a period of ten years, on the proviso that our concerns and recommendations in this submission are appropriately considered and implemented.

Ensuring public access and minimising the burden on the Department of Conservation are amongst our largest concerns and these are presented more specifically in this submission.

We would like to acknowledge:

- the importance of the ski field to the local communities and economy
- the recreational importance of the ski field to many of FMC's members, and to the clubs who hold lodges at the ski field
- our support of the applicable easement(s) applied for, which are necessary for the ski field to safely operate and manage its effects.

We also look forward to a constructive long-term stakeholder relationship with the new operator.

FMC – FEDERATED MOUNTAIN CLUBS
www.fmc.org.nz | President: Megan Dimozantos Sec 9(2)(a) | Vice-President: Allan Brent Sec 9(2)(a)
Executive Officer: Sophie Tucker Sec 9(2)(a)
Federated Mountain Clubs | PO Box 1604 | Wellington 6104 | New Zealand/Aotearoa

Public Access

1. Public access to public conservation land must not be obstructed in any way, and this needs to be reflected in clear concession conditions. This should include inappropriate car park restrictions and charges.
2. We note that public access and recreational activities are only referred to in reference to the applicant's business activities. We do not support any provision of exclusive possession to the concessionaire within the National Park. It must be unquestionably clear, by using clear concession conditions, that public access is to be fully retained for all the public, not just the concessionaire's paying customers.
3. With regards to Tongariro National Park Management Plan 5.2.14, we note the policy regarding freedom of public access to ski areas. It would be our expectation that disruption to public enjoyment of the National Park is minimised. It would also be our expectation that any move to introduce bylaws is fully consulted with user groups, including FMC.
4. Application section 4.2.1, Concession Activity. With regard to item 4.2.1 (l) which states "maintain, repair and maintain existing car parking facilities for members of the public, whether customers of the concessionaire or not, and regulate traffic movement in the areas designated for car parking, including as reasonably required by DOC":
    a. The general public must be able to use the car park freely. Please ensure there is no clause that allows the concessionaire to charge the public for car parking.
    b. We would like to see the concessionaire provide a reliable and cost-effective shuttle service to reduce the impacts of traffic. We note the applicant has made mention of this in section 5.2 of their application, and we are supportive of initiatives which reduce traffic on the maunga.
5. Application section 6.4, Slope Capacity. With regard to slope capacity:
    a. To ensure facilities can cope sufficiently with the volume of people on the mountain, the concession needs to be abundantly clear that the total allocated capacity includes all visitors and not just ski and snowboard customers.
    b. A robust plan should be in place to minimise the effects of traffic.
    c. A robust system to count and monitor daily visitors to the ski field should be in place, which can be verified and audited to evidence "numbers through the gates" each day. The previous "honesty system" for returns meant that slope capacity was not being adequately monitored or managed, which had an adverse impact on other users and on the environment.

Facilities and Amenities

6. The operation and infrastructure must not place financial burden on the Department of Conservation. This includes ensuring the concession is sufficiently bonded to remove infrastructure if the ski field goes into receivership.
7. Appropriate plans must be in place and adhered to, to ensure environmental impact on place is minimised.

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8. Application Section 4.7, Removal of Redundant Structures.
    a. We note that the decision of WHL to not take on particular facilities leaves the financial burden of removal with the taxpayer, and specifically with the Department of Conservation, who should be using funds for the purposes of conservation and recreation as per the National Parks Act, not the removal of legacy infrastructure. The concessionnaire should take on responsibility for all infrastructure, including disestablishing any that is no longer required.
    b. Similarly, we do not agree that the "Old Stone Building - Staircase" should fall to DOC to own and maintain. An appropriate heritage society should own and maintain the structure.
    c. The applicant states that "WHL expects that for all future projects, where an existing asset is being replaced by a new asset, a condition of the works approval for the project will require the existing, and then redundant structure, to be totally removed by the applicant". This particular expectation should also apply to any infrastructure that becomes redundant during the concessionaire's tenure, not only the infrastructure that is being replaced.
9. WHL appear to want to keep the far west T- bar facility, but have declined to take on the toilet block facility in that area. We are concerned about the human waste issues that will arise in the area if there are no toileting facilities. This must be adequately addressed by WHL.

Recreational Values

10. Application section 8.5, Recreational Values. It is important for the applicant to note that their operation is not the only means of recreation on the maunga. There will be people who choose to visit and enjoy the maunga without using the applicant's facilities, and these people should not be made to feel unwelcome. We would greatly appreciate WHL considering the provision of single uplift passes for backcountry recreationists. We would be happy to help facilitate a waiver system to make this feasible without the risk of backcountry travel falling to the concessionaire. This would have commercial benefits for WHL and would reduce the amount of uphill traffic through the ski field.

Climate Change

11. Application section 8.8, Climate Change. We are pleased to see the applicant considering the effects of climate change and how this will be managed. We encourage the applicant to expand on that thinking and would welcome the opportunity to work alongside them to help reduce the carbon footprint of recreation on the maunga.

Consultation and Engagement

12. Application section 7.3, Whakapapa Stakeholders and Communities. We appreciate WHL acknowledging the level of consultation with community groups has been inadequate to date, and recommend that:
    a. appropriate plans are put in place and adhered to, to consult, acknowledge and respect mana whenua who Whakapapa to this place

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b. clubs who hold facilities on the mountain are provided for in terms of access and are involved in decision- making

c. that FMC is consulted on matters relating to public access and recreation

13. FMC looks forward to working alongside WHL, especially on matters like general public access and ski touring guidelines.

New Concession

14. The new concession needs to be drafted from scratch and not modelled on the previous RAL concession. The existing RAL concession is outdated and was also drafted keeping in mind the non-profit nature of the entity. The new entity is a for-profit commercial entity and it stands to reason that some clauses from the old concession will not be appropriate for a commercial entity.

Yours faithfully,

Sec 9(2)(a)

Megan Dimozantios

President, Federated Mountain Clubs of New Zealand

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I MUA I TE PAE O TE PAPA ATAWHAI
KI TE ROHE O TE KĀHUI MAUNGA

BEFORE THE DEPARTMENT OF CONSERVATION
TONGARIRO NATIONAL PARK

UNDER The Conservation Act 1987

IN THE MATTER **An Application for a Concession, lease and license by Whakapapa Holdings Limited** to operate a ski field and associated activities and works on Mount Ruapehu within the Tongariro National Park

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SUBMISSIONS BY THE NGĀTI HĀUA IWI TRUST
REGARDING THE CONCESSION APPLICATION (118471-SKI)
BY WHAKAPAPA HOLDINGS LIMITED

Dated 7 February 2025

Chair and Vice-Chair of the Ngāti Hāua Iwi Trust
Graham Bell / Lois Tutemahurangi
Sec 9(2)(a)

Environmental Manager for the Ngāti Hāua Iwi Trust
Kuru Ketu
Sec 9(2)(a)

Ngāti Hāua Iwi Trust

"*Puhaina Tongariro! E rere nei Awanui,*

Ko Te Wainuinu tēnā, na Ruatupua i mua e"

Tongariro erupts! The great river flows,

Tis the thirst quenching waters, belonging to Ruatupua of ancient times.

Submission

1. These submissions are filed by the Ngāti Hāua Iwi Trust (**Trust**) in relation to the Application for a concession, lease and license (118471-SKI) (**Application**) by Whakapapa Holdings Limited (**Applicant**). From the outset, the Trust take a neutral position with respect of the Application.

2. We are again involved in a poorly run and insufficient process related to the operation of a ski field on Ruapehu Maunga. Many of the issues the Trust has, go to the heart of the Treaty obligations held by the Department of Conservation (**DoC**) which continue to be side railed in the pursuit of non-DoC related functions and objectives. It is our view that DoC should be administering its functions and duties in a way consistent with section 4 of the Conservation Act 1987 (**Act**) and in line with the conservation purpose DoC is established under. In both this and the Pure Tūroa (**PTL**) concession processes, the opposite is true, and the prevailing result is an evaporated relationship between DoC and Ngāti Hāua.

3. Not only is this the antithesis of section 4 of the Act, but it is also repugnant to the relational framework established under the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017 (**Te Awa Tupua Act**) of which DoC has and continues to play a targeted role in. We **attach** our previous submissions on the role and function of DoC under these legislative frameworks and consider that submission applies here in its entirety.

4. Although these issues are not fully related to the substantive matters within the Application itself, they do signal that DoC has failed to comply with specific legislative requirements and duties, which lead to the very stark reality that there are sufficient grounds to decline the Application. Such an outcome may yet be avoided and our expectation (given where we are in the process) is that we play a key role in the drafting of the concession document itself.

5. In terms of the substantive matters in the Application, we have concerns about the use of Snow-Max as part of the artificial snow making process. As we have informed DoC in relation to the PTL concession, the use of Snow-Max is opposed based on its environmental impacts, particularly to water bodies and biodiversity. We direct DoC to ensure its use is prohibited in this case as was done in the PTL context. Other matters related to term of the Application, review periods and procedures, work approvals and other required reporting (including a Ngāti Hāua Impact Assessment) – although not proper – must now be dealt with through the concession drafting process itself. Again, our position on the nature and scope of the concession document can be garnered from our feedback on the PTL concession, which was recently provided to DoC again on 13 December 2024.

6. We are committed to engaging further with the Applicant but, also wish to speak to our submission at any hearings held for this kaupapa.

Dated 7 February 2025

Sec 9(2)(a)

Kuru Ketu, Environmental Manager
Ngāti Hāua Iwi Trust

I MUA I TE PAE O TE PAPA ATAWHAI
KI TE ROHE O TE KĀHUI MAUNGA

BEFORE THE DEPARTMENT OF CONSERVATION
TONGARIRO NATIONAL PARK

UNDER	The Conservation Act 1987
IN THE MATTER	An Application for a Concession, lease and license by Pure Tūroa Limited to operate a ski field and associated activities and works on Mount Ruapehu within the Tongariro National Park

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SUPPLEMENTARY SUBMISSIONS BY THE NGĀTI HĀUA IWI TRUST

REGARDING THE CONCESSION APPLICATION (109883-SKI) BY PURE TŪROA LIMITED

Dated 25 February 2024

Chair and Vice-Chair of the Ngāti Hāua Iwi Trust
Graham Bell / Lois Tutemahurangi
Sec 9(2)(a)
Sec 9(2)(a)

Environmental Manager for the Ngāti Hāua Iwi Trust
Kuru Ketu
Sec 9(2)(a)

Ngāti Hāua Iwi Trust

“*Puhaina Tongariro! E rere nei Awanui,*

Ko Te Wainuinu tēnā, na Ruatupua i mua e”

Tongariro erupts! The great river flows,

Tis the thirst quenching waters, belonging to Ruatupua of ancient times.

Introduction and Executive Summary

1. These supplementary submissions are filed by the Ngāti Hāua Iwi Trust (**Trust**) in relation to the Application for a concession, lease and license (109883-SKI) (**Application**) by Pure Tūroa Limited (**Applicant**). This submission is filed in addition to the interim submissions filed on 9 February 2024 and expand on the issues/concerns the Trust has with the process conducted regarding the Application.

2. Having now met with the Department of Conservation (**DoC**), the Trust's current position is that there are serious procedural improprieties and consequent deficiencies with the Application that mean the Application fails to properly consider, apply and comply with the Conservation Act 1987 (**Conservation Act**) and the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017 (**Te Awa Tupua Act**).

3. Therefore, the Trust considers that these failures provide sufficient grounds to decline the Application, for want of compliance. We further say that any grant of the Application would be inconsistent with the above-mentioned legislative frameworks.

4. We suggest the Application be returned/declined and proper process conducted by DoC and the Applicant to ensure proper consideration and compliance with the above but more importantly our kawa and tikanga.

Ko Wai Mātou / Ngāti Hāua

Ko Ruapehu te maunga
Ko Whanganui te awa
E rere kau mai te awanui
Mai te Kāhui Maunga ki Tangaroa
Ko te Awa ko au, ko au te Awa

5. Ngā hapū o Ngāti Hāua all share common whakapapa descent from ngā Tūpuna – Paerangi, Ruatupua and Hāua. Ngāti Hāua have 26 affiliated hapū within our area of interest (**see indicative map attached**):[1]

Ngāti Hāua	Ngāti Whati	Ngāti Tama-o-Ngāti Hāua	Ngai Turi
Ngāti Hauaroa	Ngāti Onga	Ngāti Ruru	Ngāti Hinetakuao
Ngāti Reremai	Ngāti Te Awhitu	Ngāti Hira	Ngāti Pareuira*
Ngāti Tū	Ngāti Wera	Ngāti Rangitauwhata	Ngāti Pikikotuku
Ngāti Hekeāwai*	Ngāti Hinewai*	Ngāti Te Huaki	Ngāti Tamakaitoa*
Ngāti Keu*	Ngāti Poutama*	Ngāti Whakairi	Ngāti Pareteho*
Ngāti Kura*	Ngāti Rangitengaue		

[1] We acknowledge hapū that have shared interests with other iwi as marked with an asterisk.

6. It is important to note that our whakapapa from Paerangi and Ruatupua is the rootstock for Ngāti Hāua connections within our rohe, particularly regarding Te Kāhui Maunga. Since their time (pre migration), the cascading whakapapa down to our people today, has maintained that whakapapa connection and kept alive our ahi kā. This is strengthened by the indivisible and inalienable relationship that we have with the Whanganui River, whose head waters begin on Te Kāhui Maunga.

The Trust

7. The Trust was established in 2001, to advance and advocate for the interests of Ngāti Hāua whānau, hapū and iwi within our customary rohe. Since its inception, the Trust has represented Ngāti Hāua in Waitangi Tribunal processes, Treaty settlement negotiations, Local Council matters including as an iwi authority for Resource Management Act 1991 (**RMA**) purposes, and with respect to Ngāti Hāua interests in Te Kāhui Maunga and the Whanganui River. This includes engaging in Conservation Act processes, where our rights, interests and responsibilities are engaged.[2] When they are, we are guided by our Pou Tikanga:

   (a) **Ngāti Hāuatanga:** To ensure the survival of the Ngāti Hāua iwi identity.

   (b) **Riri Kore**: To ensure the continuity of Ngāti Hāua kawa and tikanga.

   (c) **Rongo Niu**: To hold the Crown to account.

   (d) **Rangitengaue**: Ngāti Hāua self-determination. Ngāti Hāua solutions for Ngāti Hāua people.

   (e) **Kokako**: Uphold our inherent right of kaitiakitanga.

   (f) **Tapaka**: Te Ara Whanaunga - Maintain the integrity of our relationship with others.

   (g) **Tamahina**: Make decisions based on ancestral precedent (kawa and tikanga) and values (Kaupapa).

Context and Background

Te Kāhui Maunga

8. Setting the right context requires the panel to understand that Ngāti Hāua view the entire Maunga as a whole and not as divided land parcels or areas of interest on which individual interests, like that of a concession holder, are refined to. This is an important conceptual and practical approach to the Maunga because of its status as our tupua and/or tupuna Maunga and not just as a volcano within a national park.

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[2] In 2016, NHIT received a formal mandate to negotiate and settle our treaty claims/grievances with the Crown. These negotiations are ongoing with an Agreement in Principle "*Te Whiringa Muka"* signed on 22 October 2022.

National Park status

9. Te Kāhui Maunga falls within the Tongariro National Park boundaries and is a national park under the National Parks Act 1980. It is New Zealand's oldest national park, recognised for its important cultural and spiritual associations as well as its outstanding volcanic features and priceless natural, historic and cultural heritage which is to be protected for future generations.[3]

World Heritage UNESCO status

10. The Tongariro National Park is also a United Nations Educational, Scientific and Cultural Organization World Heritage site (**UNESCO**), with dual world heritage status. First inscribed in 1990 for its natural values, it later (in 1993) also met the revised cultural values criteria for its cultural significance for Māori associated with the area and the spiritual links between this community and its environment.

11. Like the National Parks Act 1980 and the Conservation Act, UNESCO status provides a layer of protection for Te Kāhui Maunga at an international level.[4]

Existence and Knowledge of Ngāti Hāua Interests

12. The central context to these submissions is the whakapapa connection that Ngāti Hāua has to Te Kāhui Maunga which includes Mount Ruapehu. The existence of that whakapapa, and knowledge of the same is common and public information and includes various acknowledgements by third parties, including DoC, of our interests.

13. That said, and for completeness we have **attached** the 2013 Waitangi Tribunal Te Kāhui Maunga National Park District Inquiry Report Wai 1130 which sets out in expansive detail, evidence and findings regarding our interests and whakapapa connections to the Maunga. Importantly, Ngāti Hāua was extensively engaged in those proceedings, with various kaumatua, tohunga and members of our iwi participating and giving evidence. Of particular note, is the consistent evidence that Te Kāhui Maunga is central to our iwi identity.[5]

14. We also provide the above report on the basis that this hearing process was notified to us late on Tuesday 20 February 2024, limiting our ability to properly prepare a more detailed brief of evidence. Nevertheless, the kōrero provided in that process, of which is outlined in the Tribunal Report, is still tika. We would only add that, there is now a formal acknowledgment by the Crown of our relationship and interests in Te Kāhui Maunga as outlined in our Agreement in Principle *"Te Whiringa Muka"* dated 22 October 2022.

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3 National Parks Act 1980, s 4; and also see information retrieved from < https://www.doc.govt.nz/about-us/our-role/managing-conservation/categories-of-conservation-land/>

4 See the World Heritage Convention 1972.

5 Waitangi Tribunal, Te Kahui Maunga the National Park District Inquiry Report (Wai 1130) 2013.

Engagement with DoC on Whakapapa and Tūroa Ski Fields

15. The Trust have concerns with the way engagement continues to be problematic with respect to Te Kāhui Maunga. We refer to the original operations on the Maunga in the earlier 1950's, and the additional operations for related purposes in the 1970's through to today.[6] In each of the processes that lead to those operations occurring or the grant of related approvals/concessions, Ngāti Hāua were excluded and/or never consulted. This remains a significant grievance for our people and in our view has resulted in many of the issues with the operations on the Maunga and the relationship with DoC that we have experienced.

16. In 2022, the Trust was involved at a high level in direct discussion with DoC, other Crown agencies and the existing ski field operators about the future of ski field operations on Mount Ruapehu. Not only was that engagement demanding on our time and resources, but it also flowed over into wider discussions regarding the settlement negotiations for Te Kāhui Maunga. Rather than getting into the nature and content of this engagement (noting it evolved haphazardly and rapidly over the course of 2023) we make the point that we remained part of discussions with various Crown agencies regarding the Maunga (whether intentionally excluded or not).

17. When we were informed by letter dated 22 November 2023 from DoC (**attached**) that the Applicants intended to apply for a concession to operate a ski field, we informed DoC of our intention to be involved and responded to their letter on 18 December 2023 (**attached**) outlining many of the concerns we now raise in this forum.

18. One of the matters that we consider relevant is that contained within the DoC letter of 22 November 2023 is a request for what engagement might or should look like in this process and that there was an intention to look into that in good faith and consistently with section 4 of the Conservation Act. Not only did the Trust outline their expectations from both DoC and any potential operator on the Maunga at a hui with DoC on 23 November 2023, but we also set out in our December 2023 response a recommended course of action that would best align with the requirements of section 4 and those in the Te Awa Tupua Act.

19. Against that backdrop, we were surprised to see the Application publicly notified, more so given the significant deficiencies in information concerning our position. That surprise turned to frustration when we requested and subsequently reviewed the recommendation to publicly notify the application prepared by DoC (**attached**).

20. Over the course of mid-January 2024 through to early February 2024, the Trust undertook internal processes to reach a position on next steps. This resulted in the Trust filing our interim submission on 9 February 2024. On 20 February 2024, we were then made aware that a hearing had been set down for 22-23 and 26-27 February 2024. Not only was this notice late, but it reinforced the complete disregard for our interests on the Maunga and the concerns we had expressed to date.

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[6] We note that there have been different operators on the Maunga and that RAL took on the concession and operations in 2000.

Engagement with the Applicant

21. The Trust met with the Applicants on 21 December 2023. Given that meeting was confidential and without prejudice, we would direct the Panel to seek information from DoC and the Applicant as to why we had not been engaged earlier in this process.

22. We will say that, it is difficult to comprehend any lack of knowledge of our interests on the Maunga given much of the activity we have participated in related to the same (as outlined earlier).

The process to publicly notify the Application and its failings

23. The flawed approach to determining that the Application should be publicly notified is relevant context to why we say there are grounds for declining the Application at this stage on the basis of inconsistency with the relevant statutory obligations.[7]

24. We refer to the Recommendation to Publicly Notify the Concession Application: *Pure Tūroa Limited 109883-SKI* Report prepared by DoC (**PN Report**), in which DoC have set out the relevant statutory provisions for determining whether public notification can proceed. The PN Report states that DoC had assessed the Application as including all required information under section 17S Conservation Act and was ready for public notification. It went on to state that no issues arise about whether the application lacks required information (s 17SA); or is obviously inconsistent with the Conservation Act (s 17SB).

25. The PN Report provides a recommendation to publicly notify the Application that is contrary to the Conservation Act, specifically for the evaluative exercise for public notification purposes, for the following reasons:

    (a) The Application MUST include a description of the potential effects of the proposed activity and any actions proposed to avoid, remedy or mitigate adverse effects.[8] DoC are fully aware of Ngāti Hāua's interests , and have previously been involved in engagement with Ngāti Hāua regarding the Maunga. They are also aware of the interests Ngāti Hāua have regarding Te Awa Tupua, and as a member of Te Kōpuka,[9] are aware of the Te Awa Tupua Act and the directed relational approach required through that. An application must engage with and consider potential effects on Te Awa Tupua and Ngāti Hāua. As is plain from the Application there is no mention of Ngāti Hāua and/or an assessment of effects, despite the context noted here. This would amount to a deficiency in the Application, contravening section 17S(c)(i)-(ii) Conservation Act.

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7 We note that is rightfully a judicial review question or one that can be complained about to the Ombudsman, both of which the Trust is considering pursuing.

8 Conservation Act 1987, s 17S(c)(i)-(ii).

9 Te Kōpuka is a strategy group for Te Awa Tupua under the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017, ss 29-34.

(b) When applying for a lease or a license granting an interest in land, there must be sufficient information to satisfy DoC that, in terms of section 17U Conservation Act, it is both lawful and appropriate to do so. The relevant parts of section 17U provides that:

(i) Regard must be given to potential effects as outlined above. This may also include whether an environmental impact assessment is completed and that its contents appropriately address all aspects of the environment engaged by the Application including the cultural environment;

(ii) The Application must be consistent with the Conservation Act or the purposes for which the land concerned is held (being a national park); and

(iii) The Application is appropriate in the circumstances for the particular application having regard to section 17U as a whole.

It is unhelpful that the PN Report does not address how the matters in section 17S Conservation Act had been met in terms of sufficiency of information. Although the public notification evaluation is not a full assessment of the Application, it does set out clearly the mininum requirements which need to be metin terms of the required information. When coupled with DoC's knowledge of the interests and position of Ngāti Hāua, it is unclear how DoC did not return the application under section 17SA Conservation Act. The lack of information to even raise matters related to Ngāti Hāua is clearly not compliant in terms of section 4 Conservation Act and the Te Awa Tupua Act.

26. As outlined above, DoC had a clear discretion to return the Application for the following reasons:

(a) the Application lacked information about Ngāti Hāua interests and positions;

(b) given the lack of information, there is an inability to properly consider the potential effects of the Application including any proposed measures to avoid, remedy or mitigate those effects; and

(c) the lack of information meant DoC did not have the ability to properly discharge its section 4 Conservation Act and Te Awa Tupua Act obligations.

27. Notably, the Trust highlighted these issues directly to DoC prior to the public notice being issued.

The question to address

28. With that context in mind, the question that any decision maker will need to consider is –whether the context outlined above and the deficiency in information (and the numerous indications of the same) are such that any decision to grant the Application in these circumstances would be inconsistent with the Conservation Act, particularly section 4, and the Te Awa Tupua Act.

29. We start by saying that the onus to address that deficiency or provide that information does not fall to us to remedy. Hearing processes or even that of submission processes are no means for remedying such deficiencies.

30. We also note that, in light of the above, we are not in a position to take a position on the substance of the Application and the related proposed activities. Although similar concerns to others are held regarding environmental issues, term and review conditions, we are unable to address those in lieu of proper process, engagement and the necessary information, and will not engage in doing so where the statutory framework has clear grounds to decline in such a situation. Opposition or support for the project is only one way to assess the Application. Even where matters are raised in submissions and those are either responded to said to be addressed, the decision-maker must still be satisfied that the exercise of their discretion is sound in the circumstances, particularly taking into account the nature of DoC and conservation land that is a national park.

31. We accordingly set out our position regarding:

    (a) the importance of section 4 of the Conservation Act and Te Awa Tupua Act, including how they sit across this entire process and the decision-making powers yet to be exercised; and

    (b) how, when applied against the context and lack of information in the Application, provide grounds and rationale to decline the Application.

Te Awa Tupua Act

32. We understand that the applicability of Te Awa Tupua is an uncontentious point and that all parties accept the Te Awa Tupua Act is engaged in this process.[10]

33. Enacted in 2017, the Te Awa Tupua Act establishes a new legal framework that provides for the agreements in the Deed of Settlement Ruruku Whakatupua signed in August 2014.

34. Te Awa Tupua Act sets out a number of go towards addressing breaches of Te Tiriti o Waitangi by the Crown. Importantly, it establishes a new framework that includes a set of innate values called Tupua te Kawa that guide all decision making in respect of the Whanganui River. These are legal requirements are triggered by the Act. This aspect is also interconnected with and central to compliance with section 4 of the Conservation Act.

35. Because Te Awa Tupua is engaged by this Application, it was always expected that it would be given distinct recognition and provision so that breaches of Te Tiriti did not occur again. That is key, because in this process DoC (as a Crown Department) have responsibilities under the Treaty.

36. When it comes to DoC exercising its Conservation Act powers/duties/functions, they are directed by section 10 of the Legislation Act 2019 in the following terms:

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[10] Also see letter from Ngā Tangata Tiaki o Whanganui Trust to DoC dated 22 February 2024.

> **10 How to ascertain meaning of legislation**
>
> (1) The meaning of legislation must be ascertained from its text and in the light of its purpose and its context.
>
> (2) Subsection (1) applies whether or not the legislation's purpose is stated in the legislation.
>
> (3) The text of legislation includes the indications provided in the legislation.
>
> (4) Examples of those indications are preambles, a table of contents, headings, diagrams, graphics, examples and explanatory material, and the organisation and format of the legislation.

37. This also applies to the exercise of understanding how the provisions of the Te Awa Tupua Act might apply. The importance of understanding the Te Awa Tupua Act is essential and unavoidable. The nature of the Te Awa Tupua Act is also central to our discussion on the applicable provisions below.

How the Te Awa Tupua Act is engaged

38. Section 15(1)(a)(i) and (ii) Te Awa Tupua Act are thresholds for establishing whether Te Awa Tupua applies. Those sections state that:[11]

> (1) This section applies to persons exercising or performing a function, power, or duty under an Act referred to in Schedule 2—
>
> (a) if the exercise or performance of that function, power, or duty relates to—
>
> (i) the Whanganui River; or
>
> (ii) an activity within the Whanganui River catchment that affects the Whanganui River; and
>
> (b) if, and to the extent that, the Te Awa Tupua status or Tupua te Kawa relates to that function, duty, or power.

39. Firstly, the Application proposes activities that relate to the Whanganui River Catchment, including the Mangaturuturu River.[12] We understand this to be accepted for the purposes of section 15(1)(a)(ii). We would only add that the catchment area in our view is all encompassing of surface and ground water..[13]

40. Second, an appreciation of the meaning of the Whanganui River is critical to understanding whether or how an activity proposed in any application "relates" to the Whanganui River for the purposes of section 15(1)(a)(i) Te Awa Tupua Act.

41. Whanganui River takes on the meaning prescribed to it under sections 7 (interpretation), 12 (Te Awa Tupua recognition), 13 (Tupua te Kawa) and 71 (relationship between Whanganui Iwi and Te Awa Tupua). For Ngāti Hāua, those sections together provide that:

    (a) The Whanganui River is an interconnected whole comprising all the body of water known as the Whanganui River that flows continuously or intermittently from its headwaters to the mouth of the Whanganui River on the Tasman Sea and is located within the Whanganui River catchment; and all tributaries, streams, and other natural watercourses (such as ground water) that flow continuously or

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11 Schedule 2 lists the Conservation Act 1987 and the National Parks Act 1980 as applicable legislation for the purposes of s 15 Te Awa Tupua (Whanganui River Claims Settlement) Act 2017.

12 See SO 469123 **attached**); also see Proposal Outline and Environmental Impacts Assessment, Appendix 1, pp 1 and 2.

13 Contrary to ss 7, 12, 13 and 71.

intermittently into the body of water described above and are located within the Whanganui River catchment; and all lakes and wetlands connected continuously or intermittently with the bodies of water referred to above; and all tributaries, streams, and other natural watercourses flowing into those lakes and wetlands; and the beds of the bodies of water described above.[14]

(b) The Whanganui River is one and the same with the people of Ngāti Hāua.[15]

(c) The Whanganui River is an indivisible and living whole incorporating its metaphysical and physical elements as understood by the mātauranga of Ngāti Hāua.[16]

42. Therefore, any proposal to occupy/use an area within the rohe of Ngāti Hāua which extends to the Whanganui River both physically or spiritually, draws in the protections and obligations of the Te Awa Tupua Act. In addition, where there is a physical connection between the water of Te Awa Tupua and the proposed operations or whether those proposed operations touch on the metaphysical elements of the awa. Again, this is the case for the Application.

43. The Whanganui River head waters commence in the Tongariro National Park, as well as many other headwaters for tributaries and natural water courses that flow into the main Whanganui River water body. The values associated with those waters are established through whakapapa with Ngāti Hāua (and other whanaunga iwi) and manifest physically and/or metaphysically. They can therefore be affected physically and/or metaphysically by an activity regardless of proximity, nature and extent. These matters must be recognised and provided for through Te Awa Tupua status and Tupua te Kawa as the Act provides.[17]

How the Te Awa Tupua Act can be determinative for declining the Application

44. Working through how and whether the Te Awa Tupua Act has been complied with is an important exercise that is a critical element of this process. As DoC is aware, Tupua te Kawa in particular directs a relational and good faith working relationship between those iwi/hapū at place and other parties like DoC and the Applicant.

45. This has not been done, and it is therefore open to any decision maker to decline the Application, with the sole determinative being inadequate provision for and engagement with Te Awa Tupua per section 15(5)(b) Te Awa

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14 See Te Awa Tupua (Whanganui River Claims Settlement) Act 2017, s7; and regarding groundwater inclusion under natural watercourses see the Soil Conservation and River Control Act 1941, s 2(1); also see the Land Drainage Act 1908, s 2 which carries a similar definition of watercourse; also see Section 59 of the Wellington Regional Water Board Act 1972 defines underground water as meaning natural water which is below the surface of the ground, the bed of the sea, or the bed of any lake or river or stream, whether the water is flowing or not and, if it is flowing, whether it is in a defined channel or not; and United Nations Watercourse Convention 1997 and United Nations Watercourse Convention 1997 Online User Guide, retrieve from < https://www.unwatercoursesconvention.org/the-convention/part-i-scope/article-2-use-of-terms/2-1-1-watercourse/>; and LAWA information retrieved from <https://www.lawa.org.nz/learn/factsheets/groundwater/groundwater-basics/>.

15 Refer to ss 13(c) and 71 Te Awa Tupua (Whanganui River Claims Settlement) Act 2017.

16 The definition of Whanganui River highlights the need for the latter water bodies referenced in section 7 to be flowing into the former water bodies referenced in the definition. In line with indivisibility and a Ngāti Hāua/Te Awa Tupua interpretation, reference to "flowing" takes on both the physical flowing of water and the metaphysical flowing of mauri, wairua and mana.

17 Te Awa Tupua (Whanganui River Claims Settlement) Act 2017, s15(2)(a) and (b).

Tupua Act. That would also align with the reporting requirement of this panel under section 15(6) Te Awa Tupua Act.

46. As an aside, we would add that, had a better appreciation for the Te Awa Tupua Act occurred prior to the public notification evaluation process, the Applicants may have been afforded the opportunity to address this defect early on. DoC were fully informed at that time that this was the case.

Section 4 Conservation Act

47. Section 4 Conservation Act is one of (if not the) primary directives in the Conservation Act relating to the exercise of powers and duties under the Act. Notably, giving effect to Treaty principles must be done at every turn of the concession process.[18] That onus, in our view, sits squarely with DoC but also flows over into the responsibility of the Applicant.

48. The Supreme Court case of *Ngāi Tai ki Tāmaki Trust v Minister of Conservation* helpfully sets out the status and applicability of section 4.[19] Like that case, the Application falls within the scope of the customary rights and responsibilities that Ngati Hāua are entitled to exercise in accordance with tikanga as part of our rangatiratanga resulting from our whakapapa to Te Kāhui Maunga. These rights and responsibilities exist and are protected/given legal force through Treaty principles, the common law recognition of the relevance of tikanga and distinctly, the Te Awa Tupua Act.[20]

49. We rely on the following principles as a starting point for section 4:

(a) **Partnership:** The principle of partnership gives rise to the duty to act honourably and in utmost good faith. Referring to the settlement context, the Tribunal has highlighted that this duty requires the Crown to 'be fully informed before making material decisions affecting Māori'. Only decisions that are fully informed can be sound, fair, protective of Māori interests, and thus worthy of the Treaty partnership. To be fully informed, the Crown must have a sound understanding of 'the historical, political, and tikanga dimensions of mandate and overlapping [groups] and their interests'. As described in the *Ngāti Tūwharetoa ki Kawerau Crossclaims Report*, the activity of settling requires a 'sophisticated understanding' of the Māori world in general, and of the groups affected in particular. The Tribunal has acknowledged that this obligation, thus articulated, sets a very high standard for the Crown, but has emphasised it is 'appropriate, given what is at stake should those standards not be met.[21]

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18 In *Ngāi Tai ki Tāmaki Trust v Minister of Conservation* [2018] NZSC 122, at [48], The requirement to "give effect to" the principles is also a strong directive, creating a firm obligation on the part of those subject to it, as this Court noted in a different context in *Environmental Defence Society Inc v The New Zealand King Salmon Co Ltd*.

19 *Ngāi Tai ki Tāmaki Trust v Minister of Conservation* [2018] NZSC 122, at [47]-[55].

20 See *Trans-Tasman Resources Limited v The Taranaki-Whanganui Conservation Board* [2021] NZSC 127, at [297]; and *Ngāti Whātua Orākei v Attorney General* [2022] NZHC 843, at [326]-[358].

21 Waitangi Tribunal *Hauraki Settlement Overlapping Inquiry Report* (Wai 2840, 2020), at pp 11-12.

(b) **Active Protection**: The Waitangi Tribunal has stated that the Treaty of Waitangi obliges the Crown not only to recognise the Māori interests specified in the Treaty but actively to protect them. The possessory guarantees of the second article must be read in conjunction with the preamble (where the Crown is "anxious to protect" the tribes against envisaged exigencies of emigration) and the third article where a "royal protection" is conferred. It follows that the omission to provide that protection is as much a breach of the treaty as a positive act that removes those rights".[22] The Waitangi Tribunal *Ngāwhā Geothermal Resources Report* expands on this as follows:[23]

> The duty of active protection applies to all interests guaranteed to Māori under article 2 of the Treaty. While not confined to natural and cultural resources, these interests are of primary importance. There are several important elements including the need to ensure:
>
> > that Māori are not unnecessarily inhibited by legislative or administrative constraint from using their resources according to their cultural preferences;
> >
> > that Māori are protected from the actions of others which impinge upon their rangatiratanga by adversely affecting the continued use or enjoyment of their resources whether in spiritual or physical terms;
> >
> > that the degree of protection to be given to Māori resources will depend upon the nature and value of the resources. In the case of a very highly valued rare and irreplaceable taonga of great spiritual and physical importance to Māori, the Crown is under an obligation to ensure its protection (save in very exceptional circumstances) for so long as Māori wish it to be protected ... The value to be attached to such a taonga is a matter for Māori to determine; and
> >
> > that the Crown cannot avoid its Treaty duty of active protection by delegation to local authorities or other bodies (whether under legislative provisions or otherwise) of responsibility for the control of natural resources in terms which do not require such authorities or bodies to afford the same degree of protection as is required by the Treaty to be afforded by the Crown. If the Crown chooses to so delegate it must do so in terms which ensure that its Treaty duty of protection is fulfilled. 'consultation', in the Treaty context, requires the Crown to engage in discussion with relevant groups before forming firm views of its own.

50. How protection occurs will be highly nuanced and driven by the context in which it is engaged. Only through meaningful partnership with Ngāti Hāua can the positive outcomes that benefit all involved be achieved as part of any Conservation Act process.[24] Treaty principles are non-linear and recognise more than just active protection as a concept, drawing on the contextual factors that give life to active protection in Treaty and tikanga terms. When applied in this process, active protection is critical. This is more so where the taonga in question is vulnerable or experiencing degradation.[25] Adverse effects in this context must be avoided at all costs and not just targeted at avoiding material harm.[26]

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22 Waitangi Tribunal *Manukau Report* (Wai 8, 1985), at p 70.

23 Waitangi Tribunal *Ngāwhā Geothermal Resources Report* (Wai 304, 1993), at p 100.

24 *McGuire v Hastings District Council* [2002] 2 NZLR 577 (PC), at [9] line 34 and [21]; also see the discussion in *Tūwharetoa Māori Trust Board v Waikato Regional Council* [2018] NZEnvC 93, at [90]-[124] and specifically [129]; *Ngāti Maru Trust v Ngāti Whātua Ōrākei Whai Maia Ltd* [2020] NZHC 2768, at [69]; and *Ngāi Te Hapū Inc v Bay of Plenty Regional Council* [2017] NZEnvC 73, at [82].

25 We note that there have been environmental issues occur on the Maunga since the ski fields were operative in the 1950's.

26 See *Port Otago Ltd v Environmental Defence Society Inc.* [2023] NZSC 112.

51. Given the exclusion of our interests in this process, we see no need to delve into a detailed analysis of how those principles apply and how they have not been given effect to. In our view, it is sufficient to simply state that Ngāti Hāua have not been considered as a relevant polity to engage in this process at a formal and substantive level, which goes against the principles of partnership and active protection as expressed above. It is that exact exclusion that provides the grounds for decline of the Application because it is clear that Ngāti Hāua have not been considered and engaged with, amounting to no ability for the decision maker to:

(a) apply the Conservation Act consistently with the requirements of section 4 particularly assessing the effects,[27] appropriateness in the circumstances,[28] and lawfulness[29] of the Application against the relevant Treaty principles; and

(b) recognise and provide for Te Awa Tupua status and Tupua te Kawa in a way consistent with Te Awa Tupua Act.[30]

52. On that basis, we consider that the procedural failures identified above provide sufficient grounds to decline the Application, pursuant to section 17SB Conservation Act unless a resolution is struck between Ngāti Hāua, the Applicant and DoC. Where no resolution is reached, we submit that the Application obviously does not comply with, and is inconsistent with, the provisions of the Conservation Act, with the determining factors being inconsistency with the obligations of the Te Awa Tupua Act and section 4 Conservation Act.

Dated 25 February 2024

Sec 9(2)(a)

Kuru Ketu, Environmental Manager
Ngāti Hāua Iwi Trust

27 Conservation Act 1987, ss 17U(1),and (2)(a) and (b).
28 Conservation Act 1987, s17U(8).
29 Conservation Act 1987, s17U(3) and 17S(g)(ii)
30 Refer to Te Awa Tupua (Whanganui River Claims Settlement) Act 2017, s 15.

Concept to extend useage of the Wakapapa skifield for summer MTB riding.

I think there is a missed recreational and tourist opportunity for mountain biking under the skifield using the tows and infrastructure.
The area already has many vehicle tracks servicing the huts and facilities under and around the ski tows so very little additional disturbance would be required to clear a one meter, or so, MTB track.
The year - round tourist visiting would provide additional revenue for National park maintenance and employment for locals.
The concept would combine a world class downhill track and moderate MTB tracks for recreational riding linking to other MTB tracks in the park.

This is not part of WHL proposal but it should be explored and encouraged as part of economic development opportunities.

Hutt Valley Tramping Club Submission on Whakapapa Holdings Ltd Concession Application to the Department of Conservation to Operate the Whakapapa Skifield

Background

Hutt Valley Tramping Club (HVTC) was founded in 1923, is based in Lower Hutt and has approximately 300 members. Activities include walking, tramping, skiing/boarding, mountaineering, mountain biking and cycling.

The HVTC Ruapehu Lodge (Lodge) has been in the Iwikau Village on the Whakapapa skifield for over 75 years. The Lodge has between 500 and over 1000 bed nights per year. The vast majority during the winter when the skifield is open. Patronage includes members, non-members and groups such as school parties.

HVTC has approximately 25 Ruapehu Alpine Lifts (RAL) Life Pass Holders (LPHs) members who are amongst the most active uses of the Lodge. Our LPHs span a large age range and have had a variety of usage and value from their passes.

Current Situation

HVTC is well aware of the unfortunate circumstances that have resulted in the receivership/liquidation of RAL.

Resolving the situation has been complicated and protracted, resulting so far in the sale of the Turoa skifield to Pure Turoa Ltd and the proposed sale of the Whakapapa skifield to Whakapapa Holdings Ltd (WHL).

It has been frustrating that the process has never allowed for a "Grand Coalition" involving all relevant parties and stakeholders to get together to look at finding a solution for the future of the RAL/Ruapehu skifields.

We are aware and appreciative of the efforts of the Ruapehu Skifields Stakeholders Association (RSSA) to retain RAL as a public benefit entity and look after the interests of all stakeholders including LPHs.

We are also aware of the disappointment and frustration of some stake holders, including the RSSA and some Iwi, that their efforts and views have been ignored or disregarded.

We can only be grateful for the massive amount of government funding that has supported RAL over the last two plus years.

While there are a variety of opinions within HVTC regarding who is best placed to run Whakapapa and under what structure, we agree **the most important issue is the future survival of the Whakapapa skifield**. Without a functioning skifield and the lodge usage it brings we would be unable to cover the costs of operating our lodge.

Concession Application

HVTC realise some of the issues raised in our submission are outside the specific scope of the WHL application and Department of Conservation (DoC) consideration, however we consider them relevant to the future of the Whakapapa skifield.

We consider the WHL application to be very professional and comprehensive. We acknowledge the skills and experience of the board and senior management, many of whom are already well known to us, and we are confident they have the ability to ran the skifield.

With the financials redacted in the application and nondisclosure agreements it is difficult to comment on the financial viability of the application and of WHL. However, we note

- WHL will take on $19 million of debt ($14 million gondola, $5 million govt loan). It is unknown how much of WHL own capital they are contributing
- WHL will inherit all the Whakapapa skifield assets. These assets were acquired from over 70 years of RAL operation, including LPH sales, and govt funding, particularly over the past few years
- We note in 2023 WHL was prepared to offer LPHs the opportunity to continue their life pass for an additional payment. This compared to the current offer of 3 season passes for $999 (which many of our current LPHs are likely to take-up)

We understand the many issues and uncertainties facing the future of the Whakapapa skifield and why these make a 10-year concession the most suitable for both WHL and DoC, however

- A 10-year term isn't long enough to give confidence for long term planning, development and capital expenditure
- Lift replacement, particularly the old out of date upper mountain T-bars, has long been needed and talked about
- WHL own improvement plans only include snow management (snow making and groomers). These are easily removeable, along with a lot of the existing infrastructure if the skifield was to cease

We understand WHL will not be subject to the "make good" provision of returning the skifield to its natural condition if their concession was not to continue or they could not make their model sustainable. This puts the provision onus on DoC/tax payer.

Yet clubs like HVTC still have this provision in their site licences leaving them extremely vulnerable if the skifield was to cease. We request DoC engage with clubs to address this disparity.

Our Lodge is located near the top of Tenant's Valley which takes about 30 minutes to walk from the road end. Access to the lodge via the Rangatira chairlift is very convenient, especially when carrying supplies and equipment. Traditionally foot traffic access was readily available during operating hours and slightly beyond closing time. However, since the introduction of the gondola this access has been extremely limited. We request that WHL reinstates the previous arrangement, which was beneficial for both WHL and HVTC (as well as the other lodges around Hutt Flat/Tenants Gully). This arrangement would result in increased lodge patronage, leading to more usage of the skifield.

Conclusion

The most important issue is the survival of the Whakapapa skifield, which has been such a major feature in so many HVTC members lives (past, present and we trust in to the future).

The loss of a functioning skifield would have a massively detrimental effect on all stakeholders and the local economy.

We congratulate WHL on their very comprehensive application and commitment to the future of Whakapapa.

If successful, we look forward to an ongoing positive and inclusive relationship with WHL and all other stakeholders.

Marina Skinner
President
Hutt Valley Tramping Club

Kate Brownsword
Ruapehu Vice-President
Hutt Valley Tramping Club

David Biegel
Ruapehu Committee member
Hutt Valley Tramping Club

Submission on application by Lease and Licence Application for Whakapapa Ski Area

Resource Management Act 1991

To:	**Department of Conservation**
Description of activity:	**Operation of the Whakapapa Ski Area**

This is a submission on an application from **Whakapapa Holdings 2024 Ltd (the Applicant**) for a lease and licence to operate the Whakapapa Ski Area within Tongariro National Park.

This is a submission from:	**Ngauruhoe Ski Club**
My submission relates to:	**The whole application**
My submission is:	**Ngauruhoe Ski Club supports the application**

Subject: Support for Whakapapa Holdings 2024 Ltd Lease and Licence Application for Whakapapa Ski Area

Ngauruhoe Ski Club submits this statement in support of Whakapapa Holdings 2024 Ltd's application for a lease and licence to operate the Whakapapa Ski Area within Tongariro National Park. Our club is deeply reliant on the continued operation of this ski area to fulfil its purpose of promoting mountain sports and providing recreational opportunities to our members and the wider public.

Below, we outline the key reasons for our support.

1. Ngauruhoe Ski Club

Overview

a) The club was founded in 1964 and has recently celebrated 60 years of snow sports at Whakapapa and Turoa.
b) The club has a significant financial investment in lodges in both the Iwikau Village and in Ohakune.
c) The club enjoys a strong membership and is a family friendly club. The club culture is inclusive, and the club actively supports the local community and RAL.

Ngauruhoe Ski Club Kaitiakitanga

d) NSC is dedicated to bringing future generations to snow sports at Whakapapa.
e) The club membership spans generations, and many children and teenagers are 3rd generation members of NSC.
f) NSC actively facilitates school racing such as the annual North Island Primary School Racing and the North Island Secondary School Racing.
g) The club actively supports Outdoor Education opportunities on the mountain and has long standing annual bookings from schools.

Ngauruhoe Ski Club Support of RAL / WHL

h) NSC invests in an annual NSC Trophy Race which has 180+ individual entries.
i) The club hosts an event and a prize giving.
j) This annual event fosters inclusivity by welcoming beginners through to seasoned racers.

2. Economic Benefits of WHL operating the Whakapapa Ski Area

a) RAL is currently one of the larger employers in the region and the regional spend from visitors is estimated at $100 million
b) The Whakapapa Ski Area is an integral part of the Ruapehu region's tourism economy. The successful operation of the ski field operator facilitates a significant economic benefit to local businesses and community livelihoods.
c) The disruption of operations at the ski area in 2020, 2021, 2022 and 2023 has had a significant negative employment and financial impact to the wider community.
d) NSC suffered financially due to the disruption of operations 2020 – 2023. There was a significant impact on the commercial activity of NSC. The uncertainty of a ski field operator forced club members to seek other ski field locations in NZ.
e) Club revenue declined by 50% to 70% in these years.
f) NSC supports the application by WHL as this gives certainty to clubs and members and will deliver better financial outcomes in the next 10 years.

3. Lease and License Term

a) The consideration of a licence agreement of up to 60 years, as provided in the Conservation Act, is not appropriate or expected. A new governance structure for the TNP is expected.
b) WHL states they are committed to a longer- term Indicative Development Plan for Whakapapa that is determined and agreed with Iwi, with DOC and with the Tongariro/Taupo Conservation Board (TTCB).
c) WHL proposes a licence term of 10 years with a review at the end of year 5.
d) NSC supports the license term of 10 years and the WHL commitment to a longer-term indicative Development Plan for Whakapapa.

5. Ski Area

a) WHL has made an application for a licence to provide for the Concession activity within the ski field, as defined in the TNPMP.
b) NSC supports the granting of a license for this ski area.
c) NSC supports the request that NO ski area boundaries will be modified, and the proposed design capacity will remain below the limits outlined in the TNPMP.

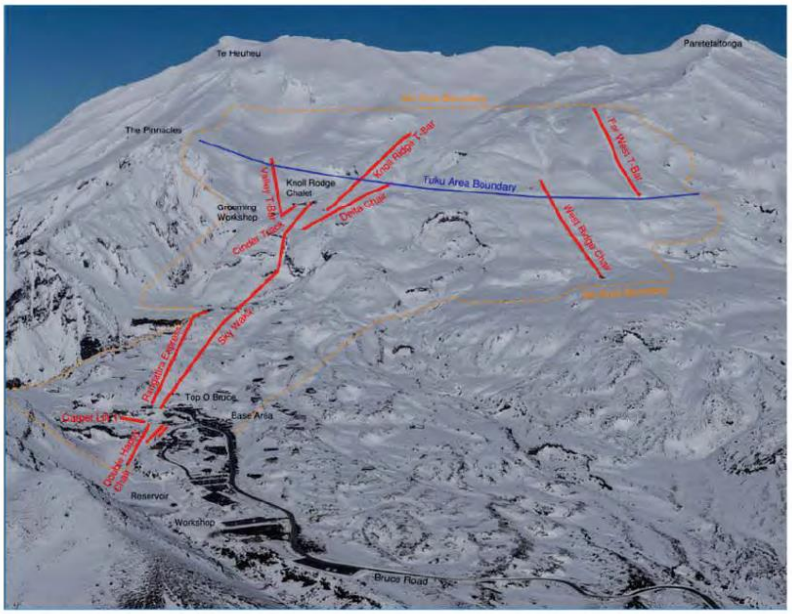


Image 2: Existing Lift Infrastructure within Whakapapa Ski Field

6. Removal of Redundant Structures

a) WHL has identified several buildings and other structures which have been in use, but will not be used by WHL. These structures have been excluded from the Schedule of Assets which WHL is purchasing from the receivers of RAL.

West Ridge Kiosk café	West
West Ridge Kiosk toilet	West
Schuss Haus café	Hut Flat
Waterfall Express drive station & chair storage *- excluding a snowmaking pumproom adjoining the southern wall of this terminal*	Hut Flat
Diesel tank - above ground	Bruce Rd
Carpet Control	Happy Valley

These excluded structures are therefore redundant and will be included in the DOC instigated program.

b) NSC does not support the concept of there being no toilet facilities at the West Ridge.
c) NSC accepts the current toilet facility may not meet required health and safety standards.
d) NSC requests the toilet facilities at the West Ridge are replaced.

7. Events

a) WHL has identified events with competitor numbers ranging from 50 people at a ski club race, to 1,000 persons at the North Island Secondary School Ski Champs
b) NSC actively supports club racing and hosts its club races with 180+ people entered. NSC is committed to supporting WHL with this.
c) NSC actively supports the NISSC and the Secondary Schools Champs with accommodation.
d) NSC is committed to supporting WHL with events.

8. Environment and Iwi

e) WHL has agreed to provide “good stewardship” on the maunga. The engagement with Iwi to date and through the first 5 years will ensure the development and application of “positive stewardship of the place”.
f) NSC supports the ongoing development of a relationship with Iwi, and wider stakeholder and user group to ensure WHL actions enhance value for them.

9. Summary

Ngauruhoe Ski Club submits this statement in support of Whakapapa Holdings 2024 Ltd's application for a lease and licence to operate the Whakapapa Ski Area within Tongariro National Park.

We urge the Department of Conservation to approve this application to ensure the ongoing availability of these benefits while respecting the environmental and cultural integrity of Tongariro National Park.

WHL2024-527-1

Submission on the Application to transfer the Licence to Operate From RAL to Whakapapa Holdings Ltd

Entity Submitting:

Project Tongariro (Tongariro Natural History Society)

Project Tongariro is a local conservation organisation that has carried out hands-on conservation on the Central Plateau/Tongariro Taupō rohe for the last 40 years. We as a conservation group are advocates for all local conservation and spend over a million dollars per year in pursuit of our conservation aims. Our core business is the care of Tongariro National Park and thus we wish to advocate for it via this submission.

Members of our organisation hold a broad range of views, and thus we do not usually express opinions in the political sphere, but we feel strongly about the need to advocate for Tongariro National Park and are thus engaging in this process. We are strong supporters of strong planning and stress our wish to see the Tongariro National Park management plan principles adhered to. We would prefer to see an up-to-date CMS and TNP MP but without such, we advocate for the current one to be adhered to. We do not wish to see the integrity of the National Parks Act, nor the TNP Management Plan undermined by 'legal advice' and a move to leases.

Statement of Support

Project Tongariro is not opposed to the transfer of the Licence to Whakapapa Holdings Ltd. We understand WHL have team members who are experienced at running Whakapapa Ski Area and have an understanding of operating a business in a World Heritage National Park.

We understand that the TNPMP Objective (5.2.1d): To ensure the operation of ski areas does not adversely affect the experience of park visitors, the natural landscape, and the biophysical environment beyond ski area boundaries. And outline below our concerns that this objective might be compromised;

Hearing Request

Yes. Paul Green will speak for Project Tongariro – he is submitting separately.

PROJECT TONGARIRO
TONGARIRO NATURAL HISTORY SOCIETY

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#CC10701

Project Tongariro Submission as follows;

Protection of the principle of Public Access

We, Project Tongariro executive, feel the proposed intention to use leases rather than a licence to operate is an alienation of public land and infers private ownership. RAL have operated under licences to operate since 1953, and we question the need or reason for the legal advice for this to change. There is nothing in the National Parks Act that prevents the issue of a licence rather than a lease for the facilities outlined in the application. The CMS states that it should be a licence to operate (see references).

Transferring the licence maintains a precedence maintained since 1953. It also honours the TNPMP that has policy saying there will be a single licence on each ski field. A licence minimises the area controlled by the licence holder to that which is strictly required to safely operate a ski field. This is important in a National Park. It safeguards both protection of the National Park and public access to the National Park.

In day-to-day operation, a lease could enable the operator/concession holder to exclude the public from shelter or access. Public Shelter is required to be provided (TNP MP Sections: Sections: 5.2.7, 5.2.14). If a lease is required, we request it should be buildings only and then only the footprint of the building – no further. And then there must be provision for Public Shelter as stated in the TNPMP.

Access for other park users, such as trampers, climbers, ski tourers across public land should not be impeded by leases over outside areas (such as the Plaza). Public access to National Parks is a part of our culture and we strongly state our support for this principle to continue to be upheld by the landowner and the operator of the concession.

Administration of leases are likely to be more expensive for both parties. Multiple leases rather than one concession are likely to be problematic to 'manage'. Why make administration more difficult and expensive? Government has spent millions buying out of leases whereby leases have been problematic to manage in various other instances. Also does this allow for the provision of sub-leases whereby the sub-lease may not be as accountable for public access.

The lease of the Chateau Tongariro is the obvious and sad example of where a lease can and has gone very wrong. Although administered carefully by DOC, we have ended up in a position where the Crown has no power over the Chateau as it stands (just) right now.

There are many other examples.

Our view on the lease v licence can be summed up with these three brief points:

1. The National Parks Act 1980 allows it and the TNP Management Plan requires it.
2. A licence minimises the amount of land used exclusively by the concessionaire to that required to operate the Ski-field in a safe manner. This is essential in a National Park. It ensures that only required land is developed as well as allowing optimum public access.
3. A lease is virtually an alienation of land. It provided the right of "exclusive possession". This means the leasee can manage the entire area of the lease for their own requirements without regard for the general public.

Relevant sections of the Tongariro National Park Management Plan are:

- 5.2.1: Management of Existing Ski Areas (Objectives)
- 5.2.3: Base Area Strategies
- 5.2.7: Public Shelter
- 5.2.14: Public Safety

Relevant section of the Tongariro Taupō CMS:

- 3.6 Commercial Use

Park Users expectation of quiet

We have concerns about the expectation of increased aircraft and drone use under the current application. We would stress the right to quiet in Tongariro National Park and respect for park users other than down-hill skiers. Many users are seeking solitude and low flying aircraft and drones are uniquely able to ruin that experience. See 4.1.17 Objective: To protect the park by providing for natural quiet as a core element of the visitor experience.

Heritage Values

The Old Stone Building near Hutt Flat (sometimes known as No.2 Chairlift Drive) has heritage value. We would ask that Whakapapa Holdings Ltd consider some 'use' for it to try

to give it a new life. We understand the location is difficult – but we strongly advocate for it to be retained and used and would be happy to discuss how we (as Project Tongariro) can support DOC in their responsibility to manage and protect this building.

Removal of Infrastructure

Although the proposed removal of infrastructure from Whakapapa and Turoa ski areas is being managed by DOC's Ruapehu Projects Team – we would stress the need to be vigilant in ensuring that the highest possible standards of assessment and management are adhered to. We would also advocate for the most careful removal of old infrastructure, and consideration as to whether removal is the best option as opposed to permanent camouflage (as per old concrete footings).

Relevant sections of the Tongariro National Park Management Plan

- Noise. 4.1.17

Sec 9(2)(a)

Kiri Te Wano
Project Tongariro CEO
On behalf of the
Project Tongariro Executive Board
7th February 2025

Contact Information

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To: Robert Pigou, Deputy Chief Executive and Head of Kānoa - Regional Economic Development & Investment Unit, Ministry of Business Innovation & Employment
Murray Beatson, Investment and Risk Director of Kānoa - Regional Economic Development & Investment Unit, Ministry of Business Innovation & Employment

From: Sec 9(2)(a)

Date: 19th February 2023

Dear Mr Pigou and Mr Beatson

RAL, a road to decline

To follow up the online conversation I thought I'd background my view of the reasons behind RAL's decline. These are my personal observations and not those of the Save Ruapehu, nor the Life Pass groups.

At first glance the obvious reasons for the appointment of Administrators are two years of COVID restrictions followed up by a catastrophic ski season in 2022.
This tipped the balance sheet over the line and here we are.
This is all true, but fails to acknowledge the situation prior to COVID. This paper is my attempt to go back through those times.
At the heart of what I have to say here is a history of appalling governance. That governance enabled poor management which, in turn, ground the company down.
Firstly RAL had the same CEO for 30 years. Think about that for a moment…this simply should not have happened and I'd go as far as to say is virtually unprecedented. It's an outstanding example of failure at a governance level.
The first years of that era were notable as the era of assimilation/conquest. DOC had a policy of 'unified skifield management' so RAL gobbled up ski patrol, ski rentals, food, Happy Valley, transport and more. Then following the (uncannily similar) triple whammy of two eruption years and the catastrophic 1998 ski season, Turoa went broke and the Commerce Commission granted RAL permission to acquire the Turoa operations.
This created a monopoly and this created a problem which is partially responsible for the current situation.
The Commerce act was created because it's well known that monopolies are seen as problematic and thus require oversight. RAL was/is a case of monopoly gone wrong.
Monopolies are famous for drifting towards inefficiency, bloat, largess, arrogance and using their market power to crush any competitors. RAL absolutely behaved this way.
The 30 year CEO, with the luxury of monopoly, surrounded himself with 'Yes Men' those with an alternate perspective were either gotten rid of, or they got disillusioned and left. Innovation

was the looser. A secondary result of this is the phenomenon known of as ‘last man standing’ where the remaining staff slowly rise up the ranks, not on the basis of merit, but on the basis of just being there. They are not leaders or innovators, they’re just ‘there’.
I will now circle back to the demise of Turoa. This occurred off the back of the three bad years as described above. There were lessons to be learned from those events…Factors beyond anyone’s control can cut a ski season off at the knees. While you can not control these events you CAN PLAN FOR THEM. RAL simply did NOT do this. NOTHING was put aside. A friend was discussing this with me and said they should have been allowing for the risk of these events. I rebutted him…Risk? There was no risk…it was utterly INEVITABLE. The 1998 ski season was actually worse than 2022! It too was a La Nina weather event. On which planet did the RAL: Governance and Management think La Nina wasn’t going to return? Well plainly they didn’t. Incompetence! (I have a solution)
The then CEO talked a big talk about what was going to be done on the ski areas. The reality was far from it. “we are going to build this lift and that lift and, and, and” This was the charm offensive utilised to raise considerable capital via Life Pass sales. That has amounted to $45m over the years. Only one of those lifts was built, Turoa’s High Noon Express. (which was built in the wrong place, in an avalanche path! But that’s another story, I could go on at length at the appalling track record of RAL to build bad lifts in bad places….circle back to ‘Yes men’ and ‘last man standing’ as fundamental to that, but that’s a conversation for another time)
Other promised lifts, Valley Express, Sunset Express and more, simply never happened. In fact, lifts were progressively removed, facilities downgraded, at the same time as the corporate machine grew and grew.
I mentioned the poor governance of retaining the same CEO for decades….This has the potential to work, so long as the KPI’s of that CEO are closely monitored. In the case of Berkshire Hathaway its hard to not want to retain Warren Buffett, unfortunately RAL’s performance wasn’t so stellar.
The KPI’s of RAL were all spiralling. The lifts were not being renewed, indeed they were being removed. Maintenance was being deferred, THAT is fundamental to the situation we are faced with today.
But what happened to the capital raised via Life Passes? It got frittered away! The monopoly that RAL enjoyed covered up operational inefficiencies. Competition would have exposed them and forced RAL to sharpen up. Instead the CAPITAL monies were tipped into the OPERATIONAL bucket to cover up for losses. Those operational losses were as a result of incorrect modelling of pricing of day passes and season passes. Season passes were priced off a model that said…the average season skier uses their pass 5 times, so we will price season passes at 5x day pass price. Duh. They simply did NOT reflect the actual cost of operating, they were too cheap. But the life pass monies saved the day.
There should have been a fundamental divide between these classes of passes.
LIFE PASS = CAPITAL
SEASON PASS/DAY PASS = OPERATIONAL

Had the operational inefficiencies/losses been correctly exposed to scrutiny by the governance the entire operation could/should have been pulled into line a very long time ago. But Yes Men don’t have such robust conversations, do they?

The directors were utterly dismissive of any attempt to hold them accountable for this situation. Why? Because of the RAL Trust, or more specifically the RAL Trustees.
The Trust (set up initially to protect RAL from takeover) held 45% of the voting (eventually 55%) and was populated almost exclusively by ex-RAL directors. Those ex-directors were a cancer on any attempt at accountability. They were appointed by, guess who, the existing ex-director trustees, in a conga-line of the Old-Boys-Network. In turn they got almost the entirety of voting power on the appointment of new Directors to the RAL Board. What could possibly go wrong? It's only human nature for ex-directors to want to defend the decisions they made during their tenure and to uphold decisions made by the current directors that they voted on. Any attempt to scrutinise the narrative was…stonewalled. The Trustees literally sat there in some aloof ceremonial role, never asking any questions, while stifling any other questions. They actively insulated the directors from any meaningful accountability who, in turn, insulated the management from accountability.

By the time the 30 year reign of the CEO ended RAL was in tatters.
Declining skier numbers, declining finances, declining customer satisfaction, declining lifts, declining staff morale and more.
By then even the arrogant board knew something had to change.
New CEO and new directors rode into town with a high-roll gamble. They proposed $100m of investment to transform the future of RAL. The SkyWaka represents $25m of that. (thank goodness the whole $100m wasn't spent!!)

Finally we get to the end game… COVID….COVID….La Nina…
Bang ….the machine broke.

So in a nutshell the story goes more like this…
Eruption…eruption…La Nina….monopoly….decline…debt bubble…COVID…COVID…La Nina.
That's 30 years of heading in the wrong direction.

What do I see as the solution?
Firstly I invite you to read the RAL constitution and also the RAL Trust deed. I think they read remarkably well. RAL/Trust were not fundamentally bad, but they were governed/managed fundamentally badly.
Whatever new entity takes the Ruapehu skifields into the future needs to be cognisant of this history and be configured to avoid those mistakes, otherwise any bailout will be doomed to end up back where we find ourselves today.

There appears to be little of no acknowledgement by current management as to the situation within RAL before COVID arrived. Had the company been run better then neither COVID nor La Nina would have tipped it over the cliff.

The Board was a conga-line of the Old-Boys-Network. The appointment of new directors was always a joke, the skillsets on the board were simply not appropriate. This must change in

future. I have a short list of people who I believe have the skills appropriate to bring to the Board table. If you are interested we need to discuss these candidates at another time.
A properly skilled and balanced board will then go on to select appropriate management. Appropriate management has been utterly lacking and still is today. The past and current management simply do not know how to run Ski Fields! The current CEO came out of the hotel industry and had absolutely ZERO ski industry experience. This is not a criticism of him personally, it's a damming inditement of the board. What skillsets did they seek?
If he was the answer, what was the question? I'm baffled.
How could he possibly know what a properly run skifield operation looks like? I actually feel sorry for him, he's been put in an impossible position.
This might work if the next layers down were ski industry experts, but alas, they do not.
The phenomenon of last-man-standing has not helped here one little bit. There are people in roles that simply should not be there.
There is currently a massive gulf between the workers and the management. This is evident all over but is particularly apparent between the Turoa/Ohakune staff and the (Taupo) management. The people who swing the spanners have absolutely no time for the Taupo elite who continue to run the corporate machine while the skifields get 'rationalised'. It's those staff who DO know how to run ski equipment. There is an urgent need to retain those utterly essential skillsets (and passion). Those ski-specific skills cannot be readily replaced, meanwhile HR, payroll, finance etc etc roles can be recruited from the wider marketplace. They are not ski specific skills.

The squandering of capital monies to cover operational deficiencies must never be allowed to happen again.
I see the Trust, or a Trust, as a solution here. It could establish and preside over a Contingency Fund that builds up over time. The Life passes are key to this. I believe the MBIE survey was not asking the right questions, here's what my feedback/intuition thinks might work:
Life Passes can be re-activated via a payment of $1000. Fundamental to this payment is a vote/equity in voting on directors. There is huge anger/resentment over the historic disenfranchisement felt by the shareholders, Life Passes were treated even worse, they had no vote whatsoever! $45m in, no votes whatsoever! Unacceptable.
That $1000 goes into the capital fund.
(I believe there should be the ability to buy more shares too, but to limit shareholding so as to protect from corporate takeover)
Every year the Life Pass should pay an activation fee, I suggest 1 day pass, or around $150, that too goes into the capital fund.
Season passes should have something similar stitched on to the top of them, say $50 which also gets ring-fenced into the capital fund.
The trustees of that fund will be limited to only one ex-RAL-director. They will not control the vote for RAL board appointments. They will control the capital fund.
Hopefully this fund will build up to be a powerful cornerstone of the long term stability of Ruapehu operations. Should an event beyond the control of the Board/Management occur…Eruption, La Nina, Covid are prime examples…that blow the operational budget, then the Board could apply to the Trust to release some contingency funds.

Operational deficiencies within the control of the company, would not qualify for release of capital funds.
Should the fund build up to a satisfactory level ($10m??) then anything above that level might become available for construction of new lifts. That would encourage buy-in on a long term basis by LP and SP purchasers that their money is a) being actively stewarded (Kiatiakitanga) and b) working towards new facilities (Manakitanga)

Cashflow: RAL ran a risky model with ANZ allowing the company to sink into debt over summer and pay that debt off over winter, to the tune of around $10m working capital annual tidal flow. This approach of always swimming underwater and occasionally coming up for air was just asking for trouble if/when anything didn't go to plan. This lesson should have been learned over the 1995/96/98 years and should have been actively managed. Over the 25 years between La Nina events was plenty enough time to slowly but surely reverse the working-capital-via-debt model. A small surcharge on passes/food etc could have got us to the position of entering winter at zero and exiting winter with $10m in the bank. Vastly more comfortable than entering winter at -$10m and exiting at zero. It appears no such attempt was ever made. (another KPI failure). It will be interesting to see if the investment in the Gondola might be a positive in this regard as the summer operation becomes cash-positive.
Deferred maintenance: This situation should never been allowed to occur. Somewhere within governance should have been a bottom line of never allowing maintenance to fall behind. Playing catchup is a recipe for disaster. Deferring maintenance is a metaphorical death spiral which, given people up in the air, has a real risk of becoming an actual death spiral.
Had those older lifts on our Maunga been maintained to best practice there's every chance that, just like a classic car, they could go on and on. It's a matter of mahi and mana. Maintenance staff have felt unappreciated and under-resourced for decades, meanwhile the corporate side of RAL grew and grew, corporate salaries bloated up while chairlifts corroded.

The corporate side of the company is unsustainable, it is simply too big for the ability of the operation to generate revenue. But further I question its reason to exist in its current form. If we look back to the narrative of spending $100m on developments (or even just $25m) that involved a lot of modelling, planning etc. That required a corporate team.

It's plainly obvious that none of those things are going to be happening for at least the next few years. This financial crisis will crimp any future plans and we will be left with a much simpler, more humble RAL that will be tasked with running what we have got to enable the ship to stabilise.
Given the emphasis will simplify back to operating what we have got, what will the corporate machine do?
We need a manager of operations, not a CEO.
Those operations need to focus back on running lifts efficiently.
Do we need a CFO? No, we need an accountant.
Get rid of the marketing department, spend that money on de-icing and grooming. That will get the lifts running. The resulting happy customers will go home and tell their friends, voila….marketing done.

Lease out the F&B division entirely
Contract out the IT department entirely. Ticketing, websites etc should be left to those who specialise. RAL has spent a fortune to achieve terrible results.

Turoa: Current management appear to have a very poor attitude to Turoa. The narrative is that it's a loss-making millstone. I disagree. The medicine that is required to fix Turoa is the same medicine require to fix Whakapapa. It's not one against the other, its an entire organism. Yes, Happy Valley is a powerhouse, far more lucrative than Alpine Meadow, yes SkyWaka is a sightseeing revenue generator. But that money needs to go to the whole. The loss of Turoa would be a disaster for Whakapapa's skier experience. We need both.
Cut the corporate machine before you cut Turoa. Talk to the workers, they will enlighten you as to how to fix up Turoa. It's gone astray, it can be fixed.

I know there is a group wanting to buy Turoa, I believe they are meeting Calibre (Monday??)
I believe at their core they want rid of RAL management, not to be rid of Whakapapa.
They have never approached us to explore the crowdfunding options, I feel that is a missed opportunity. I believe separatism isn't the solution, while at the same time I am no fan of monopoly.
As our Alternative Reports prepared 2021 and early 2022 pointed out, I don't believe a for-profit is any easy answer. Not-for-profit with appropriate contingency funds is the most sustainable model. I believe it is more closely aligned with both Iwi values and National Park values.

The long term structure of ownership of Ruapehu Skifields is complex and requires time to get right. Meanwhile winter is coming and operations don't have the luxury of time. It would be a shame if operational imperatives resulted in a rushed, flawed long term structure. Likewise should the negotiation of that structure delay operational preparation for the 2023 season, that would be regrettable.
In many ways the two have little to do with each other, and I'd like to suggest a solution.
Immediately create a company, lets call it Ruapehu Lift Operations ltd (RLO). It is tasked with, you guessed it, running the lifts. It can be leaner and simply get on with the job whilst allowing the bigger chess game of ownership/Iwi/etc to be finalised.
RLO would be managed by operational staff based on the mountain. I have some people in mind.
I floated the concept of taxpayer underwriting of the season pass campaign for 2023 (possibly 2024) and I believe this could dovetail nicely with RLO.
RLO might only exist for a short time, but it might turn out to be a workable long term solution too. Any ultimate owner of the lift facilities keeping RLO as the lift operator.

Before I sign off I'd like to invite you to discuss bringing xxxxxx and xxxxxxx into a consultative role directly with you to provide expert analysis of the lift operations and mechanicals. They have international knowledge and can provide a non-RAL view of things.
They have a lot to say, things I'd rather not put on record as I will leave that to them. To say they could be helpful is an understatement.

Please let me know and I will get you connected.
Given the apocalyptic events of this last week I'm certain your task list is beyond ridiculous. I believe the skillsets we can bring to the table would be extremely helpful to get Ruapehu to get on with its job and allow you the time to proceed the big picture on a less rushed timeframe.
Happy to discuss, meet, whatever at any time.

Sec 9(2)(a)

THE ALTERNATIVE REPORT

RUAPEHU ALPINE LIFTS LIMITED FINANCIAL AND OPERATIONAL RISK MONITORING ASSESSMENT PROGRAM BY A GROUP OF SHAREHOLDERS AND LIFE PASS HOLDERS

RAL Alternative Report for the twelve months to November 2021 (Report release: 9th May 2022)



Abstract

RAL Board of Directors are proposing to sell a 50% share of the company to private equity investors for $30m. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Under the proposed NEWCO, the public benefit entity status of the company will be forfeited, which will mean the company will be subject to pay tax on profits. Investors will expect a share of profits via payment of dividends. The current company structure does not allow payment of dividends to shareholders, and this structure has allowed 100% of profits and operating cash flows to be reinvested back into the ski field operations. RAL was established in 1953 and retainment of its profits has been a pivotal success factor for the financial viability to the ski field operations. RAL operates on an active volcano in challenging environmental conditions with significant weather risk, geological risk, and climate risk from global warming.

The analysis provided in this report is based on an independent review of the RAL annual reports from March 2016 to November 2021 and has been prepared by RAL Shareholders and Life Pass holders to provide improved financial transparency into the financial operations and balance sheet position of RAL. The report makes observation to key risks identified within the analysis. A key risk to Life Passholders is that the NEWCO corporate structure may leave them vulnerable to a loss of their Life Pass benefits. A key risk to Shareholders is that they will likely have significantly less voice and control in the future direction of the company. A key risk to skiers and community is in context to the financial stability of RAL. Is a corporate structure that distributes its profits sustainable long term, given Mt Ruapehu's harsh weather conditions, and climate risk require ongoing investment to maintain and protect the infrastructure from the elements? Payment of taxes and dividends restricts the ability of RAL to reinvest retained profits back into Te Maunga.

Contents

RAL Risk Monitoring Assessment Program 3

FY21 Snapshot 4

FY20 Snapshot 4

Introduction 4

Ruapehu Alpine Lifts Limited 5

Development plans 6

Shareholding 6

Shareholding D Shares – The RAL Trust 8

Takeovers Code breach 9

Alternative solution to Takeover Code breach 11

Response to RAL Trust Report in the Annual report 12

RAL's constitution, responsibility of Directors, and NEWCO Proposal 16

Methodology of the report 19

Disclaimer 20

Vision statement of the concerned Shareholders and Life Pass holders 20

Executive Summary 21

Pros and Cons of current corporate structure versus NEWCO 33

Headline operating results 34

MBIE Emergency Debt and the Trojan Horse (Convertible notes) 37

RAL External Debt financing analysis – Short versus Long 38

FY21 Support of the Bank and MBIE requiring RAL to review its corporate structure 40

Strategies to solve RAL's short-term debt pains (Alternative solution to privatisation strategies) 44

Life Pass Crowd funding model and benefits 48

Life Pass funding capital raise – discounted cash flow modelling 51
NEWCO proposal – What are the risks to Shareholders 53
Current threats to RAL for 2022 outside of RAL control 58
FY20 COVID-19 restrictions, Lockdowns and support of the Bank 59
Detailed operating result trend and scenario analysis 61
Balance Sheet Analysis 66
Cash Flow Analysis 76
NEWCO corporate restructure long term financial feasibility concerns 79
Appendix 1: Capital Expenditure notes listed in annual reports 82
Appendix 2: Comprehensive Income Statement working paper and analysis mapping 83

RAL Risk Monitoring Assessment Program

A group of Shareholders and Life Pass holders are concerned that RAL has allowed itself to be exposed to unnecessary liquidity risks with the ANZ bank and the Ministry of Business Innovation and Employment (MBIE). The financing arrangement with the ANZ bank is unacceptable. A simple restructuring of the ANZ component of the debt with a more compatible financing solution would significantly reduce the insolvency risk. The condition of convertible notes attached to the emergency MBIE debt requiring RAL to transfer its assets into another entity has also created another unacceptable liquidity risk. This is because this condition has been breached which means the MBIE emergency debt could have technically been called upon in the 2021 financial period. The RAL Trustees have a lot of answering to their beneficiaries (RAL shareholders) for their involvement with the MBIE convertible note issue. They provided a letter of support to the Directors to support the issuing of MBIE debt with a convertible note. This letter of support is in breach of the RAL Trust deed and has placed the RAL company under increased financial pressure. The RAL Trustee is controlling shareholder with 55% of the shareholding voting power. The 55% shareholding by the RAL Trust is also in breach of the take overs code. This breach has occurred due to the forfeiture of 4,277 shares which increased the RAL Trust shareholding from 45% to 55%. This takeover code breach is best rectified by having the Directors re-issue the shares and use this as an opportunity to raise additional share capital for the company.

The risk monitoring assessment program has been set up to closely monitor the actions of the Directors, the RAL Trustees, and RAL management to ensure they act in the best interests of RAL stakeholders. RAL's stakeholders include, Shareholders, Life Pass Holders, local Iwi groups, local business and community, RAL staff, Government bodies, Tourism infrastructure bond holders, and the general New Zealand public who are recreational users of RAL facilities on Te Maunga.

A key objective of this program is to understand why RAL is in an insolvency risk position, why the Directors, RAL Trust, MBIE and ANZ bank are advocating for a capital restructure to amend the current position. Another objective to the report is to help **assess what alternative options RAL Directors, Management and the RAL Trustees have available to rectify RAL's financial and operational vulnerabilities.**

The observations and analysis contained in this report do not constitute as financial or operational advice. This is on the basis that RAL has not commissioned the group of concerned Shareholders and Life Pass holders for their independent advice and opinions on the company's financial position. Secondly, no financial consideration has been received for providing this report.

RAL Trustees, Directors, and Management are encouraged to read this report and use this program as an invaluable source of feedback regarding how a group of concerned Shareholders and Life Pass holders see the current direction of the company. It is hoped that key decision makers will use the factual findings and observations contained in this report to protect the best interests of RAL's key stakeholders.

It is important to note that Shareholders and Life Pass holders are active users of Te Maunga, they do not receive financial renumeration in the form of dividends, and they are heavily invested in quality lift and skiing services. Essentially, **high quality ski runs, lift and snow maintenance services are the dividend yields for RAL's shareholder base who have foregone financial dividends for nearly 70 years!**

FY21 Snapshot

The themes of FY20 continue to playout into the FY21 financial year. Short term ANZ bank debt financing continues to remain an issue. In FY21 a new issue has come to light regarding emergency MBIE debt of $5m. The MBIE debt has convertible notes attached which can convert into shares into the NEWCO entity. Both these lenders require the NEWCO entity to be established to satisfy conditions for their continued lending support. Shareholders have not yet approved for the sale for their company to NEWCO and no private equity investor has been presented to shareholders to negotiate the terms of the NEWCO if its establishment were to be approved by shareholders. As predicted in the FY20 alternative report, the auditors have issued another qualified auditor opinion in the FY21 report regarding the material uncertainty of the company as a going concern. This concern is surrounding the short-term ANZ and MBIE debt should the conditions not be met and the lenders ANZ and/or MBIE with draw their financial support. MBIE could technically recall on their debt at 30 June 2022, if the debt is not refinanced or the conditions to establish NEWCO entity are not met. ANZ bank has only committed funding through to the 30 November 2022. **There are simple and alternative solutions discussed in this report that are available to the RAL Management to rectify these liquidity issues without the need to sell the company to NEWCO**. It is disappointing that RAL Management have once again allowed the company to be exposed to short term lending. There are 13 other banks that Management could have tendered this debt out to, Life Pass capital raising options, and a potential $1m capital raising opportunity by reissuing shares to existing shareholders and life pass holders to amend the take overs code breach.

FY20 Snapshot

Ruapehu Alpine Lifts Limited (RAL) received a qualified audit opinion in its November 2020 annual report regarding the material uncertainty of the company as a going concern. The auditors Deloitte had concerns around the insolvency risk of RAL because of the uncertainty for receiving ongoing financial support from the ANZ bank. The COVID-19 pandemic triggered a review event with the ANZ bank. This meant the bank could technically call on RAL to repay it's $5.9m ANZ bank debt at a moment's notice. In effect the ANZ Bank shifted their level of support from long term to a month-by-month basis. This uncertainty with the ANZ bank triggered the insolvency risk and the audit opinion. Ironically, the analysis in this report shows that RALs financial performance in terms of operating EBITDA was better in the FY20 COVID year than it was in the previous FY19 pre-COVID year. The New Zealand government has supported RAL and other business across New Zealand with wage subsidy. Ironically, despite government showing support during the pandemic, RAL financial stress is being caused by the ANZ bank which only has a $5.9m stake in a total $25.1m in external financing as at 30 November 2020.

Introduction

This report now commonly referred to as the **alternative report** has been prepared by a **concerned group of Shareholders and Life Pass holders** to help fellow Shareholders and Life Pass holders understand the financial position and financial performance of Ruapehu Alpine Lifts Limited (RAL). The report makes observation to key risks identified in the analysis. This is the second alternative report. The first alternative report was focused of the 2020 financial year. We recommend shareholders and stakeholders read the first Alternative report too, however this report is an extension of the first report released 9th November 2021. Interested shareholders and stakeholders are invited to register their interest to receive copies of the alternative reports and other independent RAL insight updates by contacting Sec 9(2)(a) . We note some background information contained within the two alternative reports will be identical with minor updates where required.

The purpose of this report is to provide an independent financial narrative on the 2021 financial (FY21) performance, trends and financial position of RAL to the narrative and messaging received from the RAL Board of Directors and RAL Management and controlling shareholder the RAL Trust. The Board and RAL Trust are continuing to advocate an urgent necessity for RAL to undertake a corporate restructure which they claim is conditional for the ongoing support of their ANZ Bank and MBIE financing partners. The original proposal was to partner with a private equity investor to allow a $30m capital raising for a 50% share in the company. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Shareholders were asked to vote on a special resolution to transfer RAL assets and liabilities to a new entity at a SGM scheduled on the 26 November 2021. After receiving significant pressure from concerned shareholders regarding the legitimacy and lack of financial transparency around the trans action, the Board of Directors subsequently changed the special meeting to an information update meeting only. The Board say meeting had been changed to an information update only meeting due to a successful season pass sale campaign and they had received funding support from the bank for the 2022 financial year.

Under the proposed NEWCO entity, the public benefit entity status of the company will be forfeited. This will mean the company will be subject to pay tax on profits and share cash flows and profits with shareholders via payment of dividends. The current company structure d oes not allow payment of dividends to shareholders and this structure has meant 100% of profits and operating cash flows are reinvested into the mountain operation. The reinvestment of tax-free profits and operating cash flows have been a key success factor for RAL's ongoing financial viability since its establishment in 1953, given the adversity operating in arguably the most challenging conditions from weather risk, geographical risk, and climate change risk to any other ski field operator in the world.

Ruapehu Alpine Lifts Limited

RAL was incorporated under the company's Act 1933 on the 1st September 1953. It was reregistered under the Company's Act 1993 on the 5th September 1996. RAL operates the only two commercial ski fields in the North Island. RAL's Whakapapa and Turoa ski fields are situated in the Tongariro National Park on the iconic Mount Ruapehu, an occasionally active volcano with a crater lake. **RAL enjoys a monopoly status within the North Island ski field tourism sector. Its proximity to the north island's two largest cities, Auckland and Wellington is advantageous**, being within a comfortable weekend driving distance from the major population centres. There are two smaller club ski fields operating in the North Island. Tukino Ski field which is also on Mount Ruapehu and Manganui Ski field on Mount Taranaki (formerly known as Mount Egmont). These two club ski fields are limited in capacity and facilities and therefore do not pose a threat to RAL's market share of the North Island ski lift pass sales. RAL's main competition is the South Island commercial ski field operators. However, RAL proximity to the North Island's major population centres mean that ski field has its own relatively uncontested local market due the significantly higher investment in terms of effort, planning and coordination required for its local market participant base to ski the alternative South Island ski fields. **RAL is however disadvantaged by its remoteness to attract the international skiing market. This is because there are no easily accessible international airports nearby. The major South Island commercial ski field operators are very accessible to international airports which means that they have a strong international skiing market.**

Development plans

RAL are half way into a $100m redevelopment plan and have a $55m redevelopment plan for the Turoa ski field. **The Turoa development plan has been placed on hold** while the Board undertake a capital review and Dopplemayr Lifts undertake an assessment of the current condition of the Turoa lift infrastructure. The Turoa development entails the key developments:

- New gondola to replace Parklane and Movenpick chair lifts
- New Sunset express to replace the Jumbo T Bar
- New Giant express detachable chair lift to replace the existing giant which has recently undergone a $2m capital refurbishment
- New magic carpet beginner lift to replace the winter garden platter
- Relocation of Alpine meadow platter to its previous location in the Winter Garden
- Upgrade of Chalet buildings to increase seating capacity to 1,200 (What is it currently?)
- Terrain modifications to ski trails
- Expansion of snow making capacity

The full Turoa development plan can be downloaded from the RAL website:
https://assets.ctfassets.net/zc9e1qnj1tno/7CLiAUIETJq9CYk6qTPWGS/9248f3b666a264392a9f53542b240500/Indicative_Dev_Plan-Turoa_23_May_2019_.pdf

Shareholding

The RAL constitution prevents shareholders from receiving any form of pecuniary benefit per section 4.3 of the RAL constitution. This means RAL cannot pay dividends to its shareholders. This protects the cash flows generated by RAL's operations so that the company can continually reinvest and improve its chances to remain financially viable in highly challenging volcanic, climatic, weather adverse conditions.

Table 1: Shareholding per 2nd March 2022 shareholder's register

	A shares	B shares	C shares	D shares	Total
No. Shares	4,018	793	3,430	10,000	18,241
%	22%	4%	19%	55%	100%
Value per share	$1	$20	$20	$1	
Total share capital	$ 4,018	$ 15,860	$ 68,600	$ 10,000	$ 98,478

A, B, C, and D shares each contain 1 vote despite the variations in share price. D shares are held by The RAL Trust. This Trust was specifically setup to safeguard the company from corporate takeovers and privatisation attempts. This is especially important to protect the tax free status of the company, protect the wellbeing of the company, and to promote skiing and other forms of mountain recreation.

Table 2: Shareholders by location per 2nd March 2022 shareholder register

Location	Individual shareholders	Shareholder distribution by location	Shares (A,B,C)	% of shareholding by location
All Shareholders	2,371	100%	8,241	100%
Auckland	**739**	**31%**	**2,238**	**27%**
Wellington	**296**	**12%**	**1,321**	**16%**
Taupo	50	2%	145	2%
Hamilton	45	2%	197	2%
Tauranga	42	2%	150	2%
Christchurch	38	2%	275	3%
Masterton	24	1%	161	2%
Overseas	129	5%	411	5%
Rest of NZ	1,008	43%	3,754	41%

Shareholders are located throughout New Zealand with 5% residing overseas. Auckland has the largest number shareholders with 31% of the individual shareholders residing here, and they hold 27% of the total A, B, and C shares. Wellington has the second largest number of shareholders with 12% of the individual shareholders residing here, and they hold 16% of the A, B, and C shares. 43% of the shareholders live throughout other parts of New Zealand.

Table 3: Shares held by Deceased estates per 2nd March 2022 shareholder register

No. Deceased Estates	Number of shares held by decease estates	% of A,B & C Shares
202	1,137	14%

Table 4: Shareholders with no known address per 2nd March 2022 shareholder register

Gone No Address (GNA)	Number of shares held by GNA	% of A,B & C Shares
194	602	7%

Of concern is that it appears that a large proportion of the RAL shareholders are ageing, and their shares are not being handed down to the younger generations. This is evident to the fact that 4,277 shares were forfeited on the 31st July 2019. There are currently 202 deceased estates and 194 Shareholders with no addresses. This accounts for 21% or 1,739 shares of the total pool of the 8,241 shares for the A, B, and C class shares.

We identified four companies holding a total 303 of the A, B, and C class shares. This equates to 3.7% of the total A, B and C class Shareholding. Proportionately, this is a large proportion of shares held by just four companies. It is important to note that the RAL constitution prohibits any shareholder from acquiring more than 100 shares. In 1983 the Directors of that time setup the RAL Trust with 10,000 D shares to prevent any individual accumulating enough shareholder votes to potentially control and takeover the company. **In our opinion Sir Bryan Todd, Roy Mckenzie, Peter Scott and Sir John Ingram (and all other past Directors involved in the design of the RAL company and RAL Trust corporate design) were visionaries in how they laid solid foundations for a corporate structure that protects the company's operational cash flows from its shareholders. This ensures the company's earnings are 100% reinvested back into the company. Without this clever design in corporate structure, there would unlikely be any commercial ski fields operating on Mount Ruapehu today based on the historical data for the Turoa experience!**

Shareholding D Shares – The RAL Trust

Ruapehu Alpine Lifts Limited Trust (RAL Trust) is the major controlling shareholder of RAL, holding 55% of the shares. The Trust was created in 1983 to protect the interests of the company and its shareholders, and to preserve the company's integrity for future generations. The original trustees who invested in the company were issued 10,000 "D" shares, which at the time represented 45% of the shares on issue. Recent forfeiture of 4,277 shares at 31st July 2019 has increased the RAL Trust shareholding to 55%. However, this increased shareholding is problematic because it has breached the Takeovers Code and given the RAL Trust more than 50% of the voting power.

The Trust shareholding, and its stated aim of preserving RAL in its current form, has covenants in the Trust deed stating the Trustees to exercise their rights as holders of shares to:

A) promote skiing and other forms of sport and recreation on Mount Ruapehu; and
B) **Preserve the tax-free status of the Company**; and
C) promote the well being of the Company, in relation to those objectives.

The Trust is intended to prevent any individual, group of individuals or organisation being able to action a hostile takeover of the company. The original trustees were Sir Bryan Todd, Sir Roy McKenzie and Peter Scott. Sir John Ingram was appointed as a trustee in 1984. Trustees during the FY21 reporting year were Tomas Huppert, John Parker, Phil Royal, Jo Bouchier and Duncan Fraser. It is important to note that the following Trustees are ex RAL Directors: Tomas Huppert, John Parker, Phil Royal, and recently appointed Duncan Fraser. **Some shareholders have expressed their concern that the RAL Trust lacks independence from the Board of Directors.**

In the 68th AGM held in May 2020, the directors briefed shareholders that the RAL Trust as controlling Shareholder, has been consulted on NEWCO, and has provided a letter of support for the change which states:

"The Trustees support changes subject to:

- The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain
- There **should** be complete transparency with shareholders around the transaction at the appropriate time
- A Shareholder vote is **required** around any transaction
- Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction
- Staff **should** be protected in any transaction
- Any equity introduced **should** be at fair value. "

The language of the Trustee letter of support provides complete certainty that a **shareholder vote being required**, noting that the Trust is the controlling shareholder, holding majority of the shares. Of inherent risk to shareholders is that five out of six of the conditions listed by the Trustees in their letter of support use the word **"should"** or **"where possible"** which implies there is an expectation that these conditions should be met, but the wording does not state an absolute requirement.

It appears, based on the language and terminology used in the Trustee letter of support, that there is an inherent risk to Life Pass holders who have collectively been RAL's greatest financial supporters, do not appear to have their life pass benefits absolutely guaranteed should RAL change their corporate structure.

It appears the limited transparency regarding the transaction is another potential risk to Shareholders. They are being asked to vote on a special resolution to transfer RAL assets and liabilities into a new Entity. The first attempt was planned on the 26th November 2021 before the FY21 audited financial results were available for review. It is important that Shareholders understand the financial health of RAL when voting on such a significant transaction.

Takeovers Code breach

The RAL Trust's 55% shareholding is currently in breach of the Takeovers Code. **This is big issue for other shareholders because the RAL Trust now have over 50% of the voting power in the company**. The forfeiture of 4,277 shares on 31 July 2019 increased the RAL Trust shareholding from 45% to 55% which is a breach of the Takeovers Code. A shareholder with 20% shareholding in a code company is technically not allowed into increase their shareholding. **The RAL Directors have applied to the Takeovers Panel for an exemption**. This exemption will require shareholders' approval. The RAL Trust is not allowed to vote on this resolution. It is likely that Board will hold a resolution for shareholders to vote on the takeover panels' exemption at the 28th May 2022 AGM. The following one pager outlines and summarises the RAL Trust shareholding breach in the takeovers code and the risk this poses to the other shareholders.

We strongly recommend Shareholder's vote against the Takeover Panel exemption (TOP) and request that the Directors restore the RAL Trust Shareholding back to its original 45% shareholding. If the TOP exemption is approved, then the RAL Trust will legally have over 50% control of the company and therefore they have ultimate control over the company.

RAL Trust has breached the Takeovers code rule 6 (1) due to increasing its original shareholding from 45% to 55%. This is due to the following:

- **Forfeiture by RAL of 4,277 shares on 31 July 2019**
- **Share acquisitions (approximately 54 shares between 2005 and 2015 per takeover exemption notice)**

RAL Trust hold 10,062 shares out of total of 18,241 shares per slide 18 of the RAL 26th November 2021 presentation

RAL Directors could have re-issued the 4,277 forfeited shares to avoid the RAL Trust being in breach of the Takeovers code.

- **Re-issuing forfeited shares to existing shareholders first and then offering to Life Pass holders would have been the logical option to prevent a breach!**
- **What are the RAL Trustees thinking? The mandate of their Trust deed is to prevent a takeover of RAL, not to encourage one by allowing their voting power to grow beyond their 45% holding!**

Takeovers code Rule 6 (1) (a)

20% or more of the voting rights in a code company **may not** become the **holder or controller** of an **increased percentage of the voting rights in the code company**.

Takeover Code (Ruapehu Alpine Lifts Limited) Exemption Notice 2022 was issued on the 27th January 2022

- This notice will exempt the RAL Trust from their breach of the takeovers code
- The exemption is conditional on **approval by majority of shareholders (excluding the RAL Trustees) on or before 31 May 2022**

Shareholders BEWARE OF APPROVING THE TAKEOVER EXEMPTION!

KEY RISKS AND DANGERS IF SHAREHOLDERS VOTE TO APPROVE THE TAKEOVER EXPEMPTION NOTICE:

RAL Trust is holding over 50% of the shareholding of RAL. If this exemption were to be approved, then there is an inherent risk that the RAL Trust could technically force a takeover to buyout existing RAL Shareholders

- **Shareholders by approving the exemption would have removed the protections provided for in the Takeovers act 1993 and Takeover's regulation 2000**

This would mean the following:

- **The RAL Trust can maintain and grow its 55% shareholding (Legally should be 45% Shareholding), therefore have voting power to enable a takeover. This significantly undermines the voting rights of A, B, & C Shareholders**
- **5% shareholding growth creep is permitted each year over a 12-month period**. This means the RAL Trust can continue to grow its shareholding above its 55% and **gain further control of RAL**

Recommendation: RAL Shareholders should vote NO! against the Takeover exemption. Request that the Directors re-issue shares to Life Pass holders until the Trust shareholding returns to its original 45%. This will best protect shareholder rights to preserve RAL in its current form as philanthropic crowd funded business model - 69 years

Alternative solution to Takeover Code breach

We recommend that the Directors rectify the RAL Trust Shareholding breach by re-issuing the 4000 forfeited shares at a minimum price of $250 per share. This would raise a minimum of $1m in additional shareholder capital to assist with fixing RAL's short term liquidity issues.

According to the constitution, these shares will need to be issued to existing shareholders first. Once the existing shareholders have had the opportunity to accept or reject their share offer, the remaining shares should then be offered to existing and new Life Pass holders.

This recommendation achieves the following:

- **Fixes the RAL Trust takeover code breach by reducing its shareholding back to its original 45%**
- **Provides a minimum $1m working capital cash injection to the company**
- **Brings new shareholders into the company who fit the philanthropic culture of the company to renewal the ageing shareholder base**
    - 4,277 shares were forfeited as at July 2019
    - 21% of the current A, B, and C shares are deceased estates or have no known address!

Life Pass holders are RAL's most important source of capital since its inception. It only makes sense to give this group of capital partners the opportunity to have a voice in the future direction of the company. The RAL company was founded and built by skiers, snowboarders and mountain recreation users for the community to enjoy. **Life Pass Holders are the logical way forward to continue the successful crowd funded RAL business model!**

Table 5: Common sense check of Re-issuing Share Proposal

Net Assets FY21	$	10,590,000
New shares		4,000
Existing shares		18,241
Total Shares		22,241
Value per share (Net Assets/Total number of shares)	$	476
RAL Trust Shareholding before share issue		55%
RAL Trust Shareholding after share issue		**45%**

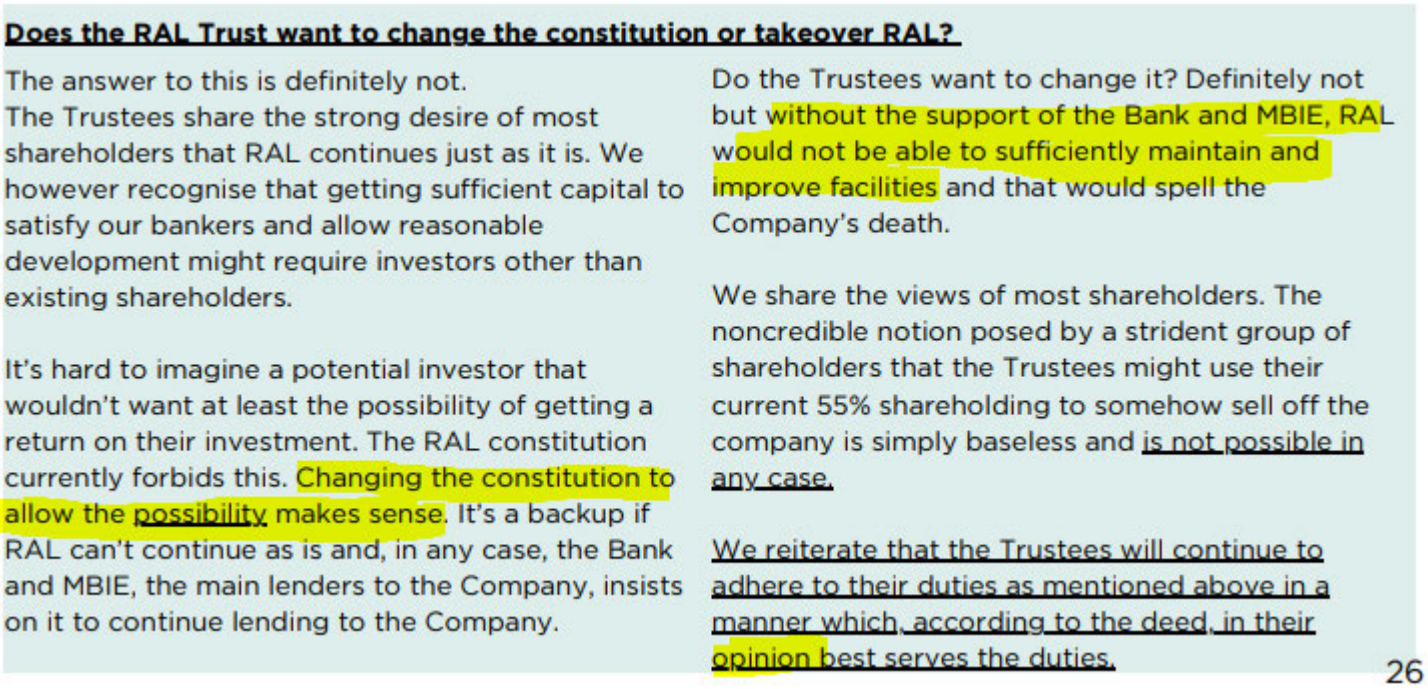
A minimum share price of $250 is fair and reasonable and is still priced at a discount based on the estimated share value at $476 per share (net assets/total number of shares). It is fair to discount the share price because the constitution strictly prohibits any pecuniary benefits to its shareholders.

A price of $250 per share is less than the fuel and accommodation costs for one weekend skiing and should be seen as an insurance premium by Life Pass holders because it gives them a voice in the company to influence its future direction and helps them protect their Life Pass investment.

Response to RAL Trust Report in the Annual report

The RAL Trustees have issued a report in the November 2021 RAL Annual report:

Figure 1: RAL Trust Report extract from page 26 of the November 2021 RAL Annual report



Does the RAL Trust want to change the constitution or takeover RAL?

The answer to this is definitely not.
The Trustees share the strong desire of most shareholders that RAL continues just as it is. We however recognise that getting sufficient capital to satisfy our bankers and allow reasonable development might require investors other than existing shareholders.

It's hard to imagine a potential investor that wouldn't want at least the possibility of getting a return on their investment. The RAL constitution currently forbids this. Changing the constitution to allow the possibility makes sense. It's a backup if RAL can't continue as is and, in any case, the Bank and MBIE, the main lenders to the Company, insists on it to continue lending to the Company.

Do the Trustees want to change it? Definitely not but without the support of the Bank and MBIE, RAL would not be able to sufficiently maintain and improve facilities and that would spell the Company's death.

We share the views of most shareholders. The noncredible notion posed by a strident group of shareholders that the Trustees might use their current 55% shareholding to somehow sell off the company is simply baseless and is not possible in any case.

We reiterate that the Trustees will continue to adhere to their duties as mentioned above in a manner which, according to the deed, in their opinion best serves the duties.

26

It is important the RAL Trustee's need to be reminded that they are legally bounded by the RAL Trust Deed and Trust law and **not just their opinion or what ANZ Bank or MBIE want them to do. RAL Shareholders are the beneficiaries to the RAL Trust, not the ANZ bank or MBIE**.

The RAL Trust deed clearly states in section 3.2 of the covenants of the Trust Deed that:

Up to and including the date of distribution, the Trustees will exercise their rights as holders of the shares in such a way as will, in their opinion:

A) promote skiing and other forms of sport of and recreation on Mount Ruapehu; and
B) **Preserve the tax-free status of the Company**; and
C) promote the well being of the Company, in relation to those objectives.

Concerned Shareholder questions for the RAL Trustees in relation to their comments in the annual report:

1. How can the RAL Trust **preserve the wellbeing of the company** if they allow the assets to be sold to NEWCO? RAL will no longer be a skiing and alpine company, RAL becomes a shell company with limited potential to promote skiing and alpine recreation on Mount Ruapehu. This is because it will have no income generating assets. Control of the business income generating assets has been sold/transferred to the private equity investors of the NEWCO. In fact, the RAL Trust letter of support for NEWCO acknowledges that the RAL Trust will no longer be required to exist! Please explain this to RAL shareholders who are the beneficiaries of the RAL Trust? **How will the RAL Trust uphold the RAL Trust deed and covenants if a Trustee arrangement does not exist should NEWCO progress?**

Table 6: Extract RAL Trust letter of support NEWCO

3 September 2020

Murray, Geoff

Thank you for your time last week taking the Trustees through the term sheet in regards to the convertible note proposed, as we have already communicated the trustees have agreed to the proposal in principle with one condition.

We understand RAL has significant financial challenges due the COVID 19 circumstances and 2019 outturn due to a poor ski season and that the company has had to seek external funds to progress urgent maintenance at Turoa.

The trustees understand that if NewCo was to progress there is not likely to be a Trustee arrangement required, to that end the trustees would like to communicate a number of principles that should be understood by the RAL and NewCO boards if any transaction proceeds.

2. Regarding the RAL Trust comment requiring the support of the bank, it is important that RAL have a supportive bank that understands RAL's business and capital structure. **The ANZ Bank placed Turoa Holdings Limited into receivership in 2000 when it was estimated to owe more than $7m in debt after several years of poor snowfall and problems caused by the Mt Ruapehu eruptions (1995 and 1997). Why are the RAL Trust persistent with staying loyal to the ANZ bank and its demands? Can RAL Trust become more opened minded to advocate alternative lenders and advocate RAL to revert back to traditional Life Pass funding models?**

ANZ bank unfortunately appears to have failed to understand RAL's traditional form of capital is from the issue of Life Passes and to great frustration they have prevented the company from using a Life Pass issue to replace the ANZ bank debt. During the onset and duration of the pandemic, the **ANZ bank has specifically prohibited RAL from issuing another round of Life Passes.** During this pandemic we have watched the central banks in New Zealand and globally drop official cash rates to record low levels which has stimulated world economies, including our own and created a massive inflation bomb. **House and car prices have inflated upwards of 40% due to the availability of cheap credit**. **The last 24 months would have been a prime time for another round of Life Passes while the economy was highly stimulated. The RAL Trust should be pressuring RAL management to tender out their ANZ bank debt to a more compatible lender!**

Figure 2: Extract Note 1.2 RAL 2021 Annual Report page 34. ANZ Bank restricting RAL from selling Life Passes

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).

3. **Why did the RAL Trust provide a letter of support for the issue of convertible notes for the MBIE debt as per their letter of support dated 3 September 2020 without consulting other shareholders?** Failing to consult with other shareholders on this matter is extremely negligent of the RAL Trust, particularly given their 55% shareholding power is in breach of the Takeovers Code! These decisions require shareholder approval by lawful process per the constitution and the companies act. **The RAL Trust is responsible for the technical breach with the emergency $5m MBIE debt by agreeing to convertible note issue**. Firstly, RAL Trust have breached the RAL Trust deed with their letter of support and secondly this letter of support has caused the MBIE debt to shift to a short term financing arrangement due to the conditions not being met. Shareholders were not aware, nor had they agreed to the convertible note issue. This explains why shareholders were asked to vote to transfer assets into NEWCO on the 26th November with limited transparency to support the transaction. When this meeting was cancelled the RAL Trust Trustee Jo Bouchier commented to Newsroom business editor Niki Mandow:

"We don't have enough information, so we have not resolved how we will vote," she says, adding that even controlling 55 percent of the shareholding as they do, the trustees hadn't got any more details about the proposals than anyone else.

Source: https://www.newsroom.co.nz/mt-ruapehu-skiers-we-don't-want-another-waiwera-hot-pools

It appears the RAL Trustees are not being honest and transparent with Shareholders as they would have likely known about the convertible notes attached to the emergency MBIE debt. Shareholders were not made aware of the convertible notes until the RAL Trustee letter of support was published and the release of the 2021 Annual report announced to shareholders on the 14th April 2022.

4. The RAL Trust makes the comment that "without the support of Bank and MBIE, RAL would not be able to sufficiently maintain and improve facilities and that would spell the death of the company". **Do the RAL Trustees understand that there are many other factors that could lead to the death of the company such as:**

    a. Financing debt short creates an insolvency risk!
    b. Inability to access traditional Life Pass funding capital due to not changing lenders
    c. Privatisation of the company may result in the death of the company due to
        i. **Expensive equity financing** means operating cash flows are not kept within the company, they are paid out as dividends to shareholders
        ii. Loss of the tax free status of the company
        iii. **No private company model has survived Mt Ruapehu for longer than a 10 year period**

5. The RAL Trust makes the comment "The non-credible notion posed by a strident group of shareholders that the Trustees might use their current 55% shareholding to somehow sell off the company is simply baseless and is not possible in any case." **We would like to make the comment that it should not be possible for the RAL Trust to sell off the company as this would be a blatant breach of the Trust Deed. However, the Strident group of shareholders do have a valid point. The RAL Trust letter of support for NEWCO has allowed the Directors to issue convertible notes on the MBIE debt which is evidence of the RAL Trust actions enabling the first attempt to sell the company!**

Our conclusion is that the RAL Trust have made a huge mistake by providing the Directors their letter of support on 3rd September 2020. The RAL Trust had no funds to seek independent advice on this matter and therefore they should ***immediately withdraw their letter of support for NEWCO*** and **start conforming to the covenants outlined in the RAL Trust Deed**. RAL Trust should refrain from relying solely on their opinion because this opinion regarding NEWCO and the convertible notes issue has caused further liquidity problems for RAL with the conditions attached to the MBIE debt.

RAL's constitution, responsibility of Directors, and NEWCO Proposal

A company's constitution is the legal document that sets out essential matters relating to the governance and legal framework of a company. The constitution regulates the framework for the company dealings, specifically the regulations governing the relationship between the company, its Shareholders and Directors. RAL's constitution dated on 2nd August 1996 states the following regulations under the relevant sections of the constitution which are important to be outlined in context with the Board of Directors NEWCO proposal.

Section	RAL Constitution extract
4.2	**Principal Objects:** Notwithstanding Regulation 4.1 the Company's principal business or activity shall be promotion and development of amateur mountain sports activities for the general public and the promotion and development of the Tongariro National Park area
4.3	**Pecuniary Benefit Excluded: For the avoidance of doubt it is not a purpose of the Company to provide any pecuniary benefit to any Shareholder** directly or indirectly in their capacity as Shareholder whether by way of Distribution, financial assistance, discount, commission or otherwise, with the exception of reasonable renumeration for services performed for the Company or reimbursement of expenses reasonably incurred on behalf of the Company
29.5	**Directors to comply with Act and Constitution:** A Director must not act, or agree to the Company acting, in a manner that contravenes the Act or this Constitution.
29.6	**Reckless trading:** A Director must not: (a) Agree to the business of the Company being carried in a manner likely to create a substantial risk or serious loss to the Company's creditors; or (b) Cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors
29.8	**Director's duty of care: A Director, when exercising powers or performing duties as a Director must exercise the care, diligence, and skill** that a reasonable director would exercise in the same circumstances taking into account, but without limitation: (a) The nature of the company and its **principal purposes set out in Regulation 4**: and (b) The nature of the decision: and (c) The position of the Director and the nature of the responsibilities undertaken by him or her.

The key extracts of the RAL constitution outline three very clear and overarching regulations of the constitution that appear to conflict with the Board of Directors capital raising plans (aka NEWCO proposal):

- ✓ The company principal activity is to promote and **develop mountain sports activities in the Tongariro National Park**
- ✓ **Shareholders are not to receive any financial benefit**. For the avoidance of doubt, the constitution clearly states it is not the purpose of the company to provide pecuniary benefits
- ✓ Directors have a **duty of care to uphold these regulations**

In the 2nd of February 2021 Shareholder Update newsletter, the Chairman outlined the first details of the outside investor capital raising (NEWCO proposal in the making) as follows:

"We are seeking to raise up to $30 million of new equity capital, which corresponds to a 50% shareholding on a post-money basis and we are looking for a strategic partner who can help the business develop to the next level.

This investment will give the strategic partner the opportunity to own a strategic stake in an iconic business with significant exposure to domestic tourism. We currently operate the largest ski areas in Aotearoa New Zealand with a 23% share of the alpine skiing and snowboarding market.

We believe that the strategic partner will have a key governance role in helping to shape the future development of on-mountain facilities and off-mountain opportunities. Our non-standard shareholding structure has restricted our ability to pursue off-mountain opportunities and limited our ability to access equity.

The Tūroa Ski Area, Whakapapa Ski Area and Sky Waka gondola are key attractions to the Ruapehu Region throughout winter and more recently summer. The recreational activities and services provided by RAL make a significant economic contribution, up to $6-$7 is spent off mountain for every $1 spent on-mountain.

We are accepting enquiries from wholesale investors (within the meaning of the Financial Markets Conduct Act) to Sec 9(2)(a) **"**

The NEWCO proposal was further elaborated on at the 28th May 2021 AGM per the minutes attached to the 9th July 2021 shareholder update. The Board clearly articulated that the **investors would require a share of the profits** and that the **company constitution would need to change to accommodate this** requirement. In the FY21 RAL report the Board of Directors are articulating that they need to privatise or sell RAL to raise capital which is conditional for the support of the ANZ bank and MIBE.

Figure 3: Extract RAL 2021 Annual report. Note 1.2 extracts regarding MBIE and ANZ conditions, breaches, and renegotiations of the conditions

The Company has undertaken the following steps to attempt to satisfy the conditions within the ANZ and MBIE agreements:

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).
December 2020	In December 2020, the Company borrowed $5m of emergency funding from MBIE for the 2020/2021 capex programme with a focus on the Tūroa assets. This funding was conditional on establishing a new entity and provided MBIE with the option to convert the loan into equity in the new entity. The initial requirement included in the agreement was that the new entity would be established by March 2021. In March 2021, this was formally extended to June 2021.

1.2 Basis of Preparation (continued)

February 2022	The Company sought an extension to MBIE condition around establishment of a new entity to June 2022. MBIE approved this extension in February 2022. As the Company was in technical breach of the conditions of the $5m loan as at 30 November 2021, it has been recorded as a current liability on the Statement of Financial Position.
February 2022	The Company delivered an update to ANZ regarding the pathway to present an alternate plan to ANZ by May 2022.

Figure 4: Extract RAL 2021 Annual report. Note 20-Subsequent Events

The Company has a $2.79m revalued loan ($5m face value) MBIE classified as a current liability in the financial statements. This is classified as current as there was a condition in place relating to the establishment of a NEWCO by 31 March 2021. As a NEWCO has not yet been established, the Company was in technical breach of the requirements of the loan as at 30 November 2021. This has been formally resolved after year-end with a variation extending this to 30 June 2022. This is a non-adjusting subsequent event.

The Directors have incorporated a convertible notes issue into the $5m MBIE debt. They did this on the basis that they had received a letter of support from the controlling shareholder the RAL Trust. However, there are technical issues. Firstly, the RAL Trust controlling shareholding is in breach of the Takeovers Code, therefore the Directors should not have relied on this letter of support because it has not legally been approved by the majority of shareholders. Secondly, many shareholders were resistant to transfer the company assets to NEWCO because there was not enough transparency to support the transaction and as a result the 26 November SGM was cancelled. The MBIE convertible note conditions have been breached multiples times per table below:

Table 7: MBIE condition for establishment of NEWCO timeline, breaches and extensions

Establishment of NEWCO required March 2021	Condition breached, formally renegotiated in March 2021 to be extended to June 2021
Establishment of NEWCO required June 2021	Condition breached and formally renegotiated in February 2022 to be extended to June 2022
Establishment of NEWCO required June 2022	Shareholders are likely to vote on NEWCO at the 28th May 2022 AGM

Our reading of the MBIE debt is that RAL have been in a technical breach since June 2021, therefore there was a real insolvency risk that MBIE could have called the company into receivership between June 2021 and February 2022

The ANZ bank has committed funding through to November 2022, however this debt is funded $5.9m short and represents a significant insolvency risk. ANZ bank has been pushing for a capital restructure and has been restricting access to traditional Life Pass funding.

Analysis contained within the report raises concerns as to **whether the Directors are acting appropriately and are potentially in breach of RAL's governing constitution.** This is based on the following:

- Issuing emergency MBIE debt with convertible notes in NEWCO has caused a technical breach causing the emergency $5m MBIE debt to be financed short-term due to the condition of a NEWCO entity not being established per conditions. This meant that the debt could have technically been called on between June 2021 and February 2022. **This conflicts with regulation 29.6 for reckless trading (company could have been called into receivership by MBIE), regulation 29.5 (issue of convertible notes is unconstitutional), and regulation 29.8 Directors duty of care**
- Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 Pecuniary benefits excluded**
- Pursing a strategic investment partner to develop off-mountain activities. **This appears to be in conflict with regulation 4.2 Principal objects -** principal business or activity shall be promotion and development of amateur mountain sports activities for the general public and the promotion and development of the Tongariro National Park area
- Aggressive capital redevelopment strategies that have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29.6 for reckless trading**

Of upmost importance, regulation 25.9 Directors to comply with Act and Constitution in our opinion has likely been breached with the Directors issuing convertible notes to the MBIE debt. This is the first step they have taken to privatise the company without legally obtaining lawful shareholder approval.

Methodology of the report

The analysis provided in this report is based on an independent review of the RAL annual reports from *FY17 to FY21 and RAL finance presentations, Shareholder update minutes and AGM minutes. The purpose of the review is to make comment on the following areas:

- Financial operating performance in terms of sustainability
- Balance sheet position in terms of financial sustainability
- Cash flow sustainability
- Strategic direction
- Identification of risks and make recommendations for Shareholders to put forward to the RAL Trust for consideration in their position as the controlling Shareholder

The operating results presented in this report may vary from the RAL annual reports due to reclassifications between recurrent operating and non-operating revenues and expenditure. For example, Turoa insurance proceeds and avalanche damage costs have been reported as non-operating. Please refer to appendix 2 for analysis mappings and workings used to derive the operating financial performance analysis referenced throughout this report.

The financial analysis is based on the following reporting periods noted in table 8 below. Note, RAL changed their reporting balance date from April to November in the 2018 reporting year. This made assessment of the profitability for the Nov-18 reporting period difficult to assess against comparative periods. This is because 5 months of expenditure is not included in the reporting period, hence making Nov-18 results appear favourable.

Table 8: RAL Financial Reporting Periods

Annual report reporting periods	Reporting Period
*FY17	12 months, 1st March 2016 to 30th April 2017
*FY18	12 months, 1st March 2017 to 30th April 2018
**Nov-18	7 months, 1st May 2018 to 30th November 2018
FY19	12 months, 1st December 2018 to 30th November 2019
FY20	12 months, 1st December 2019 to 30th November 2020
FY21	12 months, 1st December 2020 to 30th November 2021

Disclaimer

Users of this report should conduct their own due diligence to verify the information and opinions contained in this report. A number of concerned RAL Shareholders and Life Pass holders have expressed their own interpretation on analysis based on publicly available information contained in RAL annual reports and Shareholder updates. No special non-public data has been received from the company to assist with the analysis in this report. RAL Shareholders and Life pass holders will not be held personally liable or accountable for any errors, omissions, and misinterpretation or decisions made by users of this report. The intention of the report is to help promote healthy debate and dialogue amongst Shareholders, RAL Directors, and the RAL Trustees, based on financial analysis that is independent from the RAL Management and Board of Directors. RAL Shareholders and Life Passholders may amend the report to improve transparency based on new facts and evidence that may become available to continually improve the reporting.

Vision statement of the concerned Shareholders and Life Pass holders

Concerned Shareholders and Life Pass holders are of the vision that Ruapehu Alpine Lifts is a truly special company that was built by the Alpine Recreational Community for the benefit of all stakeholder groups who have an association with Te Maunga (Mt Ruapehu). Our view is that the company and its alpine services need to be preserved for future generations. Ruapehu Alpine Lifts is a national treasure that needs to retain its non-privatised business model to ensure it remains focused on promoting alpines sports and recreation for the people.

Executive Summary

	Key observations	Risks and/or recommendations for consideration
RAL Trustee letter of support for the NEWCO restructure		
1.	The RAL Trustee letter of support agreed to **convertible notes**. It is now apparent that these convertible notes were **issued to the emergency $5M MBIE debt**. RAL Trustees have been acting in their opinion and not in accordance with the core covenants of the RAL Trust deed. This has placed the company into an increased liquidity risk and insolvency risk position due to the MBIE convertible note conditions not being met. This means MBIE could have technically called for their $5m debt to repaid. Key observations: • RAL Trust 55% controlling shareholding was in breach of the Takeovers Code at the time they issued this letter of support as the controlling shareholder. Their shareholding still remains in breach of the Takeovers Code • RAL Trust had no funds to seek independent financial and legal and advise and therefore the Trustees have relied on their opinion to issue their letter of support. Of greater concern the Trustees acknowledged that a Trust arrangement will no longer be required in NEWCO. **How will the RAL trust uphold the covenants of the Trust deed if they cease to exist? Who will protect the tax fee status of the company?** • The RAL Trustees say in the annual report that the "non-credible notion posed by a strident group of shareholders that the RAL Trustees might use their current shareholding to sell off the company is simply baseless and is not possible in any case". **Do the Trustees NOT UNDERSTAND that their letter of support has resulted in CONVERTIBLE NOTES being issued on the MBIE debt!** • The issuing of convertible notes to the MBIE debt is the first step to privatise the company and the RAL Trust have allowed this to happen • The RAL Trust have been negligent with their letter of support and the convertible notes issue on the MBIE debt has made a significant contribution to the Auditors issuing another qualified auditor opinion in the 2021 Annual report regarding the material going concern uncertainty in relation to the conditions of the MBIE debt requiring a capital restructure • The convertible notes in the MBIE debt are convertible into equity in NEWCO. MBIE have a condition that RAL establish NEWCO by June 2022. In affect the **RAL Trust are placing the company Ruapehu Alpine Lifts into a death spiral by allowing the convertible notes to be issued which is forcing its sale!**	**Recommendation for consideration:** a. RAL Trust should **immediately withdraw their letter of support for NEWCO** to prevent further damage and liquidity risk to the company b. RAL Trustees need to be aware that their opinion does not enable them to neglect or abandon the core covenants of the RAL Trust Deed c. The RAL Trustees have a duty of care to their beneficiaries. The beneficiaries are the Shareholders of RAL. Selling RAL behind shareholders backs by supporting and allowing a convertible note issue is not showing a proper Duty of Care to the beneficiaries of the RAL Trust Deed. **We strongly advise the RAL Trustees to rethink their position and act in accordance with the covenants of the RAL Trust deed** and only use their opinion with a great deal of caution given that their opinion has created further liquidity stress and pressure to RAL the company d. We recommend that Shareholders/beneficiaries should collaborate on legal strategies to enforce the RAL Trustees to act in accordance to the RAL Trust Deed. The more concerned beneficiaries (Shareholders) coordinating efforts together, the greater the pressure we can apply to the RAL Trustees. Please contact Sec 9(2)(a)

2.	The proposed RAL restructure to NEWCO has received a letter of support from Trustees with the expectation certain conditions should be met and a shareholder vote is **required**. "The Trustees support changes subject to: • The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain • There **should** be complete transparency with shareholders around the transaction at the appropriate time • A Shareholder vote is **required** around any transaction • Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction • Staff **should** be protected in any transaction • Any equity introduced **should** be at fair value. " It appears based on the language and terminology used in the Trustee letter of support, that there is an **inherent risk to Life Pass holders** who have collectively been RAL's greatest financial supporters. **They do not appear to have their life pass benefits absolutely guaranteed as a requirement to this transaction** should RAL transition to the NEWCO corporate structure. The language in the letter of support implies an expectation rather than a requirement	**Recommendation for consideration:** e. Maintaining the RAL corporate structure in its current form will provide ongoing certainty and protection to Life Pass holders. This is important considering Life Pass holders are RAL's most relied source for capital financing of asset replacements and upgrades f. Life Pass sales have been a cost-effective form of capital raising. They do not require an ongoing dividend or interest payment. In FY20, RAL reviewed the actual utilisation of Life Passes and have since accelerated deferred Life Pass revenue in recognition that Life Pass holders do not utilise their passes as originally anticipated g. RAL finance presentation update on the 26 November 2021 determined the cost of **life pass funding as efficient with a low cost of capital between 3% and 5%**. This is significantly less than debt and equity financing **Risks for consideration:** h. **A change in corporate structure that potentially undermines the certainty of Life Pass holders, significantly compromises future use of Life Pass sales as a form of capital raising** i. The value of Life Pass sales as a form of capital raising should not be underestimated. The company model has been around since 1953 j. Life Pass Holders collectively are RAL's largest source of capital financing, yet they are the most vulnerable and least protected of all the financing partners
Life Pass Holders are RAL largest collective source of capital finance		
3.	Analysis of the cash flow statement shows Life pass holders have been the **single largest contributors for financing RAL's major $61.1m capital development program between *FY17 and FY20, contributing $18.6m** in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties. Since 2000, Life pass and 5 year pass sales have financed $45.6m in capital cash flows. This is $15.6m more than the current private equity proposal for $30m.	

	Key observations	Risks and/or recommendations for consideration
Takeovers Code Breach and TOP exemption		
4.	The controlling shareholder RAL Trust is in breach of the Takeovers Code. A shareholder in a code company with shareholding greater than 20% cannot increase its shareholding. The RAL Trust shareholding increased from 45% to 55% when the Directors forfeited 4,277 shares in July 2019. This has caused the RAL Trust shareholding to significantly increase and breach the Takeovers Code. The Board of Directors have applied to the Takeovers Panel for an exemption (TOP exemption). **The Takeovers Panel have approved this exemption on condition that the exemption is approved by the majority of shareholders on or before 31st May 2022.** The RAL Trust is not allowed to vote on the TOP exemption. The Directors could have easily prevented the RAL Trust from being in breach of the Takeovers Code by simply re-issuing the 4,277 forfeited shares. RAL needs new shareholders to continue the legacy of its ageing shareholder base. Life Pass holders are the closest group of people who are aligned to the cultural values of the founding Clubbies: • 14 % of A,B, & C shareholders are current deceased estates • 7% of A,B, & C shareholders are listed as gone no address	**Risks for consideration:** k. If the TOP exemption were to be approved by the shareholders, this would **legally** make the RAL Trust the controlling shareholder with 55% shareholding of RAL and over 50% of the voting power! l. Shareholders will be at the ultimate mercy of the RAL Trust. We have already witnessed the damage the RAL Trustees have caused by acting on their opinion to further increase RAL's liquidity and insolvency risk by supporting convertible notes to be issued on the MBIE debt **Recommendation for consideration:** m. RAL shareholders should **vote NO! against the Takeover exemption** n. RAL shareholders should request that the Directors re-issue shares to existing shareholders and Life Pass holders until the Trust shareholding returns to its original 45%. This will best protect shareholder rights to preserve RAL in its current form as philanthropic crowd funded business model - 69 years and counting
Solution to Take Overs Code Breach and TOP exemption		
5.	**We recommend that the Directors rectify the RAL Trust Shareholding breach by re-issuing the 4000 forfeited shares at a minimum price of $250 per share**. This would raise a minimum of $1m in additional shareholder capital to assist with fixing RAL's short term liquidity issues. According to the constitution, these shares will need to be issued to existing shareholders first. After existing shareholders have their opportunity to accept or reject their share offer, the remaining shares are offered to existing and new Life Pass holders. Recommendation achieves the following: • **Fixes the RAL Trust Takeover Code breach by reducing its shareholding back to its original 45%** • **Provides a minimum $1m working capital to the company** • **Brings new shareholders into the company who fit the philanthropic culture of the company to renewal the ageing shareholder base** o 4,277 shares were forfeited as at July 2019 o **21% of the current A, B, and C shares are deceased estates or have no known address!**	

	Key observations	Risks and/or recommendations for consideration
MBIE debt and Convertible notes		
6.	The $5m MBIE debt was used for the emergency Turoa CAPEX to address maintenance issues with the Parklane and Movenpick chairlifts. This debt was issued with convertible notes as a condition to the debt. These convertible notes convert into equity and shares in the NEWCO. MBIE require that the NEWCO entity is established by 30 June 2022. The conditions to this debt have been breached multiple times and conditions extended. The debt is classified as short term due to the condition of the NEWCO establishment not been met. This debt is an insolvency risk to RAL because the breach of the condition to the debt has meant that MBIE could have technically recalled on the Debt to be repaid. MBIE is the Ministry of Business, Innovation and **Employment**. The goal of MBIE is to promote sustainable and long term employment in the regions using the provisional growth fund to help fund project that achieve those objectives. **Ironically, MBIE are enforcing RAL to privatising its capital structure using the convertible notes attached to the $5m emergency debt.** This is ironic because long term and sustainable employment requires a stable capital and corporate structure to ensure the company is financially viable long term. **RAL's current capital structure has stood the test of time operating nearly 70 years since 1953!** **Private corporate structures are not a new concept to Mt Ruapehu and were unsuccessfully trialled between 1978 to 2000 by three different Private enterprise companies**, including one listed entity with access to capital from the NZ stock exchange. Private enterprise models have failed on Mt Ruapehu because it is an extremely challenging environment to operate in due to the following risks: • Weather risk – high number of closed or poor weather days impacts on operating revenue and profit margins • Geographic risk – operating on an active volcano that erupts every 10 to 15 years • Remote location to major population centres and limited accessibility to international airports mean that RAL cannot easily penetrate the international ski market that the commercial South Island operators have access too • **Cost of Private Equity financing (requirement to pay dividends), strips away working capital for reinvestment**	**Risks for consideration:** o. Data on private enterprise business models for the Turoa ski field show 22 years of constant instability and restructuring. **The Private models were not financially viable and only survived between 4 and 10 years. Why would this restructure have a better success rate?** p. A government organisation forcing a community funded organisation to privatise is **highly political!** q. These negotiations have occurred behind the backs of A, B, and C **shareholders who have foregone dividends for nearly 70 years** to ensure that the RAL company remains financially viable. The issue of the convertible notes is also likely to be in breach of the RAL constitution. r. Since 2000 the community have crowd funded $45.6m in Life Pass funding. Life Pass Holders are extremely likely to lose their access to the towline if RAL were to privatise (based on historical data, NEWCO will likely restructure or fail within 4 to 10 years). **There are 14,339 Life Pass holders!** **Recommendation for consideration:** s. **We strongly recommend MBIE remove the convertible notes on the emergency debt and allow RAL to refinance that debt on identical terms to the Sky Waka Gondola MBIE debt** RAL can trade its way out of its poor financial health, it just needs time to recover like the rest of the tourism sector! Our scenario analysis estimates without the pandemic restrictions, **RAL's operating EBITDA potential is at least $7.1m per annum.** **This equates to approximately $50m in operational cash flows over a 7 year period to repay face value $35m debt by the 2028 maturity date.**

	Key observations	Risks and/or recommendations for consideration
Debt structuring – Before the pandemic and In the pandemic		
7.	RAL balance sheet is structured with good debt and bad debt. At 30 November 2022, at book value RAL has a total debt balance of $28m. At face value this debt is actually higher at $35m. The good debt is debt that is structured long term, RAL have until 2028 to repay the majority of the long term debt. The bad debt is debt that is structured short term. Short term debt is bad because it poses a potential insolvency risk to the company if it cannot be repaid immediately or renegotiated upon it being called up for repayment by the lender. RAL's short term debt has increased from $1m at FY19 pre-pandemic levels to $8.6m ($10.9m at face value) as at 30 November 2022. This is because the $5.9m ANZ bank loan is financed 100% short with funding secured only until 30 November 2022. The $5m MBIE emergency capex was supposed to be financed long term but a breach in the convertible note condition has caused 100% of the face value of the debt to be financed short. The MBIE emergency debt has book value of $2.8m due to being considered a concessionary loan. **A prudent debt structuring strategy maximises long term debt and minimises short term debt.** **In FY19 before the pandemic RAL only had 3% to 4% of its debt financed short term.** This is based on whether you measure debt at face value or the revalued debt according to the closing balance sheet. **For the FY21 pandemic year, the short-term debt is now financed 31% short!** **This begs the question, is there a problem with RAL's corporate structure or is the real underlying issue with the debt negotiations being financed short term instead of longer term as seen in pre-COVID-19 times!**	**Risks for consideration:** t. ANZ bank securing funding up until 30 November 2022 is not practical. A significant proportion of this debt should be financed on a long term basis. **ANZ bank called Turoa holdings into receivership in 2000** when they were estimated to be $7m in debt due to several years of poor seasons and disruptions caused by the volcanic eruption (1995 & 1997). **ANZ nearly called RAL into receivership during the 2020 financial year in which RAL achieved one of its best ever operating EBITDA performances** u. $5m emergency MBIE debt has convertible notes and a condition that RAL establish the NEWCO entity. This is not practical as it will lead to the privatisation of RAL and expose RAL's ski operations to the inherent risks of privatisation per the historical evidence of the failed Turoa attempts **Recommendation for consideration:** v. **RAL Management restructure their debt to 95% long term and limit short term debt exposure to 5% of total debt** w. **Tender out the $5.9m ANZ Bank loan to one of the other 13 banking institutions we have identified in New Zealand. Ensure the 85% of this bank debt is financed long term** x. **Renegotiate the MBIE emergency debt to be on the identical as the MBIE Sky Waka debt. This means removing the convertible notes condition** y. **Issue internal share capital to raise $1m from existing shareholders and Life Pass holders to help pay down short term debt** z. **Issue a Life Pass offering to raise $11m to replace ANZ bank and MBIE short term debt**

	Key observations	Risks and/or recommendations for consideration
Sky Waka Gondola financing is all very good debt		
8.	Director Chris Swasbrook spoke at the 26 November 2021 RAL finance presentation. He made the comment that the Board should be applauded for their financing of the Sky Waka Gondola debt. In terms of the long term financing of the Sky Waka debt, we agree that the Board have done an excellent job in their financing of the Sky Waka Gondola based on the following: • **$10m MBIE debt for the Sky waka Gondola is practically an interest free loan.** No interest accrual or principal repayment is due until the number of gondola sightseers reaches 300,000. This target is not forecasted to be reached until November 2029. The accounting treatment of debt recognises Grant income which is offset against the debt balance • **$500k Ruapehu District Council debt for the Sky Waka Gondola is on the same terms and conditions as the MBIE debt**, therefore is **practically an interest free loan**. The accounting treatment of debt recognises Grant income which is offset against the debt balance • **$13.5m Tourism infrastructure bonds for the Sky Waka Gondola debt is based on a low 3% coupon** rate plus an uncapped $0.50 (indexed) upside per non-skier Sky Waka gondola passenger. This is a clever financing strategy because it is sharing the risk of the Sky Waka investment with the Tourism infrastructure bond holders. Financing costs are very low around 3% while Sky Waka sightseeing patronage is well below expectations, and then the financing costs only increase with increased patronage levels. RAL business is not stressed by the increase in finance costs, because these increased finance costs are well and truly offset by the higher revenue levels generated from the high Sky Waka gondola sightseeing patronage	**Sky Waka Gondola debt is good debt in that it is low risk and has low servicing costs.** The majority of the debt matures in 2028. RAL needs to focus on achieving a minimum $7.1m operating EBITDA and target a higher $10m operating EBITDA. This will generate between $50 to $70m in operating cash flows to repay the face value of the $35m debt at its maturity date. **We conclude it is the short term debt that needs to be restructured on similar terms to the Sky Waka Gondola debt.** We know the existing Board have the skills and capabilities to structure longer term debt favourably. Recommendation for consideration: aa. Shareholders need to place pressure on the Board and RAL management to refinance their short-term to more favourable long term financing arrangements bb. Shareholders need to place pressure on the Board to stop pursing privatisation strategies and focus on improving operating performance

	Key observations	Risks and/or recommendations for consideration
Operating performance		
9.	**RAL operating EBITDA after COVID support for FY21 was $1.2m surplus.** Without the $2.2m COVID support, the **operating EBITDA reduces to -$1.0m loss.** The Delta outbreak in the peak of the ski season and failed elimination strategy resulted in prolonged lockdowns and restrictions that were much more severe than the FY20 lock downs. Operating revenue has materially impacted by the prolonged lock downs and is estimated to be 70% down on what we think it should be, $5.9m down on FY20, and $9.9m down on FY19. As a point of reference Tongariro crossing bookings are 80% down on pre-COVID levels. **RAL operating EBITDA after COVID support for FY20 was $8.9m. This is a significant uplift from prior financial years (FY19 $3.26m).** Historically, operating EBITDA results have been significantly lower around $2m per annum for *FY17 and *FY18 *(*April reporting periods*).	FY20 operating EBITDA is a promising result and may be an early indicative sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDA due to the profitability potential of the summer operations **(uncapped ability to increase revenue with no additional capital costs**). Overall, FY20 operating performance is very encouraging, especially given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.
10.	**FY21 should be seen as the worst operating performance in RAL's history with an operating loss of -$10.2m which reduces to an operating loss after $2.2m COVID-19 support subsidy to -$7.9m.** The operating result loss has been driven by substantially lower operating revenue. This is because the redlight traffic light setting prevented Aucklanders and Northlanders from accessing the second half of the ski season on top of the 6-week level 4 national wide lockdown during the peak of the ski season. **In FY20 RAL, operating loss after COVID subsidy improved from -$3.3m in FY19 to -$2.6m in FY20.** The FY20 result has seen significantly increased depreciation expenses due to a $56m capital investment program. The majority of this investment is related to the redevelopment of the Whakapapa ski area and Sky Waka Gondola (approximately $45m to $50m).	**Recommendation for consideration:** cc. Shareholders should be given improved financial transparency in the annual report with regard to the operating performance of the summer operations dd. **Serious consideration should be given for alternative strategies to allow RAL to continue operating within in its current corporate structure without the need to sell 50% of the company to corporate investors. The positive operating EBITDA potential of the company with its existing asset base does not signal an urgent need to sell a 50% Equity share of the company** ee. **A revised investment strategy timeline should be considered that allows the renewal of the Turoa assets over a more sustainable time without the assistance of corporate investors**. Note the Board appear to be taking part of this recommendation onboard as they have put on hold the Turoa redevelopment plans while they await advice from the Dopplemayr lift infrastructure review
11.	Scenario modelling analysis performed in this report to estimate RAL operating profitability under normal operating conditions, shows that the "no COVID-19 pandemic scenario" is **estimated to return a $7.1m Operating EBITDA result**. RAL Management were able to achieve a $7.20m operating EBITDA in FY20 (excluding the COVID support) which is on par with the no COVID-19 pandemic scenario due to aggressive cost cutting strategies, operating at significantly reduced operational capacity, and season pass revenues received in advance. The profitability of Sky Waka Gondola summer operations has likely offset the decline in winter operations, hence operating profitability modelled may be understated!	

	Key observations	Risks and/or recommendations for consideration
Support of the Bank		
12.	**The ANZ banks change in support to a monthly basis due to the onset of the pandemic created a significant liquidity and insolvency risk to RAL.** This resulted in the Auditors qualifying the FY20 annual report to state a material uncertainty existed for RAL to operate as a going concern. The going concern of RAL was undermined because the bank could technically call upon their $5.9m debt to be repaid at any time which would have made RAL insolvent unless they could secure other sources of financing	**Risks for consideration:** a. **ANZ bank change in its level of financial support has caused an unacceptable level of liquidity risk to the company** b. ANZ Bank's continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution **Recommendation for consideration:** c. RAL need to carefully consider where they obtain their financing from and choose financial institutions who can provide a much more stable and committed level of financial support. This means a level of financial support that does not expose the company to future liquidity and insolvency risks where an event review from a pandemic or equivalent natural disaster does not change financing arrangements from long term to short term in an instant d. RAL need to consider their aggressive development strategy timelines to be more conservative in their development approach. The aggressive redevelopment has left the company highly exposed to significant financial risk e. **RAL needs to seriously consider refinancing the ANZ Bank debt** with a more committed lender or another round of Life Pass sales. The current financial arrangement on a month to month or 12 month rolling basis **is an unacceptable liquidity and insolvency risk and HAS lead to another qualified audit opinion for FY21, due to the material uncertainty of the company to operate as a going concern beyond the banks commitment to fund the season up to November 2022**
13.	ANZ Bank change in support to RAL on a month-to-month basis is vastly different to how banks have supported the New Zealand housing sector with mortgage repayment holidays. In FY20 RAL paid $230k in banks fees (not including interest). This is significantly up from $37k in FY19, yet the level of support and commitment was dramatically reduced.	
14.	The ANZ Bank continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution.	

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<tr><th colspan="3">Aggressive Investment strategy and Liquidity</th></tr>
<tr><th></th><th>Key observations</th><th>Risks and/or recommendations for consideration</th></tr>
<tr><td>15.</td><td>ANZ Bank movement in support arrangements has created an insolvency and liquidity risk for RAL. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who is willing to provide committed financial support to RAL on the basis of their positive operating EBITDA potential and on the condition, they do not over capitalise and significantly scale back on the $55m Turoa redevelopment.</td><td rowspan="2">Risks for consideration:
f. Exposing RAL to lenders who can easily withdraw their level of support during a period of significant capital investment
g. Risk of over capitalising RAL which could lead to financial failure if unsustainable debt levels are reached. The rate of capital investment needs to be at a level that RAL can sustain within its existing corporate structure. Planning significant redevelopment works, on the presumption that Shareholders will agree to allow a change in the corporate structure, is potentially negligent, given the Trust deed of the controlling shareholder mandates the Trustee to preserve the tax-free status of the company

Recommendation for consideration:
h. RAL need to consider maintaining sufficient cash reserves to enable the company to ride out economic shocks from extraordinary events
i. RAL should target a cash position that would make their net working capital positive to reduce short term liquidity risks
j. Realign investment strategies to allow cash reserves to replenish. This may incorporate a hold and maintain strategy where a capital program is employed to extend the useful life of the existing asset base as an alternative to a full asset replacement</td></tr>
<tr><td>16.</td><td>RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this, RAL would need to build up cash reserves by an additional $14.6m based on FY21 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL is unable to operate for two seasons in a row, due to an extraordinary event such as a global pandemic or a volcanic eruption. Assuming corporate costs are 15% of $41m expected operating revenue, if we estimate corporate costs of $6m to maintain the business administration, then it is recommended that RAL should be targeting to maintain an ongoing cash position of approximately $15m to protect the company from insolvency risk in event of extraordinary circumstances</td></tr>
<tr><td>17.</td><td colspan="2"><u>The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning.</u> Now is a good time to start reconsidering their aggressive $55m investment strategy to redevelop Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will allow RAL to be better placed for long term debt repayment commitments. We support the Board's decision to place the Turoa redevelopment plans on hold and to commission the Dopplemayr review on the Turoa lifts. We look forward to being presented with alternative Turoa redevelopment plans that are more humble and cost effective.</td></tr>
</table>

	Key observations	Risks and/or recommendations for consideration
Debt levels		
18.	**At FY21 reporting date, RAL have total debt valued at $27.957m.** Total face value of the debt is higher for MBIE and Ruapehu District Council, therefore total debt at face value across all external debt is $34.9m. Due to favourable financing terms, the MBIE and Ruapehu District Council debt has been revalued at fair value according to accounting standards and accounting policy. It appears based on RAL profitability levels (estimated to be around $7.1m Operating EBITDA based on FY21 scenario analysis. This is a debt ratio of 4 x operating EBITDA) it is now close to being fully leveraged having maximised its debt carrying capacity. It appears that this view is aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL's debt capacity and based on current profitability levels ($7.2m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt	k. RAL appears to be fully leveraged at their maximum debt carrying capacity. The Turoa redevelopment strategy needs to be revised taking debt capacity into consideration and also noting existing debt will need to be repaid in the foreseeable future l. Risk mitigation strategies such as **future life pass sales are required** to ensure sufficient liquidity to repay debt as bond and financial instruments come up for maturity in FY2028
$20m impairment (write down) on Turoa assets		
19.	The $20m impairment write off (non-cash adjustment) on Turoa assets in FY20 is an abnormal accounting adjustment which has occurred due to the Board directing the Auditors to focus on the value of assets. Hence the Auditors were required to **review impairment of assets beyond normal book value and economic life** and support the impairment with a discounted cash flow. The impairment write-off includes: ○ Lifts were impaired by $10.8m ○ Buildings were impaired $5.6m ○ Roads and car parks were impaired $1.8m ○ Plant and Equipment were impaired $1.5m The Board's reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic. This is an abnormal change in accounting policy and we recommend operating result and operating EBITDA should be the opening headline financial performance metrics that the Board speak to in their narrative to Shareholders. We also recommend the Board provide increased transparency in their reporting to Shareholders to explain the underlying assumptions for such a significant impairment write off to the Turoa assets. **We note that the FY20 impairment has been calculated before the outcomes of the independent Dopplemayr review on the Turoa Lift infrastructure! How can RAL Management make this impairment without understanding the condition of the lifts?**	m. Shareholders should be provided with full transparency on impairment write-off on the Turoa asset base including full underlying assumptions used in the discounted cash flow methodology that was used to determine the impairment values for each asset class n. The Directors headline financial narrative to Shareholders should be focused on the recurrent operating results. To speak of the FY20 financial performance in context of a $22m headline loss in our opinion is grossly misleading, especially given the limited transparency regarding the key underlying assumptions used to determine the impairment values o. RAL should consider undertaking a more conservative investment strategy in regard to the Turoa development which may result in a full or partial reversal of the impairment writebacks p. **The Directors should review the Turoa asset impairment based on the findings and alternative proposals that come out of the Dopplemayr review**
20.	**The impairment has effectively written off $20m from the Shareholders Equity**	

	Key observations	Risks and/or recommendations for consideration
NEWCO restructuring financial sustainability		
21.	The Directors have provided low levels of transparency on the NEWCO corporate restructuring proposal. High level modelling on the financial feasibility of the NEWCO restructure based on a set of assumptions around expected dividend payouts to investors, and additional debt estimates to complete the Turoa redevelopment plan, has raised serious concern that future restructuring of RAL will be required after the NEWCO restructure to refinance the company in the medium term. Future corporate restructuring of RAL after NEWCO presents a high risk to a loss of the preservation of Life Pass Holder benefits.	q. RAL need to consider the long-term financial sustainability for RAL to afford to pay dividends and balance this against the necessity to retain profits in the company to fund future capital investment r. **RAL need to consider the stability of the ongoing corporate structure and what future restructuring transactions might mean to the preservation of Life Pass holder benefits and community stakeholders** s. **RAL and all its stakeholders should consider the merits of the existing corporate structure and how this has contributed to the financial sustainability of the company since 1953** **Risks for consideration:** t. **Life Pass holders should be very concerned what a corporate restructure means for the future preservation of their benefits** u. **High level modelling based on limited transparency, indicates future restructuring of RAL after NEWCO is likely to be inevitable** v. **The NEWCO structure will dilute the voice of existing shareholders and will likely make the company more suspectable to a future hostile takeover**
22.	High level modelling estimates suggest that corporatising RAL into NEWCO will cost the company an annual dividend payout of $6m to Shareholders. Based on estimated operating profitability ranging between $7.3m to $9.5m operating EBITDA, there will be a cash deficiency of $1.5m in residual operating cash flows after dividend payouts and a small surplus of $759k at the higher $9.5m Operating EBITDA. **It is difficult to see how the NEWCO will be able to remain financially stable assuming Shareholders will want to access a share of the profits.** A corporate restructure after NEWCO would appear inevitable in the near medium to long-term to refinance the company for future capital development or repayment of debt. This is because the NEWCO structure is required to payout profits and operating cash flows to Shareholders in the form of dividends. The existing corporate structure of RAL is unattractive to corporate investors because it prohibits the payment of dividends to shareholders	
	50% control of RAL will be sold to investors for $30m. If one investor is involved in the transaction, this may technically make them the controlling shareholder depending on how the shares and voting rights are structured? The NEWCO investor will likely negotiate for a controlling shareholding in the company.	
Benefits of the current RAL Not for Profit corporate structure		
23.	RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company.	Following benefits for consideration: w. **Tax free status means RAL can make a profit and will not be subject to pay 28% tax on those profit margins** x. **Ongoing preservation of Life Pass holder benefits can be maintained and sustains Life Pass holders as a credible source of capital finance**

NEWCO proposal conflict with Board of Director Responsibilities and RAL Constitution		
24.	The Board of Directors NEWCO proposal is designed to bring on board private equity investors for a $30m equity position in the company. This will give the investor a 50% controlling share of the company. The controlling interest in the company will allow the investor to have a governance and strategic management role in the company. They will partner will RAL leadership to build a strategic plan to develop both on mountain and off-mountain activities. Analysis contained within the report raises concerns as to whether the Board of Directors are acting appropriately and potentially in breach of RAL's governing constitution, based on the following: ➢ Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 of the constitution** ➢ Pursing a strategic investment partner to develop off mountain activities. **This appears to be in conflict with regulation 4.2 of the constitution.** RAL should be focused on **on-mountain activities**. It is important to remember RAL stands for **"Ruapehu Alpine Lifts". The core activity of the company is operating lifts. This is clearly spelt out in the name of the company.** Development of off-mountain activities appears to be a distraction from RAL's core business ➢ Aggressive capital redevelopment strategies, combined with poor liquidity management strategies with the ANZ bank have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29 of the constitution** ➢ **Issuing MBIE debts with convertible notes in NEWCO is unconstitutional. This conflicts with regulation 29.6 for reckless trading (company could have been called into receivership by MBIE), regulation 29.5 (issue of convertible notes is unconstitutional), and regulation 29.8 Directors duty of care** ➢ Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 Pecuniary benefits** The private equity capital raising plan being pursued by the Board of Directors does not align with the governing regulations within RAL's existing constitution. This is why the Directors are seeking to change the constitution. Directors have been managing the company on the assumption that they will succeed in changing RAL corporate structure. This is evident by the issuing of the convertible notes attached to the emergency MBIE debt. As a result, RAL has become highly exposed with both MBIE and ANZ bank requiring RAL to sell its business to NEWCO as a condition for their support.	**Following risk minimisation strategies for consideration:** y. **The Trustee and Shareholders should vote in Directors who have the intention to maintain and honour RAL's current constitution** z. **Directors' development strategies need to be aligned to the capacity of the existing corporate structure. It could be deemed negligent and in breach of regulation 29.6 of the constitution otherwise. RAL have received a qualified audit opinion for the both the FY21 and FY20 financial reporting. This is unacceptable to Shareholders, Life Pass holders and other key stakeholders** aa. **Directors who do not believe that the current constitution is fit for purpose should consider resigning and be replaced by Directors who are interested in preserving the following:** ✓ **Tax free charitable status of the company** ✓ **Preserving and developing on mountain activities** ✓ **Preserving the financial sustainability of RAL in its current form** ✓ **Developing capital replacement programs that promote on mountain recreation and are within the financial capacity of the current corporate structure** ✓ **Maintaining Life Pass Sales as a valuable source of capital raising** ✓ **Acknowledge that RALs success has been based on a crowd source funding model in the form of Life Pass sales** ✓ **Acknowledge that the ANZ bank debt financing arrangement is unacceptable** ✓ **Acknowledge that convertible notes on the MBIE debt is unacceptable**

Pros and Cons of current corporate structure versus NEWCO

	RAL existing corporate structure		NEWCO	
Tax status	Pro	Does not pay tax on profits	Con	Subject to pay 28% tax on profits
Charitable status	Pro	Eligible to receive donations, apply to various charitable funding bodies	Con	Not eligible to receive donations or apply to various charitable funding bodies
Access to capital via Life Pass sales	Pro	Life Pass holders are RAL's single largest source of capital financing	Con	Likely to be compromised unless the transaction can be structured in a way that Life Pass Holder benefits are maintained in the NEWCO and future restructuring transactions
Access to capital via private equity	Con/Pro	Con- RAL constitution is not attractive to private equity investors as they are unable to take a share in the profits and operational cash flows Pro - Not having private equity investors means all profits and operating cash flows are retained within the company	Pro/Con	Pro - NEWCO corporate structure is able to access private equity capital. This enables RAL to access $30m in equity to progress with the Turoa ski field redevelopment Con - Access to private equity will cost a minimum 50% controlling share of the company, and will require payment of dividends to shareholders that would have otherwise been cash flows that would have been re-invested into the ski field
Retainment of accumulated profits and operating cash flows	Pro	RAL constitution does not allow a dividend payout to shareholders, this means 100% of the profits and operating cash flows are reinvested back into the company	Con	Shareholders would expect to access a share in the profits and operating cash flows of the company. High level modelling indicates this may lead to a significant strain on RAL medium term financial sustainability if operating cash flows are paid out as dividends to shareholders
Preservation of Life Pass benefits	Pro	RAL existing constitution provides security to Life Pass holders that their benefits will be preserved into the foreseeable future. This assumes RAL remains to be a going concern	Con	Given the low level of transparency underlying the details of the NEWCO proposal, it is prudent for RAL Life Pass Holders to be concerned regarding the foreseeable preservation of their benefits within the NEWCO structure and/or any future restructures

RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company. RAL should also consider other forms of charitable financing sources such as those listed on the not-for-profit.org.nz that they may be able benefit from by leveraging the charitable status of the company. **Life Pass Holders are key stakeholders, and their financial support is the major source of capital finance. This should not be undermined. RAL is built on the support of Life Pass Holders.**

Headline operating results

The two years of the COVID-19 pandemic has been a game of two halves. The labour governments' elimination strategy in the FY20 year was effective in that it was short and sharp with limited disruptions. This meant that New Zealanders unlike the majority of the world were living a relatively normal life despite being in the middle of a global pandemic. The success of the elimination strategy and the government COVID stimulus support packages meant that for the 2020 financial year, RAL achieved one of its best financial performances with an operating EBITDA after COVID-19 support of $8.9m. Unfortunately, the Delta outbreak in mid-August 2021 resulted in severe and extended lockdown restrictions which prevent skiers from Auckland and Northland accessing the remainder of the 2021 season. We estimate that service revenue was 70% to 80% down on what it should have been without the pandemic. This estimate is supported by the fact Tongariro crossing bookings are 80% down on pre-COVID-19 levels as stated in the RAL 2021 annual report! RAL service revenue with the Gondola investment should have achieved a service revenue in excess of $40m. However, revenue levels were significantly down by $10m on pre-COVID levels and $5.8m down on COVID effected FY20 revenue. Overall, we conclude that the Auckland and Northland market is an extremely important market to RAL's revenue base in terms of daily winter lift sales and on mountain spending. Essentially, **RAL needs access to the entire North Island market to enable its operations to be financially viable.**

Due to the severity and timing of the 2021 COVID-19 lock downs, **FY21 should be seen as the worst operating performance in RAL's history with an operating loss of -$10.2m which reduces to an operating loss after $2.2m COVID-19 support to -$7.9m.** The operating result loss has been driven by substantially lower operational revenue. This is because the redlight traffic light setting prevented Aucklanders and Northlanders from accessing the second half of the ski season on top of the 6-week level 4 national wide lockdown during the peak of the ski season.

RAL operating EBITDA after COVID-19 subsidy for FY21 was an **operating surplus of $1.2m. Without the COVID-19 wage subsidy support, the operating EBITDA is a loss of -$1.0m**. The government wage stimulus received during the FY20 and FY21 financial years was a very important financial support package and has enabled RAL to survive the worst of the COVID-19 pandemic. New Zealand is now catching up to the rest of the world and learning to live with COVID, our population is now highly vaccinated. Vaccinations are now the tool of choice used for managing the virus and we are now seeing removal of restrictions. On the 4th April 2022, New Zealand reopened its boarders to Australian travellers, and it is expected New Zealand will be fully opened to international tourism by October 2022 at the latest. We have not seen RAL operations at full capacity considering the significant Sky Waka gondola investment because of the pandemic, however the FY20 results and other analysis contained in this report suggest RAL should be able to achieve a minimum operating EBITDA of $7m. The Board of Directors and RAL Management need to start working towards achieving their original operating EBITDA target of $10m which was premises for the Sky Gondola investment.

RAL operating EBITDA for FY20 after COVID wage subsidy was $8.9m which is a significant uplift from prior financial years (FY19 $3.26m). Historically EBITDA has been significantly lower around the $2m mark and this is a promising and early sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDA. This is an encouraging result given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.

The operating result and operating EBITDA exclude any abnormal revenues and expenditure to provide a normalised operating comparison. For clarity the FY20 operating headline results exclude the $20m impairment on Turoa assets. The FY19 results exclude the $2.37m insurance recovery for the Turoa avalanche. Costs associated with the Turoa avalanche have been excluded in the FY20 and FY19 operating results.

The operating loss after COVID funding for FY20 is 2.6m, this is an improvement on the FY19 pre-COVID-19 operating performance. Without the COVID wage subsidy support, the operating loss would have increased to $4.3m. The increase in operating loss has been driven by increased depreciation expenses due to a $56m redevelopment of which the majority relates to the Whakapapa ski area and Sky Waka Gondola. Depreciation is a non-cash expense and has increased from 16% of service revenue in FY19 to 34% of service revenue in revenue in FY20.

Table 9: RAL Headline operating results and total results

Headline Operating Results	FY21 $'000s	FY20 $'000s	FY19 $'000s	*FY18 $'000s	*FY17 $'000s
Operating EBITDA	**(1,006)**	**7,210**	**3,262**	**1,952**	**2,030**
Operating EBITDA after COVID-19 support	**1,197**	**8,925**	n.a	n.a	n.a
Operating result	**(10,152)**	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**
Operating result after COVID-19 support	**(7,949)**	**(2,630)**	n.a	n.a	n.a
Staff costs as % of Service revenue	52%	34%	42%	47%	45%
Depreciation costs as % of Service revenue	33%	34%	16%	21%	17%
Finance costs as % of Service revenue	6%	5%	4%	2%	1%
Total maintenance and service costs % of service revenue	10%	7%	9%	9%	10%
Total Result & non-recurrent result	**FY21 $'000s**	**FY20 $'000s**	**FY19 $'000s**	***FY18 $'000s**	***FY17 $'000s**
Net non-recurrent result	4,284	(18,138)	4,720	(148)	(894)
Total comprehensive result	(5,868)	(22,483)	1,397	(4,231)	(3,014)
EBITDA	3,278	(10,928)	7,982	1,804	1,136
Adjusted EBITDA (excludes impairment)	4,703	9,276	8,148	1,804	1,136

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-18 reporting period due to only 7 months of data reported which means 5 months of expenses were excluded from the analysis.**

In terms of RAL's short to midterm financial viability, the key profitability metric to analyse is the operating EBITDA. This is defined in this analysis as operating earnings before tax, investment revenue and financing costs, depreciation, and amortisation. The operating EBITDA is measure of the cash flows generated from core operational activities of the business. Hence, in FY21 the Operating EBITDA loss of $1m means that operational activities resulted in a net cash flow loss of $1m, however after COVID-19 subsidy support of $2.2m, operations are $1.2m cash flow positive. In FY20 the operating EBITDA result after covid support means that $8.9m in operational cash flows were generated to service debt interest and principal repayments and rebuild cash reserves for future capital and maintenance commitments.

Key observations – assessment of financial viability in terms of operating performance

In terms of assessing RAL long term financial viability, the operating result incorporates the cost of depreciation. Depreciation represents the use of the future economic benefits of a capital assets useful life. Hence, an operating loss of $7.9m after COVID support in FY21 is not financially sustainable. However, we acknowledge that the last two financial years have been extraordinary events and the future profitability outlooks should be much more positive unless we experience a significant volcanic eruption in the peak of the ski season which is an inherent risk to RAL's operations.

In summary, RAL's historical operating profitability is currently not recovering the full cost of capital employed. It is important to note that operating result can be influenced by depreciation policy of the company. Determining an assets useful life is arbitrary and requires a level of professional judgement, hence depreciation policy on the useful life of assets will have a material influence on the operating result. Hence why it is important to review trends in both operating EBITDA and operating result together as both KPIs have their own inherent limitations.

For longer term financial viability, RAL will want to target at a minimum, a break-even operating result which means they are recovering the full cost of their capital infrastructure. This would mean they can better position themselves to replace capital assets using accumulated operating cash flows and become less reliance on more costly debt/and or equity financing.

Key observations – impairment of Turoa assets effect on FY20 financial performance

We note that for the FY21 reporting period, a further $1.4m has been impaired on the Turoa asset base. We find the impairments on the Turoa asset base for FY20 and FY21 extraordinary, given that the company do not understand the condition and state of the Turoa assets. On the 16th December 2021, the Board announced that Dopplemayr are conducting an independent review of the Turoa lifts. We are supportive of this review but make the note that the review cannot be regarded as fully independent given that the Turoa lifts are built by Dopplemayr Lifts. The review of the lift infrastructure should be a joint review to also incorporate the expert advice of Leitner (competitor ski lift company) to be regarded as a completely independent review process. A positive outcome from the Dopplemayr review may include alternative development proposals to provide upgrade packages to improve and extend the useful life of the existing Turoa lift infrastructure. For instance, Dopplemayr may be able to convert the Parklane, Movenpick, and Giant chair lifts into express chairs by modifying and utilising the existing lift infrastructure at a fraction of the cost. **Shareholders will need to be patient and adjust their expectations that the original Turoa proposal for brand new express chairs and a gondola to replace existing lift infrastructure may not be in their best interests. This is particularly important if they wish to continue to be a Shareholder in a ski operating company and not a shareholder in a shell company.**

In the previous FY20 annual report the Board of Directors financial narrative stresses a headline result which their opening statement addresses to a $22m net loss as the most significant in RAL history which is due to a $20m non cash impairment write down on assets. Our view is that the headline result should be focused on the recurrent operating performance of the organisation and exclude non-recurrent adjustments that have been derived from academic changes in accounting policy. In FY20, the Board requested the Auditors to focus on the value of assets and they were required to review impairment beyond normal book value and economic life and support the impairment with a discounted cash flow. The Boards reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic.

FY20 adjusted EBITDA (Earnings **before** interest, tax, depreciation, and **impairment**) which excludes the $20m impairment is $9.276m which is an improvement on $8.148m adjusted EBITDA for FY19. Hence, the timing and the abnormal necessity to conduct a revaluation of assets above and beyond the business-as-usual operating circumstances has materially influenced the total results and made the financial performance of the company appear significantly worse than its actual financial performance once abnormal accounting adjustments are eliminated from the performance metric. Hence for this reason, **we recommend that the operating result and operating EBITDA should be used as the key metric for measuring financial performance between comparative reporting periods.**

MBIE Emergency Debt and the Trojan Horse (Convertible notes)

The $5m emergency MBIE debt has convertible notes attached to the debt instrument. This debt is convertible into Equity in the NEWCO entity. This is highly controversial and political because this convertible note issue has been privately agreed to by the Board of Directors, RAL Trust and MBIE. A, B, and C shareholders are completely in the dark regarding the full details of this transaction. Shareholders were preparing to vote to transfer (sell) RAL's business to NEWCO at the SGM called for on the 26th November 2021 without any knowledge that there were convertible notes attached to the MBIE debt, nor had they received the terms and conditions for the convertible notes. Shareholders need to understand the following:

- Do MBIE intend to take over RAL's business? Or do they intend to sell their convertible notes to a private equity investor?
- Why were shareholders not advised that the Board were intending to issue convertible notes on the MBIE debt? It is important that shareholders have a say in this arrangement because the convertible notes issue will affect their future interest in the RAL business should the NEWCO progress
- How many shares does the convertible notes convert to and what % of the shareholding of NEWCO does this equate too?
- What are the dividend rights to the convertible notes shares and will the shares held by the RAL company in NEWCO be on the same terms and conditions? It is very possible that the shares RAL company holds in NEWCO have zero dividend rights. After all, RAL company cannot distribute dividends to its shareholders, therefore what would RAL do with its dividends?

We recommend that the Board renegotiates the emergency MBIE debt with MBIE to remove the convertible notes. RAL could agree to repay the emergency MBIE debt within three years as a compromise for MBIE forgoing the convertible notes option

Lastly, it is highly political that MBIE, a government organisation responsible for promoting regional employment, is potentially acting in an unethical manner by agreeing to a convertible note issue which would likely lead to the privatisation of RAL. These negotiations have occurred behind the backs of A, B, and C shareholders who have foregone dividends for nearly 70 years to ensure the RAL company remains financially viable. The issue of the convertible notes is also likely to be in breach of the RAL constitution.

We recommend MBIE research into the success rate of Private Enterprise ski operators on Mt Ruapehu and compare how unsuccessful these business models have been compared to the RAL which is a community crowed funded and tax exempt business model. We suggest if MBIE wish to promote long term and sustainable regional employment, they should strongly rethink their desire to privatise RAL's successful business model!

We recommend MBIE remove the convertible note condition from their emergency Turoa debt and make the conditions of the debt on the same terms as their $10m Sky Waka debt.

RAL External Debt financing analysis – Short versus Long

Table 10: RAL External Debt structure

	FY21 per financial statements	FY21 at face value	FY19 pre-COVID per financial statements	FY19 pre-COVID at face value	Maturity date	Cost of servicing FY21
	$000's	$000's	$000's	$000's		
Financed Short - to be repaid within 12 months						
ANZ Bank	5,900	5,900	1,000	1,000	30 Nov-22	4.33% pa
Ministry of Business, innovation and employment loan	2,790	5,000	0	0	30 Jun-22	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
	8,690	10,900	1,000	1,000		
% external debt financed short	**31%**	**31%**	**4%**	**3%**		
Financed Long - to be repaid after 12 months						
ANZ Bank	0	0	5,900	5,900		
Ministry of Business, innovation and employment loan	5,492	10,000	5,731	10,000	2028	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
Ruapehu district council loan	275	500	279	500	2028	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
Tourism infrastructure bonds	13,500	13,500	13,500	13,500	2028 and 2029	3% minimum, plus uncapped return based on $0.50 (indexed) per non-skier sky waka tickets
	19,267	24,000	25,410	29,900		
% external debt financed long	**69%**	**69%**	96%	97%		
Total Debt	**27,957**	**34,900**	**26,410**	**30,900**		

The Board of Directors narrative in the annual report are insistent on RAL requiring a capital restructure to satisfy the condition of lenders ANZ and MBIE. The table 10 above is an analysis of the external debt structure FY19 (Pre-COVID) and current debt for FY21 which is a pandemic year. **In FY19 before the pandemic RAL only had 3% to 4% of its debt financed short term**. This is based on whether you measure debt at face value or the revalued debt according to the closing balance sheet. **For the FY21 pandemic year, the short-term debt is now financed 31% short! This begs the question, is there a problem with RAL's corporate structure or is the real underlying issue with the debt negotiations being financed short term instead of longer term as seen in pre-COVID-19 times?**

Director Chris Swasbrook spoke at the 26 November 2021 RAL finance presentation. He made the comment that the Board should be applauded for their financing of the Sky Waka Gondola debt. In terms of the long term financing of the Sky Waka debt, we agree that the Board have done an excellent job in their financing of the Sky Waka Gondola based on the following:

- $10m MBIE debt for the Sky waka Gondola is practically an interest free loan. No interest accrual or principal repayment is due until the number of gondola sightseers reaches 300,000. This target is not forecasted to be reached until November 2029. The accounting treatment of debt recognises Grant income which is offset against the debt balance
- $500k Ruapehu District Council debt for the Sky Waka Gondola is on the same terms and conditions as the MBIE debt, therefore is practically an interest free loan. The accounting treatment of debt recognises Grant income which is offset against the debt balance
- $13.5m Tourism infrastructure bonds for the Sky Waka Gondola debt is based on a low 3% coupon rate plus an uncapped $0.50 (indexed) upside per non-skier Sky Waka gondola passenger. This is a clever financing strategy because it is sharing the risk of the Sky Waka investment with the Tourism infrastructure bond holders. Financing costs are very low around 3% while Sky Waka sightseeing patronage is well below expectations, and then the financing costs only increase with increased patronage levels. RAL business is not stressed by the increase in finance costs, because these increased finance costs are well and truly offset by the higher revenue levels generated from the high Sky Waka gondola sightseeing patronage

Chairman Geoff Taylor commented at the 26 November 2021 RAL finance presentation that the RAL has too much debt and not enough profitability. A deep dive into how RAL has financed its debt, we disagree. The longer term MBIE and Ruapehu District council is good debt. It is an interest free loan, it is not costing RAL anything to service, and they have until 2028 to accumulate enough operating cash flows to either repay in full, or refinance for another set term.

The Tourism infrastructure bonds have been structured to share the risk and return, so again this should be considered good debt because it is not costing RAL much to service.

We conclude it is the short term debt that needs to be restructured. We know the existing Board have the skills and capabilities to structure longer term debt favourably. Shareholders need to place pressure on the Board and RAL management to refinance their short-term to more favourable long term financing arrangements!

Table 11: List of New Zealand Banking Institutions

New Zealand Bank	Headquarters	Type	Parent Company
ANZ Bank	Auckland	New Zealand retail banking subsidiary	Australia & New Zealand Banking Group
ASB Bank	Auckland	New Zealand retail banking subsidiary	Commonwealth Bank
Kiwi Bank	Wellington	State owned retail bank	New Zealand Post
Bank of New Zealand	Auckland	New Zealand retail banking subsidiary	National Australia Bank
China construction Bank New Zealand		New Zealand retail banking subsidiary	China Construction Bank
Citibank New Zealand		New Zealand registered corporate banking branch of offshore banking group	Citibank
Co-operative bank New Zealand	Wellington	Co-operative retail bank	
Heartland Bank	Auckland	New Zealand listed retail bank	
HSBC New Zealand	Auckland	New Zealand retail banking subsidiary	HSBC
Rabobank New Zealand	New Zealand	New Zealand retail banking subsidiary	Rabobank
SBS Bank	Invercargill	Mutual retail bank	
TSB Bank	New Plymouth	Community trust retail bank	
Westpac New Zealand	Auckland	New Zealand retail banking subsidiary	Westpac
Bank of India New Zealand		New Zealand retail banking subsidiary	Bank of India

Recommendation – RAL management should consider having 95% of their debt financed long term. They have access to capital by issuing a Life Pass campaign to extinguish problematic short-term debt. There are at least 13 other alternative banking institutions in New Zealand that RAL could shop around to negotiate at better deal, refer table 11.

FY21 Support of the Bank and MBIE requiring RAL to review its corporate structure

On the 8th of November the Board announced an SGM for Shareholders to vote to transfer (sell) the RAL business assets and liabilities into a newly established "NEWCO" entity. This was to satisfy lending requirements of the ANZ bank and MBIE. Concerned Shareholders took legal advice from a top legal firm Wilson Harle who sent legal letters to RAL Trust and Board of Directors. Concerned shareholders also sent a copy of the FY20 Alternative report to the RAL Trust and Board of Directors and exercised their rights as beneficiaries to demand that the RAL Trustees adhered to their Trust Deed. It was fortunate that the alternative report was near drafted at the time SGM was announced. We are pleased that the Directors made a decision on the 22nd November to post phone the SGM. This decision according to the Board to delay the SGM was based on the continued support received by the ANZ bank to fund the FY22 season and high subscription rates for the early season pass campaign for the FY22 season. However, given how the FY21 financial position has worsened we believe it is more likely legal reasons that have delayed the corporate sale of business assets to NEWCO. There are some issues around The RAL Trust

shareholding being in breach of the Takeovers Code and MBIE emergency debt has convertible notes that are likely to be in breach of RAL's constitution. The RAL Trustees have likely breached their RAL Trust Deed by issuing a letter of support for the issue of the convertible notes in the MBIE debt instrument.

Shareholders are being asked to allow a corporate restructure to enable RAL to satisfy the conditions of ANZ bank and MBIE. It is important that Shareholders understand how RAL capital has been sourced across time and then decide for themselves whether the demands of the ANZ bank and MBIE are acceptable or do shareholders place pressure on the Board to revert to traditional and alternative sources of capital.

Table 12: RAL historical Sources of capital from 2007 to 2021

RAL capital expenditure cash flows and funding sources from 1st March 2007 to 30 November 2021			
		$000's	
Property Plant and Equipment cash flow expenditure		(106,825)	
Property Plant and Equipment cash flow expenditure funded by:			
Life pass sales	18,633		17.44%
Accumulated operating cash flows	38,000		35.57%
(Life Pass Sales + Accumulated Operating cash flows)		56,633	53.01%
Tourism infrastructure bonds		13,500	12.64%
Ministry of Business, Innovation and Employment loan		15,000	14.04%
Ruapehu District Council Loan		500	0.47%
ANZ bank debt facilities		10,450	9.78%
Net Insurance proceeds		10,742	10.06%
		106,825	

Table 12 above shows that historical forms of capital for RAL have been **retained operating profits (including life pass sales), this accounts for 53% of RAL's capital.** ANZ and MBIE proposal for RAL to restructure to NEWCO is likely to be detrimental to RAL's core source of capital. This is because the equity investors will likely want a share of accumulated operating cash flows paid out to them in the form of a dividend so that they can achieve the following:

1. Recoup their capital investment before the end of the 60-year ski field lease
2. Make an adequate return on their investment of at least 10%

Please refer to the NEWCO financial modelling which was prepared in the first alternative report and has been included in this report. This modelling suggests the NEWCO model is not likely to be financially viable. This is supported by history where Turoa ski field operations have consistently failed under private models, lasting between 4 and 10 years until the ANZ bank eventually made Turoa Holdings insolvent in 2000 and it was then salvaged by RAL.

ANZ Bank has provided 9.78% of the historical financing and therefore is one of the smaller financing partners, yet it is causing RAL the most disruption. There are at least 13 other Banks in New Zealand who RAL management could approach for a better deal that does not require shareholders to vote to sell their company in order to receive the financial support of the bank.

Table 13: ANZ Bank financing structure and details between FY08 to FY21

ANZ Bank balance movements between *FY08 and FY21		Financing Terms Short v Long
Opening balance 1st March 2007		
Non-current	4,250	**85%** Long
Current	768	**15%** Short
Opening balance 1st March 2007 (current + non-current)	**5,018**	100%
Loan drawn down - 1st March 2007 to 30 November 2021	**10,450**	
Loan repayments -1st March 2007 to 30 November 2021	**(9,568)**	
Net Increase in ANZ loan Facility	882	
Closing ANZ bank loan 30 November 2021		
Non-current	0	**0%** Long
Current	5,900	**100% Short**
Closing balance 30 November 2021 (current + non-current)	**5,900**	100%
Finance costs paid to ANZ bank and other lenders *FY08 and FY21	**(7,682)**	

The ANZ bank has committed funding until 30 November 2022. Given the size of the ANZ bank debt at $5.9m and RAL's operating profitability estimated to be between $7m and $10m per annum, it is impractical for RAL to have this level of debt agreed to on a short-term basis. The majority of this debt needs to be refinanced on a longer-term basis with another lender, should ANZ not come to the party. Table 13 above shows that the ANZ financing arrangement has become significantly less favourable over time. In March 2007, 85% of the ANZ bank debt was structured long term, with only 15% structured short term. ANZ moved their debt position to short term in FY20 due to the pandemic triggering a review event. The ANZ bank has likely become more unsettled as the Sky Waka investment security is held by MBIE and Tourism bond holders. ANZ bank hold security over all other RAL assets with the exception of the Sky Waka gondola.

Overall, between 1 March 2007 and November 2021, RAL have drawn down $10.5m in funding and repaid $9.57m in debt, therefore net debt has increased $882k. It is important to note that RAL have serviced $7.68m in debt over this time period for which the majority is related to the servicing of the ANZ bank debt.

Table 14: Extract from RAL FY21 Annual report - Note 1.1, page 34

The Company has undertaken the following steps to attempt to satisfy the conditions within the ANZ and MBIE agreements:

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).

Of concern is that the ANZ bank conditions are restricting RAL to revert to traditional forms of financing as per table 14 above. Life Pass issues have equated to 17% of RAL's capital raising efforts between 1st March 2007 and 30 November 2021. A Life Pass offering could be an alternative funding option to repay the ANZ bank debt and emergency MBIE capital. The Board of Directors and RAL Trust are pressuring Shareholders to sell out in the middle of a pandemic. The conditions of the ANZ Bank and MBIE is nothing more than a bully tactic to privatise RAL which is only in the best interests of a private equity investor who can buy in at a good price and reap the financial benefits. This is an inequitable proposition considering that Shareholders have foregone dividends for the last 70 years to ensure RAL can remain financially viable. The position that RAL is currently in is due to poor liquidity management and negotiation skills by RAL Management and inadequate governance by the Board. **The Board and RAL management need to refocus on refinancing ANZ and emergency MBIE debt to a longer-term basis and then prioritise achieving their targeted $10m operating EBITDA which was the premises for the Sky Waka investment**. Shareholders need to hold their Board to account and also the RAL Trust. **Shareholders cannot let the Board and RAL Trust weasel out on their obligations to shareholders in response to the demand of two lenders who are acting in breach of the RAL constitution**. **Future Life Pass holders will provide RAL a life line as they have done so for the last 70 years, hence the Board need to revert back to the traditional crowd funding business model as an urgent priority**.

Strategies to solve RAL's short-term debt pains (Alternative solution to privatisation strategies)

Three scenarios have been modelled to show some simple refinancing strategies that RAL Board and Management could employ to remove short-term debt and therefore reduce insolvency risk and the risk of RAL having to sell its business to private equity investors. In all three scenarios 10.9m short term debt needs to be refinanced from short term to long term. This is the $5.9m ANZ debt and the $5m (face value) emergency MBIE debt.

Table 15: Scenario 1 -refinance short term debt to long term

Short term debt to refinance - Scenario 1		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	$	10,900,000
Refinance all short term debt to long term per following strategies:		
Life Pass offering 1,946 passes @ $5,652 (GST) exclusive ($6,500 GST inclusive price)	$	10,998,792
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume 90% of new life pass holders (1,750) choose to purchase a share @ $250 each	$	437,500
Assume existing RAL shareholders and life pass holders collectively purchase 2,250 shares @ $250 each	$	562,500
	$	11,998,792
Surplus liquidity/working capital (Total Capital funds raised less repayment ANZ and MBIE short term debt)	$	1,098,792
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,563,792
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,563,792**

In scenario 1 a Life pass issue raises $11m. This funding can fully repay the 10.9m short term debt. A further $1m is raised from re-issuing the 4000 shares that have caused the RAL Trust to breach the Takeovers Code. These shares would be purchased by existing shareholders and then offered to existing and new life pass holders. This refinancing strategy will also increase working capital cash flow by $1.1m. This is because $12m has been raised to repay $10.9m short term debt. Assuming RAL achieves its minimum expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.56m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 39% cash coverage to external debt of $19m as per table 18 on page 47.

Table 16: Scenario 2 refinance short term debt. Life Pass sales campaign only achieves 50% of target

Short term debt to refinance - Scenario 2 assumes Life Pass Campaign only achieves 50% of sales target. RAL renegotiates Emergency MBIE debt long		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	**$**	**10,900,000**
Refinance all short term debt to long term per following strategies:		
Life Pass offering 973 passes @ $5,652 (GST) exclusive ($6,500 GST inclusive price)	$	5,499,396
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume 90% of new life pass holders (1,750) choose to purchase a share @ $250 each	$	437,500
Assume existing RAL shareholders and life pass holders collectively purchase 2,250 shares @ $250 each	$	562,500
Renegotiate Emergency MBIE debt to be long term		No cash impact
Total capital funds raised	**$**	**6,499,396**
Surplus liquidity/working capital (Total Capital funds raised less repayment of ANZ short term debt)	$	599,396
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,064,396
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,064,396**

In scenario 2 the life pass sales campaign is not as successful as planned. Only $5.5m is raised which is only 50% of the targeted $11m life pass capital being sought. **A further $1m is raised from re-issuing the 4,000 shares that have caused the RAL Trust to breach the Takeovers Code**. These shares would be purchased by existing shareholders first and then offered to existing and new life pass holders. This means the total life pass issue and internal share capital financing strategy has raised a total of $6.5m. This would payoff the $5.9m ANZ bank debt, however this leaves RAL $4.4m short to repay the emergency MBIE debt. The obvious option would be for RAL Management to renegotiate the $5m (face value) of the MBIE debt from short term to long term. The Board have negotiated favourable long term debt positions with MBIE debt on the Sky Waka gondola so it is difficult to believe that this would be not an option, particularly given the purpose of the MBIE debt is to promote financial sustainability and employment in the region. **The Board would likely need to renegotiate for the removal of the convertible note option attached to the emergency MBIE debt because this condition requires a capital restructure to transfer (sell) the RAL business to NEWCO.** Assuming the MBIE debt is renegotiated to longer term, there is no cash impact on this debt being refinanced. Overall, this financing strategy increases RAL's working cash capital by $600k ($6.5m raised less $5.9m ANZ debt). Assuming RAL achieves its minimum

expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.64m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 32% cash coverage to external debt of $22m as per table 18 on page 47.

Table 17: Scenario 3 refinance short term debt by renegotiating with ANZ bank and MBIE

Short term debt to refinance - Scenario 3 (No life Pass sale) renegotiate with ANZ and MBIE to finance their debt long on condition that they agree to remove the conditions requiring RAL privatise its corporate structure		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	**$**	**10,900,000**
Refinance all short term debt to long term per following strategies:		
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume existing RAL shareholders and life pass holders collectively purchase 4,000 shares @ $250 each	$	1,000,000
Renegotiate Emergency MBIE and ANZ debt to be long term		No cash impact
Total capital funds raised	**$**	**1,000,000**
Surplus liquidity/working capital (Total capital funds raised, no debt repaid as its renegotiated to long term)	$	1,000,000
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,465,000
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,465,000**

In scenario 3 a life pass capital raising is no longer an urgency because RAL have successfully gained the support and confidence of their lenders ANZ bank and MBIE to allow the short-term debt to be refinanced on a longer-term basis. The removal of COVID-19 restrictions and reopening of international boards is expected to see a much more favourable economic outlook across all New Zealand tourism related businesses. **The Board would need to ensure that conditions requiring RAL to transfer(sell) its business to NEWCO are removed.** Scenario 3 financing strategy **raises $1m from re-issuing the 4,000 shares that have caused the RAL Trust to breach the Takeovers Code**. These shares would be purchased by existing shareholders and then offered to life pass holders. There is no working cash flow impact on refinancing of the ANZ debt and emergency MBIE debt to long term. Assuming RAL achieves its minimum expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.47m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 27% cash coverage to external debt of $28m as per table 18.

Table 18: Scenario analysis - Debt and Liquidity position after refinancing strategy

Debt position - Scenario analysis	FY22 (Scenario 1)	FY22 (Scenario 2)	FY22 (Scenario 3)	FY21 (Actual)
	$000's	$000's	$000's	$000's
Financed Short - to be repaid within 12 months				
ANZ Bank	0	0	0	5,900
Ministry of Business, innovation and employment loan	0	0	0	2,790
	0	0	0	8,690
% external debt financed short	**0%**	**0%**	**0%**	**31%**
Financed Long - to be repaid after 12 months				
ANZ Bank (Alternative bank should ANZ insist on short term debt and privatising RAL's corporate structure)	0	0	5,900	0
Ministry of Business, innovation and employment loan	5,492	8,282	8,282	5,492
Ruapehu district council loan	275	275	275	275
Tourism infrastructure bonds	13,500	13,500	13,500	13,500
	19,267	22,057	27,957	19,267
% external debt financed long	**100%**	**100%**	**100%**	**69%**
Total Debt	**19,267**	**22,057**	**27,957**	**27,957**
Unrestricted cash/working capital	**7,564**	**7,064**	**7,465**	**2,465**
Liquidity ratio - unrestricted working capital cash coverage to external debt	39%	32%	27%	9%

Table 18 above shows the Debt and liquidity positions for the three scenarios and compares them against the actual FY21 position. As can be seen, scenario 1 with a successful life campaign is the best-case scenario. Debt is the lowest at $19m and working capital cash is the highest at $7.56m. All three scenarios are considerably better than the actual FY21 position. This is due to refinancing debt longer term minimises insolvency risk and allows the company time to trade its way out of trouble. The detailed operating and trend scenario analysis section of this report indicate that the expected operating EBITDA of RAL should be at least $7m. The Board had an original operating EBITDA target of $10m which is not unreasonable considering the pandemic has prevented the Sky waka summer business stream from reaching anywhere near its 300k plus forecasted sightseer visitor expectations.

Table 19: Ball Park FY22 operating cash flow estimate for Scenario modelling

Cash flow from $7m operating EBITDA -ball park assumptions and estimates		
Operating EBITDA	$	7,000,000
Less cash flows paid for financing costs	-$	1,000,000
Less deferred Life Pass revenue (non-cash revenue. Cash has been received upfront in earlier years)	-$	2,000,000
	$	4,000,000

Table 19 is a rough estimate of the operating cash flows for FY22 scenario analysis if a minimum $7m operating EBITDA result is achieved. This estimate has factored in $1m cash payments to service existing debt and $2m for deferred life pass revenue. Note this is a ballpark estimate only. It is important to note the scenario modelling has not accounted for any capital purchases based on the fact approximately $5m to $10m in emergency CAPEX has been spent in FY20 and FY21 on Turoa, and Whakapapa has just completed a $50m major upgrade.

Life Pass Crowd funding model and benefits

Life pass crowd funding model has been the traditional source of financing for RAL since its formation in 1953. RAL was built on Life Pass funding, it was utilised regularly from 1953 through to 1976. In 2000, a Life Pass campaign was used for the first time since 1976 to finance the purchase of the Turoa ski field from Turoa Holdings after it was sent into receivership by the ANZ bank. Between 2000 and 2019 numerous Life Pass funding campaigns have been used to raised funding for infrastructure upgrade projects. In total $45.6m has been raised from Life Passes over this time per the table below. This is a substantial amount of funding and is $15.6m more funding than the $30m being proposed to sell the company to a private equity investor. Once the private equity investor puts their $30m on the table, they will immediately be wanting to get a return on their investment and will unlikely have additional appetite to pour further equity capital into the mountain infrastructure over time, unlike the Life Pass crowd funding model that keeps on giving!

Table 20: Life Pass and 5 Year Pass Funding Campaigns since 2000

Year	Life Pass and 5 year pass funding raised	Life Passes and 5 year Passes sold (approximate)	Purpose/Project
2000	$ 6,000,000	2,700	Purchase Turoa
2006	$ 12,900,000	3,700	Turoa upgrades Highnoon Express, Apline café, snow making
2006	$ 3,300,000	2,500	Turoa upgrades- 5 year plus pass
2012	$ 2,300,000	1,000	5 year passes converting to Life pass users
2007 to 2010	$ 1,900,000	400	Sold upon request?
2013-2014	$ 300,000	100	Sold upon request
2016	$ 14,100,000	4,100	Whakapapa redevelopment program
2019	$ 4,800,000	1,000	Turoa upgrade program
Total 2000 to 2019	**$ 45,600,000**	15,500	

(*Data sourced from Graph - 26 November 2021 RAL finance update presentation slide 14)*

RAL have calculated the **cost of capital on Life Pass sales to be 3%-5% per annum** per slide 16 on their 26 November 2021 finance presentation. The cost of capital is based on season pass revenue forgone. This is a very cheap and efficient source of capital financing. Equity financing would have a cost of capital of around 10% plus because investors would require dividends to be paid. Debt financing is much higher risk due to that fact it requires principal repayments. Life Pass funding on the other hand is never repaid, therefore it is relatively risk free financing.

Table 21: Comparison of Life Pass funding to Private Equity and Debt funding sources

	Life Pass	Private Equity Investment	Debt
Cost of capital	3%-5%	10% minimum	0% - *8.95%
Risk	Low	Medium to Extremely High	Medium to Extremely High
Principal repayments	No	No	Yes
Dividends paid	No	Yes	No
Interest and financing servicing costs	No	No	Yes
Future revenue foregone	No, you get the Life Pass holders revenue upfront	**No current or future revenue generated**	**No current or future revenue generated**
Promotes future revenue growth	Yes, Life Pass Holders are pipeline revenue feeders. They are passionate about the Mountain and introduce friends and family to skiing on Mt Ruapehu	No - source of capital only	No - source of financing only
Financial Stability risk	Low	Extremely high	Extremely high
Ability to access additional capital	Yes, can issue new Life Pass campaigns over time. Every 5 years a new generation of fee paying skiers are available to replace ageing Life Pass Holders	Limited, depends on how deep the private equity investors pockets are and whether they believe they will receive a return on investment	Limited by the profitability of the company. RAL is at maximum debt carrying capacity

The table above shows that Life Pass crowd funding is by far the best form of capital financing available to RAL. Some shareholders have expressed their concerns that Life Pass funding can have a detrimental impact on companies recurrent operating revenue. A well structured life pass funding model should improve recurrent cash flows and recurrent operating revenue and not negatively impact on future operating revenue. Here are the following key points:

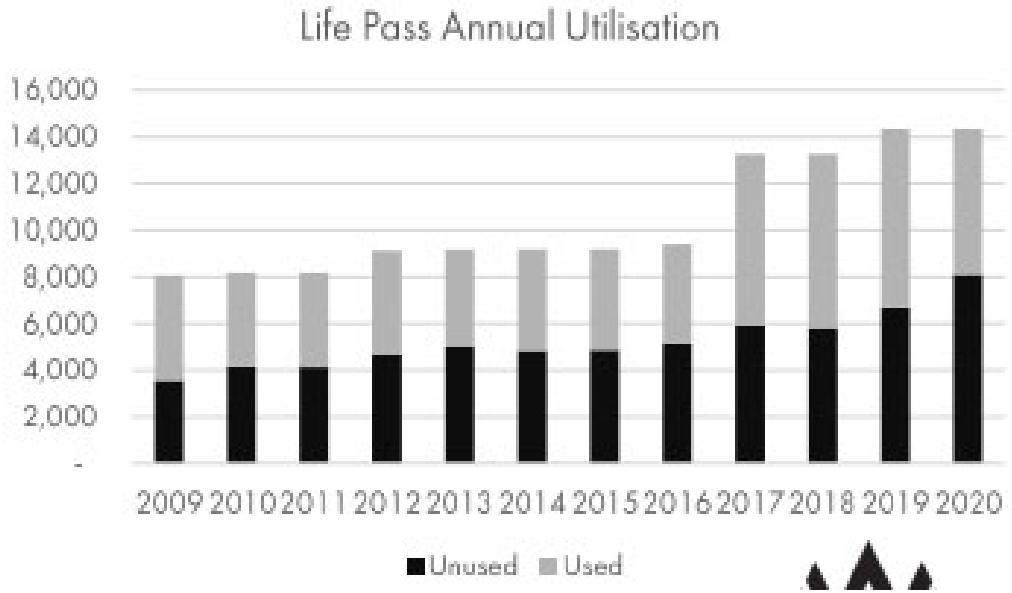
- **Life Pass funding should be structured to capture the skiers Lifetime worth of ski lift fees upfront**. We think if RAL lock in 10 years' worth of early bird season pass revenue, then they have committed the skier to a lifetime of skiing at Mt Ruapehu. They have maximised the revenue they will receive over the lifetime of that skier by committing them upfront. This is due to the following reasons:
    - **People are mobile beings**; they do not necessarily reside in one place for their lifetime. Life events may cause them to move somewhere that is inaccessible to Mt Ruapehu. For example, Life Pass holder may move to Australia or somewhere else overseas for work opportunities
    - **People have limited freedom and time**. Life circumstances change and People find they do not have the freedom to ski as much as they use too, therefore they are unlikely to buy a season pass every year. For example, people get married and have young families, purchase a

house and become committed to large mortgages. They no longer have time to take a couple weeks off to ski Mount Ruapehu evry season as they are now too busy working to pay the mortgage and look after a young family. People over time develop health problems and injuries as they age and therefore are forced to stop skiing altogether

- **People like choice, they are not necessarily going to commit to purchasing a season pass from RAL every year**. Some years they will redirect their skiing budget to commit to alternative ski holiday destinations in the South Island or even overseas to destinations such as North America, Europe and Japan

- **Life Pass funding does not negatively impact on recurrent cash flow.** If RAL uses debt financing and equity financing, this form of financing will result in recurrent cash outflows in the form of dividend payments, principal repayments, and servicing costs on finance. Life Pass operating cash flow has already been received upfront, therefore it has been received in advance
- **Life Passes on average are not well utilised by Life Pass holders.** Average utilisation of Life Pass is approximately 50%, and FY20 utilisation was approximately as low as 43% per review of Life Pass utilisation graph on slide 13 of the RAL finance update meeting presentation 26 November 2021 shown in figure 5 below

Figure 5: Life Pass Holder utilisation per slide 16 of the 26 November RAL finance presentation



- **Life Pass holders are natural Promoters and Revenue feeders.** People are naturally social beings. They like to do things in groups. This means they are going to introduce new skiers to the sport. The buddy pass system attached to Life Passes and Season Passes is a clever marketing strategy that Management have introduced. Life pass holders increase the future available market pool of skiers by acting as powerful and cost effective advocators and marketers for the RAL Ski field business

Life Pass funding capital raise – discounted cash flow modelling

To support our recommendation for RAL to issue Life Passes to fix the short term debt liquidity pressure from the ANZ Bank and MBIE, we have prepared some discounted cash flow modelling to demonstrate how a life pass issue might be structured to raise $11m.

Table 22: Assumptions for Life Pass structuring for $11m capital raise

Assumptions							
Current price of early bird season pass	$ 650	GST inclusive					
Life Pass Pricing methodology- multiple of years to season price	10	Years					
Life Pass Price	$ 6,500	including GST	$ 5,652	GST exclusive	$ 848	GST	
Capital raising target	$ 11,000,000	net of GST					
Number of Life Pass sales to be sold	1,946						
Current number of life passes	14,339	16,285					
Increase in total life pass holding	14%						
CPI	2.50%						
Discount rate (Based on cost of Equity financing)	**10%**	Per investor return assumptions in NEWCO modelling					
Life pass utilisation - worse case	100%						
Life pass utilisation - actual	50%						

Our core assumptions to make the Life Pass funding model work, **RAL require a skier to commit upfront to 10 years' worth of skiing** at the early bird season pass rate. RAL are targeting the keen skiers and snowboarders that live for the mountain. As discussed in the previous section of our report if you can get a skier to commit to 10 seasons on your mountain, you have done remarkably well to achieve that amount of business!

To raise $11m, RAL would need to sell 1,946 passes at rate of $6,500 (GST inclusive). We have compared the NPV of the cash flows for issuing a one-off life pass for the 1,946 skiers versus early bird season passes anually across a 30 year period. We have modelled two comparative scenarios for the season pass sales:

1) The group of 1,946 Skiers buy a season pass every year for the next 30 years. We assume that if this group of Skier's purchased a life pass, there life pass utilisation is 100%
2) The group of 1,946 Skiers buy a season pass every year for the first five years and then every other year of the next 25 years. We assume that if this group of skiers purchased a life pass, their life pass utilisation rate would average 50% after year 5

In the analysis we need to discount the cash flows to recognise the time value of money. $11m received upfront today in a Life Pass issue is worth a lot more than $11m in 30 years' time. The modelling shows at a 10% discount rate (time cost of money), $11m today is worth the same as $31m received from season pass sales across a 30 year period. In effect, the discount rate has costed in the dividend payout to the private equity investor should we choose to use Private Equity financing over Life Pass financing for the $11m capital raise. In our NPV analysis we have a discount rate of 10% based on the return expected by private equity investor because this would be the alternative financing arrangement to a Life Pass issue.

We know from RAL Life pass utilisation statistics that the average life pass holder utilisation for their life pass is 50%. At this level of utilisation, it would take 30 years for RAL to achieve a $11m NPV discounted cash flow by selling season passes. If the average life pass holder utilise d their life pass 100%, it would take 13 years for RAL to achieve a $11m NPV discounted cash flow by selling season passes.

In summary the NPV analysis shows that $11m upfront today from a Life Pass issue provides the same benefits to RAL that would be achieved by:

- Selling early bird season passes to this group of 1,947 skier's every year for the next 13 years (100% Life Pass utilisation)
- Selling early bird season passes to this group of 1,947 skiers for the next 5 years and then every other year for the next 30 years (50% Life Pass utilisation)

Table 23: $11m Life Pass capital Raise NPV Analysis versus recurrent season pass sales for a group of 1,947 skiers

NPV analysis - Discounted cash flow			
	Life Pass	Season pass (50% life pass utilisation after 5 years)	Season pass (100% life pass utilisation)
5 year	$ 10,999,130	$5,518,893	$5,518,893
10 year	$ 10,999,130	$7,457,447	$9,396,001
13 year	$ 10,999,130	$8,060,429	$11,144,003
15 year	$ 10,999,130	$8,819,311	$12,119,729
20 year	$ 10,999,130	$9,776,042	$14,033,190
25 year	$ 10,999,130	$10,448,160	$15,377,427
30 year	$ 10,999,130	$10,920,333	$16,321,773

Table 24: Present value of cash flows for Life Pass issue versus recurrent season pass sales for a group of 1,947 skiers

	PV (30 years)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Life Pass	$ 10,999,130	$ 10,999,130									
Season pass (100% life pass utilisation)	$ 55,532,529	$ 1,264,900	$ 1,296,523	$ 1,328,936	$ 1,362,159	$ 1,396,213	$ 1,431,118	$ 1,466,896	$ 1,503,569	$ 1,541,158	$ 1,579,687
Season pass (50% life pass utilisation after 5	$ 31,090,630	$ 1,264,900	$ 1,296,523	$ 1,328,936	$ 1,362,159	$ 1,396,213	$ 715,559	$ 733,448	$ 751,784	$ 770,579	$ 789,843
Cash flows continued		**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Life Pass											
Season pass (100% life pass utilisation)		$ 1,619,179	$ 1,659,658	$ 1,701,150	$ 1,743,679	$ 1,787,271	$ 1,831,952	$ 1,877,751	$ 1,924,695	$ 1,972,812	$ 2,022,133
Season pass (50% life pass utilisation after 5		$ 809,589	$ 829,829	$ 850,575	$ 871,839	$ 893,635	$ 915,976	$ 938,876	$ 962,347	$ 986,406	$ 1,011,066
Cash flows continued		**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Life Pass											
Season pass (100% life pass utilisation)		$ 2,072,686	$ 2,124,503	$ 2,177,616	$ 2,232,056	$ 2,287,857	$ 2,345,054	$ 2,403,680	$ 2,463,772	$ 2,525,367	$ 2,588,501
Season pass (50% life pass utilisation after 5		$ 1,036,343	$ 1,062,252	$ 1,088,808	$ 1,116,028	$ 1,143,929	$ 1,172,527	$ 1,201,840	$ 1,231,886	$ 1,262,683	$ 1,294,250

NEWCO proposal – What are the risks to Shareholders

Figure 7 on the following pages is a flow chart that clearly outlines the risks of the NEWCO proposal for which Shareholders were supposed to vote on the 26th November 2021 and has now been posted phoned to the AGM on the 28th May 2022. An investor had not been identified at this point, yet shareholders were requested to vote on the transaction with limited information. There was no draft constitution available for shareholders to review. Shareholders did not know what the future looked like. There are no positives or benefits that we can identify for shareholders to vote on this proposal.

Essentially, Shareholders need to decide if they want to be shareholders of RAL as:

A. RAL a commercial ski field, Sky Waka sighting and restaurant business
B. or RAL a shell holding company with potentially zero income generating assets (RAL share of NEWCO may not have dividend rights?)

The Board of Directors of RAL would likely share control of NEWCO with the new private equity investor, hence RAL shareholders are likely to have limited input in the future direction of NEWCO. RAL Shareholders hold shares in RAL which strictly prohibits dividends, this means **there is zero financial benefit for RAL shareholders to support privatisation.** It is important to make this comment should there be any self-interested shareholders out there who think they might profit from the privatisation of the RAL ski operation, you will not be entitled to a dividend, RAL the company might, however, its constitution prohibits a dividend distribution to its shareholders. **It is crucially important Shareholders understand what they are voting for!**

The publishing of the RAL Trust Letter of support and the RAL FY21 annual report has bought to light that there are convertible notes attached to the $5m emergency MBIE debt. A significant risk to RAL shareholder's is that this debt is convertible into equity in the NEWCO. RAL shareholders have very limited transparency on the details of this transaction.

We recommend RAL Shareholders vote AGAINST the transfer (Sale) of RAL's business into NEWCO until they have full transparency of the transaction to make an informed decision. This would require shareholders to have full transparency on the MBIE convertible note issue.

Figure 8 on the following pages is the Waiwera hot pools nightmare scenario. The significance of this scenario is that it brings to light the risks to commercial north Island skiing should the Private Equity Investors in NEWCO prioritise profit over world class skiing and snowboarding facilities. RAL has historically struggled to generate profits, therefore if the private equity investors are going to making a return on NEWCO they may need to change the business model and strip out the unprofitable parts of the business. The Directors in the February 2022 update have already discussed the possibility of selling off Turoa. The NEWCO company structure would give the Directors much more flexibility to make strategic decision in they way they feel best benefits the company and their shareholders. RAL shareholders will not be Shareholders of NEWCO, they will remain shareholders of RAL which will be no more than a helpless shell company should the Private equity investors have more than 50% control of NEWCO and/or all the dividend rights.

Figure 9 on the following pages shows that historically privatised ski field business models have not survived financially for any great length of time on Mt Ruapehu, with ownership averaging between four and ten years! This is significantly less than RALs current business model which has been in operation for nearly 70 years and counting. MBIE should pay particular attention to this fact. The job of the provisional growth fund is to promote long term sustainable employment.

Privatised ski field business models work in the South Island, why have they not worked on Mt Ruapehu?

1. Volcanic environment is not For Profit friendly

North island ski fields are all operated on Volcanos, unlike South Island and overseas ski fields which tend to operate on mountain ranges with much more stable weather conditions and limited risk of a volcanic eruption.

Darwin's natural selection has been at work for over 70 years and the only business models operating today in the north island are two community club fields and the two commercial fields operated by RAL. They are all operate Not For Profit business models which means all profits are retained and reinvested back into the ski field operations. In the rare year where a profit is made, no tax is paid on the profit, therefore 100% of the earnings are available for reinvestment.

Every so often the volcano will erupt, and this means it is critical that operational cash flows are retained to ensure the business can survive an extreme event such as an eruption. The problem with Privatised models, the operating cash flows are not retained because investors expect to receive an annual dividend payment.

2. Weather risk

The geographic nature of the North Island ski fields has a much higher weather risk, therefore antidotally, Mt Ruapehu has a higher number of closed days and poor weather days that limit skier numbers. Mt Ruapehu also has a coastal influence which causes severe rime icing which is tough on the lift's and equipment.

For Profit models do operate and are profitable in the South Island, but they are not operating on active volcanos with the same level of geological risk, severe weather risk and icing risk. The ski fields have different geography which mean they experience drier conditions, more stable snow and weather conditions.

3. Remoteness of location

The other challenge for Mt Ruapehu ski operators, is the distance from major population centres. Mt Ruapehu is four to four and half hours' drive from Auckland and Wellington. Mt Hutt is only two hours from Christchurch. Remarkable and Coronet peak are only half an hour or so from Queenstown. Treble Cone and Cardona are half an hour from Wanaka and about an hour from Queenstown.

The major commercial South Island ski fields are all within close proximity of an international airport and therefore benefit from the international tourism market. In comparison RAL and other north island club fields are remotely located and reliant on a smaller local domestic market.

In conclusion, the close proximity to major population centres and international airports to access to the international tourism market, combined with significantly more stable weather conditions are key success factors that support For Profit models in the South Island. Mt Ruapehu is a remote location that does not offer these favourable conditions and hence this is why privatisation models have historically failed in the pass and will likely continue to fail in the future. How many times have shareholders and Life Pass Holders booked a week skiing at Mt Ruapehu to find their trip has been materially weather affected which has limited the quality and quantity of their ski time!

Figure 6: Dangers of NEWCO proposal (SGM to vote to transfer (Sell) RAL business)

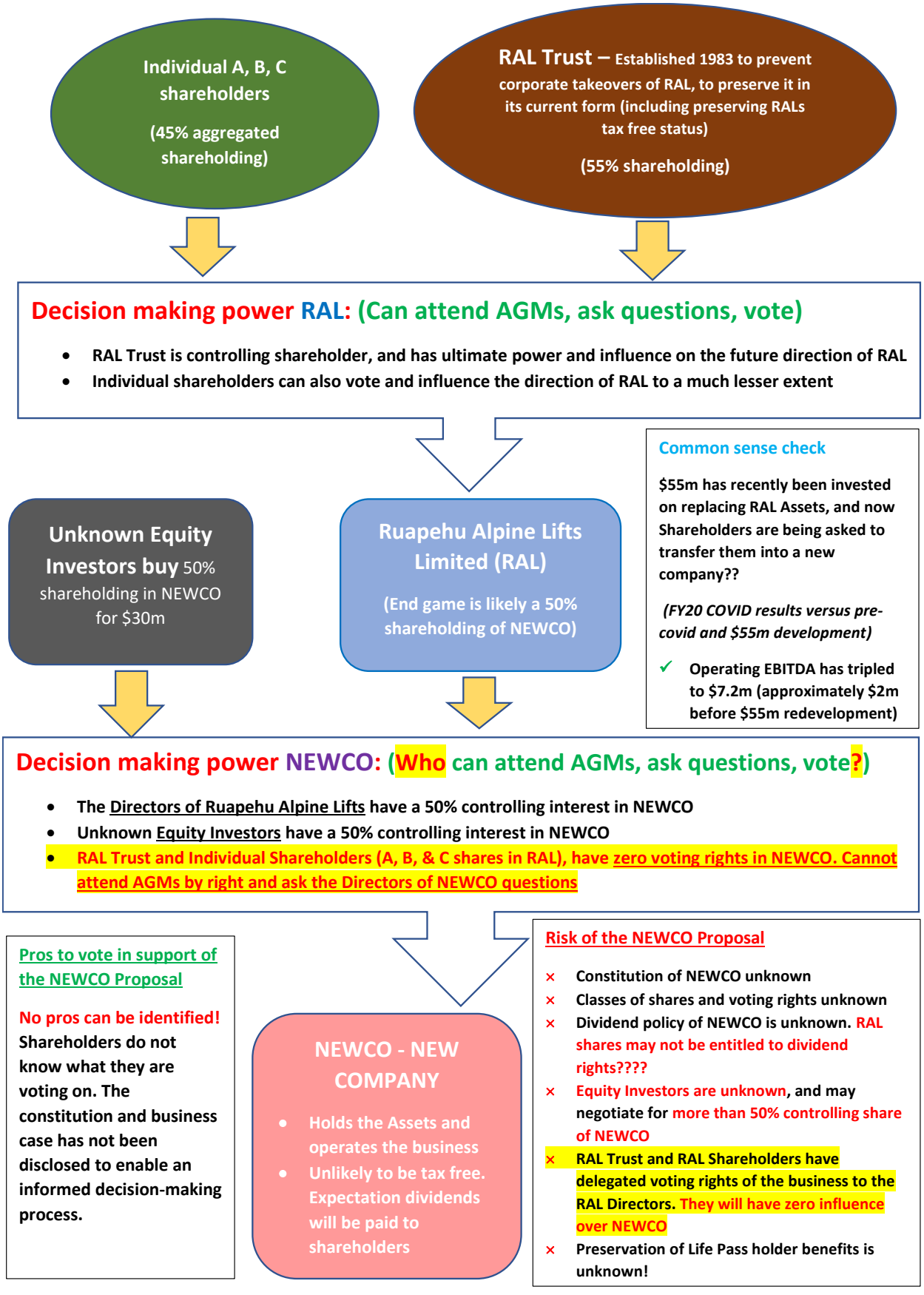
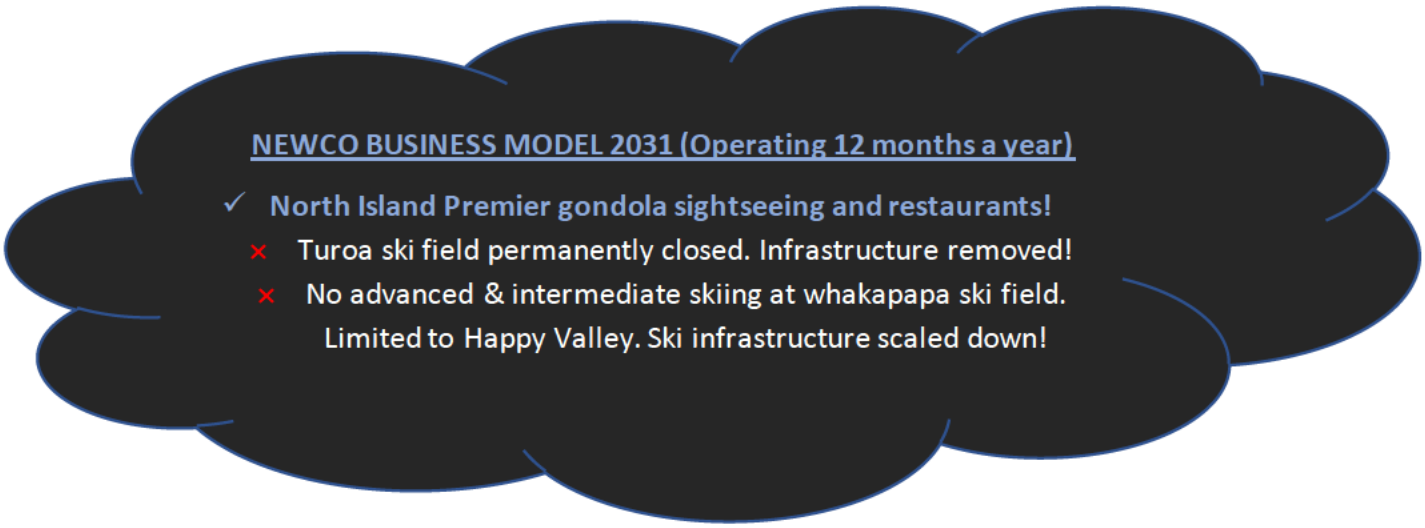


Figure 7: NEWCO WAIWERA HOTPOOLS NIGHTMARE SCENARIO



NEWCO Investor scenario. Prudent investor decision making process:

1. **Acquire 100% profit/dividend rights to RAL assets. RAL has completed a $55m development. Purchase for $30m equals a $25m discount!**
2. **Profit maximisation! Maximise dividends! Maximise return on investment to NEWCO investors holding dividend rights!**

Important! RAL's constitution will not allow a dividend payment to its own shareholders. You as shareholders of RAL will not benefit from profit maximisation!

NEWCO Investor thought process: Where to best invest our $30m equity? Repayment of Sky Gondola debt? Redevelopment of Turoa?

Promise to redevelop Turoa Ski field?

NEWCO proposal indicative investment range $20m to $55m

Turoa is only a 3 to 4 month a year business!

Is it worth investing $55m....???

Will this maximise profit? No!

Not enough return on investment! Let's pay off Sky Waka debt instead!

Figure 8: History Lesson: RAL current business structure versus other Privatised /equity investment business models on Mt Ruapehu

Crowd funding and community business model

69 years of financial stability to present

1953 Ruapehu Alpine Lifts was formed

In 1953, Swiss Ski instructor Walter Haensli and businessman Sir Brian Todd crowd funded RAL.

Their vision was to have chair lifts and T bars operating on Mt Ruapehu. They requested funding from the government, however this was declined

They persuaded hundreds of skiers to takeout shares and debentures. Debentures were unable to be repaid, so they were offered shares in RAL

1954 the first chair lift was opened by Sir Edmund Hillary

2000 Turoa ski field was salvaged by RAL

2019 opened the Sky Waka gondola

The strategic investment of sky waka gondola, has diversified RAL's risk to climate change, by developing a strong summer business season

Private investor/equity business model

22 years of constant restructuring

1978 – **AHI (Carter Holt Havery)** open Turoa Ski field

8 years later

1986 – **NZ Skifields Limited** (public company listed on the NZ stock exchange) formed to purchase ski area from Carter Holt Harvey (formerly AHI)

4 years later

1990 – NZ Skifields Limited is privatised by corporate takeover from **Turoa Holdings Limited**

10 years later

2000 – **Ruapehu Alpine Lifts** salvaged Turoa ski field from private company Turoa Holdings Limited

Conclusion: Privatised corporate business models on Te Maunga/Mt Ruapehu, that have not reinvested 100% of profits back into the infrastructure, have been proven unsuccessful. Financial viability of the For-Profit model has averaged a 7.3 year holding period. The Not-For-Profit model has lasted 69 years and counting!

Current threats to RAL for 2022 outside of RAL control

It is important to acknowledge that 2022 year will pose many challenges for the RAL Board and Management to navigate which are entirely outside of their control. These are the following threats that the RAL Board and Management will need to closely monitor:

Increased volcanic activity. The crater lake is slowly heating, and Mt Ruapehu is currently at Level 2 alert. This means there is an excursion zone within a 2km perimeter of the crater lake. Should Mt Ruapehu remain at level 2 alert settings for the entire 2022 ski season this may mean that the High noon express chair may not be able to operate. This could adversely affect Turoa winter patronage if the prize lift is not able to operate. The level 2 settings are likely to limit operations for the Far West ski area on the Whakapapa ski field.

On the 9th December 2019 the Whakaari White Island volcanic eruption was a stark reminder of the power and dangers for operating a tourism business on an active volcano. Tragically, this eruption occurred when the island was under level 2 alert settings and resulted in 22 fatalities and 25 seriously injured survivors. This eruption has devastated Whakaari White Island tourism sector for the foreseeable future.

La Nina weather patterns. Mt Ruapehu has been experiencing more persistent La Nina weather patterns. This generally means a later start to the season due to snow falls arriving later.

Ukraine War situation: The Russian invasion of Ukraine is causing global instability and rising energy prices. The West have heavily sanctioned Russia who are one of the world's largest energy suppliers. This is driving up energy prices. Increasing energy prices will likely cause further inflationary pressures and therefore increased operating costs for businesses globally. Global instability increases the risk of the New Zealand and world economies to fall into a global recession.

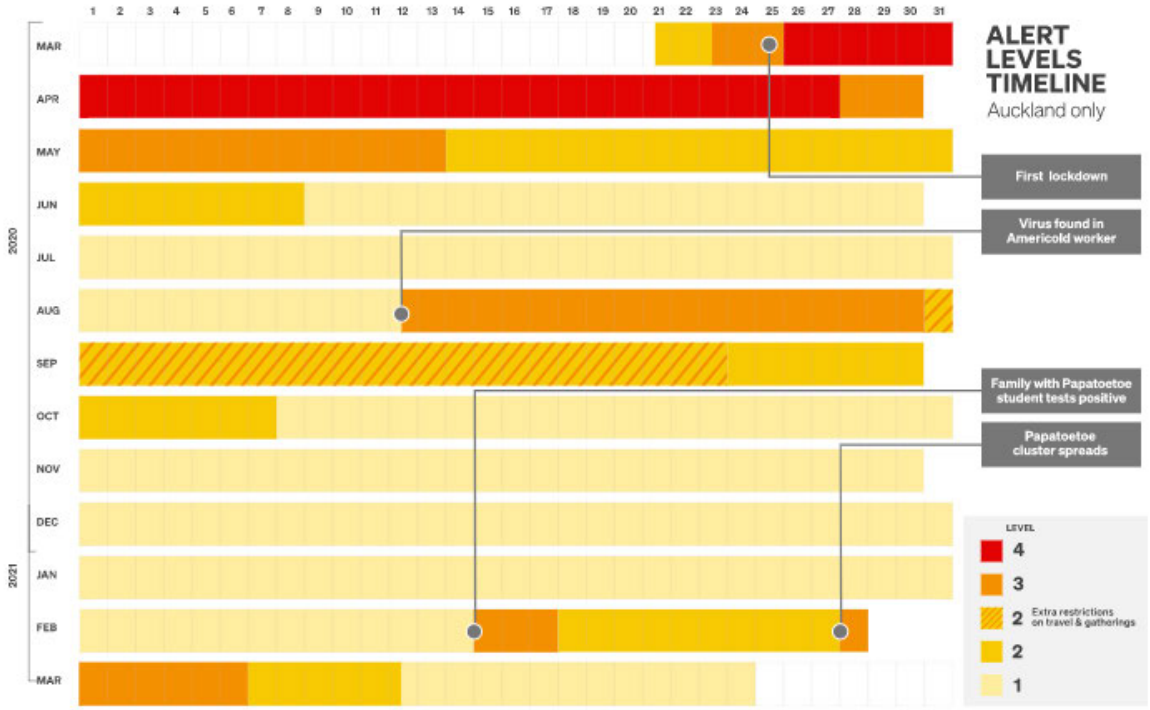
Ongoing global pandemic: The COVID-19 virus will continue to circulate and mutate into new strains. This means world health systems will be under constant pressure. We have already seen how the pandemic has impacted logistics and supply chains. China which has the world's largest economy continues to pursue elimination and lock down strategies which is causing supply shortages across the world. China's economy is currently in recession, this will have flow on effects for the global economies.

Given the high levels of uncertainty got factors and events outside of RAL control, both locally and globally, it is more important now than ever for the RAL Board and Management to keep their business model simple and pay close attention to optimising their daily operations.

FY20 COVID-19 restrictions, Lockdowns and support of the Bank

New Zealand went into two separate lock downs during 2020 due to the COVID-19 pandemic outbreaks.

Figure 9: COVID-19 timeline of induced locked down and alert level restrictions



Source data: https://www.rnz.co.nz/news/national/437359/timeline-the-year-of-covid-19-in-new-zealand

First 2020 lockdown:

- Level 4 lock down restrictions 26th March to 27th April
- Level 3 lock down restrictions 1st May to 13th May
- Level 2 alert restrictions 14th May to 7th June

Second 2020 lockdown

- Level 3 lockdown 13th August to 30th August
- Level 2 restrictions 31st August to 7th October

Key observations – support of the bank amidst the pandemic

The pandemic event triggered an event of review under the terms of the ANZ loan agreement with the bank. This resulted in the bank re-assessing RAL ongoing financial support to month-to-month basis. The decision by the bank was based on worst case cash flow modelling scenarios presented by RAL to the bank should they not be able to operate for the winter. The Bank, then upon certainty that RAL could operate over the winter season, extended loan facilities to November 2021. However, ANZ bank has a number of conditions for ongoing financial support, one of which included a capital restructure for how the company accesses capital. The note 1.2 of the FY20 annual report states these milestones for a capital restructure were not met and therefore the ANZ bank could technically call their loan facilities at any time before the November 2021 expiry. The new milestone date for the review of the revised capital structure is planned for the 1st December 2021. It was these liquidity factors that resulted in the Auditor Deloitte issuing a qualified audit opinion regarding the material uncertainty of RAL as a going concern should the ANZ bank call upon there $5.9m debt before the November 2021 expiry. **In ordinary operating times, a large component of the ANZ debt should be structured or renegotiated to outside of 12 months terms**

The decision by the ANZ bank to finance RAL on monthly and short-term basis has placed RAL into a very vulnerable liquidity position because the Bank can technically call upon their $5.9m debt at any time. Interestingly, the approach ANZ bank have taken with RAL in the face of a pandemic is vastly different to how the banks have supported their mortgage holders to keep the housing market propped up by offering six-month mortgage repayment holidays within two days of New Zealand going into a level 4 lockdown on the 27th of March 2020. To put this into context, the ANZ debt of $5.9m is equivalent to the mortgage on six or seven Auckland homes and assuming the average household income before tax to service this debt is $160k pa, this consolidates to a $1m EBITDA which is significantly less than the $7.3m to $9.5m operating EBITDA potential of RAL. RAL's total debt as at November 2021 is $25.9m, therefore they have an EBITDA income to debt ratio of $1m EBITDA to $3.5m debt. This EBITDA to debt ratio compares favourably to the seven Auckland houses with a ratio of $1m EBITDA to $6m debt.

In times where the global economies were under unpresented uncertainty due to the COVID-19 pandemic, the ANZ bank should have provided additional support and leniency to RAL as they did for the housing sector, particularly when government bodies funded by the taxpayers have contributed $10.5m worth of financing through the Provisional Growth Fund and Ruapehu District Council. We also note Bank fees increased from $37k in FY19 to $230k in FY20. This increase in Bank fees was due to RAL appointing an independent ANZ Banking consultant to assess the month to month performance (Geoff Taylor -26 November finance presentation). The ANZ Bank's continued support is based on a condition that RAL perform a capital restructure, which is in breach of the constitution. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who can provide committed financial support facilities on the basis of their positive EBITDA potential and on the condition that they significantly scale back on $55m Turoa development plans.

Detailed operating result trend and scenario analysis

Table 25: Ruapehu Alpine Lifts Operating Result Trend and scenario analysis

RAL "Normalised" Headline Operating Results	Actual			Variance to FY19 Pre-COVID levels		*April Year end		**No COVID-19 Estimate	Core assumptions
	FY21 $'000s	FY20 $'000s	FY19 $'000s	$'000s	%	*FY18 $'000s	*FY17 $'000s	FY21 base ($'000s)	FY21 estimate without COVID-19 event
Operating revenue									
Service revenue	24,097	29,924	33,999	(9,902)	-29%	28,570	24,399	40,965	70% increase
Investment revenue	274	219	308	(34)	-11%	331	340	274	no change
Operating revenue	24,371	30,143	34,307	(9,936)	-29%	28,902	24,739	41,239	
Operating expenditure									
Staff costs	12,629	10,109	14,257	(1,628)	-11%	13,356	11,088	15,976	39% of Service Rev.
Director fees, board and governance	263	292	408	(145)	-36%	221	210	263	no change
Depreciation and amortisation	7,926	10,288	5,590	2,336	42%	5,900	4,165	7,926	no change
Finance costs	1,494	1,486	1,303	191	15%	467	326	1,494	no change
Lift maintenance, grooming & snow making services	1,395	1,214	1,331	64	5%	1,220	1,081	2,048	5% of Service Rev.
Other routine maintenance, fuel and supplies	1,102	846	1,703	(601)	-35%	1,386	1,279	1,639	4% of Service Rev.
Other Suppliers and Services	2,863	2,908	3,209	(346)	-11%	2,624	1,945	4,008	40% increase
Insurance	1,805	1,652	1,459	346	24%	987	859	1,805	no change
Electricity usage and line charges	1,884	1,897	2,608	(724)	-28%	2,065	1,950	2,638	40% increase
License Fees, Rates and Ski Area Levies	43	716	1,600	(1,557)	-97%	1,223	1,235	1,600	FY19 pre- COVID fees
IT and communication	759	703	806	(47)	-6%	484	499	759	no change
Marketing	408	430	730	(322)	-44%	867	471	408	no change
Cost of sales	1,854	1,893	2,558	(704)	-28%	2,152	1,715	2,596	40% increase
Audit fees	98	54	68	30	44%	33	38	98	no change
Total operating expenditure	34,523	34,488	37,630	(3,107)	-8%	32,985	26,859	43,258	
Operating Result	(10,152)	(4,345)	(3,323)	(6,829)	206%	(4,084)	(2,120)	(2,019)	
Operating EBITDA	(1,006)	7,210	3,262	(4,268)	-131%	1,952	2,030	7,127	
COVID-19 support	2,203	1,715							
Operating Result after COVID subsidy	(7,949)	(2,630)							
Operating EBITDA after COVID subsidy	1,197	8,925							
Staff costs as % of Service revenue	52%	34%	42%		10%	47%	45%	39%	
Depreciation costs as % of Service revenue	33%	34%	16%		16%	21%	17%	19%	
Finance costs as % of Service revenue	6%	5%	4%		2%	2%	1%	4%	
Total maintenance and service costs % of service revenue	10%	7%	9%		1%	9%	10%	9%	
Other Suppliers and Services	12%	10%	9%		2%	9%	8%	10%	

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-18 reporting period. This is because only 7 months of data is reported which means 5 months of expenses were excluded from the November-18 analysis**

Table 3 is a detailed review of RAL operating result for FY21 to FY19 which have November reporting dates and *FY18 and *FY17 which have April reporting dates. All comparative periods are 12 months. The detailed mapping of the annual reports to account categories is appended to this report, which enables a full reconciliation of the operating analysis back to the annual reports. The analysis also includes a scenario to estimate to estimate what the FY21 financial results might have been if the COVID-19 pandemic had not occurred. The purpose of this exercise is to forecast the profitability of RAL now that Whakapapa has been redeveloped with the Sky Waka Gondola.

The following observations are mostly made against the FY19 which was the last pre-COVID year. FY20 was a COVID affected year, so it is not a good benchmark comparison.

Key observations FY21 versus FY19 (pre-COVID year):

- The timing and severity of the Delta outbreak in peak season and the extended lockdowns have significantly hurt operating revenue levels. **Service revenue of $24m is $9.9m (29.9% decrease) down on to FY19 service revenue of $34m and $5.8m down on FY20** which is also COVID-19 affected year. Service revenue includes lift sales and sales of goods and services. Our estimates are that service revenues is 70% down on what it should have been in a normal non-COVID-19 pandemic year, considering the new Sky Waka gondola investment. As a point of reference, the Tongariro crossing bookings are 80% down on pre-pandemic levels
- RAL operational management in the face of the pandemic have made significant cost saving initiatives in nearly all areas of the business with only costs increasing significantly in depreciation $2.3m (42% increase) due to the Whakapapa redevelopment, finance costs increased $191k, insurance costs increased $346k, and audit fees increased $30k (44% increase). Costs in all other key operating categories have reduced between 6% and 97%. **Overall costs have declined 8% compared to FY19 pre-pandemic year**
- Staff costs $12.6m were reduced by $1.6m which is a 11% reduction on FY19 staff costs at $14.3m. FY20 staff costs were reduced 29% down on FY19 to $10.1m
- Staffing costs as % of operating revenue for FY21 were as high as 52% of service revenue. This staffing ratio reflects that it was difficult for RAL to reduce their staff costs for the significant fall in revenue, although Auckland and Northland markets were locked out, they had an obligation to keep the mountain operational for the remaining New Zealand market
- Staffing costs for FY20 have reduced to 34% of service revenue which is a significant decrease from FY19 with staffing costs at 42% of revenue. This shows the aggressive staff reduction strategies RAL implemented to ensure the company stayed financially viable throughout the duration of the ski season, noting that bank support was on a month-to-month basis. To achieve the FY20 staff cost reductions meant operating the ski field at reduced capacity. The uncertainty of the COVID-19 pandemic made it very difficult for RAL to plan their FY21 staffing. If they aggressively reduced their staffing as they did in FY20 and if then restrictions were removed, then this potentially exposes RAL to a workforce shortage issue and customer dissatisfaction for operating at reduced capacity for two years running

- Licence fees, rates, and ski are levies reduced $1.56m (97% decrease). DOC waiving significant proportions of their licence fee due to COVID-19 has been a great support to RAL's financial viability
- Lift maintenance, grooming & snow making services costs increased $64k (5% increase) as the bulk of the maintenance is likely done pre-season
- Other routine maintenance, fuel and supplies cost reduced $601k (35% decrease)
- Electricity usage and line charges reduced $724k (28% decrease)
- Marketing costs reduced $408k (44% decrease)
- Cost of sales reduced $704k (28% decrease)
- Board and governance costs reduced $145k (36% decrease)
- Other supplies and services cost reduced $346k (11% reduction)

Key observations scenario analysis FY21 - No COVID pandemic event

The scenario analysis is a best attempt effort to estimate the operating potential of RAL in a normal FY21 year, assuming there was no global pandemic disrupting operations and also considering the profitability on the basis that Whakapapa has been significantly redeveloped with the Sky Waka Gondola. The scenario makes key assumptions that the pandemic has caused a 70% reduction in sales which is based on the fact that Tongariro crossing bookings are down 80% pre-COVID-19 levels. Our belief is that RAL with the Sky Waka gondola investment should have an operating revenue in excess of $40m per annum. As a point of reference FY19 had operating revenue of $34m and FY18 for the seven months 1st May 2018 to 30th November 2018 had operating revenue of $35m. Other key assumptions are that staffing costs are maintained at 39% of service revenue. To operate RAL there is a certain level of fixed staffing costs required to fully open all lifts, restaurants, and facilities. It is unlikely that RAL will be able to maintain a super lean staffing ratio of 34% staff costs as a % of service revenue as seen in the FY20 year, which is what they achieved during the pandemic by sacrificing service capacity. However, there is likely to be an economies of scale factor where revenue can be increased by selling additional lift tickets without having to increase staffing costs. Hence the 39% staff cost assumption used in the scenario modelling estimates staff costs of $15.9m to service revenue of $41m. Our scenario modelling suggests that in normal year RAL operations should be able to achieve a minimum $7.1m Operating EBITDA. This is not unrealistic because an operating EBITDA excluding COVID-19 support of $7.2m was achieved in the COVID affected FY20 year.

- RAL under the "no COVID-19 pandemic scenario" is estimated to return a $7.1m operating EBITDA result
- RAL under the "no COVID-19 pandemic scenario" is estimated to generate an operating result loss of $2m
- Maintenance and service costs as % of service revenue is assumed to be 9% of Service revenue. Traditionally this ratio has been around 9% to 10 % of service revenue
- The Board of directors have noted that the Sky Waka Gondola has the potential upside to increase revenue significantly without incurring any further cost expenditure. This has not been modelled into the scenario modelling. Expenses with variable characteristics have been increased to reflect higher revenue. Therefore, we think the $7m operating EBITDA in normal trading times is a conservative minimum target and that Management should be pursing to achieve an operating EBITDA in excess of $10m per annum

Figure 10: Operating Financial Performance trend and Winter Visitor Numbers



FY21 poor operating performance is strongly correlated to the drop in winter visitors. In FY21 there are 250 thousand winter visitors compared to 390 thousand visitors in the FY19 year before the pandemic. FY19 is the first year of the Sky Waka Gondola, and of concern it has seen a drop in winter visitor numbers compared to previous year FY18. The reduction in the car parking at Whakapapa maybe a factor limiting the number of skiers who can easily access the mountain. The RAL annual reports are not transparent to the profitability of the summer operations and the extent to which the summer operation subsidises RAL for the reduction in winter visitors.

As can be seen, the FY20 and FY19 periods with the Sky Waka are more profitable from an operating EBITDA perspective than the prior years *FY18 and *FY17 with an average EBITDA of approximately $2m respectively. However, the FY21 has the worst operating EBITDA with a 1m loss which improves to a $1.1m surplus after the $2.2m COVID-19 subsidy support. The fact that RAL have achieved a positive operating EBITDA surplus after COVID subsidy support is massive achievement given that operating revenue is down $9.9m on pre-COVID levels and up to $16m down on what it should have been considering record high inflation increase costs.

The Sky Waka gondola investment effectively makes RAL a 12 month a year business. The Board have noted that the Sky Waka has the potential upside to materially increase revenue without any additional capital cost. The Board have also noted they have an unknown downside for future capital infrastructure costs to replace and upgrade the Turoa assets. The Doppelmayr Lift review will provide further insight into these unknown capital costs. These are two material pieces of information that the Board have provided feedback that were missing from the first alternative report, and in their opinion are important when commenting on RAL 's future profitability.

Balance Sheet Analysis

Table 26: RAL Balance Sheet Trend

RAL Balance Sheet analysis and trends	November reporting date				April reporting date	
	FY21 $000's	FY20 $000's	FY19 $000's	**Nov-18 (7months)	*FY18 $000's	*FY17 $000's
Current assets						
Cash at bank	2,465	4,966	1,564	6,718		970
Restricted funds in trust	653	512	3,705	9,307		
Trade and other receivables	393	1,102	2,243	2,108	246	487
Life Pass finance plan	69	148	226	130	237	339
Inventories	680	750	1,020	424	673	764
Prepayments	64	353	1,139	575	60	204
Fair value of derivatives						67
Total current assets	4,324	7,831	9,897	19,262	1,216	2,831
Non-current assets						
Life pass finance plan	0	113	290		70	355
Property plant and equipment	57,282	62,164	86,799	74,548	66,410	62,795
Intanigble assets	774	745	1,423	1,130	1,208	896
Total non-current assets	58,056	63,022	88,512	75,678	67,687	64,045
Total Assets	**62,380**	**70,853**	**98,409**	**94,940**	**68,903**	**66,876**
Current liabilities						
Overdraft facility					3,691	
Lease liabilities	20	559	573	356	105	
Trade and other payables	2,475	4,609	4,974	5,546	3,794	4,639
Deferred grant income	264	9	484	2,854		
ANZ Bank borrowings	5,900	5,900	1,000	3,700	600	600
Ministry of Business, innovation and employment loan	2,790					
Fair value of derivatives	0	9	29	15	24	
Revenue in advance	5,905	6,423	6,546	7,761	7,281	4,736
Life Pass revenue deferred	1,587	1,960	2,172	1,760	1,776	1,867
Total current liabilities	18,941	19,469	15,778	21,992	17,271	11,842
Non current liabilities						
Lease liabilities	0	20	515	548	123	
Bank borrowings	0	0	5,900	3,800	6,900	4,400
Ministry of Business, innovation and employment loan	5,492	6,244	5,731	5,260		
Ruapehu district council loan	275	304	279	256		
Tourism infrastructure bonds	13,500	13,500	13,500	9,500		
Life pass deferred revenue	13,582	14,858	17,765	16,040	17,883	19,677
Total non-current liabilities	32,849	34,926	43,690	35,404	24,906	24,077
Total Liabilities	**51,790**	**54,395**	**59,468**	**57,396**	**42,177**	**35,918**
Net Assets/Share holder Equity	10,590	16,458	38,941	37,544	26,726	30,957

FY21 key observations – balance sheet

- Of immediate concern is that ANZ bank debt of $5.9m remains to be financed short
- MBIE emergency debt of $5m has been financed short due to conditions of the establishment of the NEWCO entity were not met. This debt has been revalued to $2.790m as at 30 November 2021 due to favourable financing conditions, accounting standards and policy
- Unrestricted cash has reduced from $4.966m down to $2.465m. RAL need a Life Pass offering to increase working capital and remove its reliance with the ANZ bank debt and the short term MBIE debt

- ANZ bank support is only funded until 30 November 2022 and future support is likely to be conditional on a capital restructure. **There are 13 alternative banks in New Zealand and with total Plant and equipment with a $57m carrying value, there is approximately over $30m in property plant and equipment to provide as security,** understanding that MBIE and Tourism infrastructure bond holders have security over Sky Waka. RAL management need to shop around for a new Bank or negotiate more favourable and longer-term financing that is aligned to RAL maintaining its tax-free status
- Net assets have further declined to $10.59m for FY21 ($16.46m for FY20)

Prior year FY20 Key balance sheet observations

- **ANZ Bank borrowings $5.9m were reported as non-current in FY19 has all become current in FY20 due to the pandemic trigging an even review with the bank. This changed the banks level of support from long term financing to short term financing on a month-to-month basis. This has placed RAL in an extreme liquidity risk position because technically the bank could call for the debt to be repaid at any time**. Generally, under normal circumstances a large proportion of this bank debt would be structured as non-current which means it is repayable outside of 12 months. Auditors Deloitte issued a qualified Audit opinion to RAL having material uncertainty to them being a going concern. This is because the ANZ bank could technically recall for repayment of the $5.9m debt at any time. There was no long-term commitment given by the ANZ bank to continue their support to that debt facility. RAL only have $4.966m cash in the bank at balance date, therefore they are approximately $2m short to be in a position to repay the $5.9m debt back to ANZ bank at a moment's notice (assuming they need to still have at least $1m cash in bank as working capital upon repayment of the $5.9m bank debt)
- In *FY18 (Apr-18) cash position was at its lowest being $3.91m in overdraft which improved to $6.718m cash in the bank as at ** Nov-18 due to four months of winter trading and financing coming through from MBIE, Tourism infrastructure bonds, and Ruapehu district council
- Property plant and equipment assets in *FY17 are $62.8m, increase to a peak at $86.8m in FY19. The asset growth is mostly due to investment in Whakapapa and the Sky Waka Gondola development. Property plant and equipment assets significantly reduce in FY20 to $62.2m. This is mostly due to a $19.9m impairment on the Turoa ski field assets
- Net Assets have declined from $39.9m in FY19, down to $16.47m in FY20 as a result of the $19.9m Turoa asset impairment write down. **Essentially, 50% of Shareholder equity has been written off the balance sheet as a result of the Turoa asset review**

Table 27: Key balance sheet KPIs

Key balance sheet KPIs	FY21	FY20	FY19	**Nov-18	*FY18	*FY17
Capital adequacy ratio - Net Assets % total assets	17%	23%	40%	40%	39%	46%
Unrestricted free cash	**2,465**	**4,966**	**1,564**	**6,718**	**0**	**970**
Total Debt ($000's)	**27,957**	**25,948**	**26,410**	**22,516**	**11,191**	**5,000**
Liquidity ratio - Unrestricted cash as % of total debt	**9%**	**19%**	**6%**	**30%**	**0%**	**19%**
Current ratio 1	23%	40%	63%	88%	7%	24%
Current ratio 2 (Excluding Revenue received in advance and Life pass revenue deferred)	38%	71%	140%	154%	15%	54%
Net working capital 1	(14,617)	(11,638)	(5,881)	(2,730)	(16,055)	(9,011)
Net working capital 2 (Excluding Revenue received in advance and Life pass revenue deferred)	(7,125)	(3,255)	2,837	6,791	(6,998)	(2,408)

Figure 11: RAL Liquidity trend

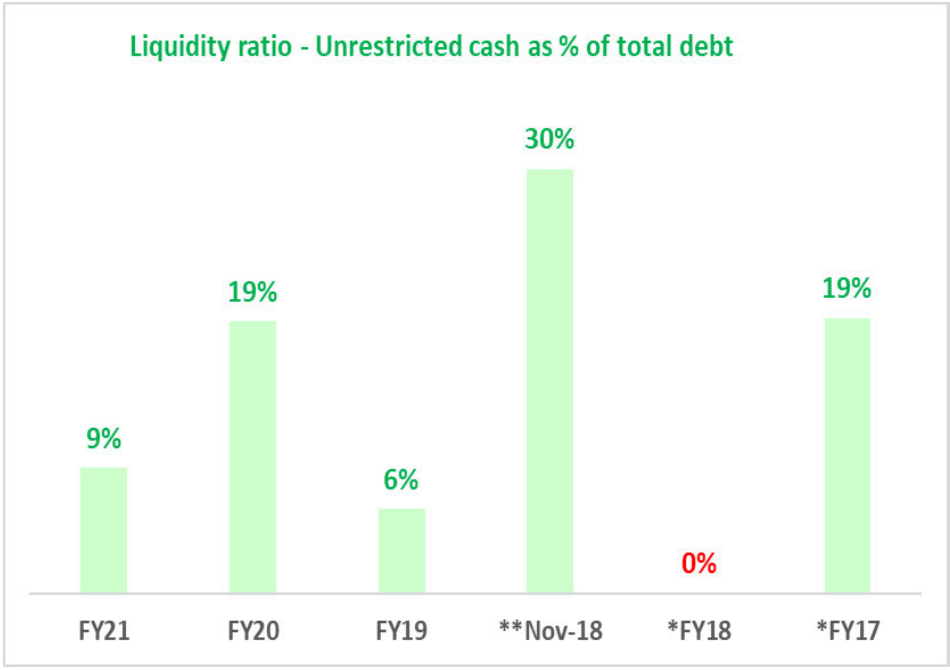
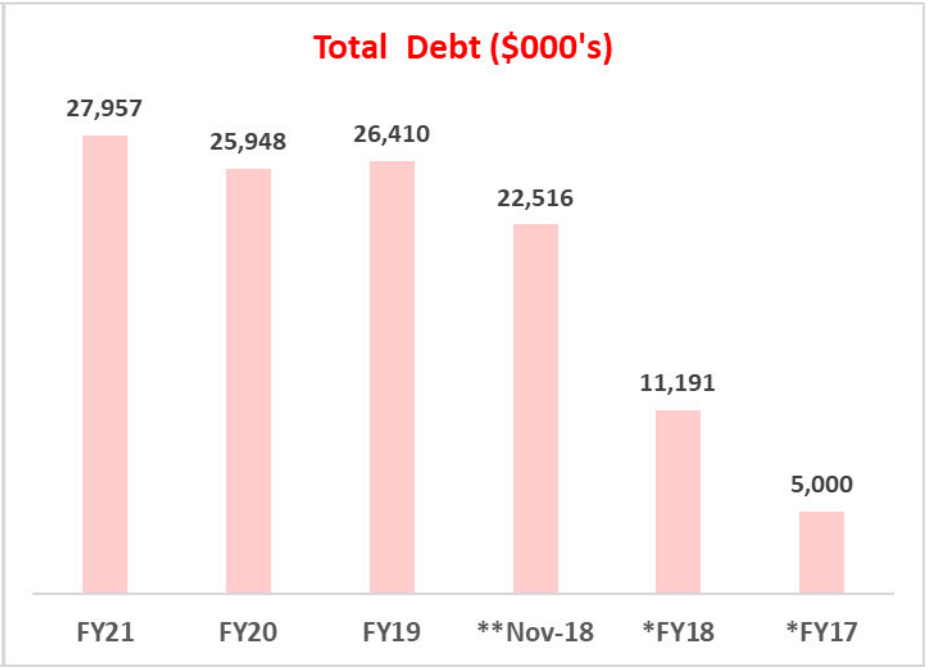


Figure 12: RAL Total Debt Trend



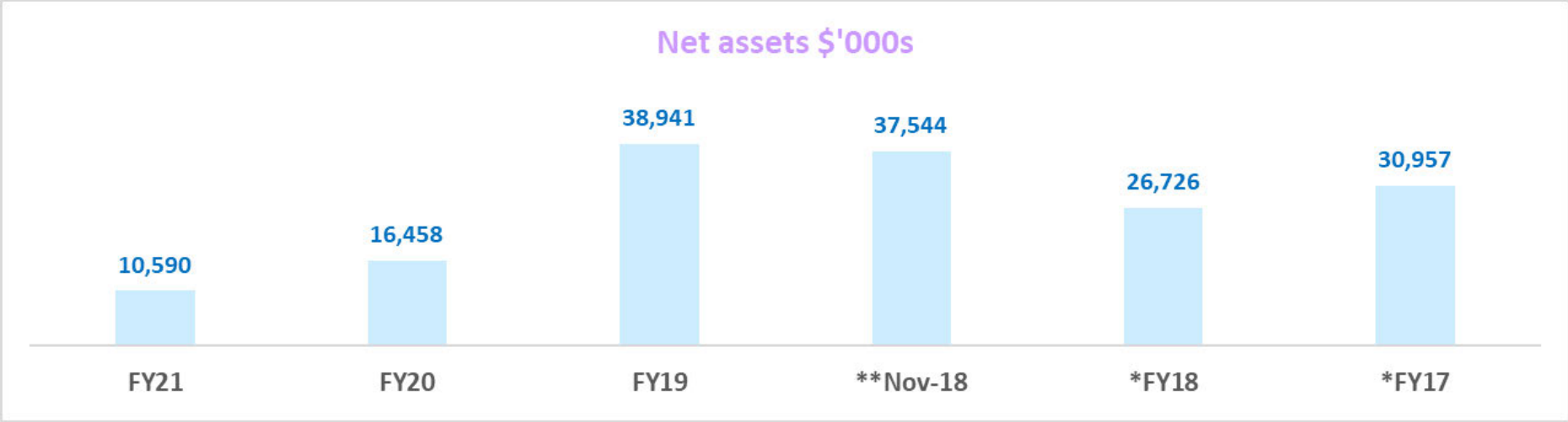
Key balance sheet ratio observations

- FY21 liquidity ratio is 9%. This means that $2.465m unrestricted cash can cover 9% of $27.957m total debt. **This level of liquidity is not practical when the ANZ bank debt of $5.9m is only funded through to November 2022. This presents a huge liquidity and insolvency risk to RAL that could be fixed with refinancing with another lender or a Life Pass offering**. The Board of Directors and RAL management are failing RAL Shareholders and Life Pass Holders with their poor liquidity management strategies which is placing the company under significant liquidity and insolvency risk
- **At FY21 reporting date, RAL have total debt valued at $27.957m.** Total face value of the debt is higher for MBIE and Ruapehu District Council, therefore total debt at face value across all external debt is $34.9m. Due to favourable financing terms the MBIE and Ruapehu District Council debt has been revalued at fair value according to accounting standards and accounting policy. It appears based on RAL profitability levels (estimated to be around $7.1m Operating EBITDA based on FY21 scenario analysis. This is a debt ratio of 4 x operating EBITDA) it is now close to being fully leveraged having maximised its debt carrying capacity. It appears that this view is aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL's debt capacity and based on current profitability levels ($7.2m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt
- Taking on additional debt beyond $27.957m would increase the debt to operating EBITDA ratio which would further expose RAL to rising finance costs which is on the horizon with RBNZ signalling official cash rate will go up in the longer term. Exposure to too much debt will compromise RAL's ability to paydown debt quickly. This is because increased servicing costs of debt reduce operating cash flows available to pay down debt. It is worth noting that RAL have financed Sky Waka with low cost debt instruments using MBIE and Ruapehu District Council debt which is almost like an interest free loan. This is because no principal or interest is due until the Sky Waka sightseeing patronage hits 300,000 sightseers. The Tourism infrastructure bond debt is designed to share the risk and rewards, therefore the debt serving risk is significantly minimised
- RAL has a net working capital deficiency. Net working capital is "current assets" less "current liabilities". Net working capital is a measure of the coverage of current assets available to cover current liabilities as they fall due. RAL working capital deficiency is reduced if you exclude season pass revenue received in advance and deferred life pass revenue. The reason for excluding these components in the secondary net working capital ratio is because it is unlikely season pass revenue will need to be refunded (except under extraordinary circumstances) and likewise life passes are extremely unlikely to be refunded
- In FY21 the Net working capital ratio 2 is a deficiency of $7.125m. If the ANZ bank loan of $5.9m and MBIE short term debt of $2.790m was restructured as longer-term debt then RAL would have a net working capital surplus position of $1.565m (Ratio excludes the season pass revenue received in advance and deferred life pass revenue)
- RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into Property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this RAL would need to build up cash reserves by an additional $14.6m based on FY21 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL are unable to operate for two seasons in a row due to an extraordinary event such as a volcanic eruption. Assuming corporate costs are 15% of $41m estimated operating revenue, if we estimate corporate costs of $6m to maintain the

business administration, then it **is recommended that RAL should be targeting to maintain a long-term minimum cash position of approximately $15m** to protect the company from insolvency risk in event of extraordinary circumstances

- The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning. Now is a good time to start reconsidering their aggressive $55m investment strategy to the redevelopment of Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will better place RAL for long term debt repayment commitments
- On the 21st February 2022 update the Board announced that the Turoa redevelopment plans are officially placed on hold. We support this decision. The Boards reason for placing the development plans on hold are due to:
    - Material falls in profitability due to the COVID pandemic
    - Further write down in Turoa assets due to a poor economic outlook. FY21 Annual report confirm this was a further $1.45m impairment write off on top of the $20m impairment write off in FY20
    - Failure to find a private equity investor to raise capital. It is important to note shareholders have not approved for this sale to take place. However, controlling shareholder The RAL Trust has provided a letter of support for which they had zero funds to obtain independent legal and financial advice on this decision. Concerned Shareholders have formally requested that The RAL Trust to remove their letter of support and have served The RAL Trustees with legal letters to advise them that their support of NEWCO is in breach of the RAL Trust Deed
    - Escalation in construction costs and components required to replace lifts

Figure 13: RAL Net Assets/Shareholder Equity trend



Of significant concern RAL net assets have deteriorated from $38.9m in FY19 and are now down to $10.6m in the FY21 financial year. We are of the opinion that a large proportion of the $21m Turoa asset impairment requires an independent review. It does not make sense because Shareholders have not been given any documentation apart from basic notes in the FY21 and FY20 Annual report's to justify the level of this impairment write down. Of the greatest concern is that RAL have engaged Dopplemayr to do an independent review of the condition of the lifts more than 12 months after the FY20 $20m impairment write down? **How can Auditors impair the Turoa assets by $20m without the lift assessment report from the Dopplemayr review?** Auditors are not experts in assessing the condition and useful life of buildings, plant and equipment and lift infrastructure, they would have relied on information received from the Board of Directors to support the $20m impairment. Have the Board significantly overstated the impairment write down? The outcome from the Dopplemayr report will hopefully result in some of the Turoa assets impairments being reversed.

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Table 28: November 2021 RAL Property, Plant and Equipment Asset balances and movements

	Opening net book value	Additions	Transfers	Disposals	Depreciation write back on disposal	Less depreciation expense	Less Turoa Impairment	Closing net book value
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
Ski lifts	26,687		1,567	(227)	227	(2,017)	(862)	25,375
Buildings and fixtures	20,115		637			(1,021)	(240)	19,491
Car parks and roads	707		0			(59)		648
Motor vehicles	2,167		2,156	(1,544)	887	(908)		2,758
Service and concession assets	931		(1,106)			(116)		(291)
Plant and equipment	11,394		1,477	(2,282)	2,282	(3,488)	(277)	9,106
Assets under development	163	4,807	(4,731)				(44)	195
Total	**62,164**	**4,807**	**0**	**(4,053)**	**3,396**	**(7,609)**	**(1,423)**	**57,282**

Table 29: November 2020 RAL Property, Plant and Equipment Asset balances and movements

	Opening net book value	Additions	Transfers	Disposals	Depreciation write back on disposal	Less depreciation expense	Less Turoa Impairment	Closing net book value
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
Ski lifts	36,426		3,972	(245)	237	(2,866)	(10,837)	26,687
Buildings and fixtures	26,199		944	(170)	158	(1,413)	(5,603)	20,115
Car parks and roads	3,697		(1,080)			(145)	(1,765)	707
Motor vehicles	3,781		(579)	(250)	250	(1,035)		2,167
Service and concession assets	468		579			(116)		931
Plant and equipment	15,806		1,481	(3,084)	3,045	(4,378)	(1,476)	11,394
Assets under development	422	5,240	(5,317)				(182)	163
Total	**86,799**	**5,240**	**0**	**(3,749)**	**3,690**	**(9,953)**	**(19,863)**	**62,164**

Key balance sheet observations – Turoa asset impairments

The FY20 impairment of $19.9m and a further $1.4m impairment on the Turoa asset base in FY21 is at best controversial. The further $1.4m impairment of the Turoa asset base appears to be justified by increasing the discount rate in the cash flow evaluation model for the Turoa assets from 8.19% to 10%. The Board and RAL management do not understand the condition of the Turoa lift infrastructure assets and have recently announced to shareholders on the 22nd February 2022 that they have commissioned an independent review of the lift infrastructure by Dopplemayr lifts company. They have also placed the Turoa redevelopment plan on hold while they await the outcomes from these reviews and the alternative options. How can the auditors Deloitte impair $11.7m off the Turoa lift infrastructure before this independent lift assessment review had been completed? Lastly, the discounted cash flow model assumptions regarding the future investment required for Turoa is now likely to be flawed given that alternative options to extend the useful life of existing Turoa assets is now on the table. In other words, the Turoa redevelopment is likely to be significantly more modest and humbler than the original $50m plus proposal.

Shareholders should be questioning the Board and the auditors as to whether this accounting treatment is acceptable to the shareholders. The commentary below is still highly relevant and remains unchanged from the FY20 alternative report:

- RAL Shareholders Equity [Net Assets] has taken a significant hit declining from $38.9m in FY9 to $16.5m in FY20 due to a $19.9m impairment write off on the Turoa assets. The Board had made special instruction to the Auditors Deloitte to focus on the value of assets in the FY20 period. According to the FY20 annual accounts *"The impairment exists due to the age of the Turoa assets, the required future investment and future estimated cashflows associated with Turoa's current asset base. The impairment loss has been recognised in the statement of comprehensive income. The discounted cashflow model to determine the recoverable amounts of the cash-generating units has a weighted average cost of capital rate of 8.19% and a terminal growth rate of 1.5%".* Essentially the discounted cash flow model determined the following impairments for the Turoa Ski field:
    - Lifts were impaired by $10.8m
    - Buildings were impaired $5.6m
    - Roads and car parks were impaired $1.8m
    - Plant and Equipment were impaired $1.5m

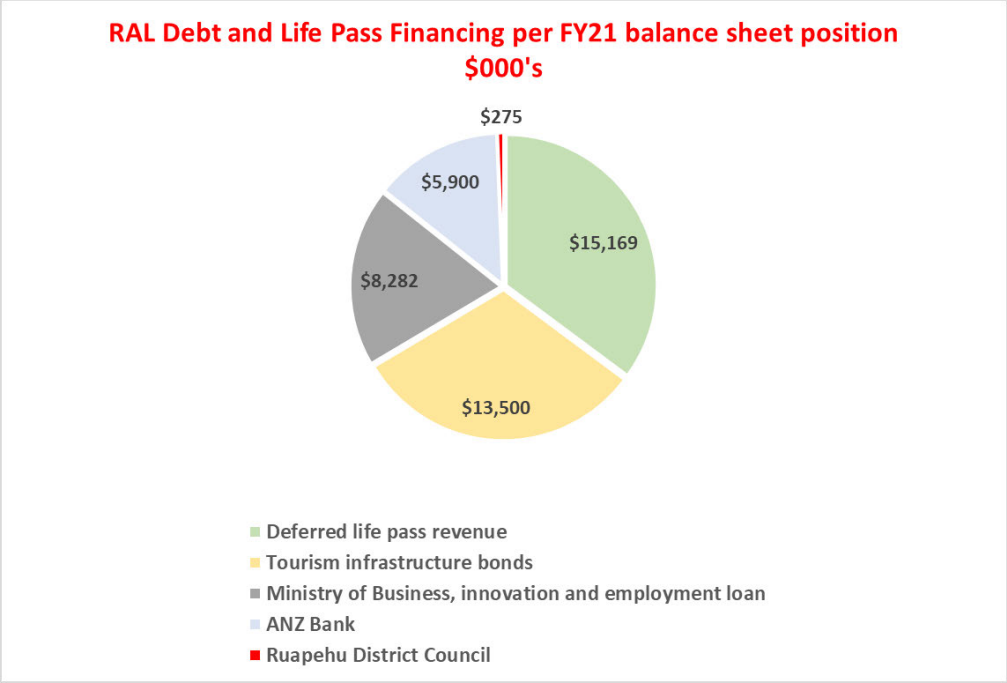
    Key points that Shareholders should take note are that the cash flows were discounted by 8.19%. This is a significantly high discount to be discounting cash flows and is likely based on the assumption on the expected return required from those assets. This may be an indication of the expected return that the Investors would be wanting to achieve should they invest $30m for a 50% share of RAL.

    Another key point is that the cash flow model considers future investment into Turoa which is also driving the value of the impairment. It appears the impairment value of the Turoa assets is large because it likely involves the costs of removing and disposing existing infrastructure. Of particular interest to Shareholders is whether the impairment would be entirely or partly reversed if the $55m Turoa redevelopment plan were to be revised

to a hold and maintain strategy? The main assumption being that the existing assets being impaired are now having their useful life extended, or at a minimum maintained per a normal capital maintenance program.

- FY20 property plant and equipment had an opening balance of $86.8m which has declined to $62.2m, largely as a result of a $19.86m impairment of Turoa Assets
- Tourism infrastructure bonds, MBIE, and Ruapehu District Council hold security over Sky Waka Gondola. The ANZ bank hold security over all other present and after acquired property with the exception of the Sky Waka Gondola
- Restricted funds held in trust is a bank account held in Trust by a Wellington Legal firm, Macalister Mazengrab, to securely hold financing received from Tourism infrastructure bonds, MBIE, and Ruapehu district council for the construction of the Sky Waka Gondola. This trust arrangement ensures the financing cash flows are used specifically for the Sky Waka Gondola development and are only released upon construction milestones being achieved and independently verified by an engineer per the contract

Figure 14: RAL Debt and Life Pass financing per FY20 balance sheet



RAL balance sheet as at 30 November 2021 has $15.2m in deferred life pass revenue recognised one the balance sheet. Life Pass holders have been the largest collective source of financing for RAL. Tourism infrastructure bonds are the second largest source of financing with $13.5m, followed by the MBIE with $8.3. At face value, MBIE is actually the second largest source of financing at $15m, however the favourable terms of financing and adoption of accounting standard and policy result in a significant revaluation of this debt in the balance sheet. ANZ Bank have $5.9m financing position in RAL and hold security over all assets except for the Sky Waka Gondola, which the Tourism infrastructure bonds and MBIE hold security over. Ironically, the largest financiers of RAL being the Life Pass holders are the less protected holding no security over any assets. ANZ bank debt financing is only 14% of the total $43.1m Debt and Life pass financing position on the balance sheet, yet it is the **ANZ Bank debt which has been the most problematic for RAL** with the pandemic triggering an event review in FY20 which caused a liquidity risk and material uncertainty in RAL ability to operate as a going concern should ANZ decide to call upon their debt. Unfortunately for FY21, the ANZ bank debt still poses a problem for RAL and the Board and Management appear oblivious to alternative solutions that were proposed for consideration in the FY20 alternative report. Below is a table of 13 other banking institutions who RAL could have approached for a better financial arrangement as an alternative to the ANZ bank:

Table 30: Banking Institutions in New Zealand

New Zealand Bank	Headquarters	Type	Parent Company
ANZ Bank	Auckland	New Zealand retail banking subsidiary	Australia & New Zealand Banking Group
ASB Bank	Auckland	New Zealand retail banking subsidiary	Commonwealth Bank
Kiwi Bank	Wellington	State owned retail bank	New Zealand Post
Bank of New Zealand	Auckland	New Zealand retail banking subsidiary	National Australia Bank
China construction Bank New Zealand		New Zealand retail banking subsidiary	China Construction Bank
Citibank New Zealand		New Zealand registered corporate banking branch of offshore banking group	Citibank
Co-operative bank New Zealand	Wellington	Co-operative retail bank	
Heartland Bank	Auckland	New Zealand listed retail bank	
HSBC New Zealand	Auckland	New Zealand retail banking subsidiary	HSBC
Rabobank New Zealand	New Zealand	New Zealand retail banking subsidiary	Rabobank
SBS Bank	Invercargill	Mutual retail bank	
TSB Bank	New Plymouth	Community trust retail bank	
Westpac New Zealand	Auckland	New Zealand retail banking subsidiary	Westpac
Bank of India New Zealand		New Zealand retail banking subsidiary	Bank of India

(Source: Wikipedia https://en.wikipedia.org/wiki/List_of_banks_in_New_Zealand)

Cash Flow Analysis

Table 31: Cash flow analysis and trends

RAL cash flow analysis and trends	November reporting date				April reporting date		Accumulative Cash flow movements
	FY21 $'000s	FY20 $'000s	FY19 $'000s	**Nov-18 (7 months)	*FY18 $'000s	*FY17 $'000s	*FY17 to FY21
Operating activities							
Cash received:							
Receipts from customers	16,976	21,587	26,273	25,268	22,507	18,614	131,225
Revenue received in advance	5,905	6,423	6,546	7,761	7,281	4,736	38,652
Receipts from life pass sales	215	253	4,419	197	368	13,181	18,633
Interest received	10	34	57	15	33	71	220
COVID-19 government wage subsidy	2,203	1,715	0				3,918
Total cash received for operating activities	*25,309*	*30,012*	37,295	33,241	30,190	36,601	192,648
Cash paid:							0
Payments to suppliers and employees	(27,253)	(22,452)	(33,084)	(22,387)	(26,971)	(25,997)	(158,144)
Interest paid	(804)	(948)	(810)	(427)	(467)	(326)	(3,781)
Net cash flows from operating activities	**(2,748)**	**6,612**	**3,401**	**10,427**	**2,752**	**10,279**	**30,723**
Investing activities							
Cash received:							
Sale of plant and equipment	715	0	258	69			1,042
Cash paid:							
Purchase of property plant and equipment	(5,327)	(5,403)	(17,815)	(10,780)	(9,913)	(11,908)	(61,146)
Net cash flows from investing activities	**(4,612)**	**(5,403)**	**(17,557)**	**(10,711)**	**(9,913)**	**(11,908)**	**(60,104)**
Financing activities							
Cash received:							
Term facilities					3,100	804	3,904
Tourism infrastructure bonds		0	4,000	9,500			13,500
Ministry of Business, Innovation and Employment loan	5,000			10,000			15,000
Ruapehu District Council Loan				500			500
Total cashed received from financing activities	*5,000*	*0*	*4,000*	*20,000*	*3,100*	*804*	32,904
Cash paid:							
Current proportion of Term loans		(1,000)	(600)	0	(600)	(600)	(2,800)
Current proportion of lease liabilities						(3)	(3)
Net cash flows from financing activities	**5,000**	**(1,000)**	**3,400**	**20,000**	**2,500**	**200**	**30,100**
Net increase/(decrease) in cash	**(2,360)**	**209**	**(10,756)**	**19,716**	**(4,661)**	**(1,429)**	719
Opening cash	5,478	5,269	16,025	(3,691)	970	2,399	
Closing cash	**3,118**	**5,478**	**5,269**	**16,025**	**(3,691)**	**970**	

High level Cash flow observations

RAL spent $61.1m cash on property plant and equipment between *FY17 and FY21. This appears to be mostly related to the development of Whakapapa ski field and the Sky Waka gondola. However, approximately $10m of emergency CAPEX appears to have been spent on extending the useful life of the Turoa assets with particular reference to the Giant Chair lift in FY20, Parklane and Movenpick Chairlifts in FY21. RAL's annual reports are not easily transparent on this matter so we are happy to be corrected. $32.9m in external financing cash flows were drawn to fund this capital development between *FY17 and FY21. In this time period, $2.8m short term debt has been repaid on top of $3.78m in financing costs. A further $18.6m in Life pass receipts have been used to fund this development and the remaining $9.6m has been funded with using other operational cash flow surpluses.

*Table 32: Analysis of cash flow trends *FY17 to FY20 for Property Plant and Equipment cash flow payments and its funding sources*

	$000's	%
Property Plant and Equipment cash flow expenditure	(61,146)	Share
Property Plant and Equipment cash flow expenditure funded by:		
Life pass sales	**18,633**	**30%**
Tourism infrastructure bonds	**13,500**	**22%**
Ministry of Business, Innovation and Employment loan	**15,000**	**25%**
Ruapehu District Council Loan	**500**	**1%**
ANZ bank debt facilities	**3,904**	**6%**
Other accumulated operating cash flows	**9,609**	**16%**
	61,146	**100%**

Life pass holders have been the single largest contributors for financing RAL's major $61.1m capital development program between *FY17 and FY21, contributing $18.6m in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties.

RAL operating cash flows include approximately 21% to 25% revenue received in advance from sale of season passes and vary dramatically between years due to life pass sales. Net cash flows accumulated from operations are $30.7m which if you exclude life pass sales of $18.6m reduces to $12m accumulated net operating cash flows. This averages out to an average rate of $2m in net operational (excluding life pass sales) cash flows per annum across approximately 5.6 financial periods (**Nov-18 being only 7 months). What is encouraging is that the future operational cash flows are estimated to improve significantly as trading resumes to business as normal as the world adjusts to living with the pandemic. The No COVID scenario modelling indicates that

recurrent operational cash flows should be in the vicinity of approximately $5.5m to $7.5m based on a minimum operating EBITDA of $7m being achieved and the Boards targeted $10m operating EBITDA being achieved (less approximately $1.5m for annual financing costs).

Detailed Cash flow observations FY21

Operational cash receipts are $12m down on pre-COVID-19 levels and $4.7m down on previous FY20 COVID affected year. The Auckland and Northland restrictions prevented a large part of RAL's market share from accessing the skiing season. Timing of the Delta outbreak in peak season resulted in a six week national lockdown and the extended lockdowns for Auckland only meant the rest of the country was open. This limited the ability for RAL management to reduce their cost profile. Payments to suppliers and employees was $27.2m which was $4.8m up on previous FY20 COVID affected year, despite cash receipts being $4.7m less.

$5m Emergency CAPEX funding was received from MBIE for emergency maintenance to Parklane and Movenpick chair lifts on the Turoa ski field. It appears approximately $ 1m was also spent on vehicles, although RAL management would need to confirm this observation as it is difficult to identify from annual reports?

Detailed Cash flow observations FY17 to FY20

- In *FY17 RAL had an opening cash position of $2.4m. $11.9m was invested into plant and equipment which was largely financed by the sale of $13.2m in Life Pass sales. Life Pass sales contributed to above normal net operating cash flow of $10.3m. Closing cash position for *FY18 was $970k
- In *FY18 RAL had an opening cash position of $970k and operating cash flows $2.75m. $9.9m was invested into plant and equipment which was financed by extending ANZ borrowing facilities by a net $2.5m, and extending RAL into a temporary $3.7m overdraft position while waiting for long term financing to come through
- In ** Nov-18, $20m in external financing cash flows were received:
    - $9.5m Tourism infrastructure bonds
    - $10m MBIE
    - $500k Mount Ruapehu District council

    Net operating cash flows were $10.4m for the 7 months and is favourable compared to other comparative periods because the trading includes the winter months and does not include corporate expenditure for the other five months outside of the winter trading season. $10. 8m is invested in property plant and equipment.

    Overall, the cash position improved from $3.7m overdraft to a flush $16.7m due to $20m financing cash flows received and the winter trading season cash flows, which also includes $7.7m advance season pass sales. **$9.3m of the cash position is held in restricted funds in trust.**

- FY19 opening bank balance $16m is flush from financing coming through and winter trading in the *Nov-18 reporting period, this allows for a further $17.6m cash investment in property plant and equipment. A further $4m in financing is received in tourism infrastructure bonds. $600k repayment is made on the ANZ short term proportion of debt. Overall, cash position closed at **$5.269m, of which $3.705m is held in restricted funds in trust.**

  Net operating cash flows are $3.4m. Operating cash inflows received $37m, are the highest of the comparative periods included in the analysis and includes $4.4m in receipt of life pass sales. However, $33m in payments to suppliers and employees are also the highest of the comparative periods.

- FY20 net operating cash flows were surprisingly strong at $6.6m. Receipts from customers dropped from $26.7m in FY19 down to $21.6m as a direct result of the COVID-19 pandemic disrupting the ski season. RAL management did an excellent job containing cash outgoings to suppliers and employees to $22.41m, significantly down from $33m in FY19 to offset the decline in revenue. $1.715m was received in COVID-19 support subsidy. $6.4m revenue received in advance for the FY21 ski season kept operational cash flows topped up at the end of the winter season. $5.4m was invested in property, plant and equipment and $1m short term debt was repaid to the ANZ bank. Overall, closing cash position improved to $5.478m of which only **$512k was restricted funds in trust. Hence unrestricted cash had improved from $1.56m in FY19 to $4.966m in FY20**

NEWCO corporate restructure long term financial feasibility concerns

Table 33:High level modelling on residual operating cash after financing costs and shareholder dividend

	Scenario 1	Scenario 2	
	$000's	$000's	
Operating EBITDA	**7,263**	**9,500**	S1 based on FY20 scenario modelling. Scenario 2 assumes higher operating EBITDA achivable from Sky Waka summer operations
Current finance servicing costs	**(1,486)**	**(1,486)**	Based on FY20 - likely to increase, noting additional $5m borrowed form MIBE
Estimated financing costs	**(1,250)**	**(1,250)**	Additional servicing costs for $25m debt to complete Turoa $55m redevelopment
Estimated Dividend			
New Investor - NEWCO Shareholders $30m (50%)	**(3,002)**	**(3,002)**	Based on assumed 10% required rate of return on $30m equity investment
Original RAL Shareholders in NEWCO (50%)	**(3,002)**	**(3,002)**	Assume existing RAL shareholders will have equal dividend rights in NEWCO
Residual operating cash flows after fiancing and dividends	**(1,477)**	**759**	

The Directors have advocated that the RAL corporate restructure is required to access $30m equity to redevelop the Turoa ski field as part of a $55m redevelopment plan. Limited transparency regarding the NEWCO proposal has been provided to shareholders. High-level modelling based on limited information raises concerns to the long-term financial sustainability of the NEWCO structure. This is based on a key expectation that Shareholders will want to access a share in the company profits and operational cash flows and Turoa ski field will undergo a $55m redevelopment. The high-level modelling has been performed on the assumption that investors will expect a 10% return on their $30m. This is an annual dividend of $3m which doubles to $6m, assuming existing RAL shareholders are also entitled to an equal dividend payout.

Observations - scenario 1 NEWCO, operating EBITDA $7.3m

Under scenario 1, there will be a residual operating cash flow deficiency after financing costs and dividends. This is an unviable scenario as dividend payouts exceed operating cash flows.

Observations - scenario 2 NEWCO, operating EBITDA $9.5m

Scenario 2 with a higher $9.5m operating EBITDA has surplus $759k residual operating cash flows per annum. This scenario appears to be another unviable proposition because the company will likely be in upwards of $50-55m in debt. This is because residual operating cash flows of $759k alone will not be able to repay this debt. On this basis, we conclude that the NEWCO restructure will be highly suspectable to future corporate restructuring to refinance RAL in the medium term which means there is a real risk that RAL Life Pass holder benefits may not be carried forward in future corporate restructuring transactions.

Table 34: Key assumptions used in the NEWCO feasibility modelling

Assumption	$000's	Notes
Investors - Equity	**30,000**	Per Directors NEWCO proposal
Expected rate of return pa	8.19%	Based on cost capital used in RAL discounted cash flow model for Turoa asset impairment
Length of investment (years)	55	RAL lease is 60 year term
Estimated Dividend payouts per annum to additional NEWCO investors for 50% share of RAL		
Expected annual return on investment	**2,457**	8.19% on $30m Equity
Recovery of $30m Equity	**545**	i) Inherent risk to investor that RAL ski field lease is not renewed an factored into return ii) Assume investor expects to recover equity proportion over 55 years
Estimated annual dividend cash outflow	**3,002**	Expected rate of return + recovery of equity over lease RAL lease term
Estimated required rate of return	**10%**	Expected rate of return + recovery of equity over 55 life of investment
Turoa redevelopment plan	**55,000**	
Funded by		
Additional Equity - NEWCO Investors	**30,000**	
Additonal debt financing	**25,000**	
Total financing for Turoa redevelopment	**55,000**	
Additional financing cost assumption	**5%**	

The key assumptions derived are to determine what level of dividend payout investors who buy in NEWCO should expect. The dividend payout is based on the key assumption that dividend payout will need to factor in a return based on limited life of the RAL lease. There is always going to be an inherent risk that the ski field license will not be renewed and investors will likely factor this into their required rate of return. The modelling assumes that the life of the investment is based on 55 years. This means the dividend payment will incorporate a $545k recoupment of equity per annum. The expected rate of return

has been assumed at 8.19% which is based on the cost of capital used in the discounted cash flows for the impairment of Turoa assets. This equates to $2,457m per annum expected rate of return on the $30m investment. The total annual dividend payout modelled for the new investors is forecasted to be in the vicinity of $3m ($2.457m + $0.545m). This level of dividend equates to a required rate of return of 10% pa. In total RAL would need to pay $6m in dividends because the existing RAL company would expect to receive an equivalent dividend amount for its 50% shareholding of the NEWCO company, otherwise the arrangement would not be deemed fair and equitable to the shareholders of the RAL company should RAL's shareholding in NEWCO not also have equal dividend rights.

The modelling assumes an additional $25m of debt financing will be required to fully finance the $55m redevelopment of Turoa. Turoa development is assumed to be financed using $30m Investor capital equity injection and $25m debt financing. Additional financing costs are estimated based on 5% average cost of finance.

Appendix 1: Capital Expenditure notes listed in annual reports

Table 35: Summary capital expenditure notes listed in the RAL annual reports and shareholder updates

Financial reporting period	Description	Ski Field	Cash flow expenditure ($000's)
2017/16	Rangatira express chair lift	Whakapapa	
	SPF210 Snow factory	Whakapapa	
	7 snow guns	Turoa	
	3 new snow groomers		
	New 12T Excavator		
	3 new beginner lifts (2 fully enclosed)	Whakapapa, Happy valley	
	Night ski lighting and equipment	Whakapapa, Happy valley	
	Dedicated sledding lane and lift	Whakapapa, Happy valley	
	Double size of decks	Whakapapa, Happy valley	
	New ski rental fleet	Whakapapa, Happy valley	
	2 new Schindler elevators enhancing access to Happy Valley	Whakapapa, Happy valley	
	Replace waterfall T Bar with Doppelmayr quad chairlift	Whakapapa, Happy valley	
	Commission new standby generator	Whakapapa	
	Two new 22 seater 4WD Mercedes Benz buses	Turoa	
	New PA and audio system	Whakapapa	
	Redevelop "drop off area" with swipe card access control for bus access at Whakapapa	Whakapapa	
	Redevelop Happy Valley Bistro with new kitchen, front of house, furniture and menu	Whakapapa	
	Relaunch the 'Schuss Haus" as a Corona Bar		
	Commenced redevelopment of the Snowflake care		
	Removal of Bridge hutt at top of the Rock Garden and the Meads Wall café	Whakapapa	
	2017/16 Capital expenditure per statement of cash flows		**-11,908**
2018/17	95% replacement of the aged far West T bar, with only the drive and return equipment remaining	Whakapapa	
	Rework the Delta Chair lift upload position	Whakapapa	
	New 3D modelling and GPS technology installed at Whakapapa	Whakapapa	
	Upgrade of Turoa snow making system to link the top of the giant to the existing snow making system	Turoa	**-9,913**
	2018/17 Capital expenditure per statement of cash flows		
Nov-18 (7 months)	T-bars at Whakapapa - Valley and Knoll T-Bars mechanical upgrades with new sheave assemblies and realignment	Whakapapa	
	$1.4m project with Doppelmayr New Zealand		
	Planning applications for development of Turoa ski field	Turoa	
	Knoll Ridge Chalet undergoing refit in preparation for Gondola. Refit to increase seating by 50%	Whakapapa	
	Nov-18 (7 months) Capital expenditure per statement of cash flows		**-10,780**
2019/18	Construction of the Sky Waka Gondola	Whakapapa	
	Repairs to Highnoon express chair lift	Turoa	
	Development on E-commence capability		
	Refurbishment of food and beverage facilities		
	2019/18 Capital expenditure per statement of cash flows		**-17,815**
2020/19	$5m Turoa maintenance CAPEX	Turoa	
	Giant Chair lift $2m upgrade (Included in $5m CAPEX above)	Turoa	
	2020/19 Capital expenditure per statement of cash flows		**-5,403**
2021/20	Maintenance on Moven Pick and Parklane chairlift - $1.6m	Turoa	
	Motor Vehicles $1.1m		
	Plant and equipment $1.5m		
	Buildings and fixtures $0.6m		
	2021/20 Capital expenditure per statement of cash flows		**-5,327**
Total Property plant and equipment expenditure per statement of cash flows between March 2016 to November 2021			**-61,146**

Appendix 2: Comprehensive Income Statement working paper and analysis mapping

Table 36: Comprehensive Income working paper and analysis mapping

	FY21	FY20	FY19	*FY18	*FY17	Mapping
Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
Service Revenue						
Lift Pass Sales	16,410	22,197	21,643	17,010	14,405	
Sales of Goods and Services	7,687	7,727	12,356	11,560	9,994	
Investment Revenue						
Rent	264	185	251	298	269	
Interest received	10	34	57	33	71	
Operating revenue	**24,371**	**30,143**	**34,307**	**28,902**	**24,739**	
Operating Expenses						
Cost of sales	1,854	1,893	2,558	2,152	1,715	Cost of sales
Audit fees	98	54	68	33	38	Audit fees
Finance costs	1,494	1,486	1,303	467	326	Finance costs
Depreciation	7,609	9,953	5,457	5,822	4,112	Depreciation and amortisation
Amortisation	317	335	133	78	52	Depreciation and amortisation
Director's fees	210	183	210	143	150	Director fees, board and governance
Provision for bad debts					22	Other Suppliers and Services
Insurance	1,805	1,652	1,459	987	859	Insurance
Electricity usage and line charges	1,884	1,897	2,608	2,065	1,950	Electricity usage and line charges
Wages and Salaries	11,795	9,389	13,606	12,399	10,164	Staff costs
ACC	137	175	146	173	170	Staff costs
License Fees, Rates and Ski Area Levies	43	716	1,600	1,223	1,235	License Fees, Rates and Ski Area Levies
Marketing	408	430	730	867	471	Marketing
Lift Maintenance and Services	1,089	958	1,001	774	584	Lift maintenance, grooming & snow making services
Grooming maintenance and Services	198	231	295	192	254	Lift maintenance, grooming & snow making services
Other Suppliers and Services	5,582	5,136	6,456	5,611	4,757	Refer to note 16 mapping
Total operating expenses	34,523	34,488	37,630	32,985	26,859	
				-		
Operating result	**(10,152)**	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**	
Operating EBITDA	**(1,006)**	**7,210**	**3,262**	**1,952**	**2,030**	
Non-recurrent activities						
Non-recurrent income						
COVID-19 subsidies	2,203	1,715	-			
Gain on asset disposal	71	-	75			
Grant income	2,171	475	2,371			
Fair value gains on derivatives and foreign exchange			93		33	
Gain on remeasurement of financila liabilities measured at amortised cost	1,255					
Insurance proceeds	9		2,585			
	5,709	2,190	5,124	-	33	
Non-recurrent expenditure						
Impairment	1,425	20,204	166			
loss on asset disposal		64		46	790	
Fair value losses on derivatives and foreign exchange		5		102		
Turoa avalanche		55	238			
Turoa diesel spill					137	
	1,425	20,328	404	148	927	
Non-recurrent result	4,284	(18,138)	4,720	(148)	(894)	
Total Result	**(5,868)**	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	
EBITDA	**3,278**	**(10,928)**	**7,982**	**1,804**	**1,136**	
***Adjusted EBITDA (excludes impairment)**	**4,703**	**9,276**	**8,148**	**1,804**	**1,136**	
Total comprehensive result per annual reports	**(5,868)**	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	

Table 37: Note 16 Detailed breakdown working paper and analysis mapping

Note 16 Detailed per annual reports	FY21	FY20	FY19	*FY18	*FY17	Mapping
	$'000	$'000	$'000	$'000	$'000	
Accommodation leases & supply services	357	330	354	437	344	Other Suppliers and Services
Bank fees	71	230	37	80	50	Other Suppliers and Services
Board and governance expenditure	53	109	198	79	60	Director fees, board and governance
Cadetship	-39	-2	-119	-78	-38	Staff costs
Consumables and cleaning supplies	131	120	310	251	205	Other Suppliers and Services
Corporate support and services	322	496	606	413	379	Other Suppliers and Services
Credit card commission paid	285	342	365	317	245	Other Suppliers and Services
FBT	65	69	78	44	41	Staff costs
Field operations supplies and services	90	24	81	95	56	Other routine maintenance, fuel and supplies
Food and beverage supplies and services	24	24	40	89	62	Other Suppliers and Services
Fuel and vehicle expenditure				633	652	Other routine maintenance, fuel and supplies
Fuel expenditure (Vehicles, groomers, and transport	197	173	346			Other routine maintenance, fuel and supplies
Kiwi saver	289	222	259	244	201	Staff costs
Maintenance and service of building and equipment	468	380	814	511	413	Other routine maintenance, fuel and supplies
Medical supplies and services	45	34	60	69	56	Other Suppliers and Services
Motor vehicle expenditure and maintenance	250	185	290			Other routine maintenance, fuel and supplies
Ohakune & Taupo Office lease, supplies and services	198	150	139	93	13	Other Suppliers and Services
Postage, courier, printing and stationary	94	21	49	69	47	Other Suppliers and Services
Professional fees	258	235	82	11	50	Other Suppliers and Services
Rental supplies and services	20	11	61	41	32	Other Suppliers and Services
Retail supplies and services	10	1	2	7	12	Other Suppliers and Services
Road and car park maintenance	97	84	172	147	157	Other routine maintenance, fuel and supplies
Safety and Environmental risk	70	60	85	43	44	Other Suppliers and Services
Ski patrol supplies and services	92	86	114	102	65	Other Suppliers and Services
Snow school supplies and services	145	97	209	58	23	Other Suppliers and Services
Snowmaking supplies	108	25	35	254	242	Lift maintenance, grooming & snow making services
Software fees and IT services and supplies	618	633	718	415	418	IT and communication
Staff Training expenditure	113	30	105	75	241	Staff costs
Staff uniform	269	226	182	500	309	Staff costs
Strategic Planning	184	117	136			Other Suppliers and Services
Telephone rental	141	70	88	69	81	IT and communication
Ticket stock consumed	284	199	152	91	153	Other Suppliers and Services
Transport expenditure (excl. Fuel)	215	282	250	350		Other Suppliers and Services
Travel and Entertainment	58	73	158	91	105	Other Suppliers and Services
Turoa avalanche	0	55	238			Turoa avalanche
Summer operation supplies and services				12	36	Other Suppliers and Services
Total other supplies	**5,582**	**5,191**	**6,694**	**5,611**	**4,757**	
Other Suppliers and Services per Statement of Comprehensive Income in annual reports	**5,582**	**5,191**	**6,694**	**5,611**	**4,757**	

RUAPEHU ALPINE LIFTS LIMITED FINANCIAL AND OPERATIONAL RISK MONITORING ASSESSMENT PROGRAM BY A GROUP OF SHAREHOLDER AND LIFE PASS HOLDERS

Report Part A (11th November 2021)



Abstract

RAL Board of Directors are proposing to sell a 50% share of the company to private equity investors for $30m. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Under the proposed NEWCO, the public benefit entity status of the company will be forfeited, which will mean the company will be subject to pay tax on profits. Investors will expect a share of profits via payment of dividends. The current company structure does not allow payment of dividends to shareholders, and this structure has allowed 100% of profits and operating cash flows to be reinvested back into the ski field operations. RAL was established in 1953 and retainment of its profits has been a pivotal success factor for the financial viability to the ski field operations. RAL operates on an active volcano in challenging environmental conditions with significant weather risk, geological risk, and climate risk from global warming.

The analysis provided in this report is based on an independent review of the RAL annual reports from March 2016 to November 2020 and has been prepared by RAL Shareholders and Life Pass holders to provide improved financial transparency into the financial operations and balance sheet position of RAL. The report makes observation to key risks identified within the analysis. A key risk to Life Passholders is that the NEWCO corporate structure may leave them vulnerable to a loss of their Life Pass benefits. A key risk to Shareholders is that they will likely have significantly less voice and control in the future direction of the company. A key risk to skiers and community is in context to the financial stability of RAL. Is a corporate structure that distributes its profits sustainable long term, given Mt Ruapehu's harsh weather conditions, and climate risk require ongoing investment to maintain and protect the infrastructure from the elements? Payment of taxes and dividends restricts the ability of RAL to reinvest retained profits back into Te Maunga.

Contents

RAL Risk Monitoring Assessment Program 2

Introduction 3

Ruapehu Alpine Lifts Limited 3

Development plans 4

Shareholding 4

RALs constitution, responsibility of Directors, and NEWCO Proposal 6

Methodology of the report 8

Disclaimer 8

Executive Summary 9

Headline operating results 17

COVID-19 Lockdown and restrictions and support of the Bank 19

Detailed operating result trend and scenario analysis 21

Balance Sheet Analysis 25

Cash Flow Analysis 32

NEWCO corporate restructure long term financial feasibility concerns 35

Appendix 1: Capital Expenditure notes listed in annual reports 37

Appendix 2: Comprehensive Income Statement working paper and analysis mapping 38

RAL Risk Monitoring Assessment Program

Ruapehu Alpine Lifts Limited (RAL) received a qualified audit opinion in its November 2020 annual report regarding the material uncertainty of the company as a going concern. The auditors Deloitte had concerns around the insolvency risk of RAL because of the uncertainty for receiving ongoing financial support from the ANZ bank. The COVID-19 pandemic triggered a review event with the ANZ bank. This meant the bank could technically call on RAL to repay it's $5.9m ANZ bank debt at a moment's notice. In effect the ANZ Bank shifted their level of support from long term to a month-by-month basis. This uncertainty with the ANZ bank triggered the insolvency risk and the audit opinion. Ironically, the analysis in this report shows that RALs financial performance in terms of operating EBITDA was better in the FY20 COVID year than it was in the previous FY19 pre-COVID year. The New Zealand government has supported RAL and other business across New Zealand with wage subsidy. Ironically, despite government showing support during the pandemic, RAL financial stress is being caused by the ANZ bank which only has a $5.9m stake in a total $25.1m in external financing as at 30 November 2020.

A group of Shareholders and Life Pass holders are concerned that RAL has allowed itself to be exposed to unnecessary liquidity risks with the ANZ bank. The financing arrangement with the ANZ bank is unacceptable. A simple restructuring of the ANZ component of the debt with a more compatible financing solution would significantly reduce the insolvency risk.

The risk monitoring assessment program has been set up to closely monitor the actions of the Directors, the RAL Trustees, and RAL management to ensure they act in the best interests of RAL stakeholders. RAL's stakeholders include, Shareholders, Life Pass Holders, local Iwi, local business and community, RAL staff, Government bodies, Tourism infrastructure bond holders, and the general New Zealand public, as recreational users of RAL facilities on Te Maunga.

A key objective of this program is to understand why RAL is in an insolvency risk position, why the Directors and ANZ bank are advocating for a capital restructure to amend the current position. Another objective to the report is to help assess what alternative options RAL Directors, Management and the RAL Trustees have available to rectify RAL's financial and operational vulnerabilities.

The observations and analysis contained in this report do not constitute as financial or operational advice. This is on the basis that RAL has not commissioned the group of concerned Shareholders and Life Pass holders for their independent advice and opinions on the company's financial position. Secondly, no financial consideration has been received for providing this report.

RAL Trustees, Directors, and Management are encouraged to read this report and use this program as an invaluable source of feedback regarding how a group of concerned Shareholders and Life Pass holders see the current direction of the company. It is hoped that key decision makers will use the factual findings and observations contained in this report to protect the best interests of RAL's key stakeholders.

This first report is Part A. Part A of the reporting is a financial risk assessment summary report. A second report (Part B) with an operation focus is in development. This is in light of the declining Net Promoter scores for both ski fields since 2011. Part B of the reporting will provide valuable feedback to RAL management where Shareholder and Life Pass holders feel that improvements can be made to the customer side of the business. It is important to note that Shareholders and Life Pass holders are active users of Te Maunga, they do not receive financial renumeration in the form of dividends, and they are heavily

invested in quality lift and skiing services**.** Essentially, **high quality ski runs and lift and snow maintenance services are the dividend yields for RAL's shareholder base.**

Introduction

This report has been prepared by a **concerned group of Shareholders and Life Pass holders** to help fellow Shareholders and Life Pass holders understand the financial position and financial performance of Ruapehu Alpine Lifts Limited (RAL). The report makes observation to key risks identified in the analysis.

The purpose of this report is to provide an independent financial narrative on the performance and financial position of RAL to the narrative and messaging received from the RAL Board of Directors and RAL Management. The Board are advocating an urgent necessity for RAL to undertake a corporate restructure which they claim is conditional for the ongoing support of their ANZ Bank. This would allow a $30m capital raising for a 50% share in the company. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Shareholders have been asked to vote on a special resolution to transfer RAL assets and liabilities to a new entity. The special resolution meeting will be a virtual meeting held on the 26th of November 2021. The transaction to transfer the assets and liabilities into the new entity will take place on 1st of December 2021. Transparency of information to shareholders around this transaction deal is limited.

Under the proposed NEWCO, the public benefit entity status of the company will be forfeited which will mean the company will be subject to pay tax on profits and share cash flows and profits with shareholders via payment of dividends. The current company structure does not allow payment of dividends to shareholders and this structure has meant 100% of profits and operating cash flows are reinvested into the mountain operation. The reinvestment of tax-free profits and operating cash flows have been a key success factor for RAL's ongoing financial viability since its establishment in 1953, given the adversity operating in arguably the most challenging conditions from weather risk, geographical risk, and climate change risk to any other ski field operator in the world.

Ruapehu Alpine Lifts Limited

RAL was incorporated under the company's Act 1933 on the 1st September 1953. It was reregistered under the Company's Act 1993 on the 5th September 1996. RAL operates the only two commercial ski fields in the North Island. RAL's Whakapapa and Turoa ski fields are situated in the Tongariro National Park on the iconic Mount Ruapehu, an occasionally active volcano with a crater lake. **RAL enjoys a monopoly status within the North Island ski field tourism sector. Its proximity to the north island's two largest cities, Auckland and Wellington is advantageous**, being within a comfortable weekend driving distance from the major population centres. There are two smaller club ski fields operating in the North Island. Tukino Ski field which is also on Mount Ruapehu and Manganui Ski field on Mount Taranaki (formerly known as Mount Egmont). These two club ski fields are limited in capacity and facilities and therefore do not pose a threat to RAL's market share of the North Island ski lift pass sales. RAL's main competition is the South Island commercial ski field operators. However, RAL proximity to the North Island's major population centres mean that ski field has its own relatively uncontested local market due the significantly higher investment in terms of effort, planning and coordination required for its local market participant base to ski the alternative South Island ski fields.

Development plans

RAL are half way into a $100m redevelopment plan and have a $55m redevelopment plan for the Turoa ski field which entails the key developments:

- New gondola to replace Parklane and Movenpick chair lifts
- New sunset express to replace the jumbo T Bar
- New Giant express detachable chair lift to replace the existing giant which has recently undergone a $2m capital refurbishment
- New magic carpet beginner lift to replace the winter garden platter
- Relocation of Alpine meadow platter to its previous location in the Winter Garden
- Upgrade of Chalet buildings to increase seating capacity to 1,200 (What is it currently?)
- Terrain modifications to ski trails
- Expansion of snow making capacity

The full Turoa development plan can be downloaded from the RAL website:
https://assets.ctfassets.net/zc9e1qnj1tno/7CLiAUIETJq9CYk6qTPWGS/9248f3b666a264392a9f53542b240500/Indicative_Dev_Plan-Turoa_23_May_2019_.pdf

Shareholding

Ruapehu Alpine Lifts Limited Trust is the major controlling shareholder of RAL, holding 55% of the shares. The Trust was created in 1983 to protect the interests of the company and its shareholders, and to preserve the company's integrity for future generations. The original trustees who invested in the company were issued 10,000 "D" shares, which represent 55.16% of shares on issue. The Trust shareholding, and its stated aim of preserving RAL in its current form, has covenants in the Trust deed stating the Trustees to exercise their rights as holders of shares to:

A) promote skiing and other forms of sport of and recreation on Mount Ruapehu; and
B) **Preserve the tax-free status of the Company**; and
C) promote the well being of the Company, in relation to those objectives.

The Trust is intended to prevent any individual, group of individuals or organisation being able to action a hostile takeover of the company. The original trustees were Sir Bryan Todd, Sir Roy McKenzie and Peter Scott. Sir John Ingram was appointed as a trustee in 1984. Trustees during the FY20 reporting year were Tomas Huppert, John Parker, Phil Royal and Jo Bouchier.

In the 68th AGM held in May 2020, the directors briefed shareholders that the RAL Trust as controlling Shareholder, has been consulted on NEWCO, and has provided a letter of support for the change which states:

"The Trustees support changes subject to:

- The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain
- There **should** be complete transparency with shareholders around the transaction at the appropriate time
- A Shareholder vote is **required** around any transaction
- Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction
- Staff **should** be protected in any transaction
- Any equity introduced **should** be at fair value. "

The language of the Trustee letter of support provides complete certainty that a **shareholder vote being required**, noting that the Trust is the controlling shareholder, holding majority of the shares. Of inherent risk to shareholders is that five out of six of the conditions listed by the Trustees in their letter of support use the word **"should"** or **"where possible"** which implies there is an expectation that these conditions should be met, but the wording does not state an absolute requirement.

It appears, based on the language and terminology used in the Trustee letter of support, that there is an inherent risk to Life Pass holders who have collectively been RAL's greatest financial supporters, do not appear to have their life pass benefits absolutely guaranteed should RAL change their corporate structure.

It appears lack of transparency regarding the transaction is another potential risk to Shareholders. They are being asked to vote on a special resolution to transfer RAL assets and liabilities into a new Entity before the FY21 financial results are available for review. It is important that Shareholders understand the financial health of RAL when voting on such a significant transaction.

RAL's constitution, responsibility of Directors, and NEWCO Proposal

A company's constitution is the legal document that sets out essential matters relating to the governance and legal framework of a company. The constitution regulates the framework for the company dealings, specifically the regulations governing the relationship between the company, its Shareholders and Directors. RAL's constitution dated on 2nd August 1996 states the following regulations under the relevant sections of the constitution which are important to be outlined in context with the Board of Directors NEWCO proposal.

Section	RAL Constitution extract
4.2	**Principal Objects:** Notwithstanding Regulation 4.1 the Company's principal business or activity shall be promotion and development of amateur mountain sports activities for the general public and the promotion and development of the Tongariro National Park area
4.3	**Pecuniary Benefit Excluded: For the avoidance of doubt it is not a purpose of the Company to provide any pecuniary benefit to any Shareholder** directly or indirectly in their capacity as Shareholder whether by way of Distribution, financial assistance, discount, commission or otherwise, with the exception of reasonable renumeration for services performed for the Company or reimbursement of expenses reasonably incurred on behalf of the Company
29.5	**Directors to comply with Act and Constitution:** A Director must not act, or agree to the Company acting, in a manner that contravenes the Act or this Constitution.
29.6	**Reckless trading:** A Director must not: (a) Agree to the business of the Company being carried in a manner likely to create a substantial risk or serious loss to the Company's creditors; or (b) Cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors
29.8	**Director's duty of care: A Director, when exercising powers or performing duties as a Director must exercise the care, diligence, and skill** that a reasonable director would exercise in the same circumstances taking into account, but without limitation: (a) The nature of the company and its **principal purposes set out in Regulation 4**: and (b) The nature of the decision: and (c) The position of the Director and the nature of the responsibilities undertaken by him or her.

The key extracts of the RAL constitution outlines three very clear and overarching regulations of the constitution that appear to conflict with the Board of Directors capital raising plans (aka NEWCO proposal):

- ✓ The company principal activity is to promote and **develop mountain sports activities in the Tongariro National Park**
- ✓ **Shareholders are not to receive any financial benefit**. For the avoidance of doubt, the constitution clearly states it is not the purpose of the company to provide pecuniary benefits
- ✓ Directors have a **duty of care to uphold these regulations**

In the 2nd of February 2021 Shareholder Update newsletter, the Chairman outlined the first details of the outside investor capital raising (NEWCO proposal in the making) as follows:

"We are seeking to raise up to $30 million of new equity capital, which corresponds to a 50% shareholding on a post-money basis and we are looking for a strategic partner who can help the business develop to the next level.

This investment will give the strategic partner the opportunity to own a strategic stake in an iconic business with significant exposure to domestic tourism. We currently operate the largest ski areas in Aotearoa New Zealand with a 23% share of the alpine skiing and snowboarding market.

We believe that the strategic partner will have a key governance role in helping to shape the future development of on-mountain facilities and off-mountain opportunities. Our non-standard shareholding structure has restricted our ability to pursue off-mountain opportunities and limited our ability to access equity.

The Tūroa Ski Area, Whakapapa Ski Area and Sky Waka gondola are key attractions to the Ruapehu Region throughout winter and more recently summer. The recreational activities and services provided by RAL make a significant economic contribution, up to $6-$7 is spent off mountain for every $1 spent on-mountain.

We are accepting enquiries from wholesale investors (within the meaning of the Financial Markets Conduct Act) to Sec 9(2)(a) **."**

The NEWCO proposal was further elaborated on at the 28th May 2021 AGM per the minutes attached to the 9th July 2021 shareholder update. The Board clearly articulated that the **investors would require a share of the profits** and that the **company constitution would need to change to accommodate this requirement.**

Analysis contained within the report raises concerns as to **whether the Directors are acting appropriately and are potentially in breach of RALs governing constitution based on the following:**

- Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3**
- Pursing a strategic investment partner to develop off-mountain activities. **This appears to be in conflict with regulation 4.2**
- Aggressive capital redevelopment strategies that have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29.6**

Methodology of the report

The analysis provided in this report is based on an independent review of the RAL annual reports from *FY17 to FY20 and Shareholder update minutes and AGM minutes. The purpose of the review is to make comment on the following areas:

- Financial operating performance in terms of sustainability
- Balance sheet position in terms of financial sustainability
- Cash flow sustainability
- Strategic direction
- Identification of risks and make recommendations for Shareholders to put forward to the RAL Trust for consideration in their position as the controlling Shareholder

The operating results presented in this report may vary from the RAL annual reports due to reclassifications between recurrent operating and non-operating revenues and expenditure. For example, Turoa insurance proceeds and avalanche damage costs have been reported as non-operating. Please refer to appendix 2 for analysis mappings and workings used to derive the operating financial performance analysis referenced throughout this report.

The financial analysis is based on the following reporting periods noted in table 1 below. Note, RAL changed their reporting balance date from April to November in the 2018 reporting year. This made assessment of the profitability for the Nov-18 reporting period difficult to assess against comparative periods. This is because 5 months of expenditure is not included in the reporting period, hence making Nov-18 results appear favourable.

Table 1: RAL Financial Reporting Periods

Annual report reporting periods	Reporting Period
*FY17	12 months, 1st March 2016 to 30th April 2017
*FY18	12 months, 1st March 2017 to 30th April 2018
**Nov-18	7 months, 1st May 2018 to 30th November 2018
FY19	12 months, 1st December 2018 to 30th November 2019
FY20	12 months, 1st December 2019 to 30th November 2020

Disclaimer

Users of this report should conduct their own due diligence to verify the information and opinions contained in this report. A number of concerned RAL Shareholders and Life Pass holders have expressed their own interpretation on analysis based on publicly available information contained in RAL annual reports and Shareholder updates. RAL Shareholders and Life pass holders will not be held personally liable or accountable for any errors, omissions, and misinterpretation or decisions made by users of this report. The intention of the report is to help promote healthy debate and dialogue amongst Shareholders and the RAL Trustees, based on financial analysis that is independent from the RAL Management and Board of Directors. RAL Shareholders and Life Passholders may amend the report to improve transparency based on new facts and evidence that may become available.

Executive Summary

	Key observations	Risks and/or recommendations for consideration
RAL Trustee letter of support for the NEWCO restructure		
1.	The proposed RAL restructure to NEWCO has received a letter of support from Trustees with the expectation certain conditions should be met and a shareholder vote is **required.** "The Trustees support changes subject to: • The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain • There **should** be complete transparency with shareholders around the transaction at the appropriate time • A Shareholder vote is **required** around any transaction • Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction • Staff **should** be protected in any transaction • Any equity introduced **should** be at fair value. " It appears based on the language and terminology used in the Trustee letter of support, that there is an **inherent risk to Life Pass holders** who have collectively been RAL's greatest financial supporters. **They do not appear to have their life pass benefits absolutely guaranteed as a requirement to this transaction** should RAL transition to the NEWCO corporate structure. The language in the letter of support implies an expectation rather than a requirement	**Recommendation for consideration:** a. Maintaining the RAL corporate structure in its current form will provide ongoing certainty and protection to Life Pass holders. This is important considering Life Pass holders are RAL's most relied source for capital financing of asset replacements and upgrades b. Life Pass sales have been a cost-effective form of capital raising. They do not require an ongoing dividend or interest payment. In FY20, RAL reviewed the actual utilisation of Life Passes and have since accelerated deferred Life Pass revenue in recognition that Life Pass holders do not utilise their passes as originally anticipated **Risks for consideration:** c. **A change in corporate structure that potentially undermines the certainty of Life Pass holders, significantly compromises future use of Life Pass sales as a form of capital raising** d. The value of Life Pass sales as a form of capital raising should not be under estimated. The company model has been around since 1953 e. Life Pass Holders collectively are RAL's largest source of capital financing, yet they are the most vulnerable and least protected of all the financing partners
Life Pass Holders are RAL largest collective source of capital finance		
2.	Analysis of the cash flow statement shows Life pass holders have been the **single largest contributors for financing RAL's major $55.8m capital development program between *FY17 and FY20, contributing $18.4m** in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties	

	Key observations	Risks and/or recommendations for consideration
Operating performance		
3.	**RAL operating EBITDA for FY20 was $7.2m. This is a significant uplift from prior financial years (FY19 $3.26m).** Historically, operating EBITDA results have been significantly lower around $2m per annum for *FY17 and *FY18 *(*April reporting periods*). FY20 operating EBITDA is a promising result and may be an early indicative sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDA due to the profitability potential of the summer operations. Overall, FY20 operating performance is very encouraging, especially given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.	**Recommendation for consideration:** f. Shareholders should be given improved financial transparency in the annual report with regard to the operating performance of the summer operations g. **Serious consideration should be given for alternative strategies to allow RAL to continue operating within in its current corporate structure without the need to sell 50% of the company to corporate investors. The positive operating EBITDA potential of the company with its existing asset base does not signal an urgent need to sell a 50% Equity share of the company** h. **A revised investment strategy time line should be considered that allows the renewal of the Turoa assets over a more sustainable time without the assistance of corporate investors**
4.	**RAL operating loss increased from $3.3m to $4.3m in FY20.** The increase in operating loss has been driven by increased depreciation expenses due to a $56m capital investment program. The majority of this investment is related to the redevelopment of the Whakapapa ski area and Sky Waka Gondola (approximately $45m to $50m).	
5.	Scenario modelling analysis performed in this report to estimate RAL operating profitability under normal operating conditions, shows that the "no COVID-19 pandemic scenario" is **estimated to return a $7.3m Operating EBITDA result**. RAL Management were able to achieve a $7.20m operating EBITDA in FY20 which is on par with the no COVID-19 pandemic scenario due to aggressive cost cutting strategies, operating at significantly reduced operational capacity, season pass revenues received in advance. The profitability of Sky Waka Gondola summer operations has likely offset the decline in winter operations, hence operating profitability modelled may be understated	
6.	In FY20, RAL received $1.7m in COVID-19 support subsidy. This subsidy has been excluded from the operating analysis and scenario modelling. Our analysis therefore concludes RAL have received a net COVID-19 benefit. This means the pandemic would have made RAL financially better off, if it were not for the short-term liquidity issues the pandemic caused by triggering a review event with the ANZ bank. This event review resulted with uncertainty in obtaining on-going financial support and commitment from the ANZ bank	

	Key observations	Risks and/or recommendations for consideration
Support of the Bank		
7.	**The ANZ banks change in support to a monthly basis due to the onset of the pandemic created a significant liquidity and insolvency risk to RAL.** This resulted in the Auditors qualifying the FY20 annual report to state a material uncertainty existed for RAL to operate as a going concern. The going concern of RAL was undermined because the bank could technically call upon their $5.9m debt to be repaid at any time which would have made RAL insolvent unless they could secure other sources of financing	**Risks for consideration:** i. **ANZ bank change in its level of financial support has caused an unacceptable level of liquidity risk to the company** j. ANZ Bank's continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution **Recommendation for consideration:** k. RAL need to carefully consider where they obtain their financing from and choose financial institutions who can provide a much more stable and committed level of financial support. This means a level of financial support that does not expose the company to future liquidity and insolvency risks where an event review from a pandemic or equivalent natural disaster does not change financing arrangements from long term to short term in an instant l. RAL need to consider their aggressive development strategy time lines to be more conservative in their development approach. The aggressive redevelopment has left the company highly exposed to significant financial risk m. **RAL need to seriously consider refinancing the ANZ Bank debt** with a more committed lender or another round of Life Pass sales. The current financial arrangement on a month to month or 12 month rolling basis **is an unacceptable liquidity and insolvency risk and will likely lead to another qualified audit opinion, due to the material uncertainty of the company to operate as a going concern**
8.	ANZ Bank change in support to RAL on a month-to-month basis is vastly different to how banks have supported the New Zealand housing sector with mortgage repayment holidays. In FY20 RAL paid $230k in banks fees (not including interest). This is significantly up from $37k in FY19, yet the level of support and commitment was dramatically reduced.	
9.	The ANZ Bank continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution.	

Aggressive Investment strategy and Liquidity		
	Key observations	**Risks and/or recommendations for consideration**
10.	ANZ Bank movement in support arrangements has created an insolvency and liquidity risk for RAL. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who is willing to provide committed financial support to RAL on the basis of their positive operating EBITDA potential and on the condition, they do not over capitalise and significantly scale back on the $55m Turoa redevelopment	**Risks for consideration:** n. Exposing RAL to lenders who can easily withdraw their level of support during a period of significant capital investment o. Risk of over capitalising RAL which could lead to financial failure if unsustainable debt levels are reached. The rate of capital investment needs to be at a level that RAL can sustain within its existing corporate structure. Planning significant redevelopment works, on the presumption that Shareholders will agree to allow a change in the corporate structure, is potentially negligent, given the Trust deed of the controlling shareholder mandates the Trustee to preserve the tax-free status of the company **Recommendation for consideration:** p. RAL need to consider maintaining sufficient cash reserves to enable the company to ride out economic shocks from extraordinary events q. RAL should target a cash position that would make their net working capital positive to reduce short term liquidity risks r. Realign investment strategies to allow cash reserves to replenish. This may incorporate a hold and maintain strategy where a capital program is employed to extend the useful life of existing asset base as an alternative to a full asset replacement
11.	RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this, RAL would need to build up cash reserves by an additional $11.6m based on FY20 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL is unable to operate for two seasons in a row, due to an extraordinary event such as a global pandemic or a volcanic eruption. Assuming corporate costs are 15% of $39m expected operating revenue, if we estimate corporate costs of $5.85m to maintain the business administration, then it **is recommended that RAL should be targeting to maintain an ongoing cash position of approximately $15m** to protect the company from insolvency risk in event of extraordinary circumstances	
12.	**<u>The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning.</u>** Now is a good time to start reconsidering their aggressive $55m investment strategy to redevelop Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will allow RAL to be better placed for long term debt repayment commitments.	

	Key observations	Risks and/or recommendations for consideration
Debt levels		
13.	**At FY20 reporting date, RAL have total debt of $25.9m**. Subsequent events after balance date, report that RAL received a further $5m from MBIE for the 2020/2021 capital expenditure program. **This means RAL has total debt, after reporting date, of $30.9m**. It appears based on RAL profitability levels (estimated to be around $7.2m Operating EBITDA based on FY20 scenario analysis. This is a debt ratio multiple of 4.3 times the operating EBITDA), RAL is now fully leveraged having maximised their debt carrying capacity. This view appears aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL debt capacity and based on current profitability levels ($7m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt	s. RAL appears to be fully leveraged at their maximum debt carrying capacity. The Turoa redevelopment strategy needs to be revised taking debt capacity into consideration and also noting existing debt will need to be repaid in the foreseeable future t. Risk mitigation strategies such as future life pass sales may need to be considered to ensure sufficient liquidity to repay debt as bond and financial instruments come up for maturity in FY2028
$20m impairment (write down) on Turoa assets		
14.	The $20m impairment write off (non-cash adjustment) on Turoa assets in FY20 is an abnormal accounting adjustment which has occurred due to the Board directing the Auditors to focus on the value of assets. Hence the Auditors were required to **review impairment of assets beyond normal book value and economic life** and support the impairment with a discounted cash flow. The impairment write-off includes: ○ Lifts were impaired by $10.8m ○ Buildings were impaired $5.6m ○ Roads and car parks were impaired $1.8m ○ Plant and Equipment were impaired $1.5m The Board's reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic. This is an abnormal change in accounting policy and we recommend operating result and operating EBITDA should be the opening headline financial performance metrics that the Board speak to in their narrative to Shareholders. We also recommend the Board provide increased transparency in their reporting to Shareholders to explain the underlying assumptions for such a significant impairment write off to the Turoa assets	u. Shareholders should be provided with full transparency on impairment write-off on the Turoa asset base including full underlying assumptions used in the discounted cash flow methodology that was used to determine the impairment values for each asset class v. The Directors headline financial narrative to Shareholders should be focused on the recurrent operating results. To speak of the FY20 financial performance in context of a $22m headline loss in our opinion is grossly misleading, especially given the limited transparency regarding the key underlying assumptions used to determine the impairment values w. RAL should consider undertaking a more conservative investment strategy in regard to the Turoa development which may result in a full or partial reversal of the impairment writebacks
15.	**The impairment has effectively written off $20m from the Shareholders Equity**	

	Key observations	Risks and/or recommendations for consideration
NEWCO restructuring financial sustainability		
16.	The Directors have provided low levels of transparency on the NEWCO corporate restructuring proposal. High level modelling on the financial feasibility of the NEWCO restructure based on a set of assumptions around expected dividend payouts to investors, and additional debt estimates to complete the Turoa redevelopment plan, has raised serious concern that future restructuring of RAL will be required after the NEWCO restructure to refinance the company in the medium term. Future corporate restructuring of RAL after NEWCO present a high risk to a loss of the preservation of Life Pass Holder benefits.	x. RAL need to consider the long-term financial sustainability for RAL to afford to pay dividends and balance this against the necessity to retain profits in the company to fund future capital investment y. **RAL need to consider the stability of the ongoing corporate structure and what future restructuring transactions might mean to the preservation of Life Pass holder benefits and community stakeholders** z. **RAL and all its stakeholders should consider the merits of the existing corporate structure and how this has contributed to the financial sustainability of the company since 1953** **Risks for consideration:** aa. **Life Pass holders should be very concerned what a corporate restructure means for the future preservation of their benefits** bb. **High level modelling based on limited transparency, indicates future restructuring of RAL after NEWCO is likely to be inevitable** cc. **The NEWCO structure will dilute the voice of existing shareholders and will likely make the company more suspectable to a future hostile takeover**
17.	High level modelling estimates suggest that corporatizing RAL into NEWCO will cost the company an annual dividend payout of $6m to Shareholders. Based on estimated operating profitability ranging between $7.3m to $9.5m operating EBITDA, there will be a cash deficiency of $1.5m in residual operating cash flows after dividend payouts and a small surplus of $759k at the higher $9.5m Operating EBITDA. **It is difficult to see how the NEWCO will be able to remain financially stable assuming Shareholders will want to access a share of the profits.** A corporate restructure after NEWCO would appear inevitable in the near medium to long-term to refinance the company for future capital development or repayment of debt. This is because the NEWCO structure is required to payout profits and operating cash flows to Shareholders in the form of dividends. The existing corporate structure of RAL is unattractive to corporate investors because it prohibits the payment of dividends to shareholders	
	50% control of RAL will be sold to investors for $30m. If one investor is involved in the transaction, this may technically make them the controlling shareholder? The NEWCO investor potentially only needs one existing RAL shareholder to sell their share to have more than 50% of the company shareholding	
Benefits of the current RAL Not for Profit corporate structure		
18.	RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company.	Following benefits for consideration: dd. **Tax free status means RAL can make a profit and will not be subject to pay 28% tax on those profit margins** ee. **Ongoing preservation of Life Pass holder benefits can be maintained and sustains Life Pass holders as a credible source of capital finance**

NEWCO proposal conflict with Board of Director Responsibilities and RAL Constitution		
19.	The Board of Directors NEWCO proposal is designed to bring on board private equity investors for a $30m equity position in the company. This will give the investor a 50% controlling share of the company. The controlling interest in the company will allow the investor to have a governance and strategic management role in the company. They will partner will RAL leadership to build a strategic plan to develop both on mountain and off-mountain activities. Analysis contained within the report raises concerns as to whether the Board of Directors are acting appropriately and potentially in breach of RAL's governing constitution, based on the following: ➢ Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 of the constitution** ➢ Pursing a strategic investment partner to develop off mountain activities. **This appears to be in conflict with regulation 4.2 of the constitution.** RAL should be focused on **on-mountain activities**. It is important to remember RAL stands for **"Ruapehu Alpine Lifts". The core activity of the company is operating lifts. This is clearly spelt out in the name of the company.** Development of off-mountain activities appears to be a distraction from RAL's core business ➢ Aggressive capital redevelopment strategies, combined with poor liquidity management strategies with the ANZ bank have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29 of the constitution** The private equity capital raising plan being pursued by the Board of Directors does not align with the governing regulations within RAL's existing constitution. This is why the Directors are seeking to change the constitution. Of greatest concern, it appears the Directors have been managing the company on the assumption that they will succeed in changing RAL corporate structure. This is evident by the aggressive redevelopment plans which are beyond the capacity of RAL's current corporate structure. As a result, RAL has become highly exposed with the ANZ bank threatening to withdraw their support during the onset of the pandemic which could have made the company insolvent.	**Following risk minimisation strategies for consideration:** ff. **The Trustee and Shareholders should vote in Directors who have the intention to maintain and honour RAL's current constitution** gg. **Directors' development strategies need to be aligned to the capacity of the existing corporate structure. It could be deemed negligent and in breach of regulation 29.6 of the constitution otherwise. RAL have received a qualified audit opinion for the FY20 financial reporting. This is unacceptable to Shareholders, Life Pass holders and other key stakeholders** hh. **Directors who do not believe that the current constitution is fit for purpose should consider resigning and be replaced by Directors who are interested in preserving the following:** ✓ **Tax free charitable status of the company** ✓ **Preserving and developing on mountain activities** ✓ **Preserving the financial sustainability of RAL in its current form** ✓ **Developing capital replacement programs that promote on mountain recreation and are within the financial capacity of the current corporate structure** ✓ **Maintaining Life Pass Sales as a valuable source of capital raising** ✓ **Acknowledge that RALs success has been based on a crowd source funding model in the form of Life Pass sales** ✓ **Acknowledge that the ANZ bank debt financing arrangement is unacceptable**

Pros and Cons of current corporate structure versus NEWCO

	RAL existing corporate structure		NEWCO	
Tax status	Pro	Does not pay tax on profits	Con	**Subject to pay 28% tax on profits**
Charitable status	Pro	Eligible to receive donations, apply to various charitable funding bodies	Con	Not eligible to receive donations or apply to various charitable funding bodies
Access to capital via Life Pass sales	Pro	Life Pass holders are RAL's single largest source of capital financing	Con	Likely to be compromised unless the transaction can be structured in a way that Life Pass Holder benefits are maintained in the NEWCO and future restructuring transactions
Access to capital via private equity	Con/Pro	Con- RAL constitution is not attractive to private equity investors as they are unable to take a share in the profits and operational cash flows **Pro - Not having private equity investors means all profits and operating cash flows are retained within the company**	Pro/Con	Pro - NEWCO corporate structure is able to access private equity capital. This enables RAL to access $30m in equity to progress with the Turoa ski field redevelopment **Con - Access to private equity will cost a 50% controlling share of the company, and will require payment of dividends to shareholders that would have otherwise been cash flows that would have been re-invested into the ski field**
Retainment of accumulated profits and operating cash flows	Pro	**RAL constitution does not allow a dividend payout to shareholders, this means 100% of the profits and operating cash flows are reinvested back into the company**	Con	Shareholders would expect to access a share in the profits and operating cash flows of the company. High level modelling indicates this may lead to a significant strain on RAL medium term financial sustainability if operating cash flows are paid out as dividends to shareholders
Preservation of Life Pass benefits	Pro	RAL existing constitution provides security to Life Pass holders that their benefits will be preserved into the foreseeable future. This is assumed RAL remains to be a going concern	Con	Given the low level of transparency underlying the details of the NEWCO proposal, it is prudent for RAL Life Pass Holders to be concerned regarding the foreseeable preservation of their benefits within the NEWCO structure and/or any future restructures

RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company. RAL should also consider other forms of charitable financing sources such as those listed on the not-for-profit.org.nz that they may be able benefit from by leveraging the charitable status of the company. **Life Pass Holders are key stakeholders, and their financial support is the major source of capital finance. This should not be undermined. RAL is built on the support of Life Pass Holders**

Headline operating results

RAL operating EBITDA for FY20 was $7.2m which is a significant uplift from prior financial years (FY19 $3.26m). Historically EBITDA has been significantly lower around the $2m mark and is a promising and early sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDAR. This is an encouraging result given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.

The operating result and operating EBITDA exclude any abnormal revenues and expenditure to provide a normalised operating comparison. For clarity the FY20 operating headline results exclude $1.7m COVID-19 wage subsidy, and the $20m impairment on Turoa assets. The FY19 results exclude the $2.37m insurance recovery for the Turoa avalanche. Costs associated with the Turoa avalanche have been excluded in the FY20 and FY19 operating results.

RAL operating loss increased from $3.3m to $4.3m in FY20. The increase in operating loss has been driven by increased depreciation expenses due to a $56m redevelopment of which the majority relates to the Whakapapa ski area and Sky Waka Gondola. Depreciation is a non-cash expense and has increased from 16% of service revenue in FY19 to 34% of service revenue in revenue in FY20.

In terms of RAL's short to midterm financial viability, the key profitability metric to analyse is the operating EBITDA. This is defined in this analysis as operating earnings before tax, investment revenue and financing costs, depreciation and amortisation. The EBITDA is measure of the cash flows generated from core operational activities of the business. Hence in FY20 an EBITDA means that $7.2m of operational cash flows are being generated to service debt interest and principal repayments and rebuild cash reserves for future capital and maintenance commitments.

Table 2: RAL Headline operating results and total results

Headline Operating Results	FY20 $'000s	FY19 $'000s	*FY18 $'000s	*FY17 $'000s
Operating EBITDA	**7,210**	**3,262**	**1,952**	**2,030**
Operating result	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**
Staff costs as % of Service revenue	34%	42%	47%	45%
Depreciation costs as % of Service revenue	34%	16%	21%	17%
Finance costs as % of Service revenue	5%	4%	2%	1%
Total maintenance and service costs % of service revenue	7%	9%	9%	10%
Total Result & non-recurrent result	**FY20 $'000s**	**FY19 $'000s**	***FY18 $'000s**	***FY17 $'000s**
Net non-recurrent result	(18,138)	4,720	(148)	(894)
Total comprehensive result	(22,483)	1,397	(4,231)	(3,014)
EBITDA	(10,928)	7,982	1,804	1,136
Adjusted EBITDA (excludes impairment)	9,276	8,148	1,804	1,136

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-19 reporting period due to only 7 months of data reported which means 5 months of expenses were excluded from the analysis.**

Key observations – assessment of financial viability in terms of operating performance

In terms of assessing RAL long term financial viability, the operating result incorporates the cost of depreciation. Depreciation represents the use of the future economic benefits of a capital assets useful life. Hence an operating loss of $4.3m in FY20 shows that RAL operating profitability is currently not recovering the full cost of capital employed. Determining an assets useful life is arbitrary and requires a level of professional judgement, hence depreciation policy on the useful life of assets will have a material influence on the operating result. Hence why it is important to review trends in operating EBITDA and Operating result together as both KPIs have their own inherent limitations.

For longer term financial viability, RAL will want to target at a minimum break-even operating result which means they are recovering the full cost of their capital infrastructure to help better position themselves to replace capital assets using accumulated operating cash flows, and become less reliance on more costly debt financing.

Key observations – impairment of Turoa assets effect on FY20 financial performance

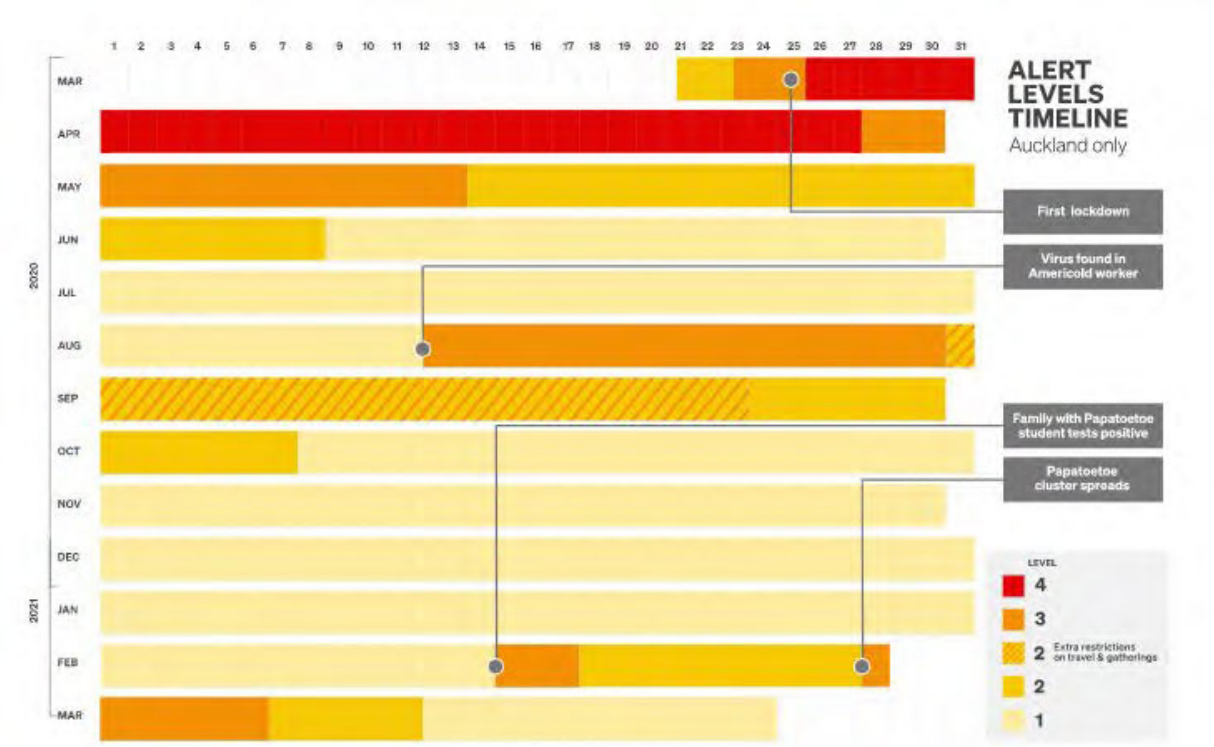
The Board of Directors financial narrative stresses a headline result which their opening statement addresses to a $22m net loss as the most significant in RAL history which is due to a $20m non cash impairment write down on assets. Our view is that the head line result should be focused on the recurrent operating performance of the organisation and exclude non-recurrent adjustments that have been derived from academic changes in accounting policy. In FY20, the Board requested the Auditors to focus on the value of assets and they were required to review impairment beyond normal book value and economic life and support the impairment with a discounted cash flow. The Boards reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic.

FY20 adjusted EBITDA (Earnings **before** interest, tax, depreciation, and **impairment**) which excludes the $20m impairment is $9.276m which is an improvement on $8.148m adjusted EBITDA for FY19. Hence, the timing and the abnormal necessity to conduct a revaluation of assets above and beyond the business-as-usual operating circumstances has materially influenced the total results and made the financial performance of the company appear significantly worse than its actual financial performance once abnormal accounting adjustments are eliminated from the performance metric. Hence for this reason, **we recommend that the operating result and operating EBITDA should be used as the key metric for measuring financial performance between comparative reporting periods.**

COVID-19 Lockdown and restrictions and support of the Bank

New Zealand went into two separate lock downs during 2020 due to the COVID-19 pandemic outbreaks.

Figure 1: COVID-19 timeline of induced locked down and alert level restrictions



Source data: https://www.rnz.co.nz/news/national/437359/timeline-the-year-of-covid-19-in-new-zealand

First 2020 lockdown:

- Level 4 lock down restrictions 26th March to 27th April
- Level 3 lock down restrictions 1st May to 13th May
- Level 2 alert restrictions 14th May to 7th June

Second 2020 lockdown

- Level 3 lockdown 13th August to 30th August
- Level 2 restrictions 31st August to 7th October

Key observations – support of the bank amidst the pandemic

The pandemic event triggered an event of review under the terms of the ANZ loan agreement with the bank. This resulted in the bank re-assessing RAL ongoing financial support to month-to-month basis. The decision by the bank was based on worst case cash flow modelling scenarios presented by RAL to the bank should they not be able to operate for the winter. The Bank, then upon certainty that RAL could operate over the winter season, extended loan facilities to November 2021. However, ANZ bank has a number of conditions for ongoing financial support, one of which included a capital restructure for how the company accesses capital. The note 1.2 of the FY20 annual report states these milestones for a capital restructure were not met and therefore the ANZ bank could technically call their loan facilities at any time before the November 2021 expiry. The new milestone date for the review of the revised capital structure is planned for the 1st December 2021. It was these liquidity factors that resulted in the Auditor Deloitte issuing a qualified audit opinion regarding the material uncertainty of RAL as a going concern should the ANZ bank call upon there $5.9m debt before the November 2021 expiry. **In ordinary operating times, a large component of the ANZ debt should be structured or renegotiated to outside of 12 months terms**

The decision by the ANZ bank to finance RAL on monthly and short-term basis has placed RAL into a very vulnerable liquidity position because the Bank can technically call upon their $5.9m debt at any time. Interestingly, the approach ANZ bank have taken with RAL in the face of a pandemic is vastly different to how the banks have supported their mortgage holders to keep the housing market propped up by offering six-month mortgage repayment holidays within two days of New Zealand going into a level 4 lockdown on the 27th of March 2020. To put this into context, the ANZ debt of $5.9m is equivalent to the mortgage on 6 or 7 Auckland homes and assuming the average household income before tax to service this debt is $160k pa, this consolidates to a $1m EBITDA which is significantly less than the $7.3m to $9.5m EBITDA potential of RAL. RALs total debt is $25.9m, therefore they have an EBITDA income to debt ratio of $1m EBITDA to $3.5m debt. This EBITDA to debt ratio compares favourably to the 7 Auckland houses with a ratio of $1m EBITDA to $6m debt.

In times where the global economies were under unpresented uncertainty due to the COVID-19 pandemic, the ANZ bank should have provided additional support and leniency to RAL as they did for the housing sector, particularly when government bodies funded by the tax payers have contributed $10.5m worth of financing through the Provisional Growth Fund and Ruapehu District Council. We also note Bank fees increased from $37k in FY19 to $230k in FY20. The ANZ Bank's continued support is based on a condition that RAL perform a capital restructure, which is in breach of the constitution. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who can provide committed financial support facilities on the basis of their positive EBITDA potential and on the condition that they significantly scale back on $55m Turoa development plans.

Detailed operating result trend and scenario analysis

Table 3: Ruapehu Alpine Lifts Operating Result Trend and scenario analysis

RAL "Normalised" Headline Operating Results	Actual		Variance		*April Year end		**No COVID-19 Estimate	Core assumptions
	FY20 $'000s	FY19 $'000s	YoY $'000s	YoY %	*FY18 $'000s	*FY17 $'000s	FY20 base ($'000s)	FY20 estimate without COVID-19 event
Operating revenue								
Service revenue	29,924	33,999	(4,075)	-12%	28,570	24,399	38,901	30% increase
Investment revenue	219	308	(89)	-29%	331	340	219	no change
Operating revenue	**30,143**	**34,307**	**(4,164)**	**-12%**	28,902	24,739	39,120	
Operating expenditure								
Staff costs	10,109	14,257	(4,148)	-29%	13,356	11,088	15,560	40% of Service Rev.
Director fees, board and governance	292	408	(116)	-28%	221	210	380	30% increase
Depreciation and amortisation	10,288	5,590	4,698	84%	5,900	4,165	10,288	no change
Finance costs	1,486	1,303	183	14%	467	326	1,486	no change
Lift maintenance, grooming & snow making services	1,214	1,331	(117)	-9%	1,220	1,081	1,364	2.5% increase on FY19
Other routine maintenance, fuel and supplies	846	1,703	(857)	-50%	1,386	1,279	1,269	50% increase
Other Suppliers and Services	2,908	3,209	(301)	-9%	2,624	1,945	3,780	30% increase
Insurance	1,652	1,459	193	13%	987	859	1,652	no change
Electricity usage and line charges	1,897	2,608	(711)	-27%	2,065	1,950	2,466	30% increase
License Fees, Rates and Ski Area Levies	716	1,600	(884)	-55%	1,223	1,235	1,389	add $673k waived
IT and communication	703	806	(103)	-13%	484	499	703	no change
Marketing	430	730	(300)	-41%	867	471	559	30% increase
Cost of sales	1,893	2,558	(665)	-26%	2,152	1,715	2,461	30% increase
Audit fees	54	68	(14)	-21%	33	38	54	no change
Total operating expenditure	**34,488**	**37,630**	**(3,142)**	**-8%**	32,985	26,859	43,412	
Operating Result	**(4,345)**	**(3,323)**	(1,022)	31%	**(4,084)**	**(2,120)**	**(4,292)**	
Operating EBITDA	**7,210**	**3,262**	3,948	121%	**1,952**	**2,030**	**7,263**	
Staff costs as % of Service revenue	**34%**	**42%**	-8%		**47%**	**45%**	**40%**	
Depreciation costs as % of Service revenue	**34%**	**16%**	18%		**21%**	**17%**	**26%**	
Finance costs as % of Service revenue	5%	4%	1%		2%	1%	4%	
Total maintenance and service costs % of service revenue	7%	9%	-2%		9%	10%	4%	
Other Suppliers and Services	10%	9%	0%		9%	8%	10%	

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-19 reporting period due to only 7 months of data reported which means 5 months of expenses were excluded from the analysis**

Table 3 is a detailed review of RAL operating result for FY20 and FY19 which have November reporting dates and *FY18 and *FY17 which have April reporting dates. All comparative periods are 12 months. The detailed mapping of the annual reports to account categories is appended to this report, which enables a full reconciliation of the operating analysis back to the annual reports. The analysis also includes a scenario to estimate what the financial results might have been if COVID-19 pandemic had not occurred. The purpose of this exercise is to forecast the profitability of RAL now that Whakapapa has been redeveloped with Sky Waka Gondola.

Key observations FY20 versus FY19:

- Despite the pandemic limiting the ski season and visitor numbers, service revenue $29.9m only declined 12% ($4.1m) compared to FY19 service revenue of $34m. Service revenue includes lift sales and sales of goods and services
- RAL operational management in the face of the pandemic have made significant cost saving initiatives in nearly all areas of the business with only costs increasing significantly in depreciation $4.7m (84% increase) due to the Whakapapa redevelopment and finance costs $183k and $193k for insurances. Costs in all other key operating categories have reduced between 9% and 55%. Overall costs have declined 8% compared to FY19
- Staff costs $10.1m were reduced by $4.1m which is a 29% reduction on FY19 staff costs at $14.3m
- Staffing costs for FY20 have reduced to 34% of service revenue which is a significant decrease from FY19 with staffing costs at 42% of revenue. This shows the aggressive staff reduction strategies RAL implemented to ensure the company stayed financially viable throughout the duration of the ski season, noting that bank support was on a month-to-month basis
- Licence fees, rates, and ski are levies reduced $884k (55% decrease). DOC waived $673k from their licence fee due to COVID-19
- Lift maintenance, grooming & snow making services costs declined $117k (9%) as the bulk of the maintenance is likely done pre-season
- Other routine maintenance, fuel and supplies cost reduced $857k (50% decrease)
- Electricity usage and line charges reduced $711k (27% decrease)
- Marketing costs reduced $300k (41% decrease)
- Cost of sales reduced $665k (26% decrease)
- Board and governance costs reduced $116k (29% decrease)
- Other supplies and services cost reduced $309k (9% reduction)

Key observations scenario analysis

The scenario analysis is a best attempt effort to estimate the operating potential of RAL in a normal FY20 year, assuming there was no global pandemic disrupting operations and also considering the profitability on the basis that Whakapapa has been significantly redeveloped with the Sky Waka Gondola. The scenario makes key assumptions that the pandemic has caused a 30% reduction in sales which is based on a 30% reduction in winter visitors, 29% reduction in staffing costs, and a 27% reduction in electricity costs. Other key assumptions are that staffing costs are maintained at 40% of service revenue. It is unlikely that RAL will be able to maintain a super lean staffing ratio of 34% staff costs as a % of service revenue, which is what they achieved during the pandemic by sacrificing service capacity.

- RAL under the "no COVID-19 pandemic scenario" is estimated to return a $7.3m operating EBITDA result. Hence, the COVID-19 $1.7m support subsidy which has been excluded from the operating analysis may have resulted in a net COVID-19 benefit, meaning the pandemic has made RAL financially better off if you were to disregard the short-term liquidity issues the pandemic caused with obtaining financial support and commitment with the ANZ bank
- The "No COVID-19 pandemic scenario" returns a similar operating result as the actual FY20 result. This is because of the assumption that staff costs are increased to 40% of Service revenue to ensure the on mountains services and customer experience is not compromised by operating at reduced capacity as seen during the FY20 COVID year, which was an exception to the normal
- Maintenance and service costs as % of service revenue is 4% which is notably lower than the 9% experience seen in FY19 and *FY18 numbers. This is based on the assumption that the new Sky Waka Gondola is driving revenue up without increasing routine maintenance costs. Lift maintenance, grooming maintenance and snow making services were increased by 2.25% based on the FY19 costs

Figure 2: Operating Financial Performance trend and Winter Visitor Numbers



FY19 is the first year of the Sky Waka Gondola, and of concern it has seen a drop in winter visitor numbers compared to previous year FY18. The reduction in the car parking at Whakapapa maybe a factor limiting the number of skiers who can access the mountain. The RAL annual reports are not transparent to the profitability of the summer operations and the extent to which the summer operation subsidizes RAL for the reduction in winter visitors.

As can be seen, the FY20 and FY19 periods with the Sky Waka are more profitable from an operating EBITDA perspective than the prior years *FY18 and *FY17 with an average EBITDA of approximately $2m respectively.

Balance Sheet Analysis

Table 4: RAL Balance Sheet Trend

RAL Balance Sheet analysis and trends	November reporting date			April reporting date	
	FY20 $000's	FY19 $000's	**Nov-18 (7months)	*FY18 $000's	*FY17 $000's
Current assets					
Cash at bank	4,966	1,564	6,718		970
Restricted funds in trust	512	3,705	9,307		
Trade and other receivables	1,102	2,243	2,108	246	487
Life Pass finance plan	148	226	130	237	339
Inventories	750	1,020	424	673	764
Prepayments	353	1,139	575	60	204
Fair value of derivatives					67
Total current assets	**7,831**	**9,897**	**19,262**	**1,216**	**2,831**
Non-current assets					
Life pass finance plan	113	290		70	355
Property plant and equipment	62,164	86,799	74,548	66,410	62,795
Intanigble assets	745	1,423	1,130	1,208	896
Total non-current assets	**63,022**	**88,512**	**75,678**	**67,687**	**64,045**
Total Assets	**70,853**	**98,409**	**94,940**	**68,903**	**66,876**
Current liabilities					
Overdraft facility				3,691	
Lease liabilities	559	573	356	105	
Trade and other payables	4,609	4,974	5,546	3,794	4,639
Deferred grant income	9	484	2,854		
ANZ Bank borrowings	5,900	1,000	3,700	600	600
Fair value of derivatives	9	29	15	24	
Revenue in advance	6,423	6,546	7,761	7,281	4,736
Life Pass revenue deferred	1,960	2,172	1,760	1,776	1,867
Total current liabilities	**19,469**	**15,778**	**21,992**	**17,271**	**11,842**
Non current liabilities					
Lease liabilities	20	515	548	123	
Bank borrowings	0	5,900	3,800	6,900	4,400
Ministry of Business, innovation and employment loan	6,244	5,731	5,260		
Ruapehu district council loan	304	279	256		
Tourism infrastructure bonds	13,500	13,500	9,500		
Life pass deferred revenue	14,858	17,765	16,040	17,883	19,677
Total non-current liabilities	**34,926**	**43,690**	**35,404**	**24,906**	**24,077**
Total Liabilities	**54,395**	**59,468**	**57,396**	**42,177**	**35,918**
Net Assets/Share holder Equity	**16,458**	**38,941**	**37,544**	**26,726**	**30,957**

Key balance sheet observations

- **ANZ Bank borrowings $5.9m were reported as non-current in FY19 has all become current in FY20 due to the pandemic trigging an even review with the bank. This changed the banks level of support from long term financing to short term financing on a month-to-month basis which placed RAL in an extreme liquidity risk position because technically the bank could call for the debt to be repaid at any time**. Generally, under normal circumstances a large proportion of this bank debt would be structured as non-current which means it is repayable outside of 12 months. Auditors Deloitte issued a qualified Audit opinion to RAL having material uncertainty to them being a going concern. This is because the ANZ bank could technically recall for repayment of the $5.9m debt at any time. There was no long-term commitment given by the ANZ bank to continue their support to that debt facility. RAL only have $4.966m in the bank at balance date, therefore they are approximately $2m short to be in a position to repay the $5.9m debt back to ANZ bank at a moment's notice (assuming they need to still have at least $1m cash in bank as working capital upon repayment of the $5.9m bank debt)
- In *FY18 (Apr-18) cash position was at its lowest being $3.91m in overdraft which improved to $6.718m cash in the bank ** Nov-18 due to four months of winter trading and financing coming through from MBIE, Tourism infrastructure bonds, and Ruapehu district council
- Property plant and equipment assets in *FY17 are $62.8m, increase to a peak at $86.8m in FY19. The asset growth is mostly due to investment in Whakapapa and the Sky Waka Gondola development. Property plant and equipment assets significantly reduce in FY20 to $62.2m. This is mostly due to a $19.9m impairment on the Turoa ski field assets
- Net Assets have declined from $39.9m in FY19, down to $16.47m in FY20 as a result of the $19.9m Turoa asset impairment write down. **Essentially, 50% of Shareholder equity has been written off the balance sheet as a result of the Turoa asset review**

Table 5: Key balance sheet KPIs

Key balance sheet KPIs	FY20	FY19	**Nov-18	*FY18	*FY17
Capital adequacy ratio - Net Assets % total assets	23%	40%	40%	39%	46%
Total Debt ($000's)	**25,948**	**26,410**	**22,516**	**11,191**	**5,000**
Liquidity ratio - Unrestricted cash as % of total debt	**19%**	**6%**	**30%**	**0%**	**19%**
Current ratio 1	40%	63%	88%	7%	24%
Current ratio 2 (Excluding Revenue received in advance and Life pass revenue deferred)	71%	140%	154%	15%	54%
Net working capital 1	(11,638)	(5,881)	(2,730)	(16,055)	(9,011)
Net working capital 2 (Excluding Revenue received in advance and Life pass revenue deferred)	(3,255)	2,837	6,791	(6,998)	(2,408)

Figure 3: RAL Liquidity trend

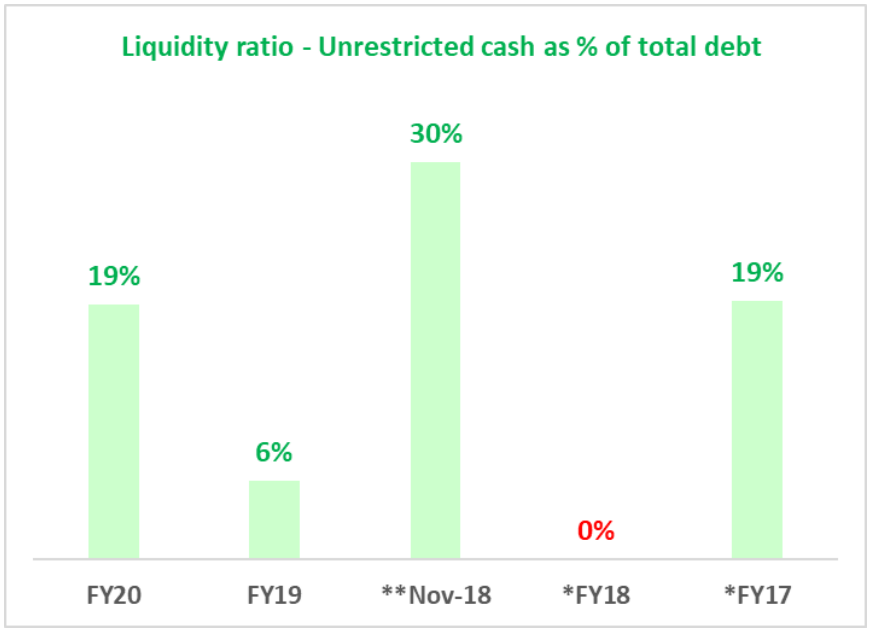
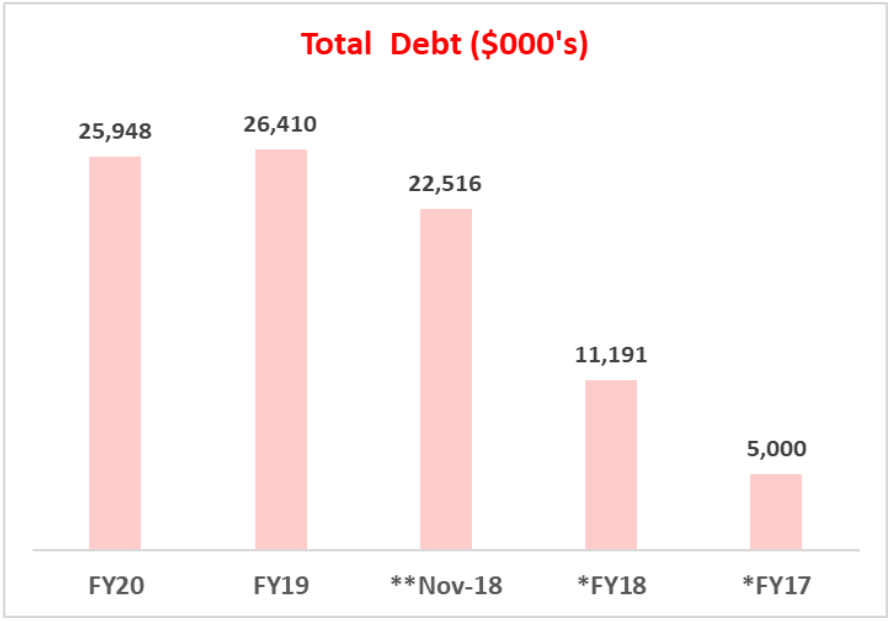


Figure 4: RAL Total Debt Trend



Key balance sheet ratio observations

- FY20 liquidity ratio is 19%. This means that $4.97m unrestricted cash can cover 19% of $25.9m total debt. **The issue for RAL is that $5.9m of this debt with the ANZ bank switched to short term debt that could be called up at any time**. Under normal operating circumstances, a 19% liquidity ratio is respectable so long as the repayment terms of the debt are restructured to be repaid in the long-term over a period of time. **RAL must restructure a large proportion of the $5.9m short-term debt with ANZ to be on a longer-term basis to minimise liquidity and insolvency risk**
- **At FY20 reporting date, RAL have total debt of $25.9m**. Subsequent events after balance date report RAL received a further $5m from MBIE for the 2020/2021 capital expenditure program. **This means RAL have total debt after reporting date of $30.9m**. It appears based on RAL profitability levels (estimated to be around $7.2m Operating EBITDA based on FY20 scenario analysis. This is debt ratio of 4.3 x operating EBITDA) it is now fully leveraged having maximised their debt carrying capacity. It appears that this view is aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL debt capacity and based on current profitability levels ($7m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt
- Taking on additional debt beyond $30.9m would increase the debt to operating EBITDA ratio which would further expose RAL to rising finance costs which is on the horizon with RBNZ signalling official cash rate will go up in the longer term. Exposure to too much debt will compromise RAL's ability to paydown debt quickly. This is because increased servicing costs of debt reduce operating cash flows available to pay down debt
- RAL has a net working capital deficiency. Net working capital is current assets less current liabilities. Current assets are a measure of the coverage of current assets available to cover current liabilities as they fall due. RAL working capital deficiency is reduced if you exclude season pass revenue received in advance and deferred life pass revenue. The reason for excluding these components in the secondary net working capital ratio is because it is unlikely season pass revenue will need to be refunded (except under extraordinary circumstances) and likewise life passes are extremely unlikely to be refunded
- In FY20 the Net working capital ratio 2 is a deficiency of $3.25m. If a minimum of $3.25 of the ANZ bank loan was restructured as longer-term debt then RAL would have a neutral or net working capital surplus position (Ratio excludes the season pass revenue received in advance and deferred life pass revenue)
- RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into Property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this RAL would need to build up cash reserves by an additional $11.6m based on FY20 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL are unable to operate for two seasons in a row due to an extraordinary event such as a volcanic eruption. Assuming corporate costs are 15% of $39m estimated operating revenue, if we estimate corporate costs of $5.85m to maintain the business administration, then it **is recommended that RAL should be targeting to maintain a long-term cash position of approximately $15m** to protect the company from insolvency risk in event of extraordinary circumstances
- The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning. Now is a good time to start reconsidering their aggressive $55m investment strategy to the redevelopment of Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will better place RAL for long term debt repayment commitments

Figure 5: RAL Net Assets/Shareholder Equity trend

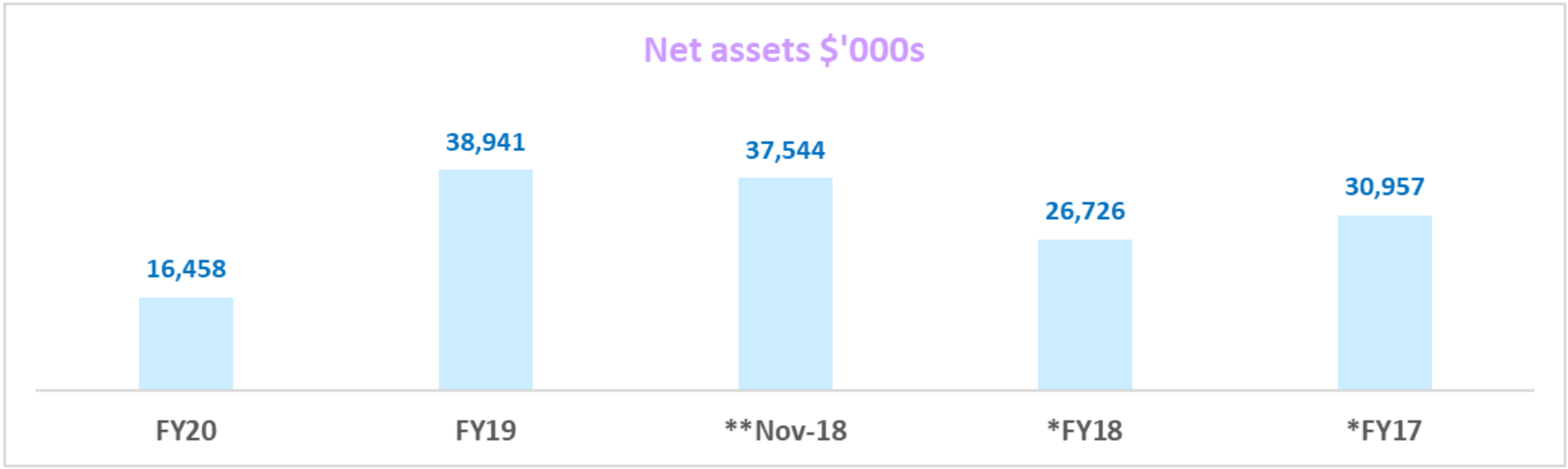


Table 6: RAL Property, Plant and Equipment Asset balances and movements

	Opening net book value	Additions	Transfers	Disposals	Depreciation write back on disposal	Less depreciation expense	Less Turoa Impairment	Closing net book value
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
Ski lifts	36,426		3,972	(245)	237	(2,866)	(10,837)	26,687
Buildings and fixtures	26,199		944	(170)	158	(1,413)	(5,603)	20,115
Car parks and roads	3,697		(1,080)			(145)	(1,765)	707
Motor vehicles	3,781		(579)	(250)	250	(1,035)		2,167
Service and concession assets	468		579			(116)		931
Plant and equipment	15,806		1,481	(3,084)	3,045	(4,378)	(1,476)	11,394
Assets under development	422	5,240	(5,317)				(182)	163
Total	**86,799**	**5,240**	**0**	**(3,749)**	**3,690**	**(9,953)**	**(19,863)**	**62,164**

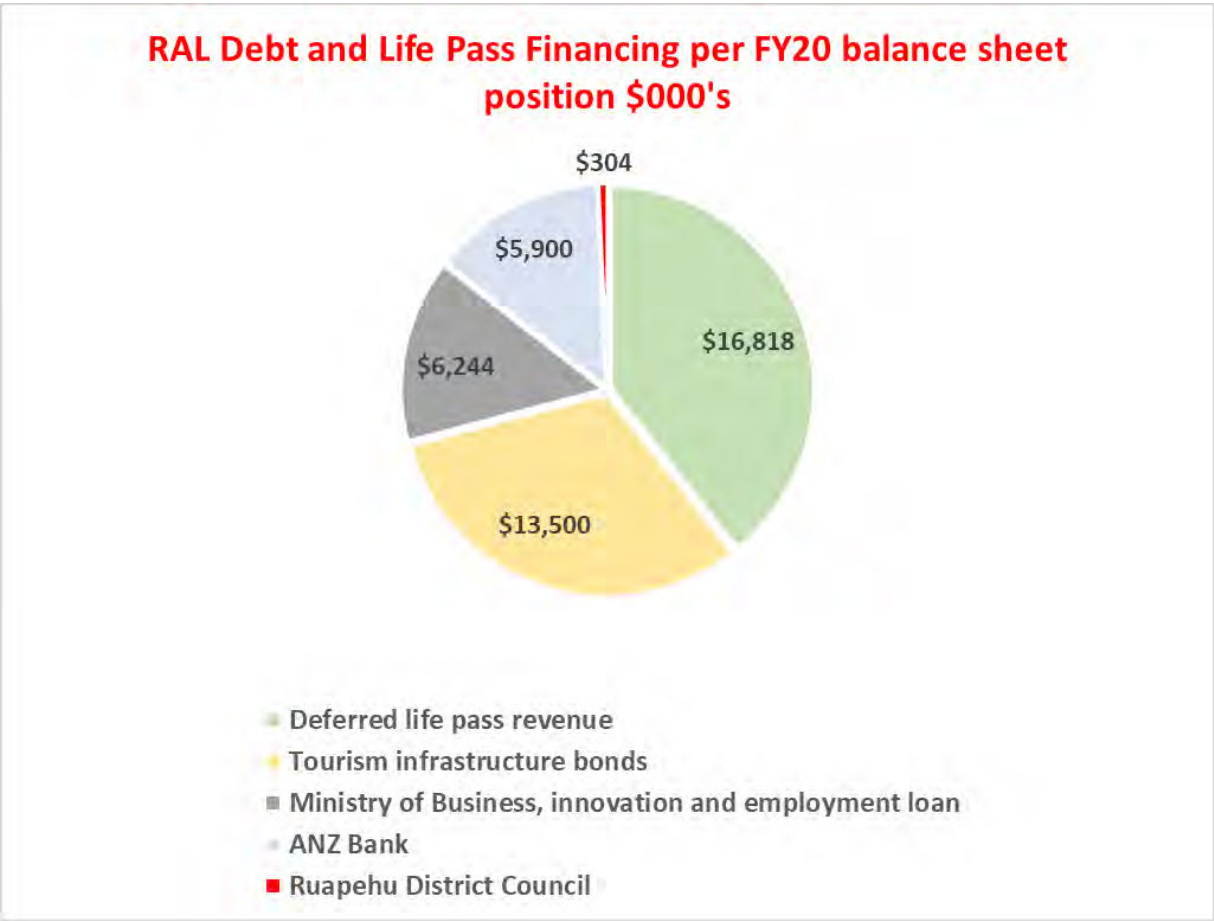
Key balance sheet observations

- RAL Shareholders Equity [Net Assets] has taken a significant hit declining from $38.9m in FY9 to $16.5m in FY20 due to a $19.9m impairment write off on the Turoa assets. The Board had made special instruction to the Auditors Deloitte to focus on the value of assets in the FY20 period. According to the FY20 annual accounts *"The impairment exists due to the age of the Turoa assets, the required future investment and future estimated cashflows associated with Turoa's current asset base. The impairment loss has been recognised in the statement of comprehensive income. The discounted cashflow model to determine the recoverable amounts of the cash-generating units has a weighted average cost of capital rate of 8.19% and a terminal growth rate of 1.5%".* Essentially the discounted cash flow model determined the following impairments for the Turoa Ski field:
    - Lifts were impaired by $10.8m
    - Buildings were impaired $5.6m
    - Roads and car parks were impaired $1.8m
    - Plant and Equipment were impaired $1.5m

    Key points that Shareholders should take note are that the cash flows were discounted by 8.19%. This is a significantly high discount to be discounting cash flows and is likely based on the assumption on the expected return required from those assets. This may be an indication of the expected return that the Investors would be wanting to achieve should they invest $30m for a 50% share of RAL.

    Another key point is that the cash flow model considers future investment into Turoa which is also driving the value of the impairment. It appears the impairment value of the Turoa assets is large because it likely involves the costs of removing and disposing existing infrastructure. Of particular interest to Shareholders is whether the impairment would be entirely or partly reversed if the $55m Turoa redevelopment plan were to be revised to a hold and maintain strategy? The main assumption being that the existing assets being impaired are now having their useful life extended, or at a minimum maintained per a normal capital maintenance program.
- FY20 property plant and equipment had an opening balance of $86.8m which has declined to $62.2m, largely as a result of a $19.86m impairment of Turoa Assets
- Tourism infrastructure bonds hold security over Sky Waka Gondola and ANZ bank hold security over all other present and after acquired property with the exception of the Sky Waka Gondola
- Restricted funds held in trust is a bank account held in Trust by a Wellington Legal firm, Macalister Mazengrab, to securely hold financing received from Tourism infrastructure bonds, MBIE, and Ruapehu district council for the construction of the Sky Waka Gondola. This trust arrangement ensures the financing cash flows are used specifically for the Sky Waka Gondola development and are only released upon construction milestones being achieved and independently verified by an engineer per the contract.

Figure 6: RAL Debt and Life Pass financing per FY20 balance sheet



RAL balance sheet as at 30 November 2020 has $16.8m in deferred life pass revenue recognised one the balance sheet. Life Pass holders have been the largest collective source of financing for RAL. Tourism infrastructure bonds are the second largest source of financing with $13.5m, followed by the MBIE with $6.244m. ANZ Bank have $5.9m financing position in RAL and hold security over all assets except for the Sky Waka Gondola, which the Tourism infrastructure bonds and MBIE hold security over. Ironically, the largest financiers of RAL being the Life Pass holders are the less protected holding no security over any assets. ANZ bank debt financing is only 14% of the total $42.8m Debt and Life pass financing position on the balance sheet, yet it is the ANZ Bank debt which has been the most problematic for RAL with the pandemic triggering an event review which caused a liquidity risk and material uncertainty in RAL ability to operate as a going concern should ANZ decide to call upon their debt.

Cash Flow Analysis

Table 7: Cash flow analysis and trends

RAL cash flow analysis and trends	November reporting date			April reporting date		Accumulative Cash flow movements
	FY20 $'000s	FY19 $'000s	**Nov-18 (7 months)	*FY18 $'000s	*FY17 $'000s	*FY17 to FY20
Operating activities						
Cash received:						
Receipts from customers	21,587	26,273	25,268	22,507	18,614	114,249
Revenue received in advance	6,423	6,546	7,761	7,281	4,736	32,747
Receipts from life pass sales	253	4,419	197	368	13,181	18,418
Interest received	34	57	15	33	71	210
COVID-19 government wage subsidy	1,715	0				1,715
Total cash received for operating activities	*30,012*	37,295	33,241	30,190	36,601	167,339
Cash paid:						
Payments to suppliers and employees	(22,452)	(33,084)	(22,387)	(26,971)	(25,997)	(130,891)
Interest paid	(948)	(810)	(427)	(467)	(326)	(2,977)
Net cash flows from operating activities	**6,612**	**3,401**	**10,427**	**2,752**	**10,279**	**33,471**
Investing activities						
Cash received:						
Sale of plant and equipment	0	258	69			327
Cash paid:						
Purchase of property plant and equipment	(5,403)	(17,815)	(10,780)	(9,913)	(11,908)	(55,819)
Net cash flows from investing activities	**(5,403)**	**(17,557)**	**(10,711)**	**(9,913)**	**(11,908)**	**(55,492)**
Financing activities						
Cash received:						
Term facilities				3,100	804	3,904
Tourism infrastructure bonds	0	4,000	9,500			13,500
Ministry of Business, Innovation and Employment loan			10,000			10,000
Ruapehu District Council Loan			500			500
Total cashed received from financing activities	*0*	*4,000*	*20,000*	*3,100*	*804*	27,904
Cash paid:						
Current proportion of Term loans	(1,000)	(600)	0	(600)	(600)	(2,800)
Current proportion of lease liabilities					(3)	
Net cash flows from financing activities	**(1,000)**	**3,400**	**20,000**	**2,500**	**200**	**25,100**
Net increase/(decrease) in cash	**209**	**(10,756)**	**19,716**	**(4,661)**	**(1,429)**	3,079
Opening cash	5,269	16,025	(3,691)	970	2,399	
Closing cash	**5,478**	**5,269**	**16,025**	**(3,691)**	**970**	

High level Cash flow observations

RAL spent $56m cash on property plant and equipment between *FY17 and FY20. This appears to be mostly related to the development of Whakapapa ski field and the Sky Waka gondola. $27.9m in external financing cash flows were drawn to fund this capital development between *FY17 and FY20. In this time period, $2.8m short term debt has been repaid on top of $2.98m in financing costs. A further $18.4m in Life pass receipts have been used to fund this development and the remaining $9.17m has been funded with using other operational cash flow surpluses.

Table 8: Analysis of cash flow trends *FY17 to FY20 for Property Plant and Equipment cash flow payments and its funding sources

	$000's
Property Plant and Equipment cash flow expenditure	**(55,819)**
Property Plant and Equipment cash flow expenditure funded by:	
Life pass sales	**18,418**
Tourism infrastructure bonds	**13,500**
Ministry of Business, Innovation and Employment loan	**10,000**
Ruapehu District Council Loan	**500**
ANZ bank debt facilities	**3,904**
Other accumulated operating cash flows	**9,497**
	55,819

Life pass holders have been the single largest contributors for financing RAL's major $55.8m capital development program between *FY17 and FY20, contributing $18.4m in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties.

RAL operating cash flows include approximately 21% to 25% revenue received in advance from sale of season passes and vary dramatically between years due to life pass sales. Net cash flows accumulated from operations are $33.47m which if you exclude life pass sales of $18.4m reduces to $15m accumulated net operating cash flows. This averages out to an average rate of $3.345m net operational (excluding life pass sales) cash flows per annum across approximately 4.6 financial periods (**Nov-18 being only 7 months). FY20 net operating cash flows of $6.6m include $1.715m wage subsidy, however excluding the wage subsidy and 253k life pass revenue, net operating (excluding Covid-19 and life pass sales) cash flows reduce to $4.6m which is higher than the average $3.345m net operating cash flow run rate across the 4.6-year trend.

Detailed Cash flow observations

- In *FY17 RAL had an opening cash position of $2.4m. $11.9m was invested into plant and equipment which was largely financed by the sale of $13.2m in Life Pass sales. Life Pass sales contributed to above normal net operating cash flow of $10.3m. Closing cash position for *FY18 was $970k
- In *FY18 RAL had an opening cash position of $970k and operating cash flows $2.75m. $9.9m was invested into plant and equipment which was financed by extending ANZ borrowing facilities by a net $2.5m, and extending RAL into a temporary $3.7m overdraft position while waiting for long term financing to come through
- In ** Nov-18, $20m in external financing cash flows were received:
    - $9.5m Tourism infrastructure bonds
    - $10m MBIE
    - $500k Mount Ruapehu District council

  Net operating cash flows were $10.4m for the 7 months and is favourable compared to other comparative periods because the trading includes the winter months and does not include corporate expenditure for the other five months outside of the winter trading season. $10.8m is invested in property plant and equipment.

  Overall, the cash position improved from $3.7m overdraft to a flush $16.7m due to $20m financing cash flows received and the winter trading season cash flows, which also includes $7.7m advance season pass sales. **$9.3m of the cash position is held in restricted funds in trust.**

- FY19 opening bank balance $16m is flush from financing coming through and winter trading in the *Nov-18 reporting period, this allows for a further $17.6m cash investment in property plant and equipment. A further $4m in financing is received in tourism infrastructure bonds. $600k repayment is made on the ANZ short term proportion of debt. Overall, cash position closed at **$5.269m, of which $3.705m is held in restricted funds in trust.**

  Net operating cash flows are $3.4m. Operating cash inflows received $37m, are the highest of the comparative periods included in the analysis and includes $4.4m in receipt of life pass sales. However, $33m in payments to suppliers and employees are also the highest of the comparative periods.

- FY20 net operating cash flows were surprisingly strong at $6.6m. Receipts from customers dropped from $26.7m in FY19 down to $21.6m as a direct result of the COVID-19 pandemic disrupting the ski season. RAL management did an excellent job containing cash outgoings to suppliers and employees to $22.41m, significantly down from $33m in FY19 to offset the decline in revenue. $1.715m was received in COVID-19 support subsidy. $6.4m revenue received in advance for the FY21 ski season kept operational cash flows topped up at the end of the winter season. $5.4m was invested in property, plant and equipment and $1m short term debt was repaid to the ANZ bank. Overall, closing cash position improved to $5.478m of which only **$512k was restricted funds in trust. Hence unrestricted cash had improved from $1.56m in FY19 to $4.966m in FY20**

NEWCO corporate restructure long term financial feasibility concerns

Table 9:High level modelling on residual operating cash after financing costs and shareholder dividend

	Scenario 1	Scenario 2	
	$000's	$000's	
Operating EBITDA	**7,263**	**9,500**	S1 based on FY20 scenario modelling. Scenario 2 assumes higher operating EBITDA achivable from Sky Waka summer operations
Current finance servicing costs	**(1,486)**	**(1,486)**	Based on FY20 - likely to increase, noting additional $5m borrowed form MIBE
Estimated financing costs	**(1,250)**	**(1,250)**	Additional servicing costs for $25m debt to complete Turoa $55m redevelopment
Estimated Dividend			
New Investor - NEWCO Shareholders $30m (50%)	**(3,002)**	**(3,002)**	Based on assumed 10% required rate of return on $30m equity investment
Original RAL Shareholders in NEWCO (50%)	**(3,002)**	**(3,002)**	Assume existing RAL shareholders will have equal dividend rights in NEWCO
Residual operating cash flows after fiancing and dividends	**(1,477)**	**759**	

The Directors have advocated that the RAL corporate restructure is required to access $30m equity to redevelop the Turoa ski field as part of a $55m redevelopment plan. Limited transparency regarding the NEWCO proposal has been provided to shareholders. High-level modelling based on limited information raises concerns to the long-term financial sustainability of the NEWCO structure. This is based on a key expectation that Shareholders will want to access a share in the company profits and operational cash flows and Turoa ski field will undergo a $55m redevelopment. The high-level modelling has been performed on the assumption that investors will expect a 10% return on their $30m. This is an annual dividend of $3m which doubles to $6m, assuming existing RAL shareholders are also entitled to an equal dividend payout.

Observations - scenario 1 NEWCO, operating EBITDA $7.3m

Under scenario 1, there will be a residual operating cash flow deficiency after financing costs and dividends. This is an unviable scenario as dividend payouts exceed operating cash flows.

Observations - scenario 2 NEWCO, operating EBITDA $9.5m

Scenario 2 with a higher $9.5m operating EBITDA has surplus $759k residual operating cash flows per annum. This scenario appears to be another unviable proposition because the company will likely be in upwards of $50-55m in debt. This is because residual operating cash flows of $759k alone will not be able to repay this debt. These leads are to conclude that the NEWCO restructure will be highly suspectable to future corporate restructuring to refinance RAL in the medium term which means there is a real risk that RAL Life Pass holder benefits may not be carried forward in future corporate restructuring transactions.

Table 10: Key assumptions used in the NEWCO feasibility modelling

Assumption	$000's	Notes
Investors - Equity	**30,000**	Per Directors NEWCO proposal
Expected rate of return pa	8.19%	Based on cost capital used in RAL discounted cash flow model for Turoa asset impairment
Length of investment (years)	55	RAL lease is 60 year term
Estimated Dividend payouts per annum to additional NEWCO investors for 50% share of RAL		
Expected annual return on investment	**2,457**	8.19% on $30m Equity
Recovery of $30m Equity	**545**	i) Inherent risk to investor that RAL ski field lease is not renewed an factored into return ii) Assume investor expects to recover equity proportion over 55 years
Estimated annual dividend cash outflow	**3,002**	Expected rate of return + recovery of equity over lease RAL lease term
Estimated required rate of return	**10%**	Expected rate of return + recovery of equity over 55 life of investment
Turoa redevelopment plan	**55,000**	
Funded by		
Additional Equity - NEWCO Investors	**30,000**	
Additonal debt financing	**25,000**	
Total financing for Turoa redevelopment	**55,000**	
Additional financing cost assumption	**5%**	

The key assumptions derived are to determine what level of dividend payout investors who buy in NEWCO should expect. The dividend payout is based on the key assumption that dividend payout will need to factor in a return based on limited life of the RAL lease. There is always going to be an inherent risk that the ski field license will not be renewed and investors will likely factor this into their required rate of return. The modelling assumes that the life of the investment is based on 55 years. This means the dividend payment will incorporate a $545k recoupment of equity per annum. The expected rate of return has been assumed at 8.19% which is based on the cost of capital used in the discounted cash flows for the impairment of Turoa assets. This equates to $2,457m per annum expected rate of return on the $30m investment. The total annual dividend payout modelled for the new investors is forecasted to be in the vicinity of $3m ($2.457m + $0.545m). This level of dividend equates to a required rate of return of 10% pa. In total RAL would need to pay $6m in dividends because the existing RAL shareholders would expect to receive an equivalent dividend amount for their 50% shareholding of the company, otherwise the arrangement would not be deemed fair and equitable to existing shareholders should their shares not also have equal dividend rights.

The modelling assumes an additional $25m of debt financing will be required to fully finance the $55m redevelopment of Turoa. Turoa development is assumed to be financed using $30m Investor capital equity injection and $25m debt financing. Additional financing costs are estimated based on 5% average cost of finance.

Appendix 1: Capital Expenditure notes listed in annual reports

Table 11: Summary capital expenditure notes listed in the RAL annual reports and shareholder updates

Financial reporting period	Description	Ski Field	Cash flow expenditure
2017/16	Rangatira express chair lift	Whakapapa	
	SPF210 Snow factory	Whakapapa	
	7 snow guns	Turoa	
	3 new snow groomers		
	New 12T Excavator		
	3 new beginner lifts (2 fully enclosed)	Whakapapa, Happy valley	
	Night ski lighting and equipment	Whakapapa, Happy valley	
	Dedicated sledding lane and lift	Whakapapa, Happy valley	
	Double size of decks	Whakapapa, Happy valley	
	New ski rental fleet	Whakapapa, Happy valley	
	2 new Schindler elevators enhancing access to Happy Valley	Whakapapa, Happy valley	
	Replace waterfall T Bar with Doppelmayr quad chairlift	Whakapapa, Happy valley	
	Commission new standby generator	Whakapapa	
	Two new 22 seater 4WD Mercedes Benz buses	Turoa	
	New PA and audio system	Whakapapa	
	Redevelop "drop off area" with swipe card access control for bus access at Whakapapa	Whakapapa	
	Redevelop Happy Valley Bistro with new kitchen, front of house, furniture and menu	Whakapapa	
	Relaunch the 'Schuss Haus" as a Corona Bar		
	Commenced redevelopment of the Snowflake care		
	Removal of Bridge hutt at top of the Rock Garden and the Meads Wall café	Whakapapa	
	2017/16 Capital expenditure per statement of cash flows		**(11,908)**
2018/17	95% replacement of the aged far West T bar, with only the drive and return equipment remaining	Whakapapa	
	Rework the Delta Chair lift upload position	Whakapapa	
	New 3D modelling and GPS technology installed at Whakapapa	Whakapapa	
	Upgrade of Turoa snow making system to link the top of the giant to the existing snow making system	Turoa	**(9,913)**
	2018/17 Capital expenditure per statement of cash flows		
Nov-18 (7 months)	T-bars at Whakapapa - Valley and Knoll T-Bars mechanical upgrades with new sheave assemblies and realignment	Whakapapa	
	$1.4m project with Doppelmayr New Zealand		
	Planning applications for development of Turoa ski field	Turoa	
	Knoll Ridge Chalet undergoing refit in preparation for Gondola. Refit to increase seating by 50%	Whakapapa	
	Nov-18 (7 months) Capital expenditure per statement of cash flows		**(10,780)**
2019/18	Construction of the Sky Waka Gondola	Whakapapa	
	Repairs to Highnoon express chair lift	Turoa	
	Development on E-commence capability		
	Refurbishment of food and beverage facilities		
	2019/18 Capital expenditure per statement of cash flows		**(17,815)**
2020/19	$5m Turoa maintenance CAPEX	Turoa	
	Giant Chair lift $2m upgrade (Included in $5m CAPEX above)	Turoa	
	2020/19 Capital expenditure per statement of cash flows		**(5,403)**
Total Property plant and equipment expenditure per statement of cash flows between March 2016 to November 2020			**(55,819)**

Appendix 2: Comprehensive Income Statement working paper and analysis mapping

Table 12: Comprehensive Income working paper and analysis mapping

	FY20	FY19	*FY18	*FY17	Mapping
Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	
Service Revenue					
Lift Pass Sales	22,197	21,643	17,010	14,405	
Sales of Goods and Services	7,727	12,356	11,560	9,994	
Investment Revenue					
Rent	185	251	298	269	
Interest received	34	57	33	71	
Operating revenue	**30,143**	**34,307**	**28,902**	**24,739**	
Operating Expenses					
Cost of sales	1,893	2,558	2,152	1,715	Cost of sales
Audit fees	54	68	33	38	Audit fees
Finance costs	1,486	1,303	467	326	Finance costs
Depreciation	9,953	5,457	5,822	4,112	Depreciation and amortisation
Amortisation	335	133	78	52	Depreciation and amortisation
Director	183	210	143	150	Director fees, board and governance
Provision for bad debts				22	Other Suppliers and Services
Insurance	1,652	1,459	987	859	Insurance
Electricity usage and line charges	1,897	2,608	2,065	1,950	Electricity usage and line charges
Wages and Salaries	9,389	13,606	12,399	10,164	Staff costs
ACC	175	146	173	170	Staff costs
License Fees, Rates and Ski Area Levies	716	1,600	1,223	1,235	License Fees, Rates and Ski Area Levies
Marketing	430	730	867	471	Marketing
Lift Maintenance and Services	958	1,001	774	584	Lift maintenance, grooming & snow making services
Grooming maintenance and Services	231	295	192	254	Lift maintenance, grooming & snow making services
Other Suppliers and Services	5,136	6,456	5,611	4,757	Refer to note 16 mapping
Total operating expenses	34,488	37,630	32,985	26,859	
			-		
Operating result	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**	
Operating EBITDA	**7,210**	**3,262**	**1,952**	**2,030**	
Non-recurrent activities					
Non-recurrent income					
COVID-19 subsidies	1,715	-			
Gain on asset disposal	-	75			
Grant income	475	2,371			
Fair value gains on derivatives and foreign exchange		93		33	
Insurance proceeds		2,585			
	2,190	5,124	-	33	
Non-recurrent expenditure					
Impairment	20,204	166			
loss on asset disposal	64		46	790	
Fair value losses on derivatives and foreign exchange	5		102		
Turoa avalanche	55	238			
Turoa diesel spill				137	
	20,328	404	148	927	
Non-recurrent result	(18,138)	4,720	(148)	(894)	
Total Result	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	
EBITDA	**(10,928)**	**7,982**	**1,804**	**1,136**	
***Adjusted EBITDA (excludes impairment)**	**9,276**	**8,148**	**1,804**	**1,136**	
Total comprehensive result per annual reports	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	

Table 13: Note 16 Detailed breakdown working paper and analysis mapping

Note 16 Detailed per annual reports	FY20	FY19	*FY18	*FY17	Mapping
	$'000	$'000	$'000	$'000	
Accommodation leases & supply services	330	354	437	344	Other Suppliers and Services
Bank fees	230	37	80	50	Other Suppliers and Services
Board and governance expenditure	109	198	79	60	Director fees, board and governance
Cadetship	(2)	(119)	(78)	(38)	Staff costs
Consumables and cleaning supplies	120	310	251	205	Other Suppliers and Services
Corporate support and services	496	606	413	379	Other Suppliers and Services
Credit card commission paid	342	365	317	245	Other Suppliers and Services
FBT	69	78	44	41	Staff costs
Field operations supplies and services	24	81	95	56	Other routine maintenance, fuel and supplies
Food and beverage supplies and services	24	40	89	62	Other Suppliers and Services
Fuel and vehicle expenditure			633	652	Other routine maintenance, fuel and supplies
Fuel expenditure (Vehicles, groomers, and transport	173	346			Other routine maintenance, fuel and supplies
Kiwi saver	222	259	244	201	Staff costs
Maintenance and service of building and equipment	380	814	511	413	Other routine maintenance, fuel and supplies
Medical supplies and services	34	60	69	56	Other Suppliers and Services
Motor vehicle expenditure and maintenance	185	290			Other routine maintenance, fuel and supplies
Ohakune & Taupo Office lease, supplies and services	150	139	93	13	Other Suppliers and Services
Postage, courier, printing and stationary	21	49	69	47	Other Suppliers and Services
Professional fees	235	82	11	50	Other Suppliers and Services
Rental supplies and services	11	61	41	32	Other Suppliers and Services
Retail supplies and services	1	2	7	12	Other Suppliers and Services
Road and car park maintenance	84	172	147	157	Other routine maintenance, fuel and supplies
Safety and Environmental risk	60	85	43	44	Other Suppliers and Services
Ski patrol supplies and services	86	114	102	65	Other Suppliers and Services
Snow school supplies and services	97	209	58	23	Other Suppliers and Services
Snowmaking supplies	25	35	254	242	Lift maintenance, grooming & snow making services
Software fees and IT services and supplies	633	718	415	418	IT and communication
Staff Training expenditure	30	105	75	241	Staff costs
Staff uniform	226	182	500	309	Staff costs
Strategic Planning	117	136			Other Suppliers and Services
Telephone rental	70	88	69	81	IT and communication
Ticket stock consumed	199	152	91	153	Other Suppliers and Services
Transport expenditure (excl. Fuel)	282	250	350		Other Suppliers and Services
Travel and Entertainment	73	158	91	105	Other Suppliers and Services
Turoa avalanche	55	238			Turoa avalanche
Summer operation supplies and services			12	36	Other Suppliers and Services
Total other supplies	**5,191**	**6,694**	**5,611**	**4,757**	
Other Suppliers and Services per Statement of Comprehensive Income in annual reports	**5,191**	**6,694**	**5,611**	**4,757**	

7 February 2025

Director General
Department of Conservation
Permissions Hamilton
Private Bag 3072
Hamilton 3240

Attention: Lynette Trewavas and Joke Methorst, Senior Permissions Advisor's

Submission on the Application by Whakapapa Holdings Limited 2024 (WHL) to operate Whakapapa Ski Area on Mount Ruapehu

From: The Liquidation Committee of Ruapehu Alpine Lifts Limited
(in Receivership and in Liquidation) – (hereafter 'RAL')

Major Summary Points:

- The Committee opposes the granting of a concession to Whakapapa Holdings Limited 2024 (hereafter 'WHL').
- The Committee wishes to be heard at any hearings called to consider the application by WHL.

About the Liquidation Committee and Life Passholders

- The Liquidation Committee was formed at a creditor's meeting held via postal ballot on 31 July 2023. The confirmation of John Fisk and Richard Nacey (both employees of PricewaterhouseCoopers) as Liquidators of RAL was confirmed at the same meeting. The Liquidators continued to operate the ski field following RAL's liquidation. The Crown, as secured creditor, subsequently appointed Calibre Partners as receivers who took control of RAL assets on from the 27th October 2023 and traded the 2024 season.

- Liquidation committees are legally constituted entities formed under the Companies Act 1993.

- Section 315 (2) of the Companies Act sets out the various powers of the Committee. Of note is 315 (2) (a) which confers the power to 'call for reports from the liquidator on the progress of the liquidation'; and 315 (2) (d) which confers the power to 'assist the liquidator as appropriate in the conduct of the liquidation.'

- The Committee takes its duties and powers under the Companies Act very seriously. However, in order to properly met its obligations, it needed funding to obtain legal representation and to take legal action. After the Liquidators denied the Committee's request for funding, the Committee engaged in legal action in the High Court against the Liquidators obtain funding. The dominant purpose of this action was to establish the principle that a Liquidation committee is entitled to access to funds held by the Liquidators, ahead of the secured creditor (The Crown), when the secured creditor has allowed a company to continue to trade in liquidation. Subsequent to the filing by the Committee, the Liquidators, The Crown and The Crown Receivers of RAL filed proceedings opposing the action by the Committee.

- The High Court determined on the 28th February 2024 that the RAL Liquidation Committee would not have access to legal funding through the liquidation process, because the funds held by the Liquidator belonged to the secured creditor (The Crown). The Court held that the ANZ bank security which was assigned to The Crown for $1 had security over all RAL operating revenue and this included revenue generated from the Sky Waka Asset for which the Bond Holders hold security over the asset itself. This ruling has meant that the Committee could not pay for its legal representation, indeed for anything whatsoever. Due to lack of funding and resources, it was forced to enter into a settlement agreement with The Crown, The Crown Receivers and Liquidators of RAL to discontinue its proceedings, including signing contracts that bind the Committee and the committee members personally to not pursue any concerns it had raised during the liquidation and receivership process.

- The RAL Liquidation Committee Members are volunteers, elected to represent the interests of over 14,000 unsecured creditors. The Committee members (of any Liquidation Committee) are prohibited from receiving any form of financial renumeration for their services. The Liquidators, Receivers, and their legal advisers are fully funded for their services, in this case receiving over $3 million in fees between them over the first two years of the RAL insolvency process per table 1 below:

Table 1: Analysis of Liquidator and Receiver Reports for Liquidator and Receiver expenses

	PwC Administrator and Liquidator 11 October 2022 to 20 June 2024	**Calibre Partners Receiver** 27 October 2023 to 26 October 2024
Renumeration	$1,406,000	$1,015,347
Legal expenses	$560,000	$515,345
Disbursements	$30,000	$21,238
Total Liquidation/Receivership costs	**$1,996,000**	**$1,551,930**

- Despite the voluntary nature of the Liquidation Committee, it became apparent to the Liquidation Committee members that there is potential for significant personal liability risk to sit as a member on a Liquidation Committee. Four of the seven Committee members resigned, leaving the following four Committee Members to represent the 14,000 Life Passholders:
  - Jason Platt
  - Robert
  - Sec 9(2)(a)
  - Roger Boyd

- The Liquidation Committee were potentially personally exposed to extensive costs from The Crowns combined proceedings with the Liquidators and Receivers against the Liquidation Committee. The Companies Act and case law suggest that volunteers on a Liquidation Committee could have personal liability protection from adverse cost awards for performing their duties but there was no clear certainty.

- Given the ruling against the Liquidation Committee, the Committee has no access to funds to have legal representation. This means it does not have the legal resources required to monitor the Liquidation process on behalf of the 14,000 Life Passholders and other unsecured creditors. Insolvency law is highly complex and sound legal advice is necessary for the Committee to be able to make informed decisions in the best interest of the unsecured creditors. The fact that

volunteers on a Committee could potentially shoulder such significant personal liability risks while representing the interests thousands of unsecured creditors highlights that there are **material deficiencies in the Insolvency Regulations in New Zealand that need to be addressed in the future.** No one in their right mind should volunteer to sit on any Liquidation Committee given the nil reward, high risk and limited protections.

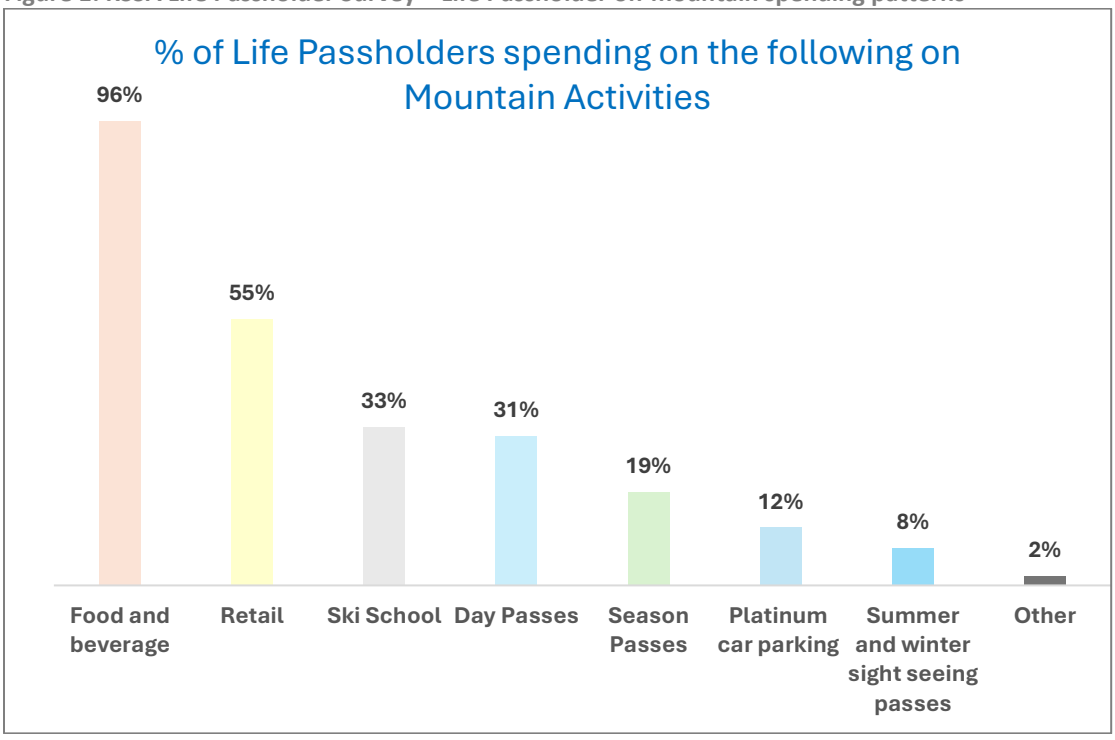
- With the increasing number of insolvencies occurring in tight economic conditions, Liquidation Committees should perform an important oversight of the Liquidation process to keep the liquidators and receivers accountable, but for a Committee to perform its duties, in the very minimum, its members need access to legal resources and for clearly defined personal liability protections to be spelt out in the legislation.

- We are disappointed that the Liquidation Committee was not entitled to any funding for its legal representation. The Liquidation Committee have a duty under the companies act to represent the best interests of the 14,000 Life Passholder and other unsecured creditors.

- Life Passholders are your everyday mum and dad investors who have contributed over $45 million to the Ruapehu Skifields since 2000 and have introduced thousands of skiers to the Ruapehu region.

- Not only are Life Passholders an important source of Capital to fund new Skifield infrastructure projects, but these people are also the intergenerational families that represent 10% to 15% of the Skier days on any given year and are important contributors to the recurrent revenue streams of the Ruapehu skifields in the form of spending on lift tickets for family members, retail, ski school, platinum car parking etc.

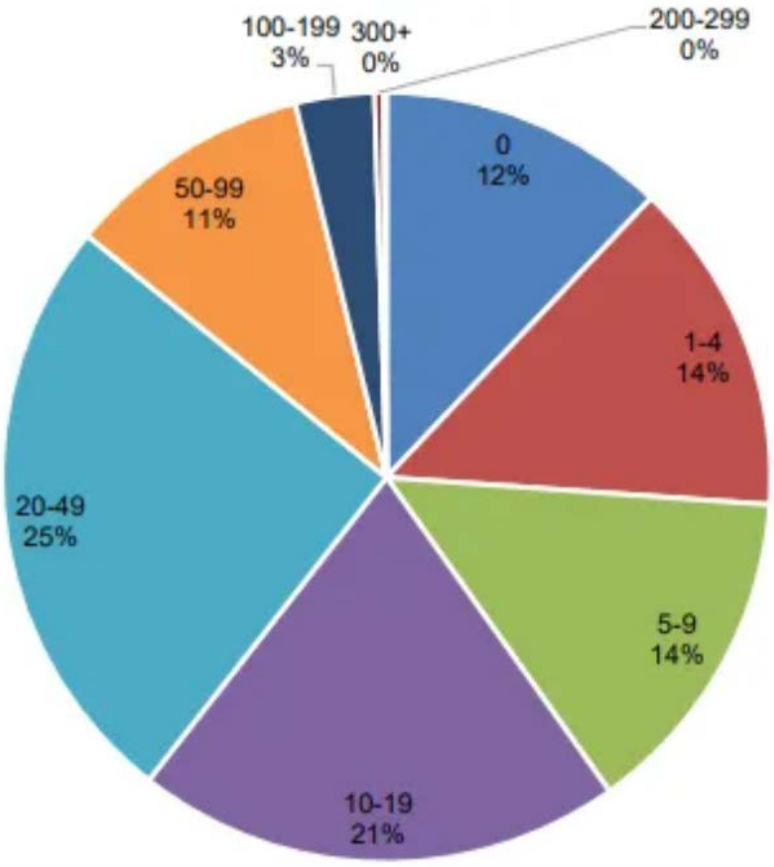
Figure 1: RSSA Life Passholder Survey – Life Passholder on-mountain spending patterns



- The insolvency of RAL has come at great personal cost to the Life Passholder community. RSSA research on historical prices of Life Passes since 2006 follow's a formula of 42 times the day pass

fee. Based on RAL data received from RAL Management, only 13% of Life Passholders have broken-even and made a notable return on their Life Pass investment (50 to 300 plus days of usage within the last ten years). This means the vast majority or 87% of Life Passholders have not realised a return on their Life Pass investment

Figure 2: RAL Management Data - Life Passholder utilisation (number of days pass used) statistics in the last 10 years



- The Committee notes that the government Ministers have unfairly dispelled an inaccurate narrative from the outset of the RAL insolvency. Namely that the Life Passholders are skiing for free and have wrongly implied the RAL collapse is the fault of the Life Passholders.

(Then) Minister of Regional Development – Stuart Nash is quoted as saying

"When you've got 14,000 life members, there's 14,000 people that aren't paying annual subs, life memberships can be a real drain."

Source: https://www.rnz.co.nz/news/political/476682/ruapehu-alpine-lifts-minister-stuart-nash-defends-decision-to-decline-further-funding

- The Ministry have failed to understand that Life Passholder Crowdfunding were the most credible and critical form of capital finance available to the Ruapehu Skifields. Refer to worked example in table two below:

Table 2: Analysis traditional debt financing v RAL Life Passholder Financing for a Chair Lift

Traditional debt financing			
New Chair lift (A)	$	15,000,000	
Finance with debt at @ 8% per annum (B)		8%	
Annual financing costs (C)	$	1,200,000	A x B
Number of lift passes required to be sold at $149 per day to service debt for one year (E)		8,054	C/ $149 day pass rate
Number of lift passes required to sold to service debt for five years (F)		40,270	E x five years
Number of lift passes required to be sold at $149 per day to repay the prinicipal (G)		100,671	A/ $149 day pass rate
Total number of lift passes required to be sold at $149 to purchase lift and repay principal		140,941	F + G
RAL Crowdfunding model -70 years			
New Chair lift (A)	$	15,000,000	
Life Passes sold at the equivalent of 10 years passes upfront say $600 x 10 years (B)	$	6,000	
Number of Life Passes sold (C)		2,500	A / B
Average number of days Life Passholder uses pass per season (D)		3	
Total number of Life Passholder skiier days over 5 years (E)		37,500	C x D x 5 years
Total number of Life Passholder skiier days over 10 years (F)		75,000	C x D x 10 years
Total number of Life Passholder skiier days over 15 years (G)		112,500	C x D x 15 years
Equivalent average daily rate paid per Life Passholder skiier day over 5 years	**$**	**400**	A/E
Equivalent average daily rate paid per Life Passholder skiier day over 10 years	**$**	**200**	A/F
Equivalent average daily rate paid per Life Passholder skiier day over 15 years	**$**	**133**	A/G

Commentary to the analysis

- Life Passes are not well utilised, approximately only 13% of passholders have broken even and made a return on their investment over the last 10 years. Average utilisation is about 3 days per season.

- Worked example shows that to finance a $15 million chair lift over five years using traditional debt at a cost of 8% per annum, it would take approximately 141 thousand lift ticket sales at $149 per ticket to service the debt and repay the principal (assume all figures exclude GST to simplify things).

- Using the Life Passholder crowdfunding model which is traditionally priced on purchasing 10 season passes up front you need to sell 2,500 Life Passes @ $6000 each. Over the same five-year period 37,500 Life Passholder skier days have been utilised at average daily cost of $400 per day for the Life Passholder.

- Even after 10 years, the Life Passholder is still paying the average equivalent of $200 per day to ski. It is only after 15 years of Life Passholder ownership that the average Life Passholder starts to see a discounted equivalent daily rate of $133 per day to ski.

Conclusion

On average the Life Passholders, far from skiing for free are, in fact, paying a premium to ski. The Life Pass is product of convenience and loyalty, and based on average pass utilisation rates they are paying a premium in the first 15 years of ownership. This is why RAL Crowdfunding model stood the test of time until the poor decisions around the Sky Waka investment tipped RAL into insolvency.

More information on the Life Passholder Crowdfunding model can be read in the RAL Shareholder Alternative report (appended) and on the RSSA website: https://www.savemtruapehu.org.nz/life-pass-shareholders

- The Liquidation Committee are of the opinion that the existing Public Benefit Entity should be revived to operate the Whakapapa skifield on Mount Ruapehu. Retaining the existing entity in the Committee's view would be both more financially viable, and confer greater public benefit, use and enjoyment of the Tongariro National Park, than the proposal by WHL. We therefore consider a decision in favour of any applicant for a new concession is inappropriate and of poor value to the Life Passholders, creditors, the New Zealand taxpayer, Iwi and generations of Kiwis and visitors alike.

Objections – Financial

- Liquidation Committees are legally composed of creditors or shareholders of the relevant company, and have the duty of protecting the interests of unsecured creditors. Therefore the Committee's orientation is inevitably financial.

- However, it should be noted the reason we are in the current process with RAL in administration, receivership, liquidation, and now receivership and liquidation, is financial. RAL failed financially. RAL was well set up, its constitution had guided the skifield through good years and bad, eruption and more for 70 years of continuous operations. A remarkable feat of operational endurance. No other factors materially impacted the failure. Not environmental, not cultural. Therefore, the major and critical hurdle for any prospective new operator is whether the operation will be financially viable? Whether it is likely to be able to commercially survive?

- Likely commercial viability is specifically mentioned in the matters to be considered by the Minister in considering an application for a concession. At 17U of the Conservation Act 1987 'Matters to be considered by the Minister': (1) In considering any application for a concession, the Minister shall have regard to the following matters:

17U (6) (c) 'the competent operation of the activity concerned'; and related to this:
(7) 'For the purposes of subsection (6), the competent operation of an activity includes the necessity for the activity to achieve adequate investment and maintenance'. In other words, commercial viability.

The general commercial uncertainty or fragility of an applicant is also covered by:

(8) Nothing in this Act or any other Act requires the Minister to grant any concession if he or she considers that the grant of a concession is inappropriate in the circumstances of the particular application having regard to the matters set out in this section.

- The written material supplied by WHL in its application runs to around 223 pages. Of this, the company's financial information, contained on pages 68 to 69 of the PDF document, run to just two pages. All of the information has been obscured and therefore cannot be viewed by other parties.

- The supplied financial material is totally inadequate to judge the commercial viability of the WHL proposal. The Committee contains members with many years experience of assessing new business proposals. At the heart of those proposals is always the financial projections. Which generally run to many pages. And the key variables looked at are the assumptions underlying the summary line-items. WHL has supplied no information to credibly enable a financial assessment of its proposal. Nothing at all.

- For many decades, selling Life-Passes was the major funding mechanism of capital works. The committee does NOT consider that LPH sales ever were nor should they have been a mechanism for operational funding. We understand the peak was around 14,000 Life-Pass Holders. The WHL proposal presented by RAL to Life Passholders by email on the 14th January 2025 does not honour Life-Passes. Yet nowhere can we see any mention of how it is proposed to fund future capital works. Ski areas are capital hungry beasts. We have concerns how any private, for-profit model can run operations to generate sufficient monies to pay tax, put money aside for poor years, build up those essential capital funds, then pay tax and ultimately generate a dividend to shareholder/investors.

- It is a rule of thumb that skifields move into profit by the sale of food and beverage, lessons, and rental equipment. If their passes are not honoured into the future, Life-Pass Holders are likely to stay away from the Ruapehu region in their thousands, significantly denting the company's cash flows. That the Receivers did not honour Life Passholders during the 2024 ski season likely has contributed to an operating cash flow loss of $1.7 million (see analysis of reconstructed Receiver reports)

- WHL's company structure consists of three Directors and one Shareholder (SIO NO 16 Limited). The proposed WHL Management Team consists of the existing RAL Management Team. One of WHL Directors was former CEO of RAL for 30 years who then went on to be a consultant to RAL after his retirement. RAL sold thousands of Life Passes during the tenure of this CEO. The Companies office records show that he has a 19.5% shareholding in SIO NO 16 Limited. It is disappointing to the Liquidation Committee that a former advocate of the Life Passes has successfully gained cabinet support for a deal that proposes to remove these Life Passes. It is noted that this former CEO of RAL was brought in by the Administrators to act as an unpaid consultant/advisor at the very beginning of the RAL insolvency process only to emerge as a director of MBIE's preferred bidder for Whakapapa. It is noted that another WHL director worked for MBIE for two years prior to the RAL insolvency and finished working for MBIE in the same month RAL entered insolvency in October 2022.

- The Liquidation Committee questions whether the sale of RALs assets has been a pre-determined agenda dating back to the signing of the MBIE $5 million convertible note for the Turoa emergency CAPEX debt in FY20. The convertible note contained a condition requiring RAL to restructure its business into a NEWCO. The convertible note agreement appears to be in breach of the RAL constitution. Why was the convertible note and Sky Waka funding not assigned as a grant to significantly reduce risk and, given RAL is a public benefit entity, would this not have been a simple solution to stabilise the Sky Waka provincial growth fund project?

- The Committee note that a member of RAL's Board holds a Director position for an entity where the Shareholders includes the Minister of Finance and Minister For Treaty of Waitangi Negotiations.

- The Committee note that independent modelling for the Provisional Growth Fund loan for the Sky Waka Gondola identified a real risk for the Whakapapa skifields commercial viability if there was even a small adverse change in either revenues or costs. Despite the modelling clearly failing the sensitivity of a mere 1% stress test they signed off on the loan any way. We find this extraordinary. Along came COVID, then COVID again, followed by a La Nina weather system. At face value it appears that RAL had ultimately been setup to fail. Moving from the stood-the-test-of-time conservative Crowdfunding model to a high debt, high risk funding model did not make sense in a high seasonal, weather effected business operating on an active volcano in a remote location with no international airport. We do not see a private, for-profit model making sense either.

- Given the poor funding decisions made on above modelling, analysis and stress testing that led to the flawed funding model of the Sky Waka, we wish to question whether the key Decision Makers and Analysts involved in the Sky Waka debt and convertible note are in control of the financial (and other) analysis of the current application?

- By contrast with the paucity of financial information included with the WHL application, credible financial results are available for (the still trading) RAL. The most revealing information about the current financial state of RAL is presented in the Administrators, Liquidator and Receivers reports. These reports are not traditional Company Profit and Loss Statement, but a mixture of a Profit and Loss and a Cash Flow Statement, appropriate for a Liquidator's and Receiver's Report. However, they can easily be reconfigured to a Profit and Loss Statement by removing the items that never appear in a Profit and Loss Statement. This gives an accurate picture of the current trading profitability of RAL over the 2023 and 2024 seasons.

- Our best indication is to reconfigure the RAL Receipts and Payments Statements for the Administrators Report and the First Liquidators report to get a full 2023 season result to capture both the summer and winter operations.

Table 3: RAL 2023 Season Receipts and Payments Analysis from Administrator Report and 1st Liquidators report

	Administrators Report *11 October 22 to 9 June 2023*	Liquidators First Report *21 June 2023 to 20 December 2023*	Combined Analysis *FY23 Season*
Receipts			
Funding from secured creditors	$8,738,000	$3,000,000	$11,738,000
Pre-Administration receivables	$184,000		$184,000
Cash on hand at appointment	$63,000		$63,000
Sale of fixed assets	$177,000		$177,000
GST refund			$0
Interest (net)			$0
Trading receipts	$1,304,000	$22,157,000	$23,461,000
Total receipts	**$10,466,000**	**$25,157,000**	**$35,623,000**
Payments			
Payroll Costs (including PAYE)	$3,454,000	$6,756,000	$10,210,000
Preferential employee distribution	$623,000		$623,000
Stock purchases		$1,681,000	$1,681,000
Insurance	$1,302,000	$841,000	$2,143,000
Property leases	$46,000	$30,000	$76,000
Maintenance expenditure incl 2023 indents		$633,000	$633,000
Supplier payments	$2,572,000	$2,582,000	$5,154,000
VA costs - PwC fees	$542,000	$864,000	$1,406,000
VA costs - PwC Legal fees		$295,000	$295,000
VA costs - Repayment to ANZ		$376,000	$376,000
Liquidator costs - PwC fees		$301,000	$301,000
Liquidator costs - Disbursements		$25,000	$25,000
Liquidator costs - legal fees		$242,000	$242,000
Cash withdrawal (for cash held onsite for floats)		$30,000	$30,000
FY24 maintenance indent pre-payments		$622,000	$622,000
FY24 CAPEX prepayments (including Dopplemayr contract)		$2,413,000	$2,413,000
Transfer to the Receivers		$2,500,000	$2,500,000
Net GST Payment	$218,000		$218,000
Total Payments	$8,757,000	$20,191,000	$28,948,000
Net Receipts and Payments	**$1,709,000**	**$4,966,000**	**$6,675,000**

Table 3 combines the Voluntary Administrator and First Liquidators report. The combined net receipts for RAL from the 11th October 2022 to the 20th December 2023 is $6,675,000. In table 4 we can reconstruct the combined Statement of receipts and payments into a Profit and Loss statement by removing the non-operating items such as funding from secured creditors, insolvency costs, and pre-payment of maintenance and CAPEX items relating to the 2024 ski season.

The analysis in table 4 shows that for the 2023 ski season RAL net operating result was surplus of $3,677,000.

Table 4: Reconstructed RAL Profit and Loss Statement FY23

Total Receipts	$35,623,000
Remove non operating receipts:	
Funding from secured creditors	($11,738,000)
Cash on hand at appointment	($63,000)
Operating Revenue	**$23,822,000**
Total Payments	$28,948,000
deduct non-operating expenditure:	
Preferential employee distribution	($623,000)
VA costs - PwC fees	($1,406,000)
VA costs - PwC Legal fees	($295,000)
VA costs - Repayment to ANZ	($376,000)
Liquidator costs - PwC fees	($301,000)
Liquidator costs - Disbursements	($25,000)
Liquidator costs - legal fees	($242,000)
FY24 maintenance indent pre-payments	($622,000)
FY24 CAPEX prepayments (including Dopplemayr contract)	($2,413,000)
Transfer to the Receivers	($2,500,000)
Operating Expenses	**$20,145,000**
Net Operating Result	**$3,677,000**
Net Operating Cash flows (add back FY24 CAPEX/Maintenance)	$642,000
Total Liquidation and Voluntary administration costs paid	$2,645,000

RAL is a public benefit entity, and as such does not pay income tax. Therefore, the Trading Profit figure of $3,677,000 is the final Net Profit figure for RAL over the period 11 October 2022 to 20 December 2023. By any measure, RAL is solidly profitable as a trading entity. Profitability should rise further as skiers and snowboarders return in increasing numbers once they are secure in the knowledge the company will survive, and RAL consequently starts selling season and discounted passes in October and November like its South Island competition, rather than currently in April or later.

Of note in the current period is that the greatest drain on the profitability of RAL is the cost of the Voluntary Administration and Liquidation costs with, a combined cost of $2,645,000. A further $2,500,000 was transferred to the Receivers who took control of RAL assets from the Liquidators on the 27th October 2023.

The prior information shows RAL to be solidly profitable, on a traditional Profit and Loss basis. However, cash flows are also important as they, among other things, take account of payments when they are actually made, rather than whether they are appropriate to a particular accounting period. On this basis a Cash Flow Statement for RAL for the period can be constructed from the information supplied by PWC:

RAL Cash Flow Statement 11 October 2022 to 20 December 2023

The only item to be added back to the previous Profit and Loss Statement are '2024 Maintenance and Capex Prepayments', a combined total of $3,035,000.
This gives:

Trading Cash Flows	$23,822,000
Less Operating Cash Flow Expenses	$23,180,000
Net Operating Cash Flows	**$642,000**

Once again, RAL emerges as currently a solidly financially sound entity meeting its operational and future year CAPEX commitments. However, the $642,000 surplus operating cash flow from a $23.8 million turnover business does not leave much of a profit margin for a dividend taking entity. These surplus are required to offset poor snow seasons.

We will now assess the financial performance of the 2024 season traded by the Receivers in a similar manner as did with the Administrator and Liquidator reports. It is important to note one fundamental change between 2023 and 2024: 2024 was the first season in a generation with RAL not operating Tūroa. It became a Whakapapa only operation.
RAL/Whakapapa remained operating under the cloud of receivership.
New Zealand was in official recession
The 2024 season was a shocker, possibly the worst ever!

Table 5: RAL 2024 Season Receipts and Payments Analysis from Receivers 2nd and 3rd Reports

	Receivers 2nd Report *27 October 2023 to 26 April 2024*	Receivers 3rd Report *27 April 2024 to 26 October 2024*	Combined Analysis *FY24 Season*
Opening balance	nil	$4,773,625	$0
Receipts			
Cash at bank at the day of appointment	$340,631		$340,631
Other receipts	$89,942	$145,841	$235,783
Secured creditor funding	$4,300,000		$4,300,000
Trading revenue - lift pass revenue, café revenue, season pass sales	$1,741,041		$1,741,041
Transfer from liquidators	$5,900,000	$885,945	$6,785,945
Trading receipts		$12,596,823	$12,596,823
Total receipts	**$12,371,614**	**$13,628,609**	**$26,000,223**
Payments			
Duress payments		$4,770	$4,770
Capital expenditure	$474,448	$903,759	$1,378,207
Insurance	$435,153	$274,656	$709,809
Legal fees	$293,573	$221,772	$515,345
Operating expenses	$2,443,311	$3,216,525	$5,659,836
Salaries and wages	$2,575,893	$5,157,917	$7,733,810
Receivers' disbursements	$10,085	$11,153	$21,238
Receivers' renumeration	$581,772	$433,575	$1,015,347
Repairs and maintenance	$783,753	$1,400,607	$2,184,360
Total Payments	**$7,597,988**	**$11,624,734**	**$19,222,722**
Net Cash flow	**$4,773,626**	**$2,003,875**	**$6,777,501**
Closing cash balance	$4,773,626	$6,777,500	$6,777,501

Table 5 is a combined analysis of RAL receipts and payments taken from the 2nd and 3rd Receivers reports. The combined net receipts is $6,777,501 for the period 27th October 2023 to 26 October 2024.

Table 6 reconstructs the Receivers reports into a Profit and Loss Statement for RAL's FY24 season.

Table 6: Reconstructed RAL Profit and Loss Statement FY24

Total Receipts	$26,000,223
Remove non-operating receipts:	
Funding from secured creditors	($4,300,000)
Funding received from Liquidators	($6,785,945)
Cash at bank on day of appointment	($340,631)
Operating Revenue	**$14,573,647**
Total Payments	**$19,222,722**
Add back non-operating expenditure:	
Duress payments	($4,770)
Legal fees	($515,345)
Receivers' disbursements	($21,238)
Receivers' renumeration	($1,015,347)
Capital expenditure	($1,378,207)
Total Operating Expenditure	**$16,287,815**
Net Operating Result	**($1,714,168)**
Net Operating Cash flows (add back capital expenditure)	($3,092,375)
Total Receivership costs paid	$1,036,585

The reconstructed RAL Profit and Loss statement for FY24 shows that RAL made a $1,714,168 operating loss for the year. The FY24 operating cash flow was a net loss of $3,092,375 once you add back 1,378,207 in capital expenditure. These losses are attributable to the following:

- The Receivers who are in control of RAL dishonoured 14,000 profitable Life Passholder contracts alienating their most loyal customer base, who might well have come anyway, despite poor snow and the tight economy
- Continued uncertainty of a prolonged and poorly managed insolvency process
- 2024 was a poor snow season
- New Zealand is in recession, interest rates are high, families do not have the same pre-COVID disposable incomes
- RAL was likely carrying expenditure for preparing the Turoa Skifield for the PTL sale

Analysis of the 2023 and 2024 seasons show that RAL does have variability in financial operating performance. The FY23 operating result surplus of $3,677,000 achieved in a good snow season is required to be retained in full to offset the inevitable poor snow seasons. Swings and roundabouts.

RAL operated properly, and without being in Liquidation and Receivership, should be generating annual Operating EBITDA surpluses in excess of $7 million to fund future lift replacements.

A Better Solution for Creditors and the New Zealand Taxpayer

The Taxpayer has supported the RAL insolvency process to the tune of $35 million. Refer to table 7 below:

Table 7: Taxpayer funding for the RAL Insolvency Process

Month	$ Funding	Reason
November 2022	$2,000,000	Loan to support RAL (in insolvency)
December 2022	$6,000,000	Loan to support RAL (in insolvency)
June 2023	$5,000,000	Loan to support RAL (in insolvency)
October 2023	$7,000,000	Loan to support RAL (in insolvency)
March 2024	$7,000,000	Loan to support RAL (in insolvency)
March 2024	$3,050,000	Turoa purchase support
December 2024	$5,000,000	Whakapapa purchase support (committed)
Total Taxpayer Insolvency Support	**$35,050,000**	

The Liquidation Committee considers that the public enjoyment and benefit of the national park is best delivered by maintaining the existing public benefit entity. At the June 2022 Water shed meeting 72% of Creditors voted to retain the Public Benefit model versus 44% for the Crown Privatisation models.

If RAL is offered the same debt forgiveness and a further $5 million loan that is being offered to WHL, this is what the financial performance projections will look like per table 8 below:

Table 8: RAL forecast with Crown Debt forgiveness (RAL offered same terms as WHL)

Cash Flow Forecast - Whakapapa RAL	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**
Operating Cash flows								
Operating EBITDA	**$4,651,301**	**$4,917,395**	**$5,380,064**	**$6,004,314**	**$6,784,626**	**$7,760,017**	**$8,979,255**	**$10,481,692**
Adjusted for gondola coupon payments	($1,181,116)	($1,233,406)	($1,377,205)	($1,556,953)	($527,893)	$0	$0	$0
Adjusted for Interest Earnings	$76,929	$104,788	$151,155	$127,787	$88,834	$112,429	$171,153	$217,658
Adjusted for Advance Season Pass Sales (Oct-Nov)	$0	($3,258,443)	($3,529,980)	($3,801,516)	($3,801,516)	($3,801,516)	($3,801,516)	($3,801,516)
Net operating cashflow	**$3,547,114**	**$530,335**	**$624,035**	**$773,632**	**$2,544,051**	**$4,070,929**	**$5,348,891**	**$6,897,833**
Non-operating cash flows								
Trade Creditors - pre-involvency	($1,000,000)	$0	$0					
Total Non-operating Cash flows	**($1,000,000)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Capital Expenditure								
Whakapapa	($2,925,000)	($2,100,000)	($1,875,000)	($1,970,000)	($2,000,000)	($2,000,000)	($2,000,000)	($2,000,000)
Total Capital expenditure	**($2,925,000)**	**($2,100,000)**	**($1,875,000)**	**($1,970,000)**	**($2,000,000)**	**($2,000,000)**	**($2,000,000)**	**($2,000,000)**
Financing Cash flows								
Life Passholder settlement payment	$0	$5,000,000	$0	$0	$0	$0	$0	$0
Advance Season Pass Sales (Oct-Nov)	$3,258,443	$3,529,980	$3,801,516	$3,801,516	$3,801,516	$3,801,516	$3,801,516	$3,801,516
Repayment of Gondola Bonds				($9,500,000)	($4,000,000)	$0	$0	$0
Repayment of RDC	$0	$0	$0	$0	($500,000)	$0	$0	$0
Crown Loan $5 million	$5,000,000	$0	$0	$0	$0	$0	$0	($5,000,000)
Net Financing cashflows	**$8,258,443**	**$8,529,980**	**$3,801,516**	**($5,698,484)**	**($698,484)**	**$3,801,516**	**$3,801,516**	**($1,198,484)**
Net Cash flow	**$7,880,557**	**$6,960,315**	**$2,550,552**	**($6,894,852)**	**($154,433)**	**$5,872,446**	**$7,150,408**	**$3,699,349**
Opening cash balance	$0	$7,880,557	$14,840,872	$17,391,423	$10,496,572	$10,342,139	$16,214,584	$23,364,992
Closing cash balance	**$7,880,557**	**$14,840,872**	**$17,391,423**	**$10,496,572**	**$10,342,139**	**$16,214,584**	**$23,364,992**	**$27,064,342**
Liquidity ratio %	41%	78%	92%	110%	207%	324%	467%	n.a
External Borrowing balance	$19,000,000	$19,000,000	$19,000,000	$9,500,000	$5,000,000	$5,000,000	$5,000,000	$0

Key assumptions:

- Operating EBITDA assumptions come from the RAL Voluntary Administrator forecasts and were used in the RSSA DOCA Feasibility Study
- CAPEX assumptions come from the RAL Voluntary Administrator forecasts and were used in the RSSA DOCA Feasibility Study
- Bondholder coupon payments come from the RAL Voluntary Administrator forecasts and were used in the RSSA DOCA Feasibility Study
- Crown offer same Debt forgiveness to RAL as being offered to WHL
- Crown offer same $5 million loan being offered to WHL to assist RAL with working capital to prepare for the 2025 season
- Repay Bondholders repaid on original terms (FY28 and FY29)
- Repay RDC loan in FY29 (per original terms)
- Repay pre-insolvency trade creditors in full in 2025
- Repay $5 million taxpayer loan in FY32 (alternatively this should be written off as capital grant given RALs public benefit status)
- In FY26 RAL Life Passholders recapitalise RAL with a $1,000 settlement fee as part of a Creditor Compromise deal. 72% of Life Passholders voted for this deal at the 20 June 2022 watershed meeting and this support is consistent with the RSSA survey's

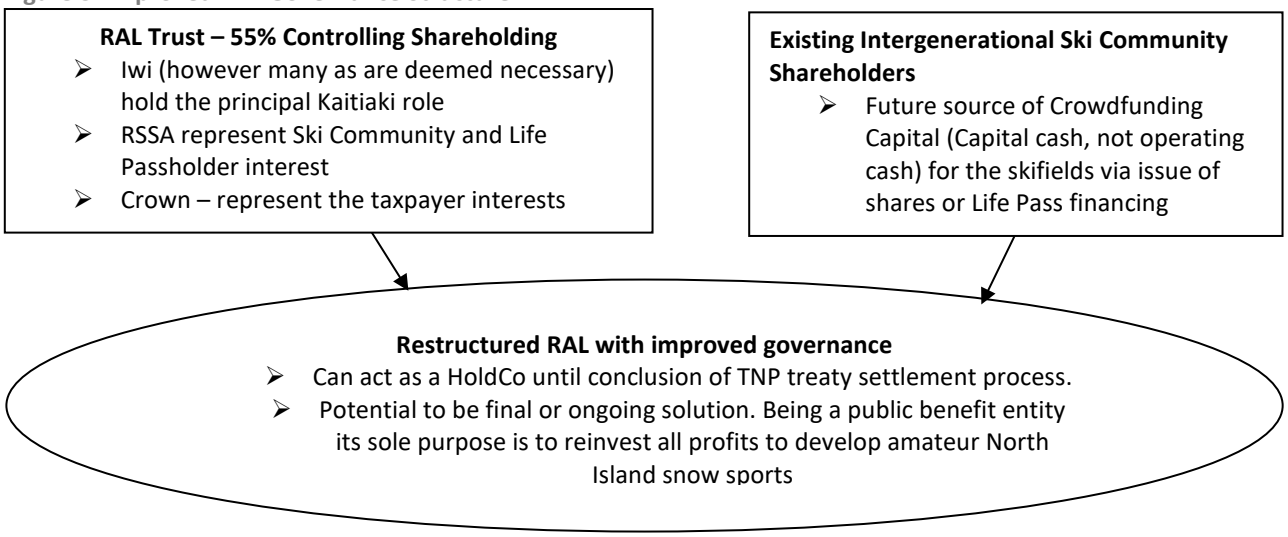
Modelling observations:

- A recapitalised RAL is a financially viable Whakapapa Skifield operation. By FY32 RAL has repaid all external debt and has a healthy bank balance of $27 million
- $27 million surplus funds should be put to good use to establish the following :
    - Rainy Day Fund to provide liquidity for poor snow seasons.
    - smooth out working capital, over the winter/summer cycle.
    - Capital Accumulation Fund for future lift replacement
    - "Make good" provision fund to accumulate funds to pay for the removal of redundant infrastructure on the Maunga, therefore relieving DoC (aka the Taxpayer) of this burden

Improved Governance structure:

The Committee acknowledge that poor governance practises crept in with RAL due to the RAL Trustees rubber stamping Board appointments and drowning out the concerns and voices of the intergenerational shareholders. A restructured RAL involves replacing the existing five Trustees with a wider stakeholder representation base. The diagram below depicts what a proposed governance structure may look like under a recapitalised RAL model:

Figure 3: Improved RAL Governance Structure



Historical poor governance errors of RAL made no provision for future lift replacements, poor seasons, volcanic eruptions, and removal of redundant infrastructures. These are inevitable events that RAL should have been prepared for. As stated previously, the WHL application pays scant attention to any of the first three. The removal of redundant infrastructure by the taxpayer, we see as nothing less than corporate sponsorship. Socialising the costs to maximise the privatised profits.

A Public Benefit Entity model is going to be more stable and socially responsible due to the inherent risk that a private model will likely prioritise shareholder profit and deliver significantly less value and higher risk for the New Zealand taxpayer the public, iwi and local communities.

Objections – Operational

- In our opinion the WHL proposal offers minimal value to the Life Passholder nor the New Zealand public. RAL Executive Management and staff effectively remain the same. All that is changing is that the ownership moves from a public benefit entity structure to a private ownership structure leaving the intergeneration Skiing Community Shareholder and Life Passholders behind. Why does the Crown support shifting millions of dollars of assets from a public benefit entity to private entities to be in the taxpayer's best interest?

- The company essentially intends on doing nothing new that RAL isn't already doing, yes WHL plan on new snow making and groomers but this is something RAL had already been doing as operating as business as usual. The proposal therefore carries an aroma of simply 'having a go' for a few years and seeing if things work out. If not, pull the plug. And if things don't go well, it might be the last-ever time any lifts run on the Whakapapa Ski Area.

- The burden of the "make good" provisions of the Skifield infrastructure fall on the taxpayer. Under the RAL concession it is the operator who is responsible for the make good provisions. It is unfair to burden the taxpayer with a $100 million contingent liability to remove redundant infrastructure. This should remain the responsibility of the Skifield operator. DOC should be killing stoats not concrete. It is well publicised that DOC does not have the operational funding available to meet its responsibilities for biodiversity with an annual $1.65 billion shortfall for this alone

- The period of the ten-year concession offered to WHL does not makes sense. No operator can make serious long-term investment on a ten-year concession. We only need to look to the deferred maintenance liability that occurred with the Tūroa skifield which contributed to RALs liquidity issues. The RAL Board were reluctant to invest in Tūroa until the concession had been renewed and in meantime the maintenance was deferred

- New proposed snow tower gun technology requires guns to be bolted to foundations similar to lift towers. Do the make good provisions to remove these concrete foundations again fall on the taxpayer. What have Iwi to say about pouring new concrete when the old concrete has been left there in cavalier disregard for their Koro, all on a 10 year timeline?

- Removal of West Ridge Kiosk Café, West Ridge Kiosk Toilet, Schuss Haus Café Hut Flat will fall onto the taxpayer.

- The Committee acknowledge that Iwi & especially Hapu should have a significant say over the future of the skifields so it is important for the future on skiing that the Treaty Partners are shown respect. Iwi have indicated interest in the skifields, their vision may or may not include keeping these existing structures in place. Prematurely removing facilities risks prejudicing post

treaty settlement options. No current infrastructure should be removed until the TNP negotiations have been settled. (This does NOT apply to redundant junk, any old chairlift foundations etc should be programmed for removal/remediation as soon as is practicable)

- Refer to figure 4 extracted from the newsroom article outlying Iwi concerns over the RAL sales process: https://newsroom.co.nz/2023/09/11/ruapehu-fields-not-commercially-viable-iwi-says/

Figure 4: Extract News Room Article "Ruapehu fields not commercially viable iwi says"

Chee said the process did not honour agreements outlined in its 2018 Treaty of Waitangi settlement and prejudiced its negotiations concerning the national park settlement.

Ultimately, the iwi's process found it did not support the progression of the sale of the Ruapehu Alpine Lift assets.

"While the Crown may choose to pursue the track it has to date, we would prefer the Crown work with us to develop an acceptable transition plan that would operate until the successful conclusion of the Tongariro National Park settlement negotiations."

The threat of legal proceedings to stay any sale was also brought up. "If our non-legal options are exhausted we will seek a comprehensive, evidence-based discovery process to identify and quantify the impact of the Crown's preferred solution(s)."

The discovery process would be targeted at assessing long-term sustainability, examining commercial bidder and bid evaluation matters that may impact on its Deed of Settlement, concession license and restoration options for the maunga.

Summary, Conclusions, and Recommendations

- The Liquidation Committee takes its statutory role as the guardian of the interests of unsecured creditors very seriously. The Committee's involvement in Court actions involving The Crown, Liquidators and Receivers is evidence of that. The Liquidator's First Six-Monthly Report details that Life-Pass Holders at $32,063,000 constitute 72% of all unsecured creditor claims, and are the biggest class of creditors of RAL at 42.3% of all creditor claims

- The WHL proposal offers minimal value to Life-Pass Holders. The Liquidation Committee has a duty to act in the interests of the Life Passholders who are the largest unsecured creditor group. It should be borne in mind that Life-Pass Holders have been the longest and most reliable source of funding for RAL.

- The Committee note in the latest receivers report a duress payment of $4,770 but with no explanation. This has led others to speculate whether an individual Life Passholder may have made a challenge to the Small Claims Tribunal over the dishonouring of the Life Passes for the 2024 ski season just gone. The Committee has no legal representation to investigate this further

- The critical factor in considering the WHL proposal is assessing whether it is financially viable. WHL however has provided no public information, nor it seems any substantial private information, to credibly decide that issue

- The Committee has been aware that a number of other applicants for both Turoa and Whakapapa (or both) were knocked back by MBIE citing insufficient funding/not financially robust enough. We also note the recent cabinet approval of a $5m taxpayer loan to WHL to assist with the Skifield purchase. We find this somewhat concerning. For WHL to need a loan right from the outset does not inspire confidence. But, true to the spirit of opaqueness, no explanation or detail is forthcoming.

- By contrast, the current skifield operator, RAL, has publicly produced information that shows it is trading profitably. It has 70 years experience of trading in the environment of Mt Ruapehu. It also provides the public benefit of retaining all profits for the development of the skifield which translates to more affordable skiing for the New Zealand public. The 'perfect storm' of factors that have produced the current situation (covid, a 'no-snow' season, arguably inappropriate management decisions), are not likely to recur

- Operationally, in our opinion the WHL proposal offers nothing different to what RAL is already doing. There is concern that with the privatisation of Tūroa key lifts were immediately removed (Nga Wai Heke chair). The Committee is concerned that privatisation of Whakapapa will prioritise shareholder profit over skier experience and hence could lead to the reduction of lift facilities such as the future removal of the Far West T and West Ridge Quad. The removal of the Far West Kiosk Café and Toilet is an indication of this concern. The Far West terrain on its day is considered by many to be the best skiing in New Zealand, it would be a national shame to lose the Far West lift access.

- Included in the WHL application is a request for 6 buildings in Whakapapa Village, for staff accommodation. The committee has, as part of its core duties, investigated the assets and liabilities of RAL. RAL has no assets in Whakapapa village. RAL has no concession in Whakapapa village. RAL has no leases in Whakapapa village. Those buildings are not part of the receivership, nor under the control of MBIE. For them to be just 'rolled into the deal' concerns us. Whakapapa Village is a mess, Policy constraints and delays, the woes of RAL, of the Chateau and of DOC budget constraints have all lead to this sorry situation. We suggest no permissions be granted around these buildings until a more strategic thorough review of Whakapapa Village be undertaken. Any such review must include all parties. This need not preclude temporary occupation arrangements so as to not disrupt operations.

- In the chapter on Ruapehu in his book 'Snow Business: Sixty Years of Skiing in New Zealand' author Ralph Markby says this:

'During the long history of Mt Ruapehu's development as an alpine playground, the Tongariro National Park Board stands out as a good administrator and environmental watchdog. As times have changed it has responded appropriately, doing the best it could at the Whakapapa Ski Area, benefiting from hindsight at Turoa, and stopping commercial development altogether at Tūkino.'

That is a proud legacy for DOC to uphold. But the Committee is confident the Department has the same even-handedness, values, and genuine concern for the best long-term interests of Ruapehu as that of its predecessor agency.

- The Liquidation Committee has pursued better options for Whakapapa other than that of the WHL proposal. These centre around reviving RAL, with appropriate changes in funding, governance, and management, these also bring Iwi into the very core of the future.

- There are a number of decisions that could be made on the WHL application:

-The application could be declined under 17U(2)(a) of the Conservation Act on the grounds the information supplied by WHL is insufficient to enable a decision to be made. This is the Liquidation Committee's preference for what should occur. WHL could reapply at a later stage.
-Under 17SD the Minister could require WHL to provide further information, or under 17SE commission a report or seek advice. The Liquidation Committee believes this is the minimum that needs to occur.

- The decision on whether to grant WHL a concession may be the most significant in the history of skiing on Mt Ruapehu. A bad decision might well prove irreversible. RAL on average is trading profitably. The Liquidation Committee strongly believes more time is required to allow other, and potentially much better proposals for Whakapapa to emerge. We consider it is far more appropriate for RAL to continue to operate Whakapapa into the 2025 season

The Liquidation Committee are aware that there are number of alternative options available to DOC aside from accepting a new Concession application

Figure 5: Extract DOC Memo: "Mount Ruapehu Skifields - Requirements and information for concession applications

Options aside from accepting a new application

28. There is an outside chance that a new concession won't be required in the short to medium term.

29. MBIE has previously considered having the receivership continue over the medium term, while the Tongariro National Park settlement process takes place. Under receivership the shareholding / ownership remains the same. It does not trigger the need for Ministerial consent to vary the concession terms. The current concessions remain intact although the Minister retains the right to terminate because RAL is in receivership.

30. RAL could also sub-licence some / all of its activities but only with the Minister's prior approval. So, allowing a third party to act in its shoes (e.g. operating the field, taking money from the customers) needs Ministerial approval.

31. As long as there is a sub-licensee, RAL remains responsible for complying with all the terms and conditions of the concessions. There are two concessions (Whakapapa and Tūroa), and RAL could seek approval to sub-licence both or either. This is unlikely, but included here as a possible eventuality.

The Liquidation Committee is concerned that DOC have not investigated the feasibility of point 28 in the memo extract above in figure 5 which we intrepret to be retaining the existing Concession, that being RAL. Why is retaining RAL an outside chance? This is the simplest and most efficient way for the government to put an end to the uncertainty around the RAL insolvency. Cabinet have already agreed to write-off the debt, but just not to RAL. Debt forgiveness to RAL would not benefit any individual (shareholders receive nothing). Yet privatising does exactly that, writing off the taxpayer debt for the benefit of private investors. WHY?

72 percent of the Creditors wanted the Public Benefit Entity solution but it was blocked by DOC and MBIE. DOC had an $87million contigent liability voting block at the watershed meeting which it used block this option even though under normal circumstances DOC policy would be to abstain from voting to avoid being conflicted.

In conclusion, the Liquidation Committee fear just like the Turoa concession process that the Whakapapa concession is foregone pre-determined outcome. The best case scenario for the Life Passholders would be for RAL to continue. Given the expectation of a pre-determined outcome, the only realistic possibility for RAL to survive is if Iwi either go for a judical review on the Whakapapa concession or injunct the sales process for being in breach of Treaty Partnership Agreements and therefore prejudicing TNP settlement claims.

The Liquidation Committee apologies to the 14,000 Life Passholders that the Committee were unable to delivery a positive outcome.

The Committee can only hope that in creating public awareness in this submission that the Decision Makers consider retaining the existing RAL concession as this option provides a better value proposition for all New Zealanders (Iwi, Life Passholders, Skiing community, and the taxpayer).

Lastly, thank you to all the Life Passholders, Intergenerational RAL Shareholders and Creditors who have supported the Liquidation Committee.

THE ALTERNATIVE REPORT

RUAPEHU ALPINE LIFTS LIMITED FINANCIAL AND OPERATIONAL RISK MONITORING ASSESSMENT PROGRAM BY A GROUP OF SHAREHOLDERS AND LIFE PASS HOLDERS

RAL Alternative Report for the twelve months to November 2021 (Report release: 9th May 2022)



Abstract

RAL Board of Directors are proposing to sell a 50% share of the company to private equity investors for $30m. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Under the proposed NEWCO, the public benefit entity status of the company will be forfeited, which will mean the company will be subject to pay tax on profits. Investors will expect a share of profits via payment of dividends. The current company structure does not allow payment of dividends to shareholders, and this structure has allowed 100% of profits and operating cash flows to be reinvested back into the ski field operations. RAL was established in 1953 and retainment of its profits has been a pivotal success factor for the financial viability to the ski field operations. RAL operates on an active volcano in challenging environmental conditions with significant weather risk, geological risk, and climate risk from global warming.

The analysis provided in this report is based on an independent review of the RAL annual reports from March 2016 to November 2021 and has been prepared by RAL Shareholders and Life Pass holders to provide improved financial transparency into the financial operations and balance sheet position of RAL. The report makes observation to key risks identified within the analysis. A key risk to Life Passholders is that the NEWCO corporate structure may leave them vulnerable to a loss of their Life Pass benefits. A key risk to Shareholders is that they will likely have significantly less voice and control in the future direction of the company. A key risk to skiers and community is in context to the financial stability of RAL. Is a corporate structure that distributes its profits sustainable long term, given Mt Ruapehu's harsh weather conditions, and climate risk require ongoing investment to maintain and protect the infrastructure from the elements? Payment of taxes and dividends restricts the ability of RAL to reinvest retained profits back into Te Maunga.

Contents

RAL Risk Monitoring Assessment Program 3
FY21 Snapshot 4
FY20 Snapshot 4
Introduction 4
Ruapehu Alpine Lifts Limited 5
Development plans 6
Shareholding 6
Shareholding D Shares – The RAL Trust 8
Takeovers Code breach 9
Alternative solution to Takeover Code breach 11
Response to RAL Trust Report in the Annual report 12
RAL's constitution, responsibility of Directors, and NEWCO Proposal 16
Methodology of the report 19
Disclaimer 20
Vision statement of the concerned Shareholders and Life Pass holders 20
Executive Summary 21
Pros and Cons of current corporate structure versus NEWCO 33
Headline operating results 34
MBIE Emergency Debt and the Trojan Horse (Convertible notes) 37
RAL External Debt financing analysis – Short versus Long 38
FY21 Support of the Bank and MBIE requiring RAL to review its corporate structure 40
Strategies to solve RAL's short-term debt pains (Alternative solution to privatisation strategies) 44
Life Pass Crowd funding model and benefits 48

Life Pass funding capital raise – discounted cash flow modelling 51
NEWCO proposal – What are the risks to Shareholders 53
Current threats to RAL for 2022 outside of RAL control 58
FY20 COVID-19 restrictions, Lockdowns and support of the Bank 59
Detailed operating result trend and scenario analysis 61
Balance Sheet Analysis 66
Cash Flow Analysis 76
NEWCO corporate restructure long term financial feasibility concerns 79
Appendix 1: Capital Expenditure notes listed in annual reports 82
Appendix 2: Comprehensive Income Statement working paper and analysis mapping 83

RAL Risk Monitoring Assessment Program

A group of Shareholders and Life Pass holders are concerned that RAL has allowed itself to be exposed to unnecessary liquidity risks with the ANZ bank and the Ministry of Business Innovation and Employment (MBIE). The financing arrangement with the ANZ bank is unacceptable. A simple restructuring of the ANZ component of the debt with a more compatible financing solution would significantly reduce the insolvency risk. The condition of convertible notes attached to the emergency MBIE debt requiring RAL to transfer its assets into another entity has also created another unacceptable liquidity risk. This is because this condition has been breached which means the MBIE emergency debt could have technically been called upon in the 2021 financial period. The RAL Trustees have a lot of answering to their beneficiaries (RAL shareholders) for their involvement with the MBIE convertible note issue. They provided a letter of support to the Directors to support the issuing of MBIE debt with a convertible note. This letter of support is in breach of the RAL Trust deed and has placed the RAL company under increased financial pressure. The RAL Trustee is controlling shareholder with 55% of the shareholding voting power. The 55% shareholding by the RAL Trust is also in breach of the take overs code. This breach has occurred due to the forfeiture of 4,277 shares which increased the RAL Trust shareholding from 45% to 55%. This takeover code breach is best rectified by having the Directors re-issue the shares and use this as an opportunity to raise additional share capital for the company.

The risk monitoring assessment program has been set up to closely monitor the actions of the Directors, the RAL Trustees, and RAL management to ensure they act in the best interests of RAL stakeholders. RAL's stakeholders include, Shareholders, Life Pass Holders, local Iwi groups, local business and community, RAL staff, Government bodies, Tourism infrastructure bond holders, and the general New Zealand public who are recreational users of RAL facilities on Te Maunga.

A key objective of this program is to understand why RAL is in an insolvency risk position, why the Directors, RAL Trust, MBIE and ANZ bank are advocating for a capital restructure to amend the current position. Another objective to the report is to help **assess what alternative options RAL Directors, Management and the RAL Trustees have available to rectify RAL's financial and operational vulnerabilities.**

The observations and analysis contained in this report do not constitute as financial or operational advice. This is on the basis that RAL has not commissioned the group of concerned Shareholders and Life Pass holders for their independent advice and opinions on the company's financial position. Secondly, no financial consideration has been received for providing this report.

RAL Trustees, Directors, and Management are encouraged to read this report and use this program as an invaluable source of feedback regarding how a group of concerned Shareholders and Life Pass holders see the current direction of the company. It is hoped that key decision makers will use the factual findings and observations contained in this report to protect the best interests of RAL's key stakeholders.

It is important to note that Shareholders and Life Pass holders are active users of Te Maunga, they do not receive financial renumeration in the form of dividends, and they are heavily invested in quality lift and skiing services. Essentially, **high quality ski runs, lift and snow maintenance services are the dividend yields for RAL's shareholder base who have foregone financial dividends for nearly 70 years!**

FY21 Snapshot

The themes of FY20 continue to playout into the FY21 financial year. Short term ANZ bank debt financing continues to remain an issue. In FY21 a new issue has come to light regarding emergency MBIE debt of $5m. The MBIE debt has convertible notes attached which can convert into shares into the NEWCO entity. Both these lenders require the NEWCO entity to be established to satisfy conditions for their continued lending support. Shareholders have not yet approved for the sale for their company to NEWCO and no private equity investor has been presented to shareholders to negotiate the terms of the NEWCO if its establishment were to be approved by shareholders. As predicted in the FY20 alternative report, the auditors have issued another qualified auditor opinion in the FY21 report regarding the material uncertainty of the company as a going concern. This concern is surrounding the short-term ANZ and MBIE debt should the conditions not be met and the lenders ANZ and/or MBIE withdraw their financial support. MBIE could technically recall on their debt at 30 June 2022, if the debt is not refinanced or the conditions to establish NEWCO entity are not met. ANZ bank has only committed funding through to the 30 November 2022. **There are simple and alternative solutions discussed in this report that are available to the RAL Management to rectify these liquidity issues without the need to sell the company to NEWCO**. It is disappointing that RAL Management have once again allowed the company to be exposed to short term lending. There are 13 other banks that Management could have tendered this debt out to, Life Pass capital raising options, and a potential $1m capital raising opportunity by reissuing shares to existing shareholders and life pass holders to amend the take overs code breach.

FY20 Snapshot

Ruapehu Alpine Lifts Limited (RAL) received a qualified audit opinion in its November 2020 annual report regarding the material uncertainty of the company as a going concern. The auditors Deloitte had concerns around the insolvency risk of RAL because of the uncertainty for receiving ongoing financial support from the ANZ bank. The COVID-19 pandemic triggered a review event with the ANZ bank. This meant the bank could technically call on RAL to repay it's $5.9m ANZ bank debt at a moment's notice. In effect the ANZ Bank shifted their level of support from long term to a month-by-month basis. This uncertainty with the ANZ bank triggered the insolvency risk and the audit opinion. Ironically, the analysis in this report shows that RALs financial performance in terms of operating EBITDA was better in the FY20 COVID year than it was in the previous FY19 pre-COVID year. The New Zealand government has supported RAL and other business across New Zealand with wage subsidy. Ironically, despite government showing support during the pandemic, RAL financial stress is being caused by the ANZ bank which only has a $5.9m stake in a total $25.1m in external financing as at 30 November 2020.

Introduction

This report now commonly referred to as the **alternative report** has been prepared by a **concerned group of Shareholders and Life Pass holders** to help fellow Shareholders and Life Pass holders understand the financial position and financial performance of Ruapehu Alpine Lifts Limited (RAL). The report makes observation to key risks identified in the analysis. This is the second alternative report. The first alternative report was focused of the 2020 financial year. We recommend shareholders and stakeholders read the first Alternative report too, however this report is an extension of the first report released 9th November 2021. Interested shareholders and stakeholders are invited to register their interest to receive copies of the alternative reports and other independent RAL insight updates by contacting Sec 9(2)(a) We note some background information contained within the two alternative reports will be identical with minor updates where required.

The purpose of this report is to provide an independent financial narrative on the 2021 financial (FY21) performance, trends and financial position of RAL to the narrative and messaging received from the RAL Board of Directors and RAL Management and controlling shareholder the RAL Trust. The Board and RAL Trust are continuing to advocate an urgent necessity for RAL to undertake a corporate restructure which they claim is conditional for the ongoing support of their ANZ Bank and MBIE financing partners. The original proposal was to partner with a private equity investor to allow a $30m capital raising for a 50% share in the company. This will require a significant change to the company constitution by forming a new company structure called NEWCO. Shareholders were asked to vote on a special resolution to transfer RAL assets and liabilities to a new entity at a SGM scheduled on the 26 November 2021. After receiving significant pressure from concerned shareholders regarding the legitimacy and lack of financial transparency around the trans action, the Board of Directors subsequently changed the special meeting to an information update meeting only. The Board say meeting had been changed to an information update only meeting due to a successful season pass sale campaign and they had received funding support from the bank for the 2022 financial year.

Under the proposed NEWCO entity, the public benefit entity status of the company will be forfeited. This will mean the company will be subject to pay tax on profits and share cash flows and profits with shareholders via payment of dividends. The current company structure d oes not allow payment of dividends to shareholders and this structure has meant 100% of profits and operating cash flows are reinvested into the mountain operation. The reinvestment of tax-free profits and operating cash flows have been a key success factor for RAL's ongoing financial viability since its establishment in 1953, given the adversity operating in arguably the most challenging conditions from weather risk, geographical risk, and climate change risk to any other ski field operator in the world.

Ruapehu Alpine Lifts Limited

RAL was incorporated under the company's Act 1933 on the 1st September 1953. It was reregistered under the Company's Act 1993 on the 5th September 1996. RAL operates the only two commercial ski fields in the North Island. RAL's Whakapapa and Turoa ski fields are situated in the Tongariro National Park on the iconic Mount Ruapehu, an occasionally active volcano with a crater lake. **RAL enjoys a monopoly status within the North Island ski field tourism sector. Its proximity to the north island's two largest cities, Auckland and Wellington is advantageous**, being within a comfortable weekend driving distance from the major population centres. There are two smaller club ski fields operating in the North Island. Tukino Ski field which is also on Mount Ruapehu and Manganui Ski field on Mount Taranaki (formerly known as Mount Egmont). These two club ski fields are limited in capacity and facilities and therefore do not pose a threat to RAL's market share of the North Island ski lift pass sales. RAL's main competition is the South Island commercial ski field operators. However, RAL proximity to the North Island's major population centres mean that ski field has its own relatively uncontested local market due the significantly higher investment in terms of effort, planning and coordination required for its local market participant base to ski the alternative South Island ski fields. **RAL is however disadvantaged by its remoteness to attract the international skiing market. This is because there are no easily accessible international airports nearby. The major South Island commercial ski field operators are very accessible to international airports which means that they have a strong international skiing market.**

Development plans

RAL are half way into a $100m redevelopment plan and have a $55m redevelopment plan for the Turoa ski field. **The Turoa development plan has been placed on hold** while the Board undertake a capital review and Dopplemayr Lifts undertake an assessment of the current condition of the Turoa lift infrastructure. The Turoa development entails the key developments:

- New gondola to replace Parklane and Movenpick chair lifts
- New Sunset express to replace the Jumbo T Bar
- New Giant express detachable chair lift to replace the existing giant which has recently undergone a $2m capital refurbishment
- New magic carpet beginner lift to replace the winter garden platter
- Relocation of Alpine meadow platter to its previous location in the Winter Garden
- Upgrade of Chalet buildings to increase seating capacity to 1,200 (What is it currently?)
- Terrain modifications to ski trails
- Expansion of snow making capacity

The full Turoa development plan can be downloaded from the RAL website:
https://assets.ctfassets.net/zc9e1qnj1tno/7CLiAUIETJq9CYk6qTPWGS/9248f3b666a264392a9f53542b240500/Indicative_Dev_Plan-Turoa_23_May_2019_.pdf

Shareholding

The RAL constitution prevents shareholders from receiving any form of pecuniary benefit per section 4.3 of the RAL constitution. This means RAL cannot pay dividends to its shareholders. This protects the cash flows generated by RAL's operations so that the company can continually reinvest and improve its chances to remain financially viable in highly challenging volcanic, climatic, weather adverse conditions.

Table 1: Shareholding per 2nd March 2022 shareholder's register

	A shares	B shares	C shares	D shares	Total
No. Shares	4,018	793	3,430	10,000	18,241
%	22%	4%	19%	55%	100%
Value per share	$1	$20	$20	$1	
Total share capital	$ 4,018	$ 15,860	$ 68,600	$ 10,000	$ 98,478

A, B, C, and D shares each contain 1 vote despite the variations in share price. D shares are held by The RAL Trust. This Trust was specifically setup to safeguard the company from corporate takeovers and privatisation attempts. This is especially important to protect the tax free status of the company, protect the wellbeing of the company, and to promote skiing and other forms of mountain recreation.

Table 2: Shareholders by location per 2nd March 2022 shareholder register

Location	Individual shareholders	Shareholder distribution by location	Shares (A,B,C)	% of shareholding by location
All Shareholders	2,371	100%	8,241	100%
Auckland	**739**	**31%**	**2,238**	**27%**
Wellington	**296**	**12%**	**1,321**	**16%**
Taupo	50	2%	145	2%
Hamilton	45	2%	197	2%
Tauranga	42	2%	150	2%
Christchurch	38	2%	275	3%
Masterton	24	1%	161	2%
Overseas	129	5%	411	5%
Rest of NZ	1,008	43%	3,754	41%

Shareholders are located throughout New Zealand with 5% residing overseas. Auckland has the largest number shareholders with 31% of the individual shareholders residing here, and they hold 27% of the total A, B, and C shares. Wellington has the second largest number of shareholders with 12% of the individual shareholders residing here, and they hold 16% of the A, B, and C shares. 43% of the shareholders live throughout other parts of New Zealand.

Table 3: Shares held by Deceased estates per 2nd March 2022 shareholder register

No. Deceased Estates	Number of shares held by decease estates	% of A,B & C Shares
202	1,137	14%

Table 4: Shareholders with no known address per 2nd March 2022 shareholder register

Gone No Address (GNA)	Number of shares held by GNA	% of A,B & C Shares
194	602	7%

Of concern is that it appears that a large proportion of the RAL shareholders are ageing, and their shares are not being handed down to the younger generations. This is evident to the fact that 4,277 shares were forfeited on the 31st July 2019. There are currently 202 deceased estates and 194 Shareholders with no addresses. This accounts for 21% or 1,739 shares of the total pool of the 8,241 shares for the A, B, and C class shares.

We identified four companies holding a total 303 of the A, B, and C class shares. This equates to 3.7% of the total A, B and C class Shareholding. Proportionately, this is a large proportion of shares held by just four companies. It is important to note that the RAL constitution prohibits any shareholder from acquiring more than 100 shares. In 1983 the Directors of that time setup the RAL Trust with 10,000 D shares to prevent any individual accumulating enough shareholder votes to potentially control and takeover the company. **In our opinion Sir Bryan Todd, Roy Mckenzie, Peter Scott and Sir John Ingram (and all other past Directors involved in the design of the RAL company and RAL Trust corporate design) were visionaries in how they laid solid foundations for a corporate structure that protects the company's operational cash flows from its shareholders. This ensures the company's earnings are 100% reinvested back into the company. Without this clever design in corporate structure, there would unlikely be any commercial ski fields operating on Mount Ruapehu today based on the historical data for the Turoa experience!**

Shareholding D Shares – The RAL Trust

Ruapehu Alpine Lifts Limited Trust (RAL Trust) is the major controlling shareholder of RAL, holding 55% of the shares. The Trust was created in 1983 to protect the interests of the company and its shareholders, and to preserve the company's integrity for future generations. The original trustees who invested in the company were issued 10,000 "D" shares, which at the time represented 45% of the shares on issue. Recent forfeiture of 4,277 shares at 31st July 2019 has increased the RAL Trust shareholding to 55%. However, this increased shareholding is problematic because it has breached the Takeovers Code and given the RAL Trust more than 50% of the voting power.

The Trust shareholding, and its stated aim of preserving RAL in its current form, has covenants in the Trust deed stating the Trustees to exercise their rights as holders of shares to:

A) promote skiing and other forms of sport and recreation on Mount Ruapehu; and
B) **Preserve the tax-free status of the Company**; and
C) promote the well being of the Company, in relation to those objectives.

The Trust is intended to prevent any individual, group of individuals or organisation being able to action a hostile takeover of the company. The original trustees were Sir Bryan Todd, Sir Roy McKenzie and Peter Scott. Sir John Ingram was appointed as a trustee in 1984. Trustees during the FY21 reporting year were Tomas Huppert, John Parker, Phil Royal, Jo Bouchier and Duncan Fraser. It is important to note that the following Trustees are ex RAL Directors: Tomas Huppert, John Parker, Phil Royal, and recently appointed Duncan Fraser. **Some shareholders have expressed their concern that the RAL Trust lacks independence from the Board of Directors.**

In the 68th AGM held in May 2020, the directors briefed shareholders that the RAL Trust as controlling Shareholder, has been consulted on NEWCO, and has provided a letter of support for the change which states:

"The Trustees support changes subject to:

- The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain
- There **should** be complete transparency with shareholders around the transaction at the appropriate time
- A Shareholder vote is **required** around any transaction
- Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction
- Staff **should** be protected in any transaction
- Any equity introduced **should** be at fair value. "

The language of the Trustee letter of support provides complete certainty that a **shareholder vote being required**, noting that the Trust is the controlling shareholder, holding majority of the shares. Of inherent risk to shareholders is that five out of six of the conditions listed by the Trustees in their letter of support use the word **"should"** or **"where possible"** which implies there is an expectation that these conditions should be met, but the wording does not state an absolute requirement.

It appears, based on the language and terminology used in the Trustee letter of support, that there is an inherent risk to Life Pass holders who have collectively been RAL's greatest financial supporters, do not appear to have their life pass benefits absolutely guaranteed should RAL change their corporate structure.

It appears the limited transparency regarding the transaction is another potential risk to Shareholders. They are being asked to vote on a special resolution to transfer RAL assets and liabilities into a new Entity. The first attempt was planned on the 26th November 2021 before the FY21 audited financial results were available for review. It is important that Shareholders understand the financial health of RAL when voting on such a significant transaction.

Takeovers Code breach

The RAL Trust's 55% shareholding is currently in breach of the Takeovers Code. **This is big issue for other shareholders because the RAL Trust now have over 50% of the voting power in the company**. The forfeiture of 4,277 shares on 31 July 2019 increased the RAL Trust shareholding from 45% to 55% which is a breach of the Takeovers Code. A shareholder with 20% shareholding in a code company is technically not allowed into increase their shareholding. **The RAL Directors have applied to the Takeovers Panel for an exemption**. This exemption will require shareholders' approval. The RAL Trust is not allowed to vote on this resolution. It is likely that Board will hold a resolution for shareholders to vote on the takeover panels' exemption at the 28th May 2022 AGM. The following one pager outlines and summarises the RAL Trust shareholding breach in the takeovers code and the risk this poses to the other shareholders.

We strongly recommend Shareholder's vote against the Takeover Panel exemption (TOP) and request that the Directors restore the RAL Trust Shareholding back to its original 45% shareholding. If the TOP exemption is approved, then the RAL Trust will legally have over 50% control of the company and therefore they have ultimate control over the company.

RAL Trust has breached the Takeovers code rule 6 (1) due to increasing its original shareholding from 45% to 55%. This is due to the following:

- **Forfeiture by RAL of 4,277 shares on 31 July 2019**
- **Share acquisitions (approximately 54 shares between 2005 and 2015 per takeover exemption notice)**

RAL Trust hold 10,062 shares out of total of 18,241 shares per slide 18 of the RAL 26th November 2021 presentation

RAL Directors could have re-issued the 4,277 forfeited shares to avoid the RAL Trust being in breach of the Takeovers code.

- **Re-issuing forfeited shares to existing shareholders first and then offering to Life Pass holders would have been the logical option to prevent a breach!**
- **What are the RAL Trustees thinking? The mandate of their Trust deed is to prevent a takeover of RAL, not to encourage one by allowing their voting power to grow beyond their 45% holding!**

Takeovers code Rule 6 (1) (a)

20% or more of the voting rights in a code company **may not** become the **holder or controller** of an **increased percentage of the voting rights in the code company**.

Takeover Code (Ruapehu Alpine Lifts Limited) Exemption Notice 2022 was issued on the 27th January 2022

- This notice will exempt the RAL Trust from their breach of the takeovers code
- The exemption is conditional on **approval by majority of shareholders (excluding the RAL Trustees) on or before 31 May 2022**

Shareholders BEWARE OF APPROVING THE TAKEOVER EXEMPTION!

KEY RISKS AND DANGERS IF SHAREHOLDERS VOTE TO APPROVE THE TAKEOVER EXPEMPTION NOTICE:

RAL Trust is holding over 50% of the shareholding of RAL. If this exemption were to be approved, then there is an inherent risk that the RAL Trust could technically force a takeover to buyout existing RAL Shareholders

- **Shareholders by approving the exemption would have removed the protections provided for in the Takeovers act 1993 and Takeover's regulation 2000**

This would mean the following:

- **The RAL Trust can maintain and grow its 55% shareholding (Legally should be 45% Shareholding), therefore have voting power to enable a takeover. This significantly undermines the voting rights of A, B, & C Shareholders**
- **5% shareholding growth creep is permitted each year over a 12-month period**. This means the RAL Trust can continue to grow its shareholding above its 55% and **gain further control of RAL**

Recommendation: RAL Shareholders should vote NO! against the Takeover exemption. Request that the Directors re-issue shares to Life Pass holders until the Trust shareholding returns to its original 45%. This will best protect shareholder rights to preserve RAL in its current form as philanthropic crowd funded business model - 69 years

Alternative solution to Takeover Code breach

We recommend that the Directors rectify the RAL Trust Shareholding breach by re-issuing the 4000 forfeited shares at a minimum price of $250 per share. This would raise a minimum of $1m in additional shareholder capital to assist with fixing RAL's short term liquidity issues.

According to the constitution, these shares will need to be issued to existing shareholders first. Once the existing shareholders have had the opportunity to accept or reject their share offer, the remaining shares should then be offered to existing and new Life Pass holders.

This recommendation achieves the following:

- **Fixes the RAL Trust takeover code breach by reducing its shareholding back to its original 45%**
- **Provides a minimum $1m working capital cash injection to the company**
- **Brings new shareholders into the company who fit the philanthropic culture of the company to renewal the ageing shareholder base**
    - 4,277 shares were forfeited as at July 2019
    - 21% of the current A, B, and C shares are deceased estates or have no known address!

Life Pass holders are RAL's most important source of capital since its inception. It only makes sense to give this group of capital partners the opportunity to have a voice in the future direction of the company. The RAL company was founded and built by skiers, snowboarders and mountain recreation users for the community to enjoy. **Life Pass Holders are the logical way forward to continue the successful crowd funded RAL business model!**

Table 5: Common sense check of Re-issuing Share Proposal

Net Assets FY21	$	10,590,000
New shares		4,000
Existing shares		18,241
Total Shares		22,241
Value per share (Net Assets/Total number of shares)	$	476
RAL Trust Shareholding before share issue		55%
RAL Trust Shareholding after share issue		**45%**

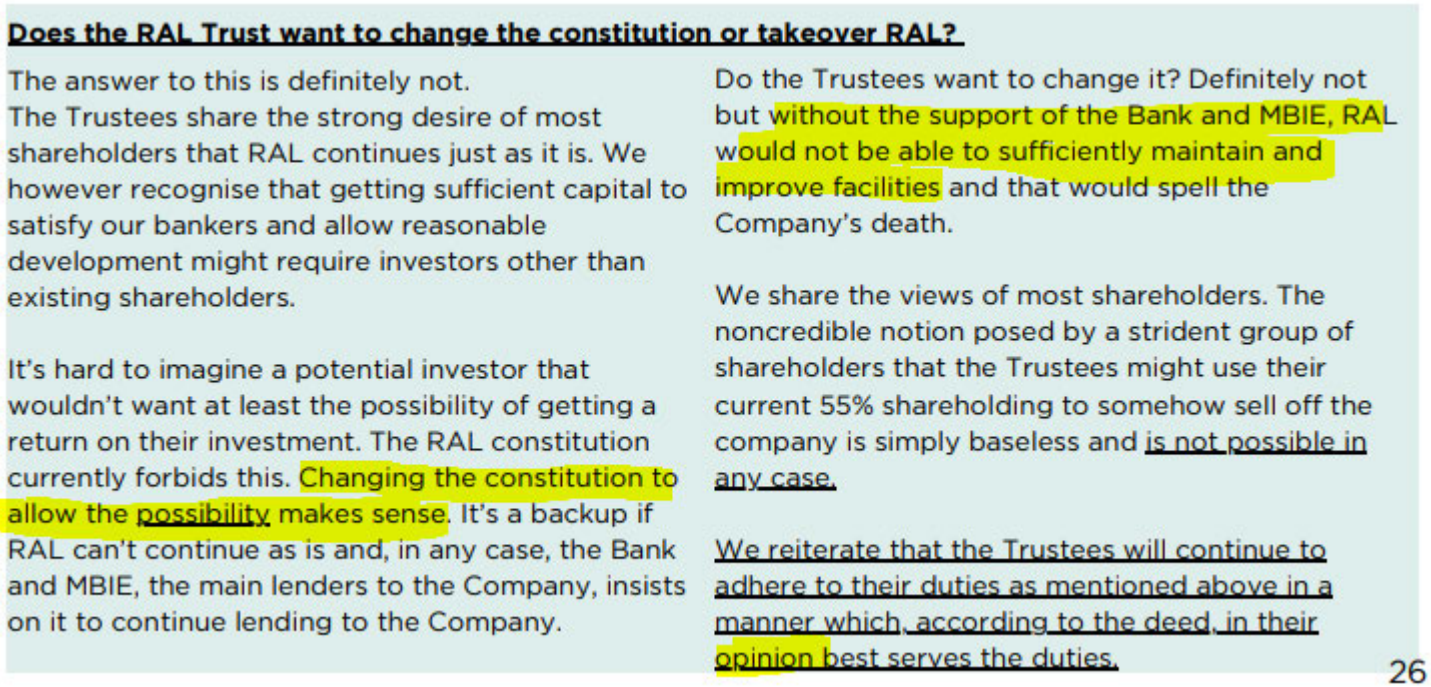
A minimum share price of $250 is fair and reasonable and is still priced at a discount based on the estimated share value at $476 per share (net assets/total number of shares). It is fair to discount the share price because the constitution strictly prohibits any pecuniary benefits to its shareholders.

A price of $250 per share is less than the fuel and accommodation costs for one weekend skiing and should be seen as an insurance premium by Life Pass holders because it gives them a voice in the company to influence its future direction and helps them protect their Life Pass investment.

Response to RAL Trust Report in the Annual report

The RAL Trustees have issued a report in the November 2021 RAL Annual report:

Figure 1: RAL Trust Report extract from page 26 of the November 2021 RAL Annual report



Does the RAL Trust want to change the constitution or takeover RAL?

The answer to this is definitely not.
The Trustees share the strong desire of most shareholders that RAL continues just as it is. We however recognise that getting sufficient capital to satisfy our bankers and allow reasonable development might require investors other than existing shareholders.

It's hard to imagine a potential investor that wouldn't want at least the possibility of getting a return on their investment. The RAL constitution currently forbids this. Changing the constitution to allow the possibility makes sense. It's a backup if RAL can't continue as is and, in any case, the Bank and MBIE, the main lenders to the Company, insists on it to continue lending to the Company.

Do the Trustees want to change it? Definitely not but without the support of the Bank and MBIE, RAL would not be able to sufficiently maintain and improve facilities and that would spell the Company's death.

We share the views of most shareholders. The noncredible notion posed by a strident group of shareholders that the Trustees might use their current 55% shareholding to somehow sell off the company is simply baseless and is not possible in any case.

We reiterate that the Trustees will continue to adhere to their duties as mentioned above in a manner which, according to the deed, in their opinion best serves the duties.

26

It is important the RAL Trustee's need to be reminded that they are legally bounded by the RAL Trust Deed and Trust law and **not just their opinion or what ANZ Bank or MBIE want them to do. RAL Shareholders are the beneficiaries to the RAL Trust, not the ANZ bank or MBIE**.

The RAL Trust deed clearly states in section 3.2 of the covenants of the Trust Deed that:

Up to and including the date of distribution, the Trustees will exercise their rights as holders of the shares in such a way as will, in their opinion:

A) promote skiing and other forms of sport of and recreation on Mount Ruapehu; and
B) **Preserve the tax-free status of the Company**; and
C) promote the well being of the Company, in relation to those objectives.

Concerned Shareholder questions for the RAL Trustees in relation to their comments in the annual report:

1. How can the RAL Trust **preserve the wellbeing of the company** if they allow the assets to be sold to NEWCO? RAL will no longer be a skiing and alpine company, RAL becomes a shell company with limited potential to promote skiing and alpine recreation on Mount Ruapehu. This is because it will have no income generating assets. Control of the business income generating assets has been sold/transferred to the private equity investors of the NEWCO. In fact, the RAL Trust letter of support for NEWCO acknowledges that the RAL Trust will no longer be required to exist! Please explain this to RAL shareholders who are the beneficiaries of the RAL Trust? **How will the RAL Trust uphold the RAL Trust deed and covenants if a Trustee arrangement does not exist should NEWCO progress?**

Table 6: Extract RAL Trust letter of support NEWCO

3 September 2020

Murray, Geoff

Thank you for your time last week taking the Trustees through the term sheet in regards to the convertible note proposed, as we have already communicated the trustees have agreed to the proposal in principle with one condition.

We understand RAL has significant financial challenges due the COVID 19 circumstances and 2019 outturn due to a poor ski season and that the company has had to seek external funds to progress urgent maintenance at Turoa.

The trustees understand that if NewCo was to progress there is not likely to be a Trustee arrangement required, to that end the trustees would like to communicate a number of principles that should be understood by the RAL and NewCO boards if any transaction proceeds.

2. Regarding the RAL Trust comment requiring the support of the bank, it is important that RAL have a supportive bank that understands RAL's business and capital structure. **The ANZ Bank placed Turoa Holdings Limited into receivership in 2000 when it was estimated to owe more than $7m in debt after several years of poor snowfall and problems caused by the Mt Ruapehu eruptions (1995 and 1997). Why are the RAL Trust persistent with staying loyal to the ANZ bank and its demands? Can RAL Trust become more opened minded to advocate alternative lenders and advocate RAL to revert back to traditional Life Pass funding models?**

ANZ bank unfortunately appears to have failed to understand RAL's traditional form of capital is from the issue of Life Passes and to great frustration they have prevented the company from using a Life Pass issue to replace the ANZ bank debt. During the onset and duration of the pandemic, the **ANZ bank has specifically prohibited RAL from issuing another round of Life Passes.** During this pandemic we have watched the central banks in New Zealand and globally drop official cash rates to record low levels which has stimulated world economies, including our own and created a massive inflation bomb. **House and car prices have inflated upwards of 40% due to the availability of cheap credit**. **The last 24 months would have been a prime time for another round of Life Passes while the economy was highly stimulated. The RAL Trust should be pressuring RAL management to tender out their ANZ bank debt to a more compatible lender!**

Figure 2: Extract Note 1.2 RAL 2021 Annual Report page 34. ANZ Bank restricting RAL from selling Life Passes

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).

3. **Why did the RAL Trust provide a letter of support for the issue of convertible notes for the MBIE debt as per their letter of support dated 3 September 2020 without consulting other shareholders?** Failing to consult with other shareholders on this matter is extremely negligent of the RAL Trust, particularly given their 55% shareholding power is in breach of the Takeovers Code! These decisions require shareholder approval by lawful process per the constitution and the companies act. **The RAL Trust is responsible for the technical breach with the emergency $5m MBIE debt by agreeing to convertible note issue**. Firstly, RAL Trust have breached the RAL Trust deed with their letter of support and secondly this letter of support has caused the MBIE debt to shift to a short term financing arrangement due to the conditions not being met. Shareholders were not aware, nor had they agreed to the convertible note issue. This explains why shareholders were asked to vote to transfer assets into NEWCO on the 26th November with limited transparency to support the transaction. When this meeting was cancelled the RAL Trust Trustee Jo Bouchier commented to Newsroom business editor Niki Mandow:

"We don't have enough information, so we have not resolved how we will vote," she says, adding that even controlling 55 percent of the shareholding as they do, the trustees hadn't got any more details about the proposals than anyone else.

Source: https://www.newsroom.co.nz/mt-ruapehu-skiers-we-don't-want-another-waiwera-hot-pools

It appears the RAL Trustees are not being honest and transparent with Shareholders as they would have likely known about the convertible notes attached to the emergency MBIE debt. Shareholders were not made aware of the convertible notes until the RAL Trustee letter of support was published and the release of the 2021 Annual report announced to shareholders on the 14th April 2022.

4. The RAL Trust makes the comment that "without the support of Bank and MBIE, RAL would not be able to sufficiently maintain and improve facilities and that would spell the death of the company". **Do the RAL Trustees understand that there are many other factors that could lead to the death of the company such as:**

    a. Financing debt short creates an insolvency risk!
    b. Inability to access traditional Life Pass funding capital due to not changing lenders
    c. Privatisation of the company may result in the death of the company due to
        i. **Expensive equity financing** means operating cash flows are not kept within the company, they are paid out as dividends to shareholders
        ii. **Loss of the tax free status of the company**
        iii. **No private company model has survived Mt Ruapehu for longer than a 10 year period**

5. The RAL Trust makes the comment "The non-credible notion posed by a strident group of shareholders that the Trustees might use their current 55% shareholding to somehow sell off the company is simply baseless and is not possible in any case." **We would like to make the comment that it should not be possible for the RAL Trust to sell off the company as this would be a blatant breach of the Trust Deed. However, the Strident group of shareholders do have a valid point. The RAL Trust letter of support for NEWCO has allowed the Directors to issue convertible notes on the MBIE debt which is evidence of the RAL Trust actions enabling the first attempt to sell the company!**

Our conclusion is that the RAL Trust have made a huge mistake by providing the Directors their letter of support on 3rd September 2020. The RAL Trust had no funds to seek independent advice on this matter and therefore they should ***immediately withdraw their letter of support for NEWCO*** and **start conforming to the covenants outlined in the RAL Trust Deed**. RAL Trust should refrain from relying solely on their opinion because this opinion regarding NEWCO and the convertible notes issue has caused further liquidity problems for RAL with the conditions attached to the MBIE debt.

RAL's constitution, responsibility of Directors, and NEWCO Proposal

A company's constitution is the legal document that sets out essential matters relating to the governance and legal framework of a company. The constitution regulates the framework for the company dealings, specifically the regulations governing the relationship between the company, its Shareholders and Directors. RAL's constitution dated on 2nd August 1996 states the following regulations under the relevant sections of the constitution which are important to be outlined in context with the Board of Directors NEWCO proposal.

Section	RAL Constitution extract
4.2	**Principal Objects:** Notwithstanding Regulation 4.1 the Company's principal business or activity shall be promotion and development of amateur mountain sports activities for the general public and the promotion and development of the Tongariro National Park area
4.3	**Pecuniary Benefit Excluded: For the avoidance of doubt it is not a purpose of the Company to provide any pecuniary benefit to any Shareholder** directly or indirectly in their capacity as Shareholder whether by way of Distribution, financial assistance, discount, commission or otherwise, with the exception of reasonable renumeration for services performed for the Company or reimbursement of expenses reasonably incurred on behalf of the Company
29.5	**Directors to comply with Act and Constitution:** A Director must not act, or agree to the Company acting, in a manner that contravenes the Act or this Constitution.
29.6	**Reckless trading:** A Director must not: (a) Agree to the business of the Company being carried in a manner likely to create a substantial risk or serious loss to the Company's creditors; or (b) Cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors
29.8	**Director's duty of care: A Director, when exercising powers or performing duties as a Director must exercise the care, diligence, and skill** that a reasonable director would exercise in the same circumstances taking into account, but without limitation: (a) The nature of the company and its **principal purposes set out in Regulation 4**: and (b) The nature of the decision: and (c) The position of the Director and the nature of the responsibilities undertaken by him or her.

The key extracts of the RAL constitution outline three very clear and overarching regulations of the constitution that appear to conflict with the Board of Directors capital raising plans (aka NEWCO proposal):

- ✓ The company principal activity is to promote and **develop mountain sports activities in the Tongariro National Park**
- ✓ **Shareholders are not to receive any financial benefit**. For the avoidance of doubt, the constitution clearly states it is not the purpose of the company to provide pecuniary benefits
- ✓ Directors have a **duty of care to uphold these regulations**

In the 2nd of February 2021 Shareholder Update newsletter, the Chairman outlined the first details of the outside investor capital raising (NEWCO proposal in the making) as follows:

"We are seeking to raise up to $30 million of new equity capital, which corresponds to a 50% shareholding on a post-money basis and we are looking for a strategic partner who can help the business develop to the next level.

This investment will give the strategic partner the opportunity to own a strategic stake in an iconic business with significant exposure to domestic tourism. We currently operate the largest ski areas in Aotearoa New Zealand with a 23% share of the alpine skiing and snowboarding market.

We believe that the strategic partner will have a key governance role in helping to shape the future development of on-mountain facilities and off-mountain opportunities. Our non-standard shareholding structure has restricted our ability to pursue off-mountain opportunities and limited our ability to access equity.

The Tūroa Ski Area, Whakapapa Ski Area and Sky Waka gondola are key attractions to the Ruapehu Region throughout winter and more recently summer. The recreational activities and services provided by RAL make a significant economic contribution, up to $6-$7 is spent off mountain for every $1 spent on-mountain.

We are accepting enquiries from wholesale investors (within the meaning of the Financial Markets Conduct Act) to Sec 9(2)(a) **."**

The NEWCO proposal was further elaborated on at the 28th May 2021 AGM per the minutes attached to the 9th July 2021 shareholder update. The Board clearly articulated that the **investors would require a share of the profits** and that the **company constitution would need to change to accommodate this** requirement. In the FY21 RAL report the Board of Directors are articulating that they need to privatise or sell RAL to raise capital which is conditional for the support of the ANZ bank and MIBE.

Figure 3: Extract RAL 2021 Annual report. Note 1.2 extracts regarding MBIE and ANZ conditions, breaches, and renegotiations of the conditions

The Company has undertaken the following steps to attempt to satisfy the conditions within the ANZ and MBIE agreements:

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).
December 2020	In December 2020, the Company borrowed $5m of emergency funding from MBIE for the 2020/2021 capex programme with a focus on the Tūroa assets. This funding was conditional on establishing a new entity and provided MBIE with the option to convert the loan into equity in the new entity. The initial requirement included in the agreement was that the new entity would be established by March 2021. In March 2021, this was formally extended to June 2021.

1.2 Basis of Preparation (continued)

February 2022	The Company sought an extension to MBIE condition around establishment of a new entity to June 2022. MBIE approved this extension in February 2022. As the Company was in technical breach of the conditions of the $5m loan as at 30 November 2021, it has been recorded as a current liability on the Statement of Financial Position.
February 2022	The Company delivered an update to ANZ regarding the pathway to present an alternate plan to ANZ by May 2022.

Figure 4: Extract RAL 2021 Annual report. Note 20-Subsequent Events

The Company has a $2.79m revalued loan ($5m face value) MBIE classified as a current liability in the financial statements. This is classified as current as there was a condition in place relating to the establishment of a NEWCO by 31 March 2021. As a NEWCO has not yet been established, the Company was in technical breach of the requirements of the loan as at 30 November 2021. This has been formally resolved after year-end with a variation extending this to 30 June 2022. This is a non-adjusting subsequent event.

The Directors have incorporated a convertible notes issue into the $5m MBIE debt. They did this on the basis that they had received a letter of support from the controlling shareholder the RAL Trust. However, there are technical issues. Firstly, the RAL Trust controlling shareholding is in breach of the Takeovers Code, therefore the Directors should not have relied on this letter of support because it has not legally been approved by the majority of shareholders. Secondly, many shareholders were resistant to transfer the company assets to NEWCO because there was not enough transparency to support the transaction and as a result the 26 November SGM was cancelled. The MBIE convertible note conditions have been breached multiples times per table below:

Table 7: MBIE condition for establishment of NEWCO timeline, breaches and extensions

Establishment of NEWCO required March 2021	Condition breached, formally renegotiated in March 2021 to be extended to June 2021
Establishment of NEWCO required June 2021	Condition breached and formally renegotiated in February 2022 to be extended to June 2022
Establishment of NEWCO required June 2022	Shareholders are likely to vote on NEWCO at the 28th May 2022 AGM

Our reading of the MBIE debt is that RAL have been in a technical breach since June 2021, therefore there was a real insolvency risk that MBIE could have called the company into receivership between June 2021 and February 2022

The ANZ bank has committed funding through to November 2022, however this debt is funded $5.9m short and represents a significant insolvency risk. ANZ bank has been pushing for a capital restructure and has been restricting access to traditional Life Pass funding.

Analysis contained within the report raises concerns as to **whether the Directors are acting appropriately and are potentially in breach of RAL's governing constitution.** This is based on the following:

- Issuing emergency MBIE debt with convertible notes in NEWCO has caused a technical breach causing the emergency $5m MBIE debt to be financed short-term due to the condition of a NEWCO entity not being established per conditions. This meant that the debt could have technically been called on between June 2021 and February 2022. **This conflicts with regulation 29.6 for reckless trading (company could have been called into receivership by MBIE), regulation 29.5 (issue of convertible notes is unconstitutional), and regulation 29.8 Directors duty of care**
- Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 Pecuniary benefits excluded**
- Pursing a strategic investment partner to develop off-mountain activities. **This appears to be in conflict with regulation 4.2 Principal objects -** principal business or activity shall be promotion and development of amateur mountain sports activities for the general public and the promotion and development of the Tongariro National Park area
- Aggressive capital redevelopment strategies that have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29.6 for reckless trading**

Of upmost importance, regulation 25.9 Directors to comply with Act and Constitution in our opinion has likely been breached with the Directors issuing convertible notes to the MBIE debt. This is the first step they have taken to privatise the company without legally obtaining lawful shareholder approval.

Methodology of the report

The analysis provided in this report is based on an independent review of the RAL annual reports from *FY17 to FY21 and RAL finance presentations, Shareholder update minutes and AGM minutes. The purpose of the review is to make comment on the following areas:

- Financial operating performance in terms of sustainability
- Balance sheet position in terms of financial sustainability
- Cash flow sustainability
- Strategic direction
- Identification of risks and make recommendations for Shareholders to put forward to the RAL Trust for consideration in their position as the controlling Shareholder

The operating results presented in this report may vary from the RAL annual reports due to reclassifications between recurrent operating and non-operating revenues and expenditure. For example, Turoa insurance proceeds and avalanche damage costs have been reported as non-operating. Please refer to appendix 2 for analysis mappings and workings used to derive the operating financial performance analysis referenced throughout this report.

The financial analysis is based on the following reporting periods noted in table 8 below. Note, RAL changed their reporting balance date from April to November in the 2018 reporting year. This made assessment of the profitability for the Nov-18 reporting period difficult to assess against comparative periods. This is because 5 months of expenditure is not included in the reporting period, hence making Nov-18 results appear favourable.

Table 8: RAL Financial Reporting Periods

Annual report reporting periods	Reporting Period
*FY17	12 months, 1st March 2016 to 30th April 2017
*FY18	12 months, 1st March 2017 to 30th April 2018
**Nov-18	**7 months**, 1st May 2018 to 30th November 2018
FY19	12 months, 1st December 2018 to 30th November 2019
FY20	12 months, 1st December 2019 to 30th November 2020
FY21	12 months, 1st December 2020 to 30th November 2021

Disclaimer

Users of this report should conduct their own due diligence to verify the information and opinions contained in this report. A number of concerned RAL Shareholders and Life Pass holders have expressed their own interpretation on analysis based on publicly available information contained in RAL annual reports and Shareholder updates. No special non-public data has been received from the company to assist with the analysis in this report. RAL Shareholders and Life pass holders will not be held personally liable or accountable for any errors, omissions, and misinterpretation or decisions made by users of this report. The intention of the report is to help promote healthy debate and dialogue amongst Shareholders, RAL Directors, and the RAL Trustees, based on financial analysis that is independent from the RAL Management and Board of Directors. RAL Shareholders and Life Passholders may amend the report to improve transparency based on new facts and evidence that may become available to continually improve the reporting.

Vision statement of the concerned Shareholders and Life Pass holders

Concerned Shareholders and Life Pass holders are of the vision that Ruapehu Alpine Lifts is a truly special company that was built by the Alpine Recreational Community for the benefit of all stakeholder groups who have an association with Te Maunga (Mt Ruapehu). Our view is that the company and its alpine services need to be preserved for future generations. Ruapehu Alpine Lifts is a national treasure that needs to retain its non-privatised business model to ensure it remains focused on promoting alpines sports and recreation for the people.

Executive Summary

	Key observations	Risks and/or recommendations for consideration
RAL Trustee letter of support for the NEWCO restructure		
1.	The RAL Trustee letter of support agreed to **convertible notes**. It is now apparent that these convertible notes were **issued to the emergency $5M MBIE debt**. RAL Trustees have been acting in their opinion and not in accordance with the core covenants of the RAL Trust deed. This has placed the company into an increased liquidity risk and insolvency risk position due to the MBIE convertible note conditions not being met. This means MBIE could have technically called for their $5m debt to repaid. Key observations: • RAL Trust 55% controlling shareholding was in breach of the Takeovers Code at the time they issued this letter of support as the controlling shareholder. Their shareholding still remains in breach of the Takeovers Code • RAL Trust had no funds to seek independent financial and legal and advise and therefore the Trustees have relied on their opinion to issue their letter of support. Of greater concern the Trustees acknowledged that a Trust arrangement will no longer be required in NEWCO. **How will the RAL trust uphold the covenants of the Trust deed if they cease to exist? Who will protect the tax fee status of the company?** • The RAL Trustees say in the annual report that the "non-credible notion posed by a strident group of shareholders that the RAL Trustees might use their current shareholding to sell off the company is simply baseless and is not possible in any case". **Do the Trustees NOT UNDERSTAND that their letter of support has resulted in CONVERTIBLE NOTES being issued on the MBIE debt!** • The issuing of convertible notes to the MBIE debt is the first step to privatise the company and the RAL Trust have allowed this to happen • The RAL Trust have been negligent with their letter of support and the convertible notes issue on the MBIE debt has made a significant contribution to the Auditors issuing another qualified auditor opinion in the 2021 Annual report regarding the material going concern uncertainty in relation to the conditions of the MBIE debt requiring a capital restructure • The convertible notes in the MBIE debt are convertible into equity in NEWCO. MBIE have a condition that RAL establish NEWCO by June 2022. In affect the **RAL Trust are placing the company Ruapehu Alpine Lifts into a death spiral by allowing the convertible notes to be issued which is forcing its sale!**	**Recommendation for consideration:** a. RAL Trust should **immediately withdraw their letter of support for NEWCO** to prevent further damage and liquidity risk to the company b. RAL Trustees need to be aware that their opinion does not enable them to neglect or abandon the core covenants of the RAL Trust Deed c. The RAL Trustees have a duty of care to their beneficiaries. The beneficiaries are the Shareholders of RAL. Selling RAL behind shareholders backs by supporting and allowing a convertible note issue is not showing a proper Duty of Care to the beneficiaries of the RAL Trust Deed. **We strongly advise the RAL Trustees to rethink their position and act in accordance with the covenants of the RAL Trust deed** and only use their opinion with a great deal of caution given that their opinion has created further liquidity stress and pressure to RAL the company d. We recommend that Shareholders/beneficiaries should collaborate on legal strategies to enforce the RAL Trustees to act in accordance to the RAL Trust Deed. The more concerned beneficiaries (Shareholders) coordinating efforts together, the greater the pressure we can apply to the RAL Trustees. Please contact Sec 9(2)(a)

2. The proposed RAL restructure to NEWCO has received a letter of support from Trustees with the expectation certain conditions should be met and a shareholder vote is **required**.

"The Trustees support changes subject to:

- The constitution of NEWCO **should** include the requirement to preserve skiing and other forms of recreation on the mountain
- There **should** be complete transparency with shareholders around the transaction at the appropriate time
- A Shareholder vote is **required** around any transaction
- Life pass benefits **should** be preserved in NEWCO and **where possible** in any future transaction
- Staff **should** be protected in any transaction
- Any equity introduced **should** be at fair value. "

It appears based on the language and terminology used in the Trustee letter of support, that there is an **inherent risk to Life Pass holders** who have collectively been RAL's greatest financial supporters. **They do not appear to have their life pass benefits absolutely guaranteed as a requirement to this transaction** should RAL transition to the NEWCO corporate structure. The language in the letter of support implies an expectation rather than a requirement

Life Pass Holders are RAL largest collective source of capital finance

3. Analysis of the cash flow statement shows Life pass holders have been the **single largest contributors for financing RAL's major $61.1m capital development program between *FY17 and FY20, contributing $18.6m** in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties.

Since 2000, Life pass and 5 year pass sales have financed $45.6m in capital cash flows. This is $15.6m more than the current private equity proposal for $30m.

Recommendation for consideration:

e. Maintaining the RAL corporate structure in its current form will provide ongoing certainty and protection to Life Pass holders. This is important considering Life Pass holders are RAL's most relied source for capital financing of asset replacements and upgrades

f. Life Pass sales have been a cost-effective form of capital raising. They do not require an ongoing dividend or interest payment. In FY20, RAL reviewed the actual utilisation of Life Passes and have since accelerated deferred Life Pass revenue in recognition that Life Pass holders do not utilise their passes as originally anticipated

g. RAL finance presentation update on the 26 November 2021 determined the cost of **life pass funding as efficient with a low cost of capital between 3% and 5%**. This is significantly less than debt and equity financing

Risks for consideration:

h. **A change in corporate structure that potentially undermines the certainty of Life Pass holders, significantly compromises future use of Life Pass sales as a form of capital raising**

i. The value of Life Pass sales as a form of capital raising should not be underestimated. The company model has been around since 1953

j. Life Pass Holders collectively are RAL's largest source of capital financing, yet they are the most vulnerable and least protected of all the financing partners

	Key observations	Risks and/or recommendations for consideration
Takeovers Code Breach and TOP exemption		
4.	The controlling shareholder RAL Trust is in breach of the Takeovers Code. A shareholder in a code company with shareholding greater than 20% cannot increase its shareholding. The RAL Trust shareholding increased from 45% to 55% when the Directors forfeited 4,277 shares in July 2019. This has caused the RAL Trust shareholding to significantly increase and breach the Takeovers Code. The Board of Directors have applied to the Takeovers Panel for an exemption (TOP exemption). **The Takeovers Panel have approved this exemption on condition that the exemption is approved by the majority of shareholders on or before 31st May 2022.** The RAL Trust is not allowed to vote on the TOP exemption. The Directors could have easily prevented the RAL Trust from being in breach of the Takeovers Code by simply re-issuing the 4,277 forfeited shares. RAL needs new shareholders to continue the legacy of its ageing shareholder base. Life Pass holders are the closest group of people who are aligned to the cultural values of the founding Clubbies: • 14 % of A,B, & C shareholders are current deceased estates • 7% of A,B, & C shareholders are listed as gone no address	**Risks for consideration:** k. If the TOP exemption were to be approved by the shareholders, this would **legally** make the RAL Trust the controlling shareholder with 55% shareholding of RAL and over 50% of the voting power! l. Shareholders will be at the ultimate mercy of the RAL Trust. We have already witnessed the damage the RAL Trustees have caused by acting on their opinion to further increase RAL's liquidity and insolvency risk by supporting convertible notes to be issued on the MBIE debt **Recommendation for consideration:** m. RAL shareholders should **vote NO! against the Takeover exemption** n. RAL shareholders should request that the Directors re-issue shares to existing shareholders and Life Pass holders until the Trust shareholding returns to its original 45%. This will best protect shareholder rights to preserve RAL in its current form as philanthropic crowd funded business model - 69 years and counting
Solution to Take Overs Code Breach and TOP exemption		
5.	**We recommend that the Directors rectify the RAL Trust Shareholding breach by re-issuing the 4000 forfeited shares at a minimum price of $250 per share**. This would raise a minimum of $1m in additional shareholder capital to assist with fixing RAL's short term liquidity issues. According to the constitution, these shares will need to be issued to existing shareholders first. After existing shareholders have their opportunity to accept or reject their share offer, the remaining shares are offered to existing and new Life Pass holders. Recommendation achieves the following: • **Fixes the RAL Trust Takeover Code breach by reducing its shareholding back to its original 45%** • **Provides a minimum $1m working capital to the company** • **Brings new shareholders into the company who fit the philanthropic culture of the company to renewal the ageing shareholder base** o 4,277 shares were forfeited as at July 2019 o **21% of the current A, B, and C shares are deceased estates or have no known address!**	

	Key observations	Risks and/or recommendations for consideration
MBIE debt and Convertible notes		
6.	The $5m MBIE debt was used for the emergency Turoa CAPEX to address maintenance issues with the Parklane and Movenpick chairlifts. This debt was issued with convertible notes as a condition to the debt. These convertible notes convert into equity and shares in the NEWCO. MBIE require that the NEWCO entity is established by 30 June 2022. The conditions to this debt have been breached multiple times and conditions extended. The debt is classified as short term due to the condition of the NEWCO establishment not been met. This debt is an insolvency risk to RAL because the breach of the condition to the debt has meant that MBIE could have technically recalled on the Debt to be repaid. MBIE is the Ministry of Business, Innovation and **Employment**. The goal of MBIE is to promote sustainable and long term employment in the regions using the provisional growth fund to help fund project that achieve those objectives. **Ironically, MBIE are enforcing RAL to privatising its capital structure using the convertible notes attached to the $5m emergency debt.** This is ironic because long term and sustainable employment requires a stable capital and corporate structure to ensure the company is financially viable long term. **RAL's current capital structure has stood the test of time operating nearly 70 years since 1953!** **Private corporate structures are not a new concept to Mt Ruapehu and were unsuccessfully trialled between 1978 to 2000 by three different Private enterprise companies**, including one listed entity with access to capital from the NZ stock exchange. Private enterprise models have failed on Mt Ruapehu because it is an extremely challenging environment to operate in due to the following risks: • Weather risk – high number of closed or poor weather days impacts on operating revenue and profit margins • Geographic risk – operating on an active volcano that erupts every 10 to 15 years • Remote location to major population centres and limited accessibility to international airports mean that RAL cannot easily penetrate the international ski market that the commercial South Island operators have access too • **Cost of Private Equity financing (requirement to pay dividends), strips away working capital for reinvestment**	**Risks for consideration:** o. Data on private enterprise business models for the Turoa ski field show 22 years of constant instability and restructuring. **The Private models were not financially viable and only survived between 4 and 10 years. Why would this restructure have a better success rate?** p. A government organisation forcing a community funded organisation to privatise is **highly political!** q. These negotiations have occurred behind the backs of A, B, and C **shareholders who have foregone dividends for nearly 70 years** to ensure that the RAL company remains financially viable. The issue of the convertible notes is also likely to be in breach of the RAL constitution. r. Since 2000 the community have crowd funded $45.6m in Life Pass funding. Life Pass Holders are extremely likely to lose their access to the towline if RAL were to privatise (based on historical data, NEWCO will likely restructure or fail within 4 to 10 years). **There are 14,339 Life Pass holders!** **Recommendation for consideration:** s. **We strongly recommend MBIE remove the convertible notes on the emergency debt and allow RAL to refinance that debt on identical terms to the Sky Waka Gondola MBIE debt** RAL can trade its way out of its poor financial health, it just needs time to recover like the rest of the tourism sector! Our scenario analysis estimates without the pandemic restrictions, **RAL's operating EBITDA potential is at least $7.1m per annum.** **This equates to approximately $50m in operational cash flows over a 7 year period to repay face value $35m debt by the 2028 maturity date.**

	Key observations	Risks and/or recommendations for consideration
Debt structuring – Before the pandemic and In the pandemic		
7.	RAL balance sheet is structured with good debt and bad debt. At 30 November 2022, at book value RAL has a total debt balance of $28m. At face value this debt is actually higher at $35m. The good debt is debt that is structured long term, RAL have until 2028 to repay the majority of the long term debt. The bad debt is debt that is structured short term. Short term debt is bad because it poses a potential insolvency risk to the company if it cannot be repaid immediately or renegotiated upon it being called up for repayment by the lender. RAL's short term debt has increased from $1m at FY19 pre-pandemic levels to $8.6m ($10.9m at face value) as at 30 November 2022. This is because the $5.9m ANZ bank loan is financed 100% short with funding secured only until 30 November 2022. The $5m MBIE emergency capex was supposed to be financed long term but a breach in the convertible note condition has caused 100% of the face value of the debt to be financed short. The MBIE emergency debt has book value of $2.8m due to being considered a concessionary loan. **A prudent debt structuring strategy maximises long term debt and minimises short term debt.** **In FY19 before the pandemic RAL only had 3% to 4% of its debt financed short term.** This is based on whether you measure debt at face value or the revalued debt according to the closing balance sheet. **For the FY21 pandemic year, the short-term debt is now financed 31% short!** **This begs the question, is there a problem with RAL's corporate structure or is the real underlying issue with the debt negotiations being financed short term instead of longer term as seen in pre-COVID-19 times!**	**Risks for consideration:** t. ANZ bank securing funding up until 30 November 2022 is not practical. A significant proportion of this debt should be financed on a long term basis. **ANZ bank called Turoa holdings into receivership in 2000** when they were estimated to be $7m in debt due to several years of poor seasons and disruptions caused by the volcanic eruption (1995 & 1997). **ANZ nearly called RAL into receivership during the 2020 financial year in which RAL achieved one of its best ever operating EBITDA performances** u. $5m emergency MBIE debt has convertible notes and a condition that RAL establish the NEWCO entity. This is not practical as it will lead to the privatisation of RAL and expose RAL's ski operations to the inherent risks of privatisation per the historical evidence of the failed Turoa attempts **Recommendation for consideration:** v. **RAL Management restructure their debt to 95% long term and limit short term debt exposure to 5% of total debt** w. **Tender out the $5.9m ANZ Bank loan to one of the other 13 banking institutions we have identified in New Zealand. Ensure the 85% of this bank debt is financed long term** x. **Renegotiate the MBIE emergency debt to be on the identical as the MBIE Sky Waka debt. This means removing the convertible notes condition** y. **Issue internal share capital to raise $1m from existing shareholders and Life Pass holders to help pay down short term debt** z. **Issue a Life Pass offering to raise $11m to replace ANZ bank and MBIE short term debt**

	Key observations	Risks and/or recommendations for consideration
Sky Waka Gondola financing is all very good debt		
8.	Director Chris Swasbrook spoke at the 26 November 2021 RAL finance presentation. He made the comment that the Board should be applauded for their financing of the Sky Waka Gondola debt. In terms of the long term financing of the Sky Waka debt, we agree that the Board have done an excellent job in their financing of the Sky Waka Gondola based on the following: • **$10m MBIE debt for the Sky waka Gondola is practically an interest free loan.** No interest accrual or principal repayment is due until the number of gondola sightseers reaches 300,000. This target is not forecasted to be reached until November 2029. The accounting treatment of debt recognises Grant income which is offset against the debt balance • **$500k Ruapehu District Council debt for the Sky Waka Gondola is on the same terms and conditions as the MBIE debt**, therefore is **practically an interest free loan**. The accounting treatment of debt recognises Grant income which is offset against the debt balance • **$13.5m Tourism infrastructure bonds for the Sky Waka Gondola debt is based on a low 3% coupon** rate plus an uncapped $0.50 (indexed) upside per non-skier Sky Waka gondola passenger. This is a clever financing strategy because it is sharing the risk of the Sky Waka investment with the Tourism infrastructure bond holders. Financing costs are very low around 3% while Sky Waka sightseeing patronage is well below expectations, and then the financing costs only increase with increased patronage levels. RAL business is not stressed by the increase in finance costs, because these increased finance costs are well and truly offset by the higher revenue levels generated from the high Sky Waka gondola sightseeing patronage	**Sky Waka Gondola debt is good debt in that it is low risk and has low servicing costs.** The majority of the debt matures in 2028. RAL needs to focus on achieving a minimum $7.1m operating EBITDA and target a higher $10m operating EBITDA. This will generate between $50 to $70m in operating cash flows to repay the face value of the $35m debt at its maturity date. **We conclude it is the short term debt that needs to be restructured on similar terms to the Sky Waka Gondola debt.** We know the existing Board have the skills and capabilities to structure longer term debt favourably. Recommendation for consideration: aa. Shareholders need to place pressure on the Board and RAL management to refinance their short-term to more favourable long term financing arrangements bb. Shareholders need to place pressure on the Board to stop pursing privatisation strategies and focus on improving operating performance

	Key observations	Risks and/or recommendations for consideration
Operating performance		
9.	**RAL operating EBITDA after COVID support for FY21 was $1.2m surplus.** Without the $2.2m COVID support, the **operating EBITDA reduces to -$1.0m loss.** The Delta outbreak in the peak of the ski season and failed elimination strategy resulted in prolonged lockdowns and restrictions that were much more severe than the FY20 lock downs. Operating revenue has materially impacted by the prolonged lock downs and is estimated to be 70% down on what we think it should be, $5.9m down on FY20, and $9.9m down on FY19. As a point of reference Tongariro crossing bookings are 80% down on pre-COVID levels. **RAL operating EBITDA after COVID support for FY20 was $8.9m. This is a significant uplift from prior financial years (FY19 $3.26m).** Historically, operating EBITDA results have been significantly lower around $2m per annum for *FY17 and *FY18 *(*April reporting periods)*.	FY20 operating EBITDA is a promising result and may be an early indicative sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDA due to the profitability potential of the summer operations **(uncapped ability to increase revenue with no additional capital costs)**. Overall, FY20 operating performance is very encouraging, especially given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.
10.	**FY21 should be seen as the worst operating performance in RAL's history with an operating loss of -$10.2m which reduces to an operating loss after $2.2m COVID-19 support subsidy to -$7.9m.** The operating result loss has been driven by substantially lower operating revenue. This is because the redlight traffic light setting prevented Aucklanders and Northlanders from accessing the second half of the ski season on top of the 6-week level 4 national wide lockdown during the peak of the ski season. **In FY20 RAL, operating loss after COVID subsidy improved from -$3.3m in FY19 to -$2.6m in FY20.** The FY20 result has seen significantly increased depreciation expenses due to a $56m capital investment program. The majority of this investment is related to the redevelopment of the Whakapapa ski area and Sky Waka Gondola (approximately $45m to $50m).	**Recommendation for consideration:** cc. Shareholders should be given improved financial transparency in the annual report with regard to the operating performance of the summer operations dd. **Serious consideration should be given for alternative strategies to allow RAL to continue operating within in its current corporate structure without the need to sell 50% of the company to corporate investors. The positive operating EBITDA potential of the company with its existing asset base does not signal an urgent need to sell a 50% Equity share of the company** ee. **A revised investment strategy timeline should be considered that allows the renewal of the Turoa assets over a more sustainable time without the assistance of corporate investors**. Note the Board appear to be taking part of this recommendation onboard as they have put on hold the Turoa redevelopment plans while they await advice from the Dopplemayr lift infrastructure review
11.	Scenario modelling analysis performed in this report to estimate RAL operating profitability under normal operating conditions, shows that the "no COVID-19 pandemic scenario" is **estimated to return a $7.1m Operating EBITDA result**. RAL Management were able to achieve a $7.20m operating EBITDA in FY20 (excluding the COVID support) which is on par with the no COVID-19 pandemic scenario due to aggressive cost cutting strategies, operating at significantly reduced operational capacity, and season pass revenues received in advance. The profitability of Sky Waka Gondola summer operations has likely offset the decline in winter operations, hence operating profitability modelled may be understated!	

	Key observations	Risks and/or recommendations for consideration
Support of the Bank		
12.	**The ANZ banks change in support to a monthly basis due to the onset of the pandemic created a significant liquidity and insolvency risk to RAL.** This resulted in the Auditors qualifying the FY20 annual report to state a material uncertainty existed for RAL to operate as a going concern. The going concern of RAL was undermined because the bank could technically call upon their $5.9m debt to be repaid at any time which would have made RAL insolvent unless they could secure other sources of financing	**Risks for consideration:** a. **ANZ bank change in its level of financial support has caused an unacceptable level of liquidity risk to the company** b. ANZ Bank's continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution **Recommendation for consideration:** c. RAL need to carefully consider where they obtain their financing from and choose financial institutions who can provide a much more stable and committed level of financial support. This means a level of financial support that does not expose the company to future liquidity and insolvency risks where an event review from a pandemic or equivalent natural disaster does not change financing arrangements from long term to short term in an instant d. RAL need to consider their aggressive development strategy timelines to be more conservative in their development approach. The aggressive redevelopment has left the company highly exposed to significant financial risk e. **RAL needs to seriously consider refinancing the ANZ Bank debt** with a more committed lender or another round of Life Pass sales. The current financial arrangement on a month to month or 12 month rolling basis **is an unacceptable liquidity and insolvency risk and HAS lead to another qualified audit opinion for FY21, due to the material uncertainty of the company to operate as a going concern beyond the banks commitment to fund the season up to November 2022**
13.	ANZ Bank change in support to RAL on a month-to-month basis is vastly different to how banks have supported the New Zealand housing sector with mortgage repayment holidays. In FY20 RAL paid $230k in banks fees (not including interest). This is significantly up from $37k in FY19, yet the level of support and commitment was dramatically reduced.	
14.	The ANZ Bank continued support is based on a condition that RAL perform a capital restructure which is a breach of its constitution.	

Aggressive Investment strategy and Liquidity

	Key observations	Risks and/or recommendations for consideration
15.	ANZ Bank movement in support arrangements has created an insolvency and liquidity risk for RAL. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who is willing to provide committed financial support to RAL on the basis of their positive operating EBITDA potential and on the condition, they do not over capitalise and significantly scale back on the $55m Turoa redevelopment.	**Risks for consideration:** f. Exposing RAL to lenders who can easily withdraw their level of support during a period of significant capital investment g. Risk of over capitalising RAL which could lead to financial failure if unsustainable debt levels are reached. The rate of capital investment needs to be at a level that RAL can sustain within its existing corporate structure. Planning significant redevelopment works, on the presumption that Shareholders will agree to allow a change in the corporate structure, is potentially negligent, given the Trust deed of the controlling shareholder mandates the Trustee to preserve the tax-free status of the company **Recommendation for consideration:** h. RAL need to consider maintaining sufficient cash reserves to enable the company to ride out economic shocks from extraordinary events i. RAL should target a cash position that would make their net working capital positive to reduce short term liquidity risks j. Realign investment strategies to allow cash reserves to replenish. This may incorporate a hold and maintain strategy where a capital program is employed to extend the useful life of the existing asset base as an alternative to a full asset replacement
16.	RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this, RAL would need to build up cash reserves by an additional $14.6m based on FY21 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL is unable to operate for two seasons in a row, due to an extraordinary event such as a global pandemic or a volcanic eruption. Assuming corporate costs are 15% of $41m expected operating revenue, if we estimate corporate costs of $6m to maintain the business administration, then it **is recommended that RAL should be targeting to maintain an ongoing cash position of approximately $15m** to protect the company from insolvency risk in event of extraordinary circumstances	
17.	**The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning.** Now is a good time to start reconsidering their aggressive $55m investment strategy to redevelop Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will allow RAL to be better placed for long term debt repayment commitments. **We support the Board's decision to place the Turoa redevelopment plans on hold and to commission the Dopplemayr review on the Turoa lifts. We look forward to being presented with alternative Turoa redevelopment plans that are more humble and cost effective.**	

	Key observations	Risks and/or recommendations for consideration
Debt levels		
18.	**At FY21 reporting date, RAL have total debt valued at $27.957m.** Total face value of the debt is higher for MBIE and Ruapehu District Council, therefore total debt at face value across all external debt is $34.9m. Due to favourable financing terms, the MBIE and Ruapehu District Council debt has been revalued at fair value according to accounting standards and accounting policy. It appears based on RAL profitability levels (estimated to be around $7.1m Operating EBITDA based on FY21 scenario analysis. This is a debt ratio of 4 x operating EBITDA) it is now close to being fully leveraged having maximised its debt carrying capacity. It appears that this view is aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL's debt capacity and based on current profitability levels ($7.2m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt	k. RAL appears to be fully leveraged at their maximum debt carrying capacity. The Turoa redevelopment strategy needs to be revised taking debt capacity into consideration and also noting existing debt will need to be repaid in the foreseeable future l. Risk mitigation strategies such as **future life pass sales are required** to ensure sufficient liquidity to repay debt as bond and financial instruments come up for maturity in FY2028
$20m impairment (write down) on Turoa assets		
19.	The $20m impairment write off (non-cash adjustment) on Turoa assets in FY20 is an abnormal accounting adjustment which has occurred due to the Board directing the Auditors to focus on the value of assets. Hence the Auditors were required to **review impairment of assets beyond normal book value and economic life** and support the impairment with a discounted cash flow. The impairment write-off includes: ○ Lifts were impaired by $10.8m ○ Buildings were impaired $5.6m ○ Roads and car parks were impaired $1.8m ○ Plant and Equipment were impaired $1.5m The Board's reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic. This is an abnormal change in accounting policy and we recommend operating result and operating EBITDA should be the opening headline financial performance metrics that the Board speak to in their narrative to Shareholders. We also recommend the Board provide increased transparency in their reporting to Shareholders to explain the underlying assumptions for such a significant impairment write off to the Turoa assets. **We note that the FY20 impairment has been calculated before the outcomes of the independent Dopplemayr review on the Turoa Lift infrastructure! How can RAL Management make this impairment without understanding the condition of the lifts?**	m. Shareholders should be provided with full transparency on impairment write-off on the Turoa asset base including full underlying assumptions used in the discounted cash flow methodology that was used to determine the impairment values for each asset class n. The Directors headline financial narrative to Shareholders should be focused on the recurrent operating results. To speak of the FY20 financial performance in context of a $22m headline loss in our opinion is grossly misleading, especially given the limited transparency regarding the key underlying assumptions used to determine the impairment values o. RAL should consider undertaking a more conservative investment strategy in regard to the Turoa development which may result in a full or partial reversal of the impairment writebacks p. **The Directors should review the Turoa asset impairment based on the findings and alternative proposals that come out of the Dopplemayr review**
20.	**The impairment has effectively written off $20m from the Shareholders Equity**	

	Key observations	Risks and/or recommendations for consideration
NEWCO restructuring financial sustainability		
21.	The Directors have provided low levels of transparency on the NEWCO corporate restructuring proposal. High level modelling on the financial feasibility of the NEWCO restructure based on a set of assumptions around expected dividend payouts to investors, and additional debt estimates to complete the Turoa redevelopment plan, has raised serious concern that future restructuring of RAL will be required after the NEWCO restructure to refinance the company in the medium term. Future corporate restructuring of RAL after NEWCO presents a high risk to a loss of the preservation of Life Pass Holder benefits.	q. RAL need to consider the long-term financial sustainability for RAL to afford to pay dividends and balance this against the necessity to retain profits in the company to fund future capital investment r. **RAL need to consider the stability of the ongoing corporate structure and what future restructuring transactions might mean to the preservation of Life Pass holder benefits and community stakeholders** s. **RAL and all its stakeholders should consider the merits of the existing corporate structure and how this has contributed to the financial sustainability of the company since 1953** **Risks for consideration:** t. **Life Pass holders should be very concerned what a corporate restructure means for the future preservation of their benefits** u. **High level modelling based on limited transparency, indicates future restructuring of RAL after NEWCO is likely to be inevitable** v. **The NEWCO structure will dilute the voice of existing shareholders and will likely make the company more suspectable to a future hostile takeover**
22.	High level modelling estimates suggest that corporatising RAL into NEWCO will cost the company an annual dividend payout of $6m to Shareholders. Based on estimated operating profitability ranging between $7.3m to $9.5m operating EBITDA, there will be a cash deficiency of $1.5m in residual operating cash flows after dividend payouts and a small surplus of $759k at the higher $9.5m Operating EBITDA. **It is difficult to see how the NEWCO will be able to remain financially stable assuming Shareholders will want to access a share of the profits.** A corporate restructure after NEWCO would appear inevitable in the near medium to long-term to refinance the company for future capital development or repayment of debt. This is because the NEWCO structure is required to payout profits and operating cash flows to Shareholders in the form of dividends. The existing corporate structure of RAL is unattractive to corporate investors because it prohibits the payment of dividends to shareholders	
	50% control of RAL will be sold to investors for $30m. If one investor is involved in the transaction, this may technically make them the controlling shareholder depending on how the shares and voting rights are structured? The NEWCO investor will likely negotiate for a controlling shareholding in the company.	
Benefits of the current RAL Not for Profit corporate structure		
23.	RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company.	Following benefits for consideration: w. **Tax free status means RAL can make a profit and will not be subject to pay 28% tax on those profit margins** x. **Ongoing preservation of Life Pass holder benefits can be maintained and sustains Life Pass holders as a credible source of capital finance**

NEWCO proposal conflict with Board of Director Responsibilities and RAL Constitution		
24.	The Board of Directors NEWCO proposal is designed to bring on board private equity investors for a $30m equity position in the company. This will give the investor a 50% controlling share of the company. The controlling interest in the company will allow the investor to have a governance and strategic management role in the company. They will partner will RAL leadership to build a strategic plan to develop both on mountain and off-mountain activities. Analysis contained within the report raises concerns as to whether the Board of Directors are acting appropriately and potentially in breach of RAL's governing constitution, based on the following: ➢ Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 of the constitution** ➢ Pursing a strategic investment partner to develop off mountain activities. **This appears to be in conflict with regulation 4.2 of the constitution.** RAL should be focused on **on-mountain activities**. It is important to remember RAL stands for **"Ruapehu Alpine Lifts". The core activity of the company is operating lifts. This is clearly spelt out in the name of the company.** Development of off-mountain activities appears to be a distraction from RAL's core business ➢ Aggressive capital redevelopment strategies, combined with poor liquidity management strategies with the ANZ bank have placed RAL into insolvency risk position. **This appears to be in conflict with regulation 29 of the constitution** ➢ **Issuing MBIE debts with convertible notes in NEWCO is unconstitutional. This conflicts with regulation 29.6 for reckless trading (company could have been called into receivership by MBIE), regulation 29.5 (issue of convertible notes is unconstitutional), and regulation 29.8 Directors duty of care** ➢ Pursing a capital raising activity for an investor who requires a share of the profits. **This is in conflict with regulation 4.3 Pecuniary benefits** The private equity capital raising plan being pursued by the Board of Directors does not align with the governing regulations within RAL's existing constitution. This is why the Directors are seeking to change the constitution. Directors have been managing the company on the assumption that they will succeed in changing RAL corporate structure. This is evident by the issuing of the convertible notes attached to the emergency MBIE debt. As a result, RAL has become highly exposed with both MBIE and ANZ bank requiring RAL to sell its business to NEWCO as a condition for their support.	**Following risk minimisation strategies for consideration:** y. **The Trustee and Shareholders should vote in Directors who have the intention to maintain and honour RAL's current constitution** z. **Directors' development strategies need to be aligned to the capacity of the existing corporate structure. It could be deemed negligent and in breach of regulation 29.6 of the constitution otherwise. RAL have received a qualified audit opinion for the both the FY21 and FY20 financial reporting. This is unacceptable to Shareholders, Life Pass holders and other key stakeholders** aa. **Directors who do not believe that the current constitution is fit for purpose should consider resigning and be replaced by Directors who are interested in preserving the following:** ✓ **Tax free charitable status of the company** ✓ **Preserving and developing on mountain activities** ✓ **Preserving the financial sustainability of RAL in its current form** ✓ **Developing capital replacement programs that promote on mountain recreation and are within the financial capacity of the current corporate structure** ✓ **Maintaining Life Pass Sales as a valuable source of capital raising** ✓ **Acknowledge that RALs success has been based on a crowd source funding model in the form of Life Pass sales** ✓ **Acknowledge that the ANZ bank debt financing arrangement is unacceptable** ✓ **Acknowledge that convertible notes on the MBIE debt is unacceptable**

Pros and Cons of current corporate structure versus NEWCO

	RAL existing corporate structure		NEWCO	
Tax status	Pro	Does not pay tax on profits	Con	**Subject to pay 28% tax on profits**
Charitable status	Pro	Eligible to receive donations, apply to various charitable funding bodies	Con	Not eligible to receive donations or apply to various charitable funding bodies
Access to capital via Life Pass sales	Pro	Life Pass holders are RAL's single largest source of capital financing	Con	Likely to be compromised unless the transaction can be structured in a way that Life Pass Holder benefits are maintained in the NEWCO and future restructuring transactions
Access to capital via private equity	Con/Pro	**Con-** RAL constitution is not attractive to private equity investors as they are unable to take a share in the profits and operational cash flows **Pro - Not having private equity investors means all profits and operating cash flows are retained within the company**	Pro/Con	**Pro -** NEWCO corporate structure is able to access private equity capital. This enables RAL to access $30m in equity to progress with the Turoa ski field redevelopment **Con - Access to private equity will cost a minimum 50% controlling share of the company, and will require payment of dividends to shareholders that would have otherwise been cash flows that would have been re-invested into the ski field**
Retainment of accumulated profits and operating cash flows	Pro	**RAL constitution does not allow a dividend payout to shareholders, this means 100% of the profits and operating cash flows are reinvested back into the company**	Con	Shareholders would expect to access a share in the profits and operating cash flows of the company. High level modelling indicates this may lead to a significant strain on RAL medium term financial sustainability if operating cash flows are paid out as dividends to shareholders
Preservation of Life Pass benefits	Pro	RAL existing constitution provides security to Life Pass holders that their benefits will be preserved into the foreseeable future. This assumes RAL remains to be a going concern	Con	Given the low level of transparency underlying the details of the NEWCO proposal, it is prudent for RAL Life Pass Holders to be concerned regarding the foreseeable preservation of their benefits within the NEWCO structure and/or any future restructures

RAL Directors should consider the benefits of the existing RAL corporate structure and devise strategies that take advantage of the not-for-profit status of the company. RAL should also consider other forms of charitable financing sources such as those listed on the not-for-profit.org.nz that they may be able benefit from by leveraging the charitable status of the company. **Life Pass Holders are key stakeholders, and their financial support is the major source of capital finance. This should not be undermined. RAL is built on the support of Life Pass Holders.**

Headline operating results

The two years of the COVID-19 pandemic has been a game of two halves. The labour governments' elimination strategy in the FY20 year was effective in that it was short and sharp with limited disruptions. This meant that New Zealanders unlike the majority of the world were living a relatively normal life despite being in the middle of a global pandemic. The success of the elimination strategy and the government COVID stimulus support packages meant that for the 2020 financial year, RAL achieved one of its best financial performances with an operating EBITDA after COVID-19 support of $8.9m. Unfortunately, the Delta outbreak in mid-August 2021 resulted in severe and extended lockdown restrictions which prevent skiers from Auckland and Northland accessing the remainder of the 2021 season. We estimate that service revenue was 70% to 80% down on what it should have been without the pandemic. This estimate is supported by the fact Tongariro crossing bookings are 80% down on pre-COVID-19 levels as stated in the RAL 2021 annual report! RAL service revenue with the Gondola investment should have achieved a service revenue in excess of $40m. However, revenue levels were significantly down by $10m on pre-COVID levels and $5.8m down on COVID effected FY20 revenue. Overall, we conclude that the Auckland and Northland market is an extremely important market to RAL's revenue base in terms of daily winter lift sales and on mountain spending. Essentially, **RAL needs access to the entire North Island market to enable its operations to be financially viable.**

Due to the severity and timing of the 2021 COVID-19 lock downs, **FY21 should be seen as the worst operating performance in RAL's history with an operating loss of -$10.2m which reduces to an operating loss after $2.2m COVID-19 support to -$7.9m.** The operating result loss has been driven by substantially lower operational revenue. This is because the redlight traffic light setting prevented Aucklanders and Northlanders from accessing the second half of the ski season on top of the 6-week level 4 national wide lockdown during the peak of the ski season.

RAL operating EBITDA after COVID-19 subsidy for FY21 was an **operating surplus of $1.2m. Without the COVID-19 wage subsidy support, the operating EBITDA is a loss of -$1.0m**. The government wage stimulus received during the FY20 and FY21 financial years was a very important financial support package and has enabled RAL to survive the worst of the COVID-19 pandemic. New Zealand is now catching up to the rest of the world and learning to live with COVID, our population is now highly vaccinated. Vaccinations are now the tool of choice used for managing the virus and we are now seeing removal of restrictions. On the 4th April 2022, New Zealand reopened its boarders to Australian travellers, and it is expected New Zealand will be fully opened to international tourism by October 2022 at the latest. We have not seen RAL operations at full capacity considering the significant Sky Waka gondola investment because of the pandemic, however the FY20 results and other analysis contained in this report suggest RAL should be able to achieve a minimum operating EBITDA of $7m. The Board of Directors and RAL Management need to start working towards achieving their original operating EBITDA target of $10m which was premises for the Sky Gondola investment.

RAL operating EBITDA for FY20 after COVID wage subsidy was $8.9m which is a significant uplift from prior financial years (FY19 $3.26m). Historically EBITDA has been significantly lower around the $2m mark and this is a promising and early sign that the Sky Waka Gondola development has the potential to improve the ongoing Operating EBITDA. This is an encouraging result given the COVID-19 pandemic disrupted the ski season with New Zealand entering two separate lockdown events and having to operate under reduced capacity under level 2 restrictions.

The operating result and operating EBITDA exclude any abnormal revenues and expenditure to provide a normalised operating comparison. For clarity the FY20 operating headline results exclude the $20m impairment on Turoa assets. The FY19 results exclude the $2.37m insurance recovery for the Turoa avalanche. Costs associated with the Turoa avalanche have been excluded in the FY20 and FY19 operating results.

The operating loss after COVID funding for FY20 is 2.6m, this is an improvement on the FY19 pre-COVID-19 operating performance. Without the COVID wage subsidy support, the operating loss would have increased to $4.3m. The increase in operating loss has been driven by increased depreciation expenses due to a $56m redevelopment of which the majority relates to the Whakapapa ski area and Sky Waka Gondola. Depreciation is a non-cash expense and has increased from 16% of service revenue in FY19 to 34% of service revenue in revenue in FY20.

Table 9: RAL Headline operating results and total results

Headline Operating Results	FY21 $'000s	FY20 $'000s	FY19 $'000s	*FY18 $'000s	*FY17 $'000s
Operating EBITDA	**(1,006)**	**7,210**	**3,262**	**1,952**	**2,030**
Operating EBITDA after COVID-19 support	**1,197**	**8,925**	n.a	n.a	n.a
Operating result	**(10,152)**	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**
Operating result after COVID-19 support	**(7,949)**	**(2,630)**	n.a	n.a	n.a
Staff costs as % of Service revenue	52%	34%	42%	47%	45%
Depreciation costs as % of Service revenue	33%	34%	16%	21%	17%
Finance costs as % of Service revenue	6%	5%	4%	2%	1%
Total maintenance and service costs % of service revenue	10%	7%	9%	9%	10%
Total Result & non-recurrent result	**FY21 $'000s**	**FY20 $'000s**	**FY19 $'000s**	***FY18 $'000s**	***FY17 $'000s**
Net non-recurrent result	4,284	(18,138)	4,720	(148)	(894)
Total comprehensive result	(5,868)	(22,483)	1,397	(4,231)	(3,014)
EBITDA	3,278	(10,928)	7,982	1,804	1,136
Adjusted EBITDA (excludes impairment)	4,703	9,276	8,148	1,804	1,136

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-18 reporting period due to only 7 months of data reported which means 5 months of expenses were excluded from the analysis.**

In terms of RAL's short to midterm financial viability, the key profitability metric to analyse is the operating EBITDA. This is defined in this analysis as operating earnings before tax, investment revenue and financing costs, depreciation, and amortisation. The operating EBITDA is measure of the cash flows generated from core operational activities of the business. Hence, in FY21 the Operating EBITDA loss of $1m means that operational activities resulted in a net cash flow loss of $1m, however after COVID-19 subsidy support of $2.2m, operations are $1.2m cash flow positive. In FY20 the operating EBITDA result after covid support means that $8.9m in operational cash flows were generated to service debt interest and principal repayments and rebuild cash reserves for future capital and maintenance commitments.

Key observations – assessment of financial viability in terms of operating performance

In terms of assessing RAL long term financial viability, the operating result incorporates the cost of depreciation. Depreciation represents the use of the future economic benefits of a capital assets useful life. Hence, an operating loss of $7.9m after COVID support in FY21 is not financially sustainable. However, we acknowledge that the last two financial years have been extraordinary events and the future profitability outlooks should be much more positive unless we experience a significant volcanic eruption in the peak of the ski season which is an inherent risk to RAL's operations.

In summary, RAL's historical operating profitability is currently not recovering the full cost of capital employed. It is important to note that operating result can be influenced by depreciation policy of the company. Determining an assets useful life is arbitrary and requires a level of professional judgement, hence depreciation policy on the useful life of assets will have a material influence on the operating result. Hence why it is important to review trends in both operating EBITDA and operating result together as both KPIs have their own inherent limitations.

For longer term financial viability, RAL will want to target at a minimum, a break-even operating result which means they are recovering the full cost of their capital infrastructure. This would mean they can better position themselves to replace capital assets using accumulated operating cash flows and become less reliance on more costly debt/and or equity financing.

Key observations – impairment of Turoa assets effect on FY20 financial performance

We note that for the FY21 reporting period, a further $1.4m has been impaired on the Turoa asset base. We find the impairments on the Turoa asset base for FY20 and FY21 extraordinary, given that the company do not understand the condition and state of the Turoa assets. On the 16th December 2021, the Board announced that Dopplemayr are conducting an independent review of the Turoa lifts. We are supportive of this review but make the note that the review cannot be regarded as fully independent given that the Turoa lifts are built by Dopplemayr Lifts. The review of the lift infrastructure should be a joint review to also incorporate the expert advice of Leitner (competitor ski lift company) to be regarded as a completely independent review process. A positive outcome from the Dopplemayr review may include alternative development proposals to provide upgrade packages to improve and extend the useful life of the existing Turoa lift infrastructure. For instance, Dopplemayr may be able to convert the Parklane, Movenpick, and Giant chair lifts into express chairs by modifying and utilising the existing lift infrastructure at a fraction of the cost. **Shareholders will need to be patient and adjust their expectations that the original Turoa proposal for brand new express chairs and a gondola to replace existing lift infrastructure may not be in their best interests. This is particularly important if they wish to continue to be a Shareholder in a ski operating company and not a shareholder in a shell company.**

In the previous FY20 annual report the Board of Directors financial narrative stresses a headline result which their opening statement addresses to a $22m net loss as the most significant in RAL history which is due to a $20m non cash impairment write down on assets. Our view is that the headline result should be focused on the recurrent operating performance of the organisation and exclude non-recurrent adjustments that have been derived from academic changes in accounting policy. In FY20, the Board requested the Auditors to focus on the value of assets and they were required to review impairment beyond normal book value and economic life and support the impairment with a discounted cash flow. The Boards reasoning for undertaking this review is due to having a bank contractually requiring payment within 12 months and having issues being a tourism company with forecast levels of patronage in a pandemic.

FY20 adjusted EBITDA (Earnings **before** interest, tax, depreciation, and **impairment**) which excludes the $20m impairment is $9.276m which is an improvement on $8.148m adjusted EBITDA for FY19. Hence, the timing and the abnormal necessity to conduct a revaluation of assets above and beyond the business-as-usual operating circumstances has materially influenced the total results and made the financial performance of the company appear significantly worse than its actual financial performance once abnormal accounting adjustments are eliminated from the performance metric. Hence for this reason, **we recommend that the operating result and operating EBITDA should be used as the key metric for measuring financial performance between comparative reporting periods.**

MBIE Emergency Debt and the Trojan Horse (Convertible notes)

The $5m emergency MBIE debt has convertible notes attached to the debt instrument. This debt is convertible into Equity in the NEWCO entity. This is highly controversial and political because this convertible note issue has been privately agreed to by the Board of Directors, RAL Trust and MBIE. A, B, and C shareholders are completely in the dark regarding the full details of this transaction. Shareholders were preparing to vote to transfer (sell) RAL's business to NEWCO at the SGM called for on the 26th November 2021 without any knowledge that there were convertible notes attached to the MBIE debt, nor had they received the terms and conditions for the convertible notes. Shareholders need to understand the following:

- Do MBIE intend to take over RAL's business? Or do they intend to sell their convertible notes to a private equity investor?
- Why were shareholders not advised that the Board were intending to issue convertible notes on the MBIE debt? It is important that shareholders have a say in this arrangement because the convertible notes issue will affect their future interest in the RAL business should the NEWCO progress
- How many shares does the convertible notes convert to and what % of the shareholding of NEWCO does this equate too?
- What are the dividend rights to the convertible notes shares and will the shares held by the RAL company in NEWCO be on the same terms and conditions? It is very possible that the shares RAL company holds in NEWCO have zero dividend rights. After all, RAL company cannot distribute dividends to its shareholders, therefore what would RAL do with its dividends?

We recommend that the Board renegotiates the emergency MBIE debt with MBIE to remove the convertible notes. RAL could agree to repay the emergency MBIE debt within three years as a compromise for MBIE forgoing the convertible notes option

Lastly, it is highly political that MBIE, a government organisation responsible for promoting regional employment, is potentially acting in an unethical manner by agreeing to a convertible note issue which would likely lead to the privatisation of RAL. These negotiations have occurred behind the backs of A, B, and C shareholders who have foregone dividends for nearly 70 years to ensure the RAL company remains financially viable. The issue of the convertible notes is also likely to be in breach of the RAL constitution.

We recommend MBIE research into the success rate of Private Enterprise ski operators on Mt Ruapehu and compare how unsuccessful these business models have been compared to the RAL which is a community crowed funded and tax exempt business model. We suggest if MBIE wish to promote long term and sustainable regional employment, they should strongly rethink their desire to privatise RAL's successful business model!

We recommend MBIE remove the convertible note condition from their emergency Turoa debt and make the conditions of the debt on the same terms as their $10m Sky Waka debt.

RAL External Debt financing analysis – Short versus Long

Table 10: RAL External Debt structure

	FY21 per financial statements	FY21 at face value	FY19 pre-COVID per financial statements	FY19 pre-COVID at face value	Maturity date	Cost of servicing FY21
	$000's	$000's	$000's	$000's		
Financed Short - to be repaid within 12 months						
ANZ Bank	5,900	5,900	1,000	1,000	30 Nov-22	4.33% pa
Ministry of Business, innovation and employment loan	2,790	5,000	0	0	30 Jun-22	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
	8,690	10,900	1,000	1,000		
% external debt financed short	**31%**	**31%**	**4%**	**3%**		
Financed Long - to be repaid after 12 months						
ANZ Bank	0	0	5,900	5,900		
Ministry of Business, innovation and employment loan	5,492	10,000	5,731	10,000	2028	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
Ruapehu district council loan	275	500	279	500	2028	0% to 2.78% , interest accrual and principal repayment triggered at 300k sightseers
Tourism infrastructure bonds	13,500	13,500	13,500	13,500	2028 and 2029	3% minimum, plus uncapped return based on $0.50 (indexed) per non-skier sky waka tickets
	19,267	24,000	25,410	29,900		
% external debt financed long	**69%**	**69%**	96%	97%		
Total Debt	**27,957**	**34,900**	**26,410**	**30,900**		

The Board of Directors narrative in the annual report are insistent on RAL requiring a capital restructure to satisfy the condition of lenders ANZ and MBIE. The table 10 above is an analysis of the external debt structure FY19 (Pre-COVID) and current debt for FY21 which is a pandemic year. **In FY19 before the pandemic RAL only had 3% to 4% of its debt financed short term**. This is based on whether you measure debt at face value or the revalued debt according to the closing balance sheet. **For the FY21 pandemic year, the short-term debt is now financed 31% short! This begs the question, is there a problem with RAL's corporate structure or is the real underlying issue with the debt negotiations being financed short term instead of longer term as seen in pre-COVID-19 times?**

Director Chris Swasbrook spoke at the 26 November 2021 RAL finance presentation. He made the comment that the Board should be applauded for their financing of the Sky Waka Gondola debt. In terms of the long term financing of the Sky Waka debt, we agree that the Board have done an excellent job in their financing of the Sky Waka Gondola based on the following:

- $10m MBIE debt for the Sky waka Gondola is practically an interest free loan. No interest accrual or principal repayment is due until the number of gondola sightseers reaches 300,000. This target is not forecasted to be reached until November 2029. The accounting treatment of debt recognises Grant income which is offset against the debt balance
- $500k Ruapehu District Council debt for the Sky Waka Gondola is on the same terms and conditions as the MBIE debt, therefore is practically an interest free loan. The accounting treatment of debt recognises Grant income which is offset against the debt balance
- $13.5m Tourism infrastructure bonds for the Sky Waka Gondola debt is based on a low 3% coupon rate plus an uncapped $0.50 (indexed) upside per non-skier Sky Waka gondola passenger. This is a clever financing strategy because it is sharing the risk of the Sky Waka investment with the Tourism infrastructure bond holders. Financing costs are very low around 3% while Sky Waka sightseeing patronage is well below expectations, and then the financing costs only increase with increased patronage levels. RAL business is not stressed by the increase in finance costs, because these increased finance costs are well and truly offset by the higher revenue levels generated from the high Sky Waka gondola sightseeing patronage

Chairman Geoff Taylor commented at the 26 November 2021 RAL finance presentation that the RAL has too much debt and not enough profitability. A deep dive into how RAL has financed its debt, we disagree. The longer term MBIE and Ruapehu District council is good debt. It is an interest free loan, it is not costing RAL anything to service, and they have until 2028 to accumulate enough operating cash flows to either repay in full, or refinance for another set term.

The Tourism infrastructure bonds have been structured to share the risk and return, so again this should be considered good debt because it is not costing RAL much to service.

We conclude it is the short term debt that needs to be restructured. We know the existing Board have the skills and capabilities to structure longer term debt favourably. Shareholders need to place pressure on the Board and RAL management to refinance their short-term to more favourable long term financing arrangements!

Table 11: List of New Zealand Banking Institutions

New Zealand Bank	Headquarters	Type	Parent Company
ANZ Bank	Auckland	New Zealand retail banking subsidiary	Australia & New Zealand Banking Group
ASB Bank	Auckland	New Zealand retail banking subsidiary	Commonwealth Bank
Kiwi Bank	Wellington	State owned retail bank	New Zealand Post
Bank of New Zealand	Auckland	New Zealand retail banking subsidiary	National Australia Bank
China construction Bank New Zealand		New Zealand retail banking subsidiary	China Construction Bank
Citibank New Zealand		New Zealand registered corporate banking branch of offshore banking group	Citibank
Co-operative bank New Zealand	Wellington	Co-operative retail bank	
Heartland Bank	Auckland	New Zealand listed retail bank	
HSBC New Zealand	Auckland	New Zealand retail banking subsidiary	HSBC
Rabobank New Zealand	New Zealand	New Zealand retail banking subsidiary	Rabobank
SBS Bank	Invercargill	Mutual retail bank	
TSB Bank	New Plymouth	Community trust retail bank	
Westpac New Zealand	Auckland	New Zealand retail banking subsidiary	Westpac
Bank of India New Zealand		New Zealand retail banking subsidiary	Bank of India

Recommendation – RAL management should consider having 95% of their debt financed long term. They have access to capital by issuing a Life Pass campaign to extinguish problematic short-term debt. There are at least 13 other alternative banking institutions in New Zealand that RAL could shop around to negotiate at better deal, refer table 11.

FY21 Support of the Bank and MBIE requiring RAL to review its corporate structure

On the 8th of November the Board announced an SGM for Shareholders to vote to transfer (sell) the RAL business assets and liabilities into a newly established "NEWCO" entity. This was to satisfy lending requirements of the ANZ bank and MBIE. Concerned Shareholders took legal advice from a top legal firm Wilson Harle who sent legal letters to RAL Trust and Board of Directors. Concerned shareholders also sent a copy of the FY20 Alternative report to the RAL Trust and Board of Directors and exercised their rights as beneficiaries to demand that the RAL Trustees adhered to their Trust Deed. It was fortunate that the alternative report was near drafted at the time SGM was announced. We are pleased that the Directors made a decision on the 22nd November to post phone the SGM. This decision according to the Board to delay the SGM was based on the continued support received by the ANZ bank to fund the FY22 season and high subscription rates for the early season pass campaign for the FY22 season. However, given how the FY21 financial position has worsened we believe it is more likely legal reasons that have delayed the corporate sale of business assets to NEWCO. There are some issues around The RAL Trust

shareholding being in breach of the Takeovers Code and MBIE emergency debt has convertible notes that are likely to be in breach of RAL's constitution. The RAL Trustees have likely breached their RAL Trust Deed by issuing a letter of support for the issue of the convertible notes in the MBIE debt instrument.

Shareholders are being asked to allow a corporate restructure to enable RAL to satisfy the conditions of ANZ bank and MBIE. It is important that Shareholders understand how RAL capital has been sourced across time and then decide for themselves whether the demands of the ANZ bank and MBIE are acceptable or do shareholders place pressure on the Board to revert to traditional and alternative sources of capital.

Table 12: RAL historical Sources of capital from 2007 to 2021

RAL capital expenditure cash flows and funding sources from 1st March 2007 to 30 November 2021			
		$000's	
Property Plant and Equipment cash flow expenditure		(106,825)	
Property Plant and Equipment cash flow expenditure funded by:			
Life pass sales	18,633		17.44%
Accumulated operating cash flows	38,000		35.57%
(Life Pass Sales + Accumulated Operating cash flows)		56,633	53.01%
Tourism infrastructure bonds		13,500	12.64%
Ministry of Business, Innovation and Employment loan		15,000	14.04%
Ruapehu District Council Loan		500	0.47%
ANZ bank debt facilities		10,450	9.78%
Net Insurance proceeds		10,742	10.06%
		106,825	

Table 12 above shows that historical forms of capital for RAL have been **retained operating profits (including life pass sales), this accounts for 53% of RAL's capital.** ANZ and MBIE proposal for RAL to restructure to NEWCO is likely to be detrimental to RAL's core source of capital. This is because the equity investors will likely want a share of accumulated operating cash flows paid out to them in the form of a dividend so that they can achieve the following:

1. Recoup their capital investment before the end of the 60-year ski field lease
2. Make an adequate return on their investment of at least 10%

Please refer to the NEWCO financial modelling which was prepared in the first alternative report and has been included in this report. This modelling suggests the NEWCO model is not likely to be financially viable. This is supported by history where Turoa ski field operations have consistently failed under private models, lasting between 4 and 10 years until the ANZ bank eventually made Turoa Holdings insolvent in 2000 and it was then salvaged by RAL.

ANZ Bank has provided 9.78% of the historical financing and therefore is one of the smaller financing partners, yet it is causing RAL the most disruption. There are at least 13 other Banks in New Zealand who RAL management could approach for a better deal that does not require shareholders to vote to sell their company in order to receive the financial support of the bank.

Table 13: ANZ Bank financing structure and details between FY08 to FY21

ANZ Bank balance movements between *FY08 and FY21		Financing Terms Short v Long
Opening balance 1st March 2007		
Non-current	4,250	**85%** Long
Current	768	**15%** Short
Opening balance 1st March 2007 (current + non-current)	**5,018**	100%
Loan drawn down - 1st March 2007 to 30 November 2021	**10,450**	
Loan repayments -1st March 2007 to 30 November 2021	**(9,568)**	
Net Increase in ANZ loan Facility	882	
Closing ANZ bank loan 30 November 2021		
Non-current	0	**0%** Long
Current	5,900	**100% Short**
Closing balance 30 November 2021 (current + non-current)	**5,900**	100%
Finance costs paid to ANZ bank and other lenders *FY08 and FY21	**(7,682)**	

The ANZ bank has committed funding until 30 November 2022. Given the size of the ANZ bank debt at $5.9m and RAL's operating profitability estimated to be between $7m and $10m per annum, it is impractical for RAL to have this level of debt agreed to on a short-term basis. The majority of this debt needs to be refinanced on a longer-term basis with another lender, should ANZ not come to the party. Table 13 above shows that the ANZ financing arrangement has become significantly less favourable over time. In March 2007, 85% of the ANZ bank debt was structured long term, with only 15% structured short term. ANZ moved their debt position to short term in FY20 due to the pandemic triggering a review event. The ANZ bank has likely become more unsettled as the Sky Waka investment security is held by MBIE and Tourism bond holders. ANZ bank hold security over all other RAL assets with the exception of the Sky Waka gondola.

Overall, between 1 March 2007 and November 2021, RAL have drawn down $10.5m in funding and repaid $9.57m in debt, therefore net debt has increased $882k. It is important to note that RAL have serviced $7.68m in debt over this time period for which the majority is related to the servicing of the ANZ bank debt.

Table 14: Extract from RAL FY21 Annual report - Note 1.1, page 34

The Company has undertaken the following steps to attempt to satisfy the conditions within the ANZ and MBIE agreements:

Late 2020	During 2020 the Company negotiated and entered into an agreement with ANZ for FY21 funding. The following conditions were in place: • a equity raise to be completed by 30 June 2021 • funding provided was not to be used towards capital expenditure • life passes were not to be sold without ANZ's consent (due to their credit card prepayment exposure).

Of concern is that the ANZ bank conditions are restricting RAL to revert to traditional forms of financing as per table 14 above. Life Pass issues have equated to 17% of RAL's capital raising efforts between 1st March 2007 and 30 November 2021. A Life Pass offering could be an alternative funding option to repay the ANZ bank debt and emergency MBIE capital. The Board of Directors and RAL Trust are pressuring Shareholders to sell out in the middle of a pandemic. The conditions of the ANZ Bank and MBIE is nothing more than a bully tactic to privatise RAL which is only in the best interests of a private equity investor who can buy in at a good price and reap the financial benefits. This is an inequitable proposition considering that Shareholders have foregone dividends for the last 70 years to ensure RAL can remain financially viable. The position that RAL is currently in is due to poor liquidity management and negotiation skills by RAL Management and inadequate governance by the Board. **The Board and RAL management need to refocus on refinancing ANZ and emergency MBIE debt to a longer-term basis and then prioritise achieving their targeted $10m operating EBITDA which was the premises for the Sky Waka investment**. Shareholders need to hold their Board to account and also the RAL Trust. **Shareholders cannot let the Board and RAL Trust weasel out on their obligations to shareholders in response to the demand of two lenders who are acting in breach of the RAL constitution**. **Future Life Pass holders will provide RAL a life line as they have done so for the last 70 years, hence the Board need to revert back to the traditional crowd funding business model as an urgent priority**.

Strategies to solve RAL's short-term debt pains (Alternative solution to privatisation strategies)

Three scenarios have been modelled to show some simple refinancing strategies that RAL Board and Management could employ to remove short-term debt and therefore reduce insolvency risk and the risk of RAL having to sell its business to private equity investors. In all three scenarios 10.9m short term debt needs to be refinanced from short term to long term. This is the $5.9m ANZ debt and the $5m (face value) emergency MBIE debt.

Table 15: Scenario 1 -refinance short term debt to long term

Short term debt to refinance - Scenario 1		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	$	10,900,000
Refinance all short term debt to long term per following strategies:		
Life Pass offering 1,946 passes @ $5,652 (GST) exclusive ($6,500 GST inclusive price)	$	10,998,792
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume 90% of new life pass holders (1,750) choose to purchase a share @ $250 each	$	437,500
Assume existing RAL shareholders and life pass holders collectively purchase 2,250 shares @ $250 each	$	562,500
	$	11,998,792
Surplus liquidity/working capital (Total Capital funds raised less repayment ANZ and MBIE short term debt)	$	1,098,792
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,563,792
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,563,792**

In scenario 1 a Life pass issue raises $11m. This funding can fully repay the 10.9m short term debt. A further $1m is raised from re-issuing the 4000 shares that have caused the RAL Trust to breach the Takeovers Code. These shares would be purchased by existing shareholders and then offered to existing and new life pass holders. This refinancing strategy will also increase working capital cash flow by $1.1m. This is because $12m has been raised to repay $10.9m short term debt. Assuming RAL achieves its minimum expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.56m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 39% cash coverage to external debt of $19m as per table 18 on page 47.

Table 16: Scenario 2 refinance short term debt. Life Pass sales campaign only achieves 50% of target

Short term debt to refinance - Scenario 2 assumes Life Pass Campaign only achieves 50% of sales target. RAL renegotiates Emergency MBIE debt long		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	**$**	**10,900,000**
Refinance all short term debt to long term per following strategies:		
Life Pass offering 973 passes @ $5,652 (GST) exclusive ($6,500 GST inclusive price)	$	5,499,396
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume 90% of new life pass holders (1,750) choose to purchase a share @ $250 each	$	437,500
Assume existing RAL shareholders and life pass holders collectively purchase 2,250 shares @ $250 each	$	562,500
Renegotiate Emergency MBIE debt to be long term		No cash impact
Total capital funds raised	**$**	**6,499,396**
Surplus liquidity/working capital (Total Capital funds raised less repayment of ANZ short term debt)	$	599,396
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,064,396
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,064,396**

In scenario 2 the life pass sales campaign is not as successful as planned. Only $5.5m is raised which is only 50% of the targeted $11m life pass capital being sought. **A further $1m is raised from re-issuing the 4,000 shares that have caused the RAL Trust to breach the Takeovers Code**. These shares would be purchased by existing shareholders first and then offered to existing and new life pass holders. This means the total life pass issue and internal share capital financing strategy has raised a total of $6.5m. This would payoff the $5.9m ANZ bank debt, however this leaves RAL $4.4m short to repay the emergency MBIE debt. The obvious option would be for RAL Management to renegotiate the $5m (face value) of the MBIE debt from short term to long term. The Board have negotiated favourable long term debt positions with MBIE debt on the Sky Waka gondola so it is difficult to believe that this would be not an option, particularly given the purpose of the MBIE debt is to promote financial sustainability and employment in the region. **The Board would likely need to renegotiate for the removal of the convertible note option attached to the emergency MBIE debt because this condition requires a capital restructure to transfer (sell) the RAL business to NEWCO.** Assuming the MBIE debt is renegotiated to longer term, there is no cash impact on this debt being refinanced. Overall, this financing strategy increases RAL's working cash capital by $600k ($6.5m raised less $5.9m ANZ debt). Assuming RAL achieves its minimum

expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.64m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 32% cash coverage to external debt of $22m as per table 18 on page 47.

Table 17: Scenario 3 refinance short term debt by renegotiating with ANZ bank and MBIE

Short term debt to refinance - Scenario 3 (No life Pass sale) renegotiate with ANZ and MBIE to finance their debt long on condition that they agree to remove the conditions requiring RAL privatise its corporate structure		
ANZ Bank	$	5,900,000
MBIE emergency debt (Face value)	$	5,000,000
Total short term debt as at 30 November 2021	**$**	**10,900,000**
Refinance all short term debt to long term per following strategies:		
Internal share capital raising (RAL Shareholder and Life Pass Holders)		
Assume existing RAL shareholders and life pass holders collectively purchase 4,000 shares @ $250 each	$	1,000,000
Renegotiate Emergency MBIE and ANZ debt to be long term		No cash impact
Total capital funds raised	**$**	**1,000,000**
Surplus liquidity/working capital (Total capital funds raised, no debt repaid as its renegotiated to long term)	$	1,000,000
Unrestricted Cash and financial assets as at 30 November 2021	$	2,465,000
Revised working capital cash flow after Life Pass issue and internal share capital raising	$	3,465,000
FY22 Trading result cash flows (Assume $7m operating EBITDA achieved)	$	4,000,000
Unrestricted Cash and financial assets as at 30 November 2022	**$**	**7,465,000**

In scenario 3 a life pass capital raising is no longer an urgency because RAL have successfully gained the support and confidence of their lenders ANZ bank and MBIE to allow the short-term debt to be refinanced on a longer-term basis. The removal of COVID-19 restrictions and reopening of international boards is expected to see a much more favourable economic outlook across all New Zealand tourism related businesses. **The Board would need to ensure that conditions requiring RAL to transfer(sell) its business to NEWCO are removed.** Scenario 3 financing strategy **raises $1m from re-issuing the 4,000 shares that have caused the RAL Trust to breach the Takeovers Code**. These shares would be purchased by existing shareholders and then offered to life pass holders. There is no working cash flow impact on refinancing of the ANZ debt and emergency MBIE debt to long term. Assuming RAL achieves its minimum expected $7m operating EBITDA for the FY22 trading result, this will increase unrestricted cash and financial asset balance to $7.47m for the 30 November 2022 financial year end. This equates to a healthy liquidity ratio of 27% cash coverage to external debt of $28m as per table 18.

Table 18: Scenario analysis - Debt and Liquidity position after refinancing strategy

Debt position - Scenario analysis	FY22 (Scenario 1)	FY22 (Scenario 2)	FY22 (Scenario 3)	FY21 (Actual)
	$000's	$000's	$000's	$000's
Financed Short - to be repaid within 12 months				
ANZ Bank	0	0	0	5,900
Ministry of Business, innovation and employment loan	0	0	0	2,790
	0	0	0	8,690
% external debt financed short	0%	0%	0%	31%
Financed Long - to be repaid after 12 months				
ANZ Bank (Alternative bank should ANZ insist on short term debt and privatising RAL's corporate structure)	0	0	5,900	0
Ministry of Business, innovation and employment loan	5,492	8,282	8,282	5,492
Ruapehu district council loan	275	275	275	275
Tourism infrastructure bonds	13,500	13,500	13,500	13,500
	19,267	22,057	27,957	19,267
% external debt financed long	100%	100%	100%	69%
Total Debt	**19,267**	**22,057**	**27,957**	**27,957**
Unrestricted cash/working capital	**7,564**	**7,064**	**7,465**	**2,465**
Liquidity ratio - unrestricted working capital cash coverage to external debt	39%	32%	27%	9%

Table 18 above shows the Debt and liquidity positions for the three scenarios and compares them against the actual FY21 position. As can be seen, scenario 1 with a successful life campaign is the best-case scenario. Debt is the lowest at $19m and working capital cash is the highest at $7.56m. All three scenarios are considerably better than the actual FY21 position. This is due to refinancing debt longer term minimises insolvency risk and allows the company time to trade its way out of trouble. The detailed operating and trend scenario analysis section of this report indicate that the expected operating EBITDA of RAL should be at least $7m. The Board had an original operating EBITDA target of $10m which is not unreasonable considering the pandemic has prevented the Sky waka summer business stream from reaching anywhere near its 300k plus forecasted sightseer visitor expectations.

Table 19: Ball Park FY22 operating cash flow estimate for Scenario modelling

Cash flow from $7m operating EBITDA -ball park assumptions and estimates		
Operating EBITDA	$	7,000,000
Less cash flows paid for financing costs	-$	1,000,000
Less deferred Life Pass revenue (non-cash revenue. Cash has been received upfront in earlier years)	-$	2,000,000
	$	4,000,000

Table 19 is a rough estimate of the operating cash flows for FY22 scenario analysis if a minimum $7m operating EBITDA result is achieved. This estimate has factored in $1m cash payments to service existing debt and $2m for deferred life pass revenue. Note this is a ballpark estimate only. It is important to note the scenario modelling has not accounted for any capital purchases based on the fact approximately $5m to $10m in emergency CAPEX has been spent in FY20 and FY21 on Turoa, and Whakapapa has just completed a $50m major upgrade.

Life Pass Crowd funding model and benefits

Life pass crowd funding model has been the traditional source of financing for RAL since its formation in 1953. RAL was built on Life Pass funding, it was utilised regularly from 1953 through to 1976. In 2000, a Life Pass campaign was used for the first time since 1976 to finance the purchase of the Turoa ski field from Turoa Holdings after it was sent into receivership by the ANZ bank. Between 2000 and 2019 numerous Life Pass funding campaigns have been used to raised funding for infrastructure upgrade projects. In total $45.6m has been raised from Life Passes over this time per the table below. This is a substantial amount of funding and is $15.6m more funding than the $30m being proposed to sell the company to a private equity investor. Once the private equity investor puts their $30m on the table, they will immediately be wanting to get a return on their investment and will unlikely have additional appetite to pour further equity capital into the mountain infrastructure over time, unlike the Life Pass crowd funding model that keeps on giving!

Table 20: Life Pass and 5 Year Pass Funding Campaigns since 2000

Year	Life Pass and 5 year pass funding raised	Life Passes and 5 year Passes sold (approximate)	Purpose/Project
2000	$ 6,000,000	2,700	Purchase Turoa
2006	$ 12,900,000	3,700	Turoa upgrades Highnoon Express, Apline café, snow making
2006	$ 3,300,000	2,500	Turoa upgrades- 5 year plus pass
2012	$ 2,300,000	1,000	5 year passes converting to Life pass users
2007 to 2010	$ 1,900,000	400	Sold upon request?
2013-2014	$ 300,000	100	Sold upon request
2016	$ 14,100,000	4,100	Whakapapa redevelopment program
2019	$ 4,800,000	1,000	Turoa upgrade program
Total 2000 to 2019	**$ 45,600,000**	15,500	

(Data sourced from Graph - 26 November 2021 RAL finance update presentation slide 14)

RAL have calculated the **cost of capital on Life Pass sales to be 3%-5% per annum** per slide 16 on their 26 November 2021 finance presentation. The cost of capital is based on season pass revenue forgone. This is a very cheap and efficient source of capital financing. Equity financing would have a cost of capital of around 10% plus because investors would require dividends to be paid. Debt financing is much higher risk due to that fact it requires principal repayments. Life Pass funding on the other hand is never repaid, therefore it is relatively risk free financing.

Table 21: Comparison of Life Pass funding to Private Equity and Debt funding sources

	Life Pass	Private Equity Investment	Debt
Cost of capital	3%-5%	10% minimum	0% - *8.95%
Risk	Low	Medium to Extremely High	Medium to Extremely High
Principal repayments	No	No	Yes
Dividends paid	No	Yes	No
Interest and financing servicing costs	No	No	Yes
Future revenue foregone	No, you get the Life Pass holders revenue upfront	**No current or future revenue generated**	**No current or future revenue generated**
Promotes future revenue growth	Yes, Life Pass Holders are pipeline revenue feeders. They are passionate about the Mountain and introduce friends and family to skiing on Mt Ruapehu	No - source of capital only	No - source of financing only
Financial Stability risk	Low	Extremely high	Extremely high
Ability to access additional capital	Yes, can issue new Life Pass campaigns over time. Every 5 years a new generation of fee paying skiers are available to replace ageing Life Pass Holders	Limited, depends on how deep the private equity investors pockets are and whether they believe they will receive a return on investment	Limited by the profitability of the company. RAL is at maximum debt carrying capacity

The table above shows that Life Pass crowd funding is by far the best form of capital financing available to RAL. Some shareholders have expressed their concerns that Life Pass funding can have a detrimental impact on companies recurrent operating revenue. A well structured life pass funding model should improve recurrent cash flows and recurrent operating revenue and not negatively impact on future operating revenue. Here are the following key points:

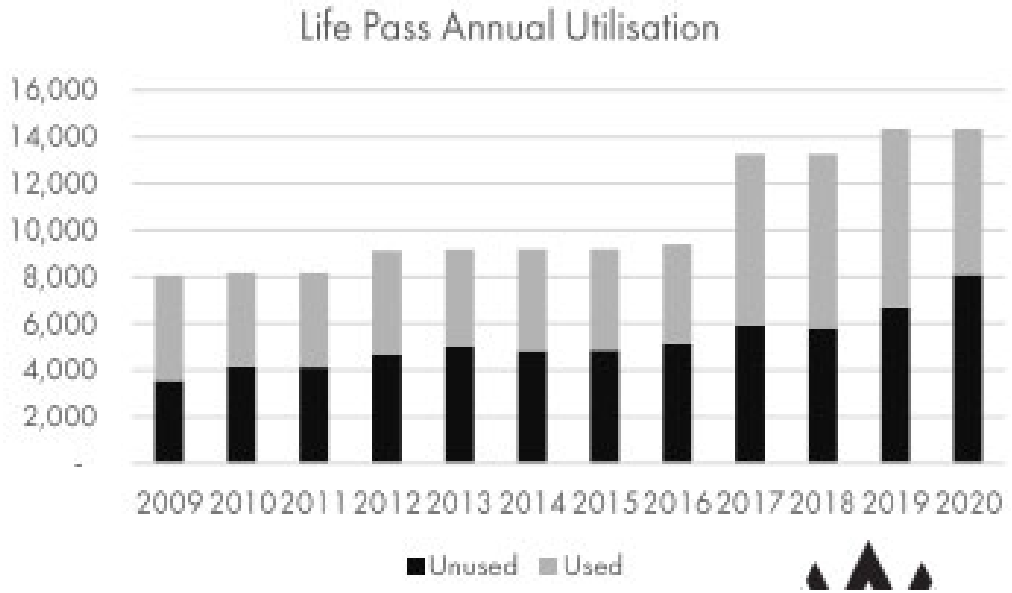
- **Life Pass funding should be structured to capture the skiers Lifetime worth of ski lift fees upfront**. We think if RAL lock in 10 years' worth of early bird season pass revenue, then they have committed the skier to a lifetime of skiing at Mt Ruapehu. They have maximised the revenue they will receive over the lifetime of that skier by committing them upfront. This is due to the following reasons:
    - **People are mobile beings**; they do not necessarily reside in one place for their lifetime. Life events may cause them to move somewhere that is inaccessible to Mt Ruapehu. For example, Life Pass holder may move to Australia or somewhere else overseas for work opportunities
    - **People have limited freedom and time**. Life circumstances change and People find they do not have the freedom to ski as much as they use too, therefore they are unlikely to buy a season pass every year. For example, people get married and have young families, purchase a

house and become committed to large mortgages. They no longer have time to take a couple weeks off to ski Mount Ruapehu evry season as they are now too busy working to pay the mortgage and look after a young family. People over time develop health problems and injuries as they age and therefore are forced to stop skiing altogether

- **People like choice, they are not necessarily going to commit to purchasing a season pass from RAL every year**. Some years they will redirect their skiing budget to commit to alternative ski holiday destinations in the South Island or even overseas to destinations such as North America, Europe and Japan

- **Life Pass funding does not negatively impact on recurrent cash flow.** If RAL uses debt financing and equity financing, this form of financing will result in recurrent cash outflows in the form of dividend payments, principal repayments, and servicing costs on finance. Life Pass operating cash flow has already been received upfront, therefore it has been received in advance
- **Life Passes on average are not well utilised by Life Pass holders.** Average utilisation of Life Pass is approximately 50%, and FY20 utilisation was approximately as low as 43% per review of Life Pass utilisation graph on slide 13 of the RAL finance update meeting presentation 26 November 2021 shown in figure 5 below

Figure 5: Life Pass Holder utilisation per slide 16 of the 26 November RAL finance presentation



- **Life Pass holders are natural Promoters and Revenue feeders.** People are naturally social beings. They like to do things in groups. This means they are going to introduce new skiers to the sport. The buddy pass system attached to Life Passes and Season Passes is a clever marketing strategy that Management have introduced. Life pass holders increase the future available market pool of skiers by acting as powerful and cost effective advocators and marketers for the RAL Ski field business

Life Pass funding capital raise – discounted cash flow modelling

To support our recommendation for RAL to issue Life Passes to fix the short term debt liquidity pressure from the ANZ Bank and MBIE, we have prepared some discounted cash flow modelling to demonstrate how a life pass issue might be structured to raise $11m.

Table 22: Assumptions for Life Pass structuring for $11m capital raise

Assumptions							
Current price of early bird season pass	$ 650	GST inclusive					
Life Pass Pricing methodology- multiple of years to season price	10	Years					
Life Pass Price	$ 6,500	including GST	$ 5,652	GST exclusive	$ 848	GST	
Capital raising target	$ 11,000,000	net of GST					
Number of Life Pass sales to be sold	1,946						
Current number of life passes	14,339	16,285					
Increase in total life pass holding	14%						
CPI	2.50%						
Discount rate (Based on cost of Equity financing)	**10%**	Per investor return assumptions in NEWCO modelling					
Life pass utilisation - worse case	100%						
Life pass utilisation - actual	50%						

Our core assumptions to make the Life Pass funding model work, **RAL require a skier to commit upfront to 10 years' worth of skiing** at the early bird season pass rate. RAL are targeting the keen skiers and snowboarders that live for the mountain. As discussed in the previous section of our report if you can get a skier to commit to 10 seasons on your mountain, you have done remarkably well to achieve that amount of business!

To raise $11m, RAL would need to sell 1,946 passes at rate of $6,500 (GST inclusive). We have compared the NPV of the cash flows for issuing a one-off life pass for the 1,946 skiers versus early bird season passes anually across a 30 year period. We have modelled two comparative scenarios for the season pass sales:

1) The group of 1,946 Skiers buy a season pass every year for the next 30 years. We assume that if this group of Skier's purchased a life pass, there life pass utilisation is 100%
2) The group of 1,946 Skiers buy a season pass every year for the first five years and then every other year of the next 25 years. We assume that if this group of skiers purchased a life pass, their life pass utilisation rate would average 50% after year 5

In the analysis we need to discount the cash flows to recognise the time value of money. $11m received upfront today in a Life Pass issue is worth a lot more than $11m in 30 years' time. The modelling shows at a 10% discount rate (time cost of money), $11m today is worth the same as $31m received from season pass sales across a 30 year period. In effect, the discount rate has costed in the dividend payout to the private equity investor should we choose to use Private Equity financing over Life Pass financing for the $11m capital raise. In our NPV analysis we have a discount rate of 10% based on the return expected by private equity investor because this would be the alternative financing arrangement to a Life Pass issue.

We know from RAL Life pass utilisation statistics that the average life pass holder utilisation for their life pass is 50%. At this level of utilisation, it would take 30 years for RAL to achieve a $11m NPV discounted cash flow by selling season passes. If the average life pass holder utilise d their life pass 100%, it would take 13 years for RAL to achieve a $11m NPV discounted cash flow by selling season passes.

In summary the NPV analysis shows that $11m upfront today from a Life Pass issue provides the same benefits to RAL that would be achieved by:

- Selling early bird season passes to this group of 1,947 skier's every year for the next 13 years (100% Life Pass utilisation)
- Selling early bird season passes to this group of 1,947 skiers for the next 5 years and then every other year for the next 30 years (50% Life Pass utilisation)

Table 23: $11m Life Pass capital Raise NPV Analysis versus recurrent season pass sales for a group of 1,947 skiers

NPV analysis - Discounted cash flow			
	Life Pass	Season pass (50% life pass utilisation after 5 years)	Season pass (100% life pass utilisation)
5 year	$ 10,999,130	$5,518,893	$5,518,893
10 year	$ 10,999,130	$7,457,447	$9,396,001
13 year	$ 10,999,130	$8,060,429	$11,144,003
15 year	$ 10,999,130	$8,819,311	$12,119,729
20 year	$ 10,999,130	$9,776,042	$14,033,190
25 year	$ 10,999,130	$10,448,160	$15,377,427
30 year	$ 10,999,130	$10,920,333	$16,321,773

Table 24: Present value of cash flows for Life Pass issue versus recurrent season pass sales for a group of 1,947 skiers

	PV (30 years)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Life Pass	$ 10,999,130	$ 10,999,130									
Season pass (100% life pass utilisation)	$ 55,532,529	$ 1,264,900	$ 1,296,523	$ 1,328,936	$ 1,362,159	$ 1,396,213	$ 1,431,118	$ 1,466,896	$ 1,503,569	$ 1,541,158	$ 1,579,687
Season pass (50% life pass utilisation after 5	$ 31,090,630	$ 1,264,900	$ 1,296,523	$ 1,328,936	$ 1,362,159	$ 1,396,213	$ 715,559	$ 733,448	$ 751,784	$ 770,579	$ 789,843
Cash flows continued		**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Life Pass											
Season pass (100% life pass utilisation)		$ 1,619,179	$ 1,659,658	$ 1,701,150	$ 1,743,679	$ 1,787,271	$ 1,831,952	$ 1,877,751	$ 1,924,695	$ 1,972,812	$ 2,022,133
Season pass (50% life pass utilisation after 5		$ 809,589	$ 829,829	$ 850,575	$ 871,839	$ 893,635	$ 915,976	$ 938,876	$ 962,347	$ 986,406	$ 1,011,066
Cash flows continued		**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Life Pass											
Season pass (100% life pass utilisation)		$ 2,072,686	$ 2,124,503	$ 2,177,616	$ 2,232,056	$ 2,287,857	$ 2,345,054	$ 2,403,680	$ 2,463,772	$ 2,525,367	$ 2,588,501
Season pass (50% life pass utilisation after 5		$ 1,036,343	$ 1,062,252	$ 1,088,808	$ 1,116,028	$ 1,143,929	$ 1,172,527	$ 1,201,840	$ 1,231,886	$ 1,262,683	$ 1,294,250

NEWCO proposal – What are the risks to Shareholders

Figure 7 on the following pages is a flow chart that clearly outlines the risks of the NEWCO proposal for which Shareholders were supposed to vote on the 26th November 2021 and has now been posted phoned to the AGM on the 28th May 2022. An investor had not been identified at this point, yet shareholders were requested to vote on the transaction with limited information. There was no draft constitution available for shareholders to review. Shareholders did not know what the future looked like. There are no positives or benefits that we can identify for shareholders to vote on this proposal.

Essentially, Shareholders need to decide if they want to be shareholders of RAL as:

A. RAL a commercial ski field, Sky Waka sighting and restaurant business
B. or RAL a shell holding company with potentially zero income generating assets (RAL share of NEWCO may not have dividend rights?)

The Board of Directors of RAL would likely share control of NEWCO with the new private equity investor, hence RAL shareholders are likely to have limited input in the future direction of NEWCO. RAL Shareholders hold shares in RAL which strictly prohibits dividends, this means **there is zero financial benefit for RAL shareholders to support privatisation.** It is important to make this comment should there be any self-interested shareholders out there who think they might profit from the privatisation of the RAL ski operation, you will not be entitled to a dividend, RAL the company might, however, its constitution prohibits a dividend distribution to its shareholders. **It is crucially important Shareholders understand what they are voting for!**

The publishing of the RAL Trust Letter of support and the RAL FY21 annual report has bought to light that there are convertible notes attached to the $5m emergency MBIE debt. A significant risk to RAL shareholder's is that this debt is convertible into equity in the NEWCO. RAL shareholders have very limited transparency on the details of this transaction.

We recommend RAL Shareholders vote AGAINST the transfer (Sale) of RAL's business into NEWCO until they have full transparency of the transaction to make an informed decision. This would require shareholders to have full transparency on the MBIE convertible note issue.

Figure 8 on the following pages is the Waiwera hot pools nightmare scenario. The significance of this scenario is that it brings to light the risks to commercial north Island skiing should the Private Equity Investors in NEWCO prioritise profit over world class skiing and snowboarding facilities. RAL has historically struggled to generate profits, therefore if the private equity investors are going to making a return on NEWCO they may need to change the business model and strip out the unprofitable parts of the business. The Directors in the February 2022 update have already discussed the possibility of selling off Turoa. The NEWCO company structure would give the Directors much more flexibility to make strategic decision in they way they feel best benefits the company and their shareholders. RAL shareholders will not be Shareholders of NEWCO, they will remain shareholders of RAL which will be no more than a helpless shell company should the Private equity investors have more than 50% control of NEWCO and/or all the dividend rights.

Figure 9 on the following pages shows that historically privatised ski field business models have not survived financially for any great length of time on Mt Ruapehu, with ownership averaging between four and ten years! This is significantly less than RALs current business model which has been in operation for nearly 70 years and counting. MBIE should pay particular attention to this fact. The job of the provisional growth fund is to promote long term sustainable employment.

Privatised ski field business models work in the South Island, why have they not worked on Mt Ruapehu?

1. Volcanic environment is not For Profit friendly

North island ski fields are all operated on Volcanos, unlike South Island and overseas ski fields which tend to operate on mountain ranges with much more stable weather conditions and limited risk of a volcanic eruption.

Darwin's natural selection has been at work for over 70 years and the only business models operating today in the north island are two community club fields and the two commercial fields operated by RAL. They are all operate Not For Profit business models which means all profits are retained and reinvested back into the ski field operations. In the rare year where a profit is made, no tax is paid on the profit, therefore 100% of the earnings are available for reinvestment.

Every so often the volcano will erupt, and this means it is critical that operational cash flows are retained to ensure the business can survive an extreme event such as an eruption. The problem with Privatised models, the operating cash flows are not retained because investors expect to receive an annual dividend payment.

2. Weather risk

The geographic nature of the North Island ski fields has a much higher weather risk, therefore antidotally, Mt Ruapehu has a higher number of closed days and poor weather days that limit skier numbers. Mt Ruapehu also has a coastal influence which causes severe rime icing which is tough on the lift's and equipment.

For Profit models do operate and are profitable in the South Island, but they are not operating on active volcanos with the same level of geological risk, severe weather risk and icing risk. The ski fields have different geography which mean they experience drier conditions, more stable snow and weather conditions.

3. Remoteness of location

The other challenge for Mt Ruapehu ski operators, is the distance from major population centres. Mt Ruapehu is four to four and half hours' drive from Auckland and Wellington. Mt Hutt is only two hours from Christchurch. Remarkable and Coronet peak are only half an hour or so from Queenstown. Treble Cone and Cardona are half an hour from Wanaka and about an hour from Queenstown.

The major commercial South Island ski fields are all within close proximity of an international airport and therefore benefit from the international tourism market. In comparison RAL and other north island club fields are remotely located and reliant on a smaller local domestic market.

In conclusion, the close proximity to major population centres and international airports to access to the international tourism market, combined with significantly more stable weather conditions are key success factors that support For Profit models in the South Island. Mt Ruapehu is a remote location that does not offer these favourable conditions and hence this is why privatisation models have historically failed in the pass and will likely continue to fail in the future. How many times have shareholders and Life Pass Holders booked a week skiing at Mt Ruapehu to find their trip has been materially weather affected which has limited the quality and quantity of their ski time!

Figure 6: Dangers of NEWCO proposal (SGM to vote to transfer (Sell) RAL business)

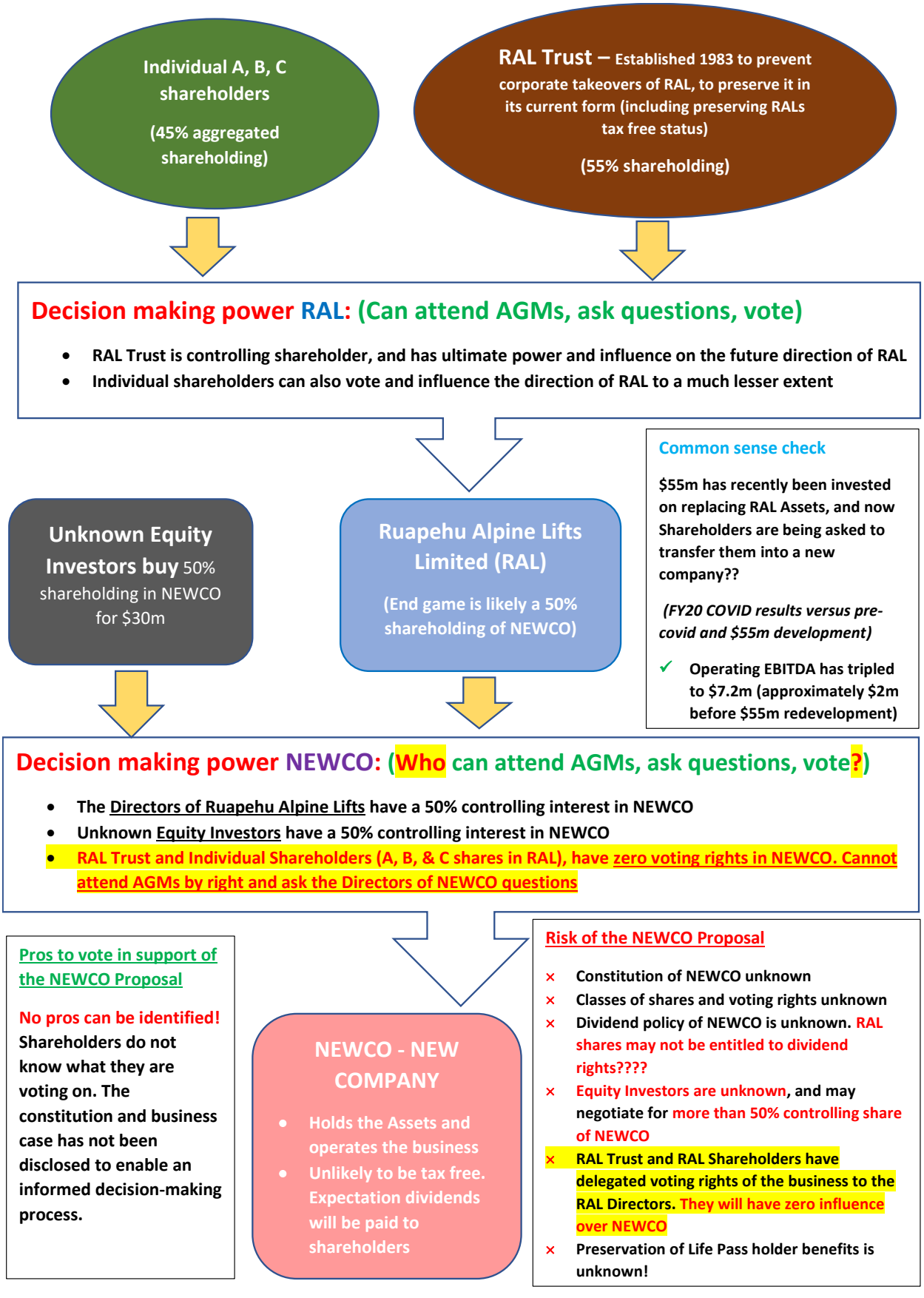
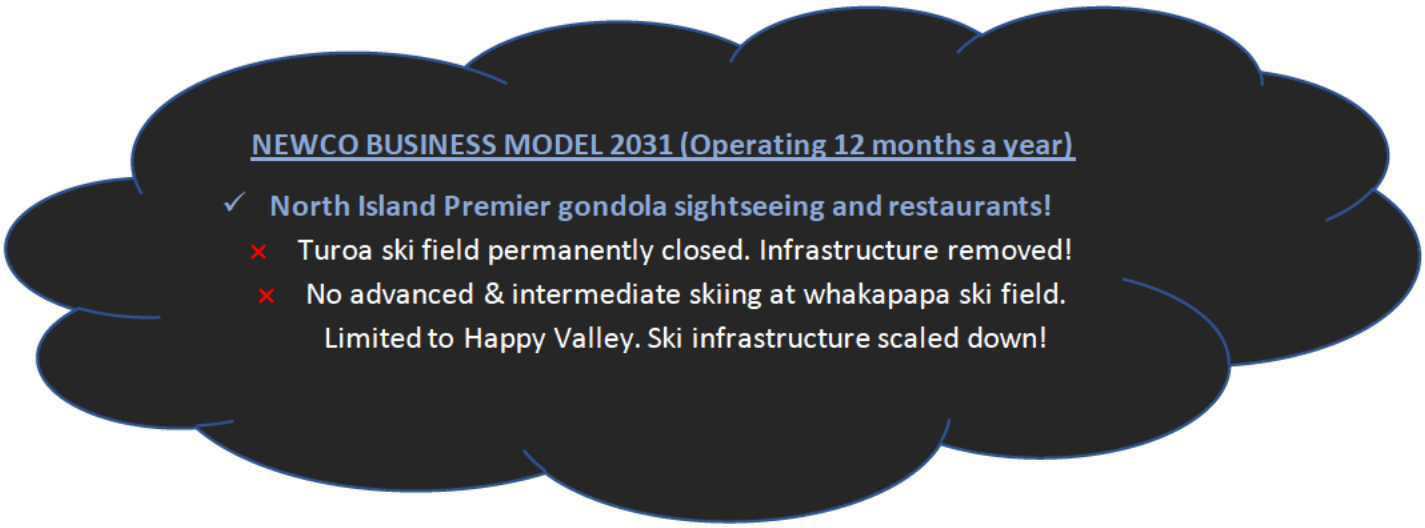


Figure 7: NEWCO WAIWERA HOTPOOLS NIGHTMARE SCENARIO



NEWCO Investor scenario. Prudent investor decision making process:

1. **Acquire 100% profit/dividend rights to RAL assets. RAL has completed a $55m development. Purchase for $30m equals a $25m discount!**
2. **Profit maximisation! Maximise dividends! Maximise return on investment to NEWCO investors holding dividend rights!**

Important! RAL's constitution will not allow a dividend payment to its own shareholders. You as shareholders of RAL will not benefit from profit maximisation!

NEWCO Investor thought process: Where to best invest our $30m equity? Repayment of Sky Gondola debt? Redevelopment of Turoa?

Promise to redevelop Turoa Ski field?

NEWCO proposal indicative investment range $20m to $55m

Turoa is only a 3 to 4 month a year business!

Is it worth investing $55m....???

Will this maximise profit? No!

Not enough return on investment! Let's pay off Sky Waka debt instead!

Figure 8: History Lesson: RAL current business structure versus other Privatised /equity investment business models on Mt Ruapehu

Crowd funding and community business model

69 years of financial stability to present

1953 Ruapehu Alpine Lifts was formed

In 1953, Swiss Ski instructor Walter Haensli and businessman Sir Brian Todd crowd funded RAL.

Their vision was to have chair lifts and T bars operating on Mt Ruapehu. They requested funding from the government, however this was declined

They persuaded hundreds of skiers to takeout shares and debentures. Debentures were unable to be repaid, so they were offered shares in RAL

1954 the first chair lift was opened by Sir Edmund Hillary

2000 Turoa ski field was salvaged by RAL

2019 opened the Sky Waka gondola

The strategic investment of sky waka gondola, has diversified RAL's risk to climate change, by developing a strong summer business season

Private investor/equity business model

22 years of constant restructuring

1978 – **AHI (Carter Holt Havery)** open Turoa Ski field

⇩ 8 years later

1986 – **NZ Skifields Limited** (public company listed on the NZ stock exchange) formed to purchase ski area from Carter Holt Harvey (formerly AHI)

⇩ 4 years later

1990 – NZ Skifields Limited is privatised by corporate takeover from **Turoa Holdings Limited**

⇩ 10 years later

2000 – **Ruapehu Alpine Lifts** salvaged Turoa ski field from private company Turoa Holdings Limited

Conclusion: Privatised corporate business models on Te Maunga/Mt Ruapehu, that have not reinvested 100% of profits back into the infrastructure, have been proven unsuccessful. Financial viability of the For-Profit model has averaged a 7.3 year holding period. The Not-For-Profit model has lasted 69 years and counting!

Current threats to RAL for 2022 outside of RAL control

It is important to acknowledge that 2022 year will pose many challenges for the RAL Board and Management to navigate which are entirely outside of their control. These are the following threats that the RAL Board and Management will need to closely monitor:

Increased volcanic activity. The crater lake is slowly heating, and Mt Ruapehu is currently at Level 2 alert. This means there is an excursion zone within a 2km perimeter of the crater lake. Should Mt Ruapehu remain at level 2 alert settings for the entire 2022 ski season this may mean that the High noon express chair may not be able to operate. This could adversely affect Turoa winter patronage if the prize lift is not able to operate. The level 2 settings are likely to limit operations for the Far West ski area on the Whakapapa ski field.

On the 9th December 2019 the Whakaari White Island volcanic eruption was a stark reminder of the power and dangers for operating a tourism business on an active volcano. Tragically, this eruption occurred when the island was under level 2 alert settings and resulted in 22 fatalities and 25 seriously injured survivors. This eruption has devastated Whakaari White Island tourism sector for the foreseeable future.

La Nina weather patterns. Mt Ruapehu has been experiencing more persistent La Nina weather patterns. This generally means a later start to the season due to snow falls arriving later.

Ukraine War situation: The Russian invasion of Ukraine is causing global instability and rising energy prices. The West have heavily sanctioned Russia who are one of the world's largest energy suppliers. This is driving up energy prices. Increasing energy prices will likely cause further inflationary pressures and therefore increased operating costs for businesses globally. Global instability increases the risk of the New Zealand and world economies to fall into a global recession.

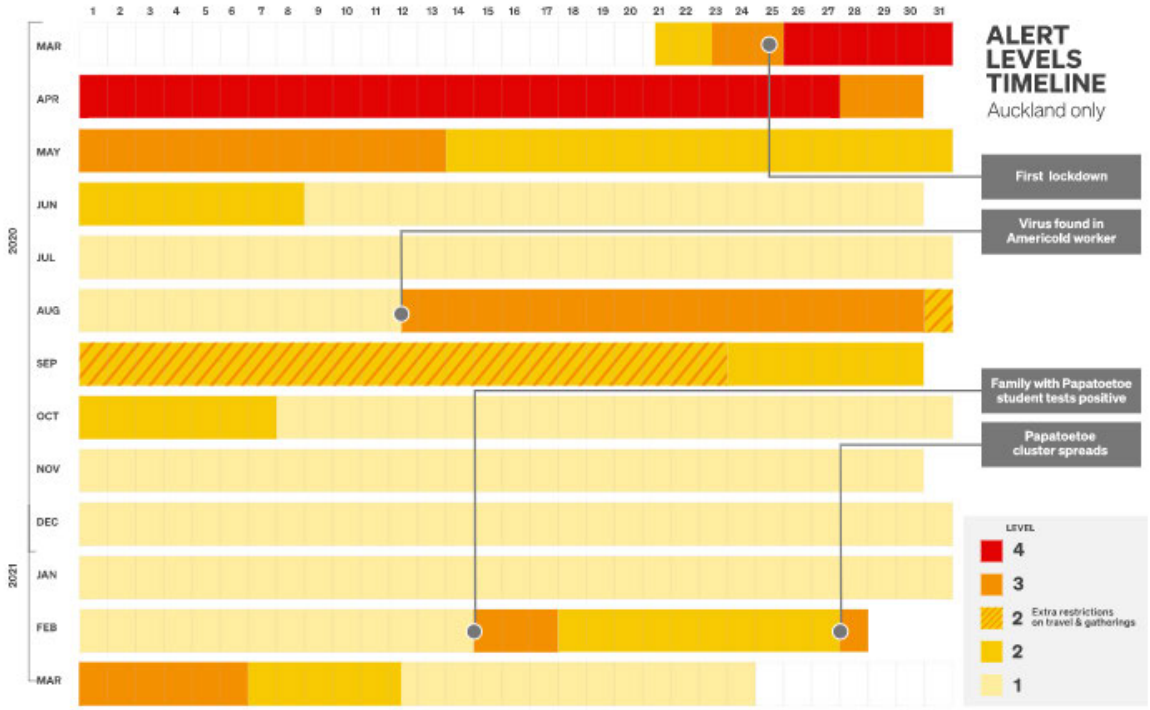
Ongoing global pandemic: The COVID-19 virus will continue to circulate and mutate into new strains. This means world health systems will be under constant pressure. We have already seen how the pandemic has impacted logistics and supply chains. China which has the world's largest economy continues to pursue elimination and lock down strategies which is causing supply shortages across the world. China's economy is currently in recession, this will have flow on effects for the global economies.

Given the high levels of uncertainty got factors and events outside of RAL control, both locally and globally, it is more important now than ever for the RAL Board and Management to keep their business model simple and pay close attention to optimising their daily operations.

FY20 COVID-19 restrictions, Lockdowns and support of the Bank

New Zealand went into two separate lock downs during 2020 due to the COVID-19 pandemic outbreaks.

Figure 9: COVID-19 timeline of induced locked down and alert level restrictions



Source data: https://www.rnz.co.nz/news/national/437359/timeline-the-year-of-covid-19-in-new-zealand

First 2020 lockdown:

- Level 4 lock down restrictions 26th March to 27th April
- Level 3 lock down restrictions 1st May to 13th May
- Level 2 alert restrictions 14th May to 7th June

Second 2020 lockdown

- Level 3 lockdown 13th August to 30th August
- Level 2 restrictions 31st August to 7th October

Key observations – support of the bank amidst the pandemic

The pandemic event triggered an event of review under the terms of the ANZ loan agreement with the bank. This resulted in the bank re-assessing RAL ongoing financial support to month-to-month basis. The decision by the bank was based on worst case cash flow modelling scenarios presented by RAL to the bank should they not be able to operate for the winter. The Bank, then upon certainty that RAL could operate over the winter season, extended loan facilities to November 2021. However, ANZ bank has a number of conditions for ongoing financial support, one of which included a capital restructure for how the company accesses capital. The note 1.2 of the FY20 annual report states these milestones for a capital restructure were not met and therefore the ANZ bank could technically call their loan facilities at any time before the November 2021 expiry. The new milestone date for the review of the revised capital structure is planned for the 1st December 2021. It was these liquidity factors that resulted in the Auditor Deloitte issuing a qualified audit opinion regarding the material uncertainty of RAL as a going concern should the ANZ bank call upon there $5.9m debt before the November 2021 expiry. **In ordinary operating times, a large component of the ANZ debt should be structured or renegotiated to outside of 12 months terms**

The decision by the ANZ bank to finance RAL on monthly and short-term basis has placed RAL into a very vulnerable liquidity position because the Bank can technically call upon their $5.9m debt at any time. Interestingly, the approach ANZ bank have taken with RAL in the face of a pandemic is vastly different to how the banks have supported their mortgage holders to keep the housing market propped up by offering six-month mortgage repayment holidays within two days of New Zealand going into a level 4 lockdown on the 27th of March 2020. To put this into context, the ANZ debt of $5.9m is equivalent to the mortgage on six or seven Auckland homes and assuming the average household income before tax to service this debt is $160k pa, this consolidates to a $1m EBITDA which is significantly less than the $7.3m to $9.5m operating EBITDA potential of RAL. RAL's total debt as at November 2021 is $25.9m, therefore they have an EBITDA income to debt ratio of $1m EBITDA to $3.5m debt. This EBITDA to debt ratio compares favourably to the seven Auckland houses with a ratio of $1m EBITDA to $6m debt.

In times where the global economies were under unpresented uncertainty due to the COVID-19 pandemic, the ANZ bank should have provided additional support and leniency to RAL as they did for the housing sector, particularly when government bodies funded by the taxpayers have contributed $10.5m worth of financing through the Provisional Growth Fund and Ruapehu District Council. We also note Bank fees increased from $37k in FY19 to $230k in FY20. This increase in Bank fees was due to RAL appointing an independent ANZ Banking consultant to assess the month to month performance (Geoff Taylor -26 November finance presentation). The ANZ Bank's continued support is based on a condition that RAL perform a capital restructure, which is in breach of the constitution. RAL Management should reconsider the $55m redevelopment plans and renegotiate their ANZ bank debt with another banking institution who can provide committed financial support facilities on the basis of their positive EBITDA potential and on the condition that they significantly scale back on $55m Turoa development plans.

Detailed operating result trend and scenario analysis

Table 25: Ruapehu Alpine Lifts Operating Result Trend and scenario analysis

RAL "Normalised" Headline Operating Results	Actual			Variance to FY19 Pre-COVID levels		*April Year end		**No COVID-19 Estimate	Core assumptions
	FY21 $'000s	FY20 $'000s	FY19 $'000s	$'000s	%	*FY18 $'000s	*FY17 $'000s	FY21 base ($'000s)	FY21 estimate without COVID-19 event
Operating revenue									
Service revenue	24,097	29,924	33,999	(9,902)	-29%	28,570	24,399	40,965	70% increase
Investment revenue	274	219	308	(34)	-11%	331	340	274	no change
Operating revenue	24,371	30,143	34,307	(9,936)	-29%	28,902	24,739	41,239	
Operating expenditure									
Staff costs	12,629	10,109	14,257	(1,628)	-11%	13,356	11,088	15,976	39% of Service Rev.
Director fees, board and governance	263	292	408	(145)	-36%	221	210	263	no change
Depreciation and amortisation	7,926	10,288	5,590	2,336	42%	5,900	4,165	7,926	no change
Finance costs	1,494	1,486	1,303	191	15%	467	326	1,494	no change
Lift maintenance, grooming & snow making services	1,395	1,214	1,331	64	5%	1,220	1,081	2,048	5% of Service Rev.
Other routine maintenance, fuel and supplies	1,102	846	1,703	(601)	-35%	1,386	1,279	1,639	4% of Service Rev.
Other Suppliers and Services	2,863	2,908	3,209	(346)	-11%	2,624	1,945	4,008	40% increase
Insurance	1,805	1,652	1,459	346	24%	987	859	1,805	no change
Electricity usage and line charges	1,884	1,897	2,608	(724)	-28%	2,065	1,950	2,638	40% increase
License Fees, Rates and Ski Area Levies	43	716	1,600	(1,557)	-97%	1,223	1,235	1,600	FY19 pre- COVID fees
IT and communication	759	703	806	(47)	-6%	484	499	759	no change
Marketing	408	430	730	(322)	-44%	867	471	408	no change
Cost of sales	1,854	1,893	2,558	(704)	-28%	2,152	1,715	2,596	40% increase
Audit fees	98	54	68	30	44%	33	38	98	no change
Total operating expenditure	34,523	34,488	37,630	(3,107)	-8%	32,985	26,859	43,258	
Operating Result	(10,152)	(4,345)	(3,323)	(6,829)	206%	(4,084)	(2,120)	(2,019)	
Operating EBITDA	(1,006)	7,210	3,262	(4,268)	-131%	1,952	2,030	7,127	
COVID-19 support	2,203	1,715							
Operating Result after COVID subsidy	(7,949)	(2,630)							
Operating EBITDA after COVID subsidy	1,197	8,925							
Staff costs as % of Service revenue	52%	34%	42%		10%	47%	45%	39%	
Depreciation costs as % of Service revenue	33%	34%	16%		16%	21%	17%	19%	
Finance costs as % of Service revenue	6%	5%	4%		2%	2%	1%	4%	
Total maintenance and service costs % of service revenue	10%	7%	9%		1%	9%	10%	9%	
Other Suppliers and Services	12%	10%	9%		2%	9%	8%	10%	

***Note FY18 and FY17 analysis is based on full 12-month April reporting periods because profitability comparative analysis was near impossible using the November-18 reporting period. This is because only 7 months of data is reported which means 5 months of expenses were excluded from the November-18 analysis**

Table 3 is a detailed review of RAL operating result for FY21 to FY19 which have November reporting dates and *FY18 and *FY17 which have April reporting dates. All comparative periods are 12 months. The detailed mapping of the annual reports to account categories is appended to this report, which enables a full reconciliation of the operating analysis back to the annual reports. The analysis also includes a scenario to estimate to estimate what the FY21 financial results might have been if the COVID-19 pandemic had not occurred. The purpose of this exercise is to forecast the profitability of RAL now that Whakapapa has been redeveloped with the Sky Waka Gondola.

The following observations are mostly made against the FY19 which was the last pre-COVID year. FY20 was a COVID affected year, so it is not a good benchmark comparison.

Key observations FY21 versus FY19 (pre-COVID year):

- The timing and severity of the Delta outbreak in peak season and the extended lockdowns have significantly hurt operating revenue levels. **Service revenue of $24m is $9.9m (29.9% decrease) down on to FY19 service revenue of $34m and $5.8m down on FY20** which is also COVID-19 affected year. Service revenue includes lift sales and sales of goods and services. Our estimates are that service revenues is 70% down on what it should have been in a normal non-COVID-19 pandemic year, considering the new Sky Waka gondola investment. As a point of reference, the Tongariro crossing bookings are 80% down on pre-pandemic levels
- RAL operational management in the face of the pandemic have made significant cost saving initiatives in nearly all areas of the business with only costs increasing significantly in depreciation $2.3m (42% increase) due to the Whakapapa redevelopment, finance costs increased $191k, insurance costs increased $346k, and audit fees increased $30k (44% increase). Costs in all other key operating categories have reduced between 6% and 97%. **Overall costs have declined 8% compared to FY19 pre-pandemic year**
- Staff costs $12.6m were reduced by $1.6m which is a 11% reduction on FY19 staff costs at $14.3m. FY20 staff costs were reduced 29% down on FY19 to $10.1m
- Staffing costs as % of operating revenue for FY21 were as high as 52% of service revenue. This staffing ratio reflects that it was difficult for RAL to reduce their staff costs for the significant fall in revenue, although Auckland and Northland markets were locked out, they had an obligation to keep the mountain operational for the remaining New Zealand market
- Staffing costs for FY20 have reduced to 34% of service revenue which is a significant decrease from FY19 with staffing costs at 42% of revenue. This shows the aggressive staff reduction strategies RAL implemented to ensure the company stayed financially viable throughout the duration of the ski season, noting that bank support was on a month-to-month basis. To achieve the FY20 staff cost reductions meant operating the ski field at reduced capacity. The uncertainty of the COVID-19 pandemic made it very difficult for RAL to plan their FY21 staffing. If they aggressively reduced their staffing as they did in FY20 and if then restrictions were removed, then this potentially exposes RAL to a workforce shortage issue and customer dissatisfaction for operating at reduced capacity for two years running

- Licence fees, rates, and ski are levies reduced $1.56m (97% decrease). DOC waiving significant proportions of their licence fee due to COVID-19 has been a great support to RAL's financial viability
- Lift maintenance, grooming & snow making services costs increased $64k (5% increase) as the bulk of the maintenance is likely done pre-season
- Other routine maintenance, fuel and supplies cost reduced $601k (35% decrease)
- Electricity usage and line charges reduced $724k (28% decrease)
- Marketing costs reduced $408k (44% decrease)
- Cost of sales reduced $704k (28% decrease)
- Board and governance costs reduced $145k (36% decrease)
- Other supplies and services cost reduced $346k (11% reduction)

Key observations scenario analysis FY21 - No COVID pandemic event

The scenario analysis is a best attempt effort to estimate the operating potential of RAL in a normal FY21 year, assuming there was no global pandemic disrupting operations and also considering the profitability on the basis that Whakapapa has been significantly redeveloped with the Sky Waka Gondola. The scenario makes key assumptions that the pandemic has caused a 70% reduction in sales which is based on the fact that Tongariro crossing bookings are down 80% pre-COVID-19 levels. Our belief is that RAL with the Sky Waka gondola investment should have an operating revenue in excess of $40m per annum. As a point of reference FY19 had operating revenue of $34m and FY18 for the seven months 1st May 2018 to 30th November 2018 had operating revenue of $35m. Other key assumptions are that staffing costs are maintained at 39% of service revenue. To operate RAL there is a certain level of fixed staffing costs required to fully open all lifts, restaurants, and facilities. It is unlikely that RAL will be able to maintain a super lean staffing ratio of 34% staff costs as a % of service revenue as seen in the FY20 year, which is what they achieved during the pandemic by sacrificing service capacity. However, there is likely to be an economies of scale factor where revenue can be increased by selling additional lift tickets without having to increase staffing costs. Hence the 39% staff cost assumption used in the scenario modelling estimates staff costs of $15.9m to service revenue of $41m. Our scenario modelling suggests that in normal year RAL operations should be able to achieve a minimum $7.1m Operating EBITDA. This is not unrealistic because an operating EBITDA excluding COVID-19 support of $7.2m was achieved in the COVID affected FY20 year.

- RAL under the "no COVID-19 pandemic scenario" is estimated to return a $7.1m operating EBITDA result
- RAL under the "no COVID-19 pandemic scenario" is estimated to generate an operating result loss of $2m
- Maintenance and service costs as % of service revenue is assumed to be 9% of Service revenue. Traditionally this ratio has been around 9% to 10 % of service revenue
- The Board of directors have noted that the Sky Waka Gondola has the potential upside to increase revenue significantly without incurring any further cost expenditure. This has not been modelled into the scenario modelling. Expenses with variable characteristics have been increased to reflect higher revenue. Therefore, we think the $7m operating EBITDA in normal trading times is a conservative minimum target and that Management should be pursing to achieve an operating EBITDA in excess of $10m per annum

Figure 10: Operating Financial Performance trend and Winter Visitor Numbers



FY21 poor operating performance is strongly correlated to the drop in winter visitors. In FY21 there are 250 thousand winter visitors compared to 390 thousand visitors in the FY19 year before the pandemic. FY19 is the first year of the Sky Waka Gondola, and of concern it has seen a drop in winter visitor numbers compared to previous year FY18. The reduction in the car parking at Whakapapa maybe a factor limiting the number of skiers who can easily access the mountain. The RAL annual reports are not transparent to the profitability of the summer operations and the extent to which the summer operation subsidises RAL for the reduction in winter visitors.

As can be seen, the FY20 and FY19 periods with the Sky Waka are more profitable from an operating EBITDA perspective than the prior years *FY18 and *FY17 with an average EBITDA of approximately $2m respectively. However, the FY21 has the worst operating EBITDA with a 1m loss which improves to a $1.1m surplus after the $2.2m COVID-19 subsidy support. The fact that RAL have achieved a positive operating EBITDA surplus after COVID subsidy support is massive achievement given that operating revenue is down $9.9m on pre-COVID levels and up to $16m down on what it should have been considering record high inflation increase costs.

The Sky Waka gondola investment effectively makes RAL a 12 month a year business. The Board have noted that the Sky Waka has the potential upside to materially increase revenue without any additional capital cost. The Board have also noted they have an unknown downside for future capital infrastructure costs to replace and upgrade the Turoa assets. The Doppelmayr Lift review will provide further insight into these unknown capital costs. These are two material pieces of information that the Board have provided feedback that were missing from the first alternative report, and in their opinion are important when commenting on RAL 's future profitability.

Balance Sheet Analysis

Table 26: RAL Balance Sheet Trend

RAL Balance Sheet analysis and trends	November reporting date				April reporting date	
	FY21 $000's	FY20 $000's	FY19 $000's	**Nov-18 (7months)	*FY18 $000's	*FY17 $000's
Current assets						
Cash at bank	2,465	4,966	1,564	6,718		970
Restricted funds in trust	653	512	3,705	9,307		
Trade and other receivables	393	1,102	2,243	2,108	246	487
Life Pass finance plan	69	148	226	130	237	339
Inventories	680	750	1,020	424	673	764
Prepayments	64	353	1,139	575	60	204
Fair value of derivatives						67
Total current assets	**4,324**	**7,831**	**9,897**	**19,262**	**1,216**	**2,831**
Non-current assets						
Life pass finance plan	0	113	290		70	355
Property plant and equipment	57,282	62,164	86,799	74,548	66,410	62,795
Intanigble assets	774	745	1,423	1,130	1,208	896
Total non-current assets	**58,056**	**63,022**	**88,512**	**75,678**	**67,687**	**64,045**
Total Assets	**62,380**	**70,853**	**98,409**	**94,940**	**68,903**	**66,876**
Current liabilities						
Overdraft facility					3,691	
Lease liabilities	20	559	573	356	105	
Trade and other payables	2,475	4,609	4,974	5,546	3,794	4,639
Deferred grant income	264	9	484	2,854		
ANZ Bank borrowings	5,900	5,900	1,000	3,700	600	600
Ministry of Business, innovation and employment loan	2,790					
Fair value of derivatives	0	9	29	15	24	
Revenue in advance	5,905	6,423	6,546	7,761	7,281	4,736
Life Pass revenue deferred	1,587	1,960	2,172	1,760	1,776	1,867
Total current liabilities	**18,941**	**19,469**	**15,778**	**21,992**	**17,271**	**11,842**
Non current liabilities						
Lease liabilities	0	20	515	548	123	
Bank borrowings	0	0	5,900	3,800	6,900	4,400
Ministry of Business, innovation and employment loan	5,492	6,244	5,731	5,260		
Ruapehu district council loan	275	304	279	256		
Tourism infrastructure bonds	13,500	13,500	13,500	9,500		
Life pass deferred revenue	13,582	14,858	17,765	16,040	17,883	19,677
Total non-current liabilities	**32,849**	**34,926**	**43,690**	**35,404**	**24,906**	**24,077**
Total Liabilities	**51,790**	**54,395**	**59,468**	**57,396**	**42,177**	**35,918**
Net Assets/Share holder Equity	**10,590**	**16,458**	**38,941**	**37,544**	**26,726**	**30,957**

FY21 key observations – balance sheet

- Of immediate concern is that ANZ bank debt of $5.9m remains to be financed short
- MBIE emergency debt of $5m has been financed short due to conditions of the establishment of the NEWCO entity were not met. This debt has been revalued to $2.790m as at 30 November 2021 due to favourable financing conditions, accounting standards and policy
- Unrestricted cash has reduced from $4.966m down to $2.465m. RAL need a Life Pass offering to increase working capital and remove its reliance with the ANZ bank debt and the short term MBIE debt

- ANZ bank support is only funded until 30 November 2022 and future support is likely to be conditional on a capital restructure. **There are 13 alternative banks in New Zealand and with total Plant and equipment with a $57m carrying value, there is approximately over $30m in property plant and equipment to provide as security,** understanding that MBIE and Tourism infrastructure bond holders have security over Sky Waka. RAL management need to shop around for a new Bank or negotiate more favourable and longer-term financing that is aligned to RAL maintaining its tax-free status
- Net assets have further declined to $10.59m for FY21 ($16.46m for FY20)

Prior year FY20 Key balance sheet observations

- **ANZ Bank borrowings $5.9m were reported as non-current in FY19 has all become current in FY20 due to the pandemic trigging an even review with the bank. This changed the banks level of support from long term financing to short term financing on a month-to-month basis. This has placed RAL in an extreme liquidity risk position because technically the bank could call for the debt to be repaid at any time**. Generally, under normal circumstances a large proportion of this bank debt would be structured as non-current which means it is repayable outside of 12 months. Auditors Deloitte issued a qualified Audit opinion to RAL having material uncertainty to them being a going concern. This is because the ANZ bank could technically recall for repayment of the $5.9m debt at any time. There was no long-term commitment given by the ANZ bank to continue their support to that debt facility. RAL only have $4.966m cash in the bank at balance date, therefore they are approximately $2m short to be in a position to repay the $5.9m debt back to ANZ bank at a moment's notice (assuming they need to still have at least $1m cash in bank as working capital upon repayment of the $5.9m bank debt)
- In *FY18 (Apr-18) cash position was at its lowest being $3.91m in overdraft which improved to $6.718m cash in the bank as at ** Nov-18 due to four months of winter trading and financing coming through from MBIE, Tourism infrastructure bonds, and Ruapehu district council
- Property plant and equipment assets in *FY17 are $62.8m, increase to a peak at $86.8m in FY19. The asset growth is mostly due to investment in Whakapapa and the Sky Waka Gondola development. Property plant and equipment assets significantly reduce in FY20 to $62.2m. This is mostly due to a $19.9m impairment on the Turoa ski field assets
- Net Assets have declined from $39.9m in FY19, down to $16.47m in FY20 as a result of the $19.9m Turoa asset impairment write down. **Essentially, 50% of Shareholder equity has been written off the balance sheet as a result of the Turoa asset review**

Table 27: Key balance sheet KPIs

Key balance sheet KPIs	FY21	FY20	FY19	**Nov-18	*FY18	*FY17
Capital adequacy ratio - Net Assets % total assets	17%	23%	40%	40%	39%	46%
Unrestricted free cash	**2,465**	**4,966**	**1,564**	**6,718**	**0**	**970**
Total Debt ($000's)	**27,957**	**25,948**	**26,410**	**22,516**	**11,191**	**5,000**
Liquidity ratio - Unrestricted cash as % of total debt	**9%**	**19%**	**6%**	**30%**	**0%**	**19%**
Current ratio 1	23%	40%	63%	88%	7%	24%
Current ratio 2 (Excluding Revenue received in advance and Life pass revenue deferred)	38%	71%	140%	154%	15%	54%
Net working capital 1	(14,617)	(11,638)	(5,881)	(2,730)	(16,055)	(9,011)
Net working capital 2 (Excluding Revenue received in advance and Life pass revenue deferred)	(7,125)	(3,255)	2,837	6,791	(6,998)	(2,408)

Figure 11: RAL Liquidity trend

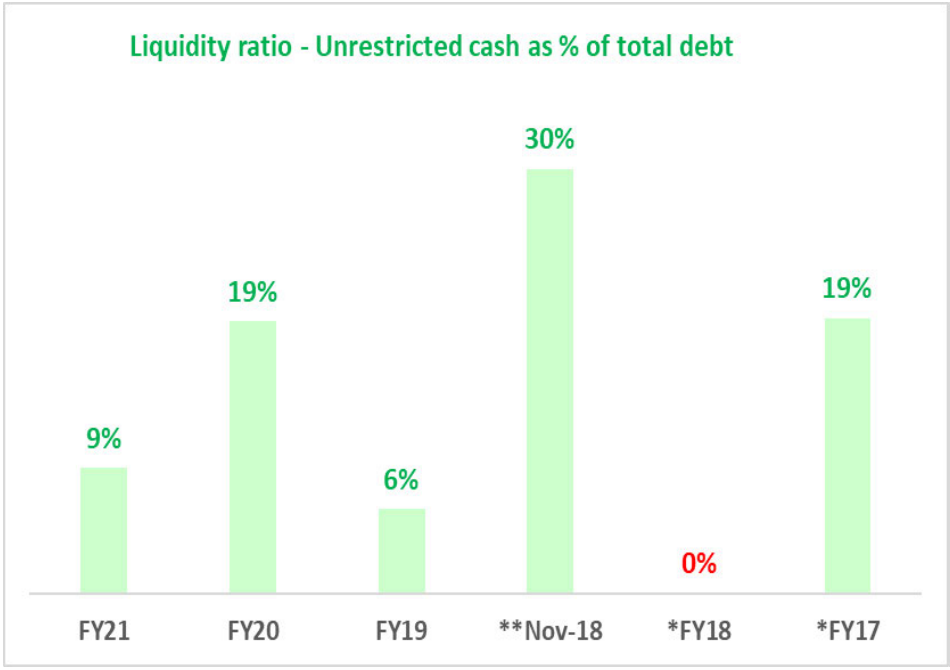
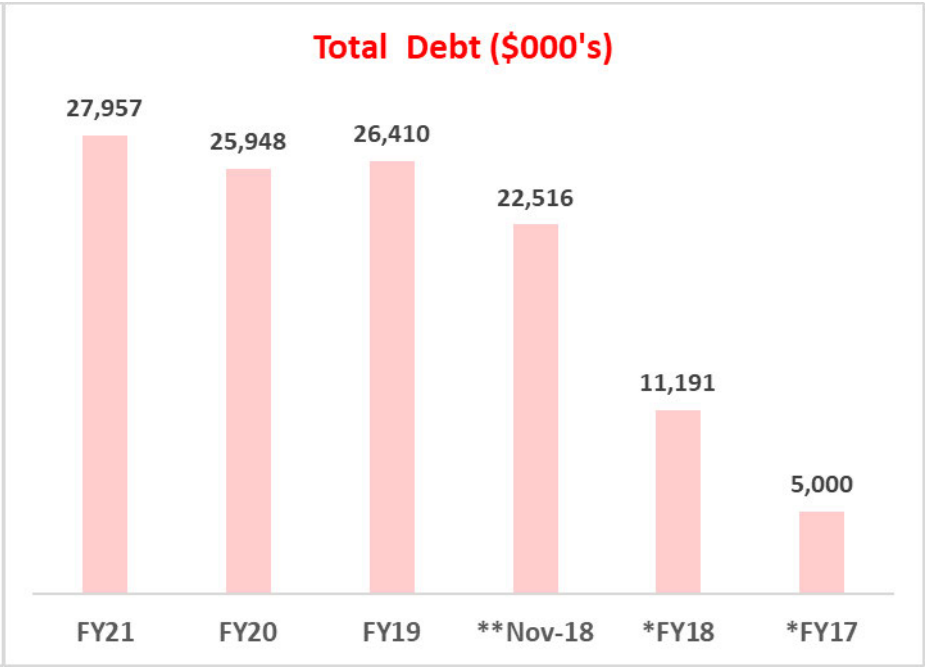


Figure 12: RAL Total Debt Trend



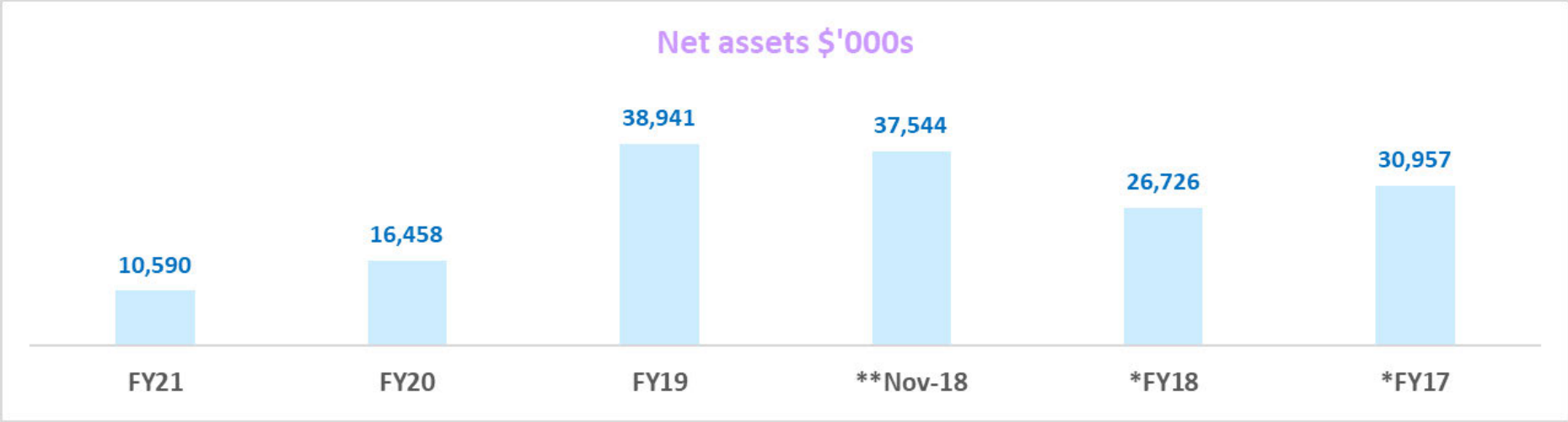
Key balance sheet ratio observations

- FY21 liquidity ratio is 9%. This means that $2.465m unrestricted cash can cover 9% of $27.957m total debt. **This level of liquidity is not practical when the ANZ bank debt of $5.9m is only funded through to November 2022. This presents a huge liquidity and insolvency risk to RAL that could be fixed with refinancing with another lender or a Life Pass offering**. The Board of Directors and RAL management are failing RAL Shareholders and Life Pass Holders with their poor liquidity management strategies which is placing the company under significant liquidity and insolvency risk
- **At FY21 reporting date, RAL have total debt valued at $27.957m.** Total face value of the debt is higher for MBIE and Ruapehu District Council, therefore total debt at face value across all external debt is $34.9m. Due to favourable financing terms the MBIE and Ruapehu District Council debt has been revalued at fair value according to accounting standards and accounting policy. It appears based on RAL profitability levels (estimated to be around $7.1m Operating EBITDA based on FY21 scenario analysis. This is a debt ratio of 4 x operating EBITDA) it is now close to being fully leveraged having maximised its debt carrying capacity. It appears that this view is aligned with that of the Board of Directors as evident when Geoff Taylor spoke at the 11th May 2019 AGM, citing that EBITDA is an important measure for them to assess RAL's debt capacity and based on current profitability levels ($7.2m EBITDA for Nov-18 financial year) they are comfortable with up to $30m debt
- Taking on additional debt beyond $27.957m would increase the debt to operating EBITDA ratio which would further expose RAL to rising finance costs which is on the horizon with RBNZ signalling official cash rate will go up in the longer term. Exposure to too much debt will compromise RAL's ability to paydown debt quickly. This is because increased servicing costs of debt reduce operating cash flows available to pay down debt. It is worth noting that RAL have financed Sky Waka with low cost debt instruments using MBIE and Ruapehu District Council debt which is almost like an interest free loan. This is because no principal or interest is due until the Sky Waka sightseeing patronage hits 300,000 sightseers. The Tourism infrastructure bond debt is designed to share the risk and rewards, therefore the debt serving risk is significantly minimised
- RAL has a net working capital deficiency. Net working capital is "current assets" less "current liabilities". Net working capital is a measure of the coverage of current assets available to cover current liabilities as they fall due. RAL working capital deficiency is reduced if you exclude season pass revenue received in advance and deferred life pass revenue. The reason for excluding these components in the secondary net working capital ratio is because it is unlikely season pass revenue will need to be refunded (except under extraordinary circumstances) and likewise life passes are extremely unlikely to be refunded
- In FY21 the Net working capital ratio 2 is a deficiency of $7.125m. If the ANZ bank loan of $5.9m and MBIE short term debt of $2.790m was restructured as longer-term debt then RAL would have a net working capital surplus position of $1.565m (Ratio excludes the season pass revenue received in advance and deferred life pass revenue)
- RAL has been and still is in an aggressive investment phase which means cash reserves are not being accumulated because they are being reinvested into Property plant and equipment. It is advisable that RAL should target a positive net working capital ratio. To achieve this RAL would need to build up cash reserves by an additional $14.6m based on FY21 position. It is also advisable that RAL should accumulate sufficient working capital and cash reserves to maintain a skeleton staff structure in the event RAL are unable to operate for two seasons in a row due to an extraordinary event such as a volcanic eruption. Assuming corporate costs are 15% of $41m estimated operating revenue, if we estimate corporate costs of $6m to maintain the

business administration, then it **is recommended that RAL should be targeting to maintain a long-term minimum cash position of approximately $15m** to protect the company from insolvency risk in event of extraordinary circumstances

- The COVID-19 pandemic event should be seen as a good lesson for RAL Management to look after their balance sheet positioning. Now is a good time to start reconsidering their aggressive $55m investment strategy to the redevelopment of Turoa and shift to a conservative hold and maintain strategy. This will allow cash reserves to be replenished to improve net working capital and liquidity position. This will better place RAL for long term debt repayment commitments
- On the 21st February 2022 update the Board announced that the Turoa redevelopment plans are officially placed on hold. We support this decision. The Boards reason for placing the development plans on hold are due to:
    - Material falls in profitability due to the COVID pandemic
    - Further write down in Turoa assets due to a poor economic outlook. FY21 Annual report confirm this was a further $1.45m impairment write off on top of the $20m impairment write off in FY20
    - Failure to find a private equity investor to raise capital. It is important to note shareholders have not approved for this sale to take place. However, controlling shareholder The RAL Trust has provided a letter of support for which they had zero funds to obtain independent legal and financial advice on this decision. Concerned Shareholders have formally requested that The RAL Trust to remove their letter of support and have served The RAL Trustees with legal letters to advise them that their support of NEWCO is in breach of the RAL Trust Deed
    - Escalation in construction costs and components required to replace lifts

Figure 13: RAL Net Assets/Shareholder Equity trend



Of significant concern RAL net assets have deteriorated from $38.9m in FY19 and are now down to $10.6m in the FY21 financial year. We are of the opinion that a large proportion of the $21m Turoa asset impairment requires an independent review. It does not make sense because Shareholders have not been given any documentation apart from basic notes in the FY21 and FY20 Annual report's to justify the level of this impairment write down. Of the greatest concern is that RAL have engaged Dopplemayr to do an independent review of the condition of the lifts more than 12 months after the FY20 $20m impairment write down? **How can Auditors impair the Turoa assets by $20m without the lift assessment report from the Dopplemayr review?** Auditors are not experts in assessing the condition and useful life of buildings, plant and equipment and lift infrastructure, they would have relied on information received from the Board of Directors to support the $20m impairment. Have the Board significantly overstated the impairment write down? The outcome from the Dopplemayr report will hopefully result in some of the Turoa assets impairments being reversed.

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Table 28: November 2021 RAL Property, Plant and Equipment Asset balances and movements

	Opening net book value	Additions	Transfers	Disposals	Depreciation write back on disposal	Less depreciation expense	Less Turoa Impairment	Closing net book value
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
Ski lifts	26,687		1,567	(227)	227	(2,017)	(862)	25,375
Buildings and fixtures	20,115		637			(1,021)	(240)	19,491
Car parks and roads	707		0			(59)		648
Motor vehicles	2,167		2,156	(1,544)	887	(908)		2,758
Service and concession assets	931		(1,106)			(116)		(291)
Plant and equipment	11,394		1,477	(2,282)	2,282	(3,488)	(277)	9,106
Assets under development	163	4,807	(4,731)				(44)	195
Total	**62,164**	**4,807**	**0**	**(4,053)**	**3,396**	**(7,609)**	**(1,423)**	**57,282**

Table 29: November 2020 RAL Property, Plant and Equipment Asset balances and movements

	Opening net book value	Additions	Transfers	Disposals	Depreciation write back on disposal	Less depreciation expense	Less Turoa Impairment	Closing net book value
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	
Ski lifts	36,426		3,972	(245)	237	(2,866)	(10,837)	26,687
Buildings and fixtures	26,199		944	(170)	158	(1,413)	(5,603)	20,115
Car parks and roads	3,697		(1,080)			(145)	(1,765)	707
Motor vehicles	3,781		(579)	(250)	250	(1,035)		2,167
Service and concession assets	468		579			(116)		931
Plant and equipment	15,806		1,481	(3,084)	3,045	(4,378)	(1,476)	11,394
Assets under development	422	5,240	(5,317)				(182)	163
Total	**86,799**	**5,240**	**0**	**(3,749)**	**3,690**	**(9,953)**	**(19,863)**	**62,164**

Key balance sheet observations – Turoa asset impairments

The FY20 impairment of $19.9m and a further $1.4m impairment on the Turoa asset base in FY21 is at best controversial. The further $1.4m impairment of the Turoa asset base appears to be justified by increasing the discount rate in the cash flow evaluation model for the Turoa assets from 8.19% to 10%. The Board and RAL management do not understand the condition of the Turoa lift infrastructure assets and have recently announced to shareholders on the 22nd February 2022 that they have commissioned an independent review of the lift infrastructure by Dopplemayr lifts company. They have also placed the Turoa redevelopment plan on hold while they await the outcomes from these reviews and the alternative options. How can the auditors Deloitte impair $11.7m off the Turoa lift infrastructure before this independent lift assessment review had been completed? Lastly, the discounted cash flow model assumptions regarding the future investment required for Turoa is now likely to be flawed given that alternative options to extend the useful life of existing Turoa assets is now on the table. In other words, the Turoa redevelopment is likely to be significantly more modest and humbler than the original $50m plus proposal.

Shareholders should be questioning the Board and the auditors as to whether this accounting treatment is acceptable to the shareholders. The commentary below is still highly relevant and remains unchanged from the FY20 alternative report:

- RAL Shareholders Equity [Net Assets] has taken a significant hit declining from $38.9m in FY9 to $16.5m in FY20 due to a $19.9m impairment write off on the Turoa assets. The Board had made special instruction to the Auditors Deloitte to focus on the value of assets in the FY20 period. According to the FY20 annual accounts *"The impairment exists due to the age of the Turoa assets, the required future investment and future estimated cashflows associated with Turoa's current asset base. The impairment loss has been recognised in the statement of comprehensive income. The discounted cashflow model to determine the recoverable amounts of the cash-generating units has a weighted average cost of capital rate of 8.19% and a terminal growth rate of 1.5%".* Essentially the discounted cash flow model determined the following impairments for the Turoa Ski field:
    - Lifts were impaired by $10.8m
    - Buildings were impaired $5.6m
    - Roads and car parks were impaired $1.8m
    - Plant and Equipment were impaired $1.5m

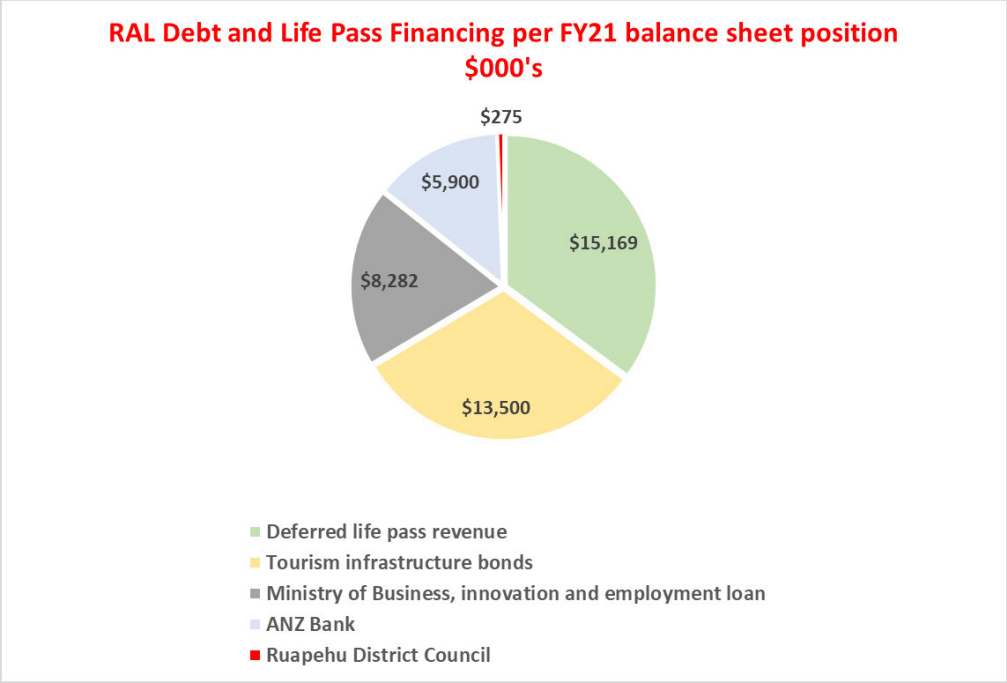
    Key points that Shareholders should take note are that the cash flows were discounted by 8.19%. This is a significantly high discount to be discounting cash flows and is likely based on the assumption on the expected return required from those assets. This may be an indication of the expected return that the Investors would be wanting to achieve should they invest $30m for a 50% share of RAL.

    Another key point is that the cash flow model considers future investment into Turoa which is also driving the value of the impairment. It appears the impairment value of the Turoa assets is large because it likely involves the costs of removing and disposing existing infrastructure. Of particular interest to Shareholders is whether the impairment would be entirely or partly reversed if the $55m Turoa redevelopment plan were to be revised

to a hold and maintain strategy? The main assumption being that the existing assets being impaired are now having their useful life extended, or at a minimum maintained per a normal capital maintenance program.

- FY20 property plant and equipment had an opening balance of $86.8m which has declined to $62.2m, largely as a result of a $19.86m impairment of Turoa Assets
- Tourism infrastructure bonds, MBIE, and Ruapehu District Council hold security over Sky Waka Gondola. The ANZ bank hold security over all other present and after acquired property with the exception of the Sky Waka Gondola
- Restricted funds held in trust is a bank account held in Trust by a Wellington Legal firm, Macalister Mazengrab, to securely hold financing received from Tourism infrastructure bonds, MBIE, and Ruapehu district council for the construction of the Sky Waka Gondola. This trust arrangement ensures the financing cash flows are used specifically for the Sky Waka Gondola development and are only released upon construction milestones being achieved and independently verified by an engineer per the contract

Figure 14: RAL Debt and Life Pass financing per FY20 balance sheet



RAL balance sheet as at 30 November 2021 has $15.2m in deferred life pass revenue recognised one the balance sheet. Life Pass holders have been the largest collective source of financing for RAL. Tourism infrastructure bonds are the second largest source of financing with $13.5m, followed by the MBIE with $8.3. At face value, MBIE is actually the second largest source of financing at $15m, however the favourable terms of financing and adoption of accounting standard and policy result in a significant revaluation of this debt in the balance sheet. ANZ Bank have $5.9m financing position in RAL and hold security over all assets except for the Sky Waka Gondola, which the Tourism infrastructure bonds and MBIE hold security over. Ironically, the largest financiers of RAL being the Life Pass holders are the less protected holding no security over any assets. ANZ bank debt financing is only 14% of the total $43.1m Debt and Life pass financing position on the balance sheet, yet it is the **ANZ Bank debt which has been the most problematic for RAL** with the pandemic triggering an event review in FY20 which caused a liquidity risk and material uncertainty in RAL ability to operate as a going concern should ANZ decide to call upon their debt. Unfortunately for FY21, the ANZ bank debt still poses a problem for RAL and the Board and Management appear oblivious to alternative solutions that were proposed for consideration in the FY20 alternative report. Below is a table of 13 other banking institutions who RAL could have approached for a better financial arrangement as an alternative to the ANZ bank:

Table 30: Banking Institutions in New Zealand

New Zealand Bank	Headquarters	Type	Parent Company
ANZ Bank	Auckland	New Zealand retail banking subsidiary	Australia & New Zealand Banking Group
ASB Bank	Auckland	New Zealand retail banking subsidiary	Commonwealth Bank
Kiwi Bank	Wellington	State owned retail bank	New Zealand Post
Bank of New Zealand	Auckland	New Zealand retail banking subsidiary	National Australia Bank
China construction Bank New Zealand		New Zealand retail banking subsidiary	China Construction Bank
Citibank New Zealand		New Zealand registered corporate banking branch of offshore banking group	Citibank
Co-operative bank New Zealand	Wellington	Co-operative retail bank	
Heartland Bank	Auckland	New Zealand listed retail bank	
HSBC New Zealand	Auckland	New Zealand retail banking subsidiary	HSBC
Rabobank New Zealand	New Zealand	New Zealand retail banking subsidiary	Rabobank
SBS Bank	Invercargill	Mutual retail bank	
TSB Bank	New Plymouth	Community trust retail bank	
Westpac New Zealand	Auckland	New Zealand retail banking subsidiary	Westpac
Bank of India New Zealand		New Zealand retail banking subsidiary	Bank of India

(Source: Wikipedia https://en.wikipedia.org/wiki/List_of_banks_in_New_Zealand)

Cash Flow Analysis

Table 31: Cash flow analysis and trends

RAL cash flow analysis and trends	November reporting date				April reporting date		Accumulative Cash flow movements
	FY21 $'000s	FY20 $'000s	FY19 $'000s	**Nov-18 (7 months)	*FY18 $'000s	*FY17 $'000s	*FY17 to FY21
Operating activities							
Cash received:							
Receipts from customers	16,976	21,587	26,273	25,268	22,507	18,614	131,225
Revenue received in advance	5,905	6,423	6,546	7,761	7,281	4,736	38,652
Receipts from life pass sales	215	253	4,419	197	368	13,181	18,633
Interest received	10	34	57	15	33	71	220
COVID-19 government wage subsidy	2,203	1,715	0				3,918
Total cash received for operating activities	*25,309*	*30,012*	37,295	33,241	30,190	36,601	192,648
Cash paid:							0
Payments to suppliers and employees	(27,253)	(22,452)	(33,084)	(22,387)	(26,971)	(25,997)	(158,144)
Interest paid	(804)	(948)	(810)	(427)	(467)	(326)	(3,781)
Net cash flows from operating activities	**(2,748)**	**6,612**	**3,401**	**10,427**	**2,752**	**10,279**	**30,723**
Investing activities							
Cash received:							
Sale of plant and equipment	715	0	258	69			1,042
Cash paid:							
Purchase of property plant and equipment	(5,327)	(5,403)	(17,815)	(10,780)	(9,913)	(11,908)	(61,146)
Net cash flows from investing activities	**(4,612)**	**(5,403)**	**(17,557)**	**(10,711)**	**(9,913)**	**(11,908)**	**(60,104)**
Financing activities							
Cash received:							
Term facilities					3,100	804	3,904
Tourism infrastructure bonds		0	4,000	9,500			13,500
Ministry of Business, Innovation and Employment loan	5,000			10,000			15,000
Ruapehu District Council Loan				500			500
Total cashed received from financing activities	*5,000*	*0*	*4,000*	*20,000*	*3,100*	*804*	32,904
Cash paid:							
Current proportion of Term loans		(1,000)	(600)	0	(600)	(600)	(2,800)
Current proportion of lease liabilities						(3)	(3)
Net cash flows from financing activities	**5,000**	**(1,000)**	**3,400**	**20,000**	**2,500**	**200**	**30,100**
Net increase/(decrease) in cash	**(2,360)**	**209**	**(10,756)**	**19,716**	**(4,661)**	**(1,429)**	719
Opening cash	5,478	5,269	16,025	(3,691)	970	2,399	
Closing cash	**3,118**	**5,478**	**5,269**	**16,025**	**(3,691)**	**970**	

High level Cash flow observations

RAL spent $61.1m cash on property plant and equipment between *FY17 and FY21. This appears to be mostly related to the development of Whakapapa ski field and the Sky Waka gondola. However, approximately $10m of emergency CAPEX appears to have been spent on extending the useful life of the Turoa assets with particular reference to the Giant Chair lift in FY20, Parklane and Movenpick Chairlifts in FY21. RAL's annual reports are not easily transparent on this matter so we are happy to be corrected. $32.9m in external financing cash flows were drawn to fund this capital development between *FY17 and FY21. In this time period, $2.8m short term debt has been repaid on top of $3.78m in financing costs. A further $18.6m in Life pass receipts have been used to fund this development and the remaining $9.6m has been funded with using other operational cash flow surpluses.

*Table 32: Analysis of cash flow trends *FY17 to FY20 for Property Plant and Equipment cash flow payments and its funding sources*

	$000's	%
Property Plant and Equipment cash flow expenditure	(61,146)	Share
Property Plant and Equipment cash flow expenditure funded by:		
Life pass sales	**18,633**	**30%**
Tourism infrastructure bonds	**13,500**	**22%**
Ministry of Business, Innovation and Employment loan	**15,000**	**25%**
Ruapehu District Council Loan	**500**	**1%**
ANZ bank debt facilities	**3,904**	**6%**
Other accumulated operating cash flows	**9,609**	**16%**
	61,146	**100%**

Life pass holders have been the single largest contributors for financing RAL's major $61.1m capital development program between *FY17 and FY21, contributing $18.6m in operating cash flows, yet collectively they are the most vulnerable and less protected of all the financing parties.

RAL operating cash flows include approximately 21% to 25% revenue received in advance from sale of season passes and vary dramatically between years due to life pass sales. Net cash flows accumulated from operations are $30.7m which if you exclude life pass sales of $18.6m reduces to $12m accumulated net operating cash flows. This averages out to an average rate of $2m in net operational (excluding life pass sales) cash flows per annum across approximately 5.6 financial periods (**Nov-18 being only 7 months). What is encouraging is that the future operational cash flows are estimated to improve significantly as trading resumes to business as normal as the world adjusts to living with the pandemic. The No COVID scenario modelling indicates that

recurrent operational cash flows should be in the vicinity of approximately $5.5m to $7.5m based on a minimum operating EBITDA of $7m being achieved and the Boards targeted $10m operating EBITDA being achieved (less approximately $1.5m for annual financing costs).

Detailed Cash flow observations FY21

Operational cash receipts are $12m down on pre-COVID-19 levels and $4.7m down on previous FY20 COVID affected year. The Auckland and Northland restrictions prevented a large part of RAL's market share from accessing the skiing season. Timing of the Delta outbreak in peak season resulted in a six week national lockdown and the extended lockdowns for Auckland only meant the rest of the country was open. This limited the ability for RAL management to reduce their cost profile. Payments to suppliers and employees was $27.2m which was $4.8m up on previous FY20 COVID affected year, despite cash receipts being $4.7m less.

$5m Emergency CAPEX funding was received from MBIE for emergency maintenance to Parklane and Movenpick chair lifts on the Turoa ski field. It appears approximately $ 1m was also spent on vehicles, although RAL management would need to confirm this observation as it is difficult to identify from annual reports?

Detailed Cash flow observations FY17 to FY20

- In *FY17 RAL had an opening cash position of $2.4m. $11.9m was invested into plant and equipment which was largely financed by the sale of $13.2m in Life Pass sales. Life Pass sales contributed to above normal net operating cash flow of $10.3m. Closing cash position for *FY18 was $970k
- In *FY18 RAL had an opening cash position of $970k and operating cash flows $2.75m. $9.9m was invested into plant and equipment which was financed by extending ANZ borrowing facilities by a net $2.5m, and extending RAL into a temporary $3.7m overdraft position while waiting for long term financing to come through
- In ** Nov-18, $20m in external financing cash flows were received:
    - $9.5m Tourism infrastructure bonds
    - $10m MBIE
    - $500k Mount Ruapehu District council

  Net operating cash flows were $10.4m for the 7 months and is favourable compared to other comparative periods because the trading includes the winter months and does not include corporate expenditure for the other five months outside of the winter trading season. $10. 8m is invested in property plant and equipment.

  Overall, the cash position improved from $3.7m overdraft to a flush $16.7m due to $20m financing cash flows received and the winter trading season cash flows, which also includes $7.7m advance season pass sales. **$9.3m of the cash position is held in restricted funds in trust.**

- FY19 opening bank balance $16m is flush from financing coming through and winter trading in the *Nov-18 reporting period, this allows for a further $17.6m cash investment in property plant and equipment. A further $4m in financing is received in tourism infrastructure bonds. $600k repayment is made on the ANZ short term proportion of debt. Overall, cash position closed at **$5.269m, of which $3.705m is held in restricted funds in trust.**

  Net operating cash flows are $3.4m. Operating cash inflows received $37m, are the highest of the comparative periods included in the analysis and includes $4.4m in receipt of life pass sales. However, $33m in payments to suppliers and employees are also the highest of the comparative periods.

- FY20 net operating cash flows were surprisingly strong at $6.6m. Receipts from customers dropped from $26.7m in FY19 down to $21.6m as a direct result of the COVID-19 pandemic disrupting the ski season. RAL management did an excellent job containing cash outgoings to suppliers and employees to $22.41m, significantly down from $33m in FY19 to offset the decline in revenue. $1.715m was received in COVID-19 support subsidy. $6.4m revenue received in advance for the FY21 ski season kept operational cash flows topped up at the end of the winter season. $5.4m was invested in property, plant and equipment and $1m short term debt was repaid to the ANZ bank. Overall, closing cash position improved to $5.478m of which only **$512k was restricted funds in trust. Hence <u>unrestricted cash had improved from $1.56m in FY19 to $4.966m in FY20</u>**

NEWCO corporate restructure long term financial feasibility concerns

Table 33:High level modelling on residual operating cash after financing costs and shareholder dividend

	Scenario 1	Scenario 2	
	$000's	$000's	
Operating EBITDA	**7,263**	**9,500**	S1 based on FY20 scenario modelling. Scenario 2 assumes higher operating EBITDA achivable from Sky Waka summer operations
Current finance servicing costs	**(1,486)**	**(1,486)**	Based on FY20 - likely to increase, noting additional $5m borrowed form MIBE
Estimated financing costs	**(1,250)**	**(1,250)**	Additional servicing costs for $25m debt to complete Turoa $55m redevelopment
Estimated Dividend			
New Investor - NEWCO Shareholders $30m (50%)	**(3,002)**	**(3,002)**	Based on assumed 10% required rate of return on $30m equity investment
Original RAL Shareholders in NEWCO (50%)	**(3,002)**	**(3,002)**	Assume existing RAL shareholders will have equal dividend rights in NEWCO
Residual operating cash flows after fiancing and dividends	**(1,477)**	**759**	

The Directors have advocated that the RAL corporate restructure is required to access $30m equity to redevelop the Turoa ski field as part of a $55m redevelopment plan. Limited transparency regarding the NEWCO proposal has been provided to shareholders. High-level modelling based on limited information raises concerns to the long-term financial sustainability of the NEWCO structure. This is based on a key expectation that Shareholders will want to access a share in the company profits and operational cash flows and Turoa ski field will undergo a $55m redevelopment. The high-level modelling has been performed on the assumption that investors will expect a 10% return on their $30m. This is an annual dividend of $3m which doubles to $6m, assuming existing RAL shareholders are also entitled to an equal dividend payout.

Observations - scenario 1 NEWCO, operating EBITDA $7.3m

Under scenario 1, there will be a residual operating cash flow deficiency after financing costs and dividends. This is an unviable scenario as dividend payouts exceed operating cash flows.

Observations - scenario 2 NEWCO, operating EBITDA $9.5m

Scenario 2 with a higher $9.5m operating EBITDA has surplus $759k residual operating cash flows per annum. This scenario appe ars to be another unviable proposition because the company will likely be in upwards of $50-55m in debt. This is because residual operating cash flows of $759k alone will not be able to repay this debt. On this basis, we conclude that the NEWCO restructure will be highly suspectable to future corporate restructuring to refinance RAL in the medium term which means there is a real risk that RAL Life Pass holder benefits may not be carried forward in future corp orate restructuring transactions.

Table 34: Key assumptions used in the NEWCO feasibility modelling

Assumption	$000's	Notes
Investors - Equity	**30,000**	Per Directors NEWCO proposal
Expected rate of return pa	8.19%	Based on cost capital used in RAL discounted cash flow model for Turoa asset impairment
Length of investment (years)	55	RAL lease is 60 year term
Estimated Dividend payouts per annum to additional NEWCO investors for 50% share of RAL		
Expected annual return on investment	**2,457**	8.19% on $30m Equity
Recovery of $30m Equity	**545**	i) Inherent risk to investor that RAL ski field lease is not renewed an factored into return ii) Assume investor expects to recover equity proportion over 55 years
Estimated annual dividend cash outflow	**3,002**	Expected rate of return + recovery of equity over lease RAL lease term
Estimated required rate of return	**10%**	Expected rate of return + recovery of equity over 55 life of investment
Turoa redevelopment plan	**55,000**	
Funded by		
Additional Equity - NEWCO Investors	**30,000**	
Additonal debt financing	**25,000**	
Total financing for Turoa redevelopment	**55,000**	
Additional financing cost assumption	**5%**	

The key assumptions derived are to determine what level of dividend payout investors who buy in NEWCO should expect. The divi dend payout is based on the key assumption that dividend payout will need to factor in a return based on limited life of the RAL lease. There is always going to be an inherent risk that the ski field license will not be renewed and investors will likely factor this into their required rate of return. The modelling assumes that the life of the investment is based on 55 years. This means the dividend payment will incorporate a $545k recoupment of equity per annum. The expected rate of return

has been assumed at 8.19% which is based on the cost of capital used in the discounted cash flows for the impairment of Turoa assets. This equates to $2,457m per annum expected rate of return on the $30m investment. The total annual dividend payout modelled for the new investors is forecasted to be in the vicinity of $3m ($2.457m + $0.545m). This level of dividend equates to a required rate of return of 10% pa. In total RAL would need to pay $6m in dividends because the existing RAL company would expect to receive an equivalent dividend amount for its 50% shareholding of the NEWCO company, otherwise the arrangement would not be deemed fair and equitable to the shareholders of the RAL company should RAL's shareholding in NEWCO not also have equal dividend rights.

The modelling assumes an additional $25m of debt financing will be required to fully finance the $55m redevelopment of Turoa. Turoa development is assumed to be financed using $30m Investor capital equity injection and $25m debt financing. Additional financing costs are estimated based on 5% average cost of finance.

Appendix 1: Capital Expenditure notes listed in annual reports

Table 35: Summary capital expenditure notes listed in the RAL annual reports and shareholder updates

Financial reporting period	Description	Ski Field	Cash flow expenditure ($000's)
2017/16	Rangatira express chair lift	Whakapapa	
	SPF210 Snow factory	Whakapapa	
	7 snow guns	Turoa	
	3 new snow groomers		
	New 12T Excavator		
	3 new beginner lifts (2 fully enclosed)	Whakapapa, Happy valley	
	Night ski lighting and equipment	Whakapapa, Happy valley	
	Dedicated sledding lane and lift	Whakapapa, Happy valley	
	Double size of decks	Whakapapa, Happy valley	
	New ski rental fleet	Whakapapa, Happy valley	
	2 new Schindler elevators enhancing access to Happy Valley	Whakapapa, Happy valley	
	Replace waterfall T Bar with Doppelmayr quad chairlift	Whakapapa, Happy valley	
	Commission new standby generator	Whakapapa	
	Two new 22 seater 4WD Mercedes Benz buses	Turoa	
	New PA and audio system	Whakapapa	
	Redevelop "drop off area" with swipe card access control for bus access at Whakapapa	Whakapapa	
	Redevelop Happy Valley Bistro with new kitchen, front of house, furniture and menu	Whakapapa	
	Relaunch the 'Schuss Haus" as a Corona Bar		
	Commenced redevelopment of the Snowflake care		
	Removal of Bridge hutt at top of the Rock Garden and the Meads Wall café	Whakapapa	
	2017/16 Capital expenditure per statement of cash flows		**-11,908**
2018/17	95% replacement of the aged far West T bar, with only the drive and return equipment remaining	Whakapapa	
	Rework the Delta Chair lift upload position	Whakapapa	
	New 3D modelling and GPS technology installed at Whakapapa	Whakapapa	
	Upgrade of Turoa snow making system to link the top of the giant to the existing snow making system	Turoa	**-9,913**
	2018/17 Capital expenditure per statement of cash flows		
Nov-18 (7 months)	T-bars at Whakapapa - Valley and Knoll T-Bars mechanical upgrades with new sheave assemblies and realignment	Whakapapa	
	$1.4m project with Doppelmayr New Zealand		
	Planning applications for development of Turoa ski field	Turoa	
	Knoll Ridge Chalet undergoing refit in preparation for Gondola. Refit to increase seating by 50%	Whakapapa	
	Nov-18 (7 months) Capital expenditure per statement of cash flows		**-10,780**
2019/18	Construction of the Sky Waka Gondola	Whakapapa	
	Repairs to Highnoon express chair lift	Turoa	
	Development on E-commence capability		
	Refurbishment of food and beverage facilities		
	2019/18 Capital expenditure per statement of cash flows		**-17,815**
2020/19	$5m Turoa maintenance CAPEX	Turoa	
	Giant Chair lift $2m upgrade (Included in $5m CAPEX above)	Turoa	
	2020/19 Capital expenditure per statement of cash flows		**-5,403**
2021/20	Maintenance on Moven Pick and Parklane chairlift - $1.6m	Turoa	
	Motor Vehicles $1.1m		
	Plant and equipment $1.5m		
	Buildings and fixtures $0.6m		
	2021/20 Capital expenditure per statement of cash flows		**-5,327**
Total Property plant and equipment expenditure per statement of cash flows between March 2016 to November 2021			**-61,146**

Appendix 2: Comprehensive Income Statement working paper and analysis mapping

Table 36: Comprehensive Income working paper and analysis mapping

	FY21	FY20	FY19	*FY18	*FY17	Mapping
Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
Service Revenue						
Lift Pass Sales	16,410	22,197	21,643	17,010	14,405	
Sales of Goods and Services	7,687	7,727	12,356	11,560	9,994	
Investment Revenue						
Rent	264	185	251	298	269	
Interest received	10	34	57	33	71	
Operating revenue	**24,371**	**30,143**	**34,307**	**28,902**	**24,739**	
Operating Expenses						
Cost of sales	1,854	1,893	2,558	2,152	1,715	Cost of sales
Audit fees	98	54	68	33	38	Audit fees
Finance costs	1,494	1,486	1,303	467	326	Finance costs
Depreciation	7,609	9,953	5,457	5,822	4,112	Depreciation and amortisation
Amortisation	317	335	133	78	52	Depreciation and amortisation
Director's fees	210	183	210	143	150	Director fees, board and governance
Provision for bad debts					22	Other Suppliers and Services
Insurance	1,805	1,652	1,459	987	859	Insurance
Electricity usage and line charges	1,884	1,897	2,608	2,065	1,950	Electricity usage and line charges
Wages and Salaries	11,795	9,389	13,606	12,399	10,164	Staff costs
ACC	137	175	146	173	170	Staff costs
License Fees, Rates and Ski Area Levies	43	716	1,600	1,223	1,235	License Fees, Rates and Ski Area Levies
Marketing	408	430	730	867	471	Marketing
Lift Maintenance and Services	1,089	958	1,001	774	584	Lift maintenance, grooming & snow making services
Grooming maintenance and Services	198	231	295	192	254	Lift maintenance, grooming & snow making services
Other Suppliers and Services	5,582	5,136	6,456	5,611	4,757	Refer to note 16 mapping
Total operating expenses	34,523	34,488	37,630	32,985	26,859	
				-		
Operating result	**(10,152)**	**(4,345)**	**(3,323)**	**(4,084)**	**(2,120)**	
Operating EBITDA	**(1,006)**	**7,210**	**3,262**	**1,952**	**2,030**	
Non-recurrent activities						
Non-recurrent income						
COVID-19 subsidies	2,203	1,715	-			
Gain on asset disposal	71	-	75			
Grant income	2,171	475	2,371			
Fair value gains on derivatives and foreign exchange			93		33	
Gain on remeasurement of financila liabilities measured at amortised cost	1,255					
Insurance proceeds	9		2,585			
	5,709	2,190	5,124	-	33	
Non-recurrent expenditure						
Impairment	1,425	20,204	166			
loss on asset disposal		64		46	790	
Fair value losses on derivatives and foreign exchange		5		102		
Turoa avalanche		55	238			
Turoa diesel spill					137	
	1,425	20,328	404	148	927	
Non-recurrent result	4,284	(18,138)	4,720	(148)	(894)	
Total Result	**(5,868)**	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	
EBITDA	**3,278**	**(10,928)**	**7,982**	**1,804**	**1,136**	
***Adjusted EBITDA (excludes impairment)**	**4,703**	**9,276**	**8,148**	**1,804**	**1,136**	
Total comprehensive result per annual reports	**(5,868)**	**(22,483)**	**1,397**	**(4,231)**	**(3,014)**	

Table 37: Note 16 Detailed breakdown working paper and analysis mapping

Note 16 Detailed per annual reports	FY21	FY20	FY19	*FY18	*FY17	Mapping
	$'000	$'000	$'000	$'000	$'000	
Accommodation leases & supply services	357	330	354	437	344	Other Suppliers and Services
Bank fees	71	230	37	80	50	Other Suppliers and Services
Board and governance expenditure	53	109	198	79	60	Director fees, board and governance
Cadetship	-39	-2	-119	-78	-38	Staff costs
Consumables and cleaning supplies	131	120	310	251	205	Other Suppliers and Services
Corporate support and services	322	496	606	413	379	Other Suppliers and Services
Credit card commission paid	285	342	365	317	245	Other Suppliers and Services
FBT	65	69	78	44	41	Staff costs
Field operations supplies and services	90	24	81	95	56	Other routine maintenance, fuel and supplies
Food and beverage supplies and services	24	24	40	89	62	Other Suppliers and Services
Fuel and vehicle expenditure				633	652	Other routine maintenance, fuel and supplies
Fuel expenditure (Vehicles, groomers, and transport	197	173	346			Other routine maintenance, fuel and supplies
Kiwi saver	289	222	259	244	201	Staff costs
Maintenance and service of building and equipment	468	380	814	511	413	Other routine maintenance, fuel and supplies
Medical supplies and services	45	34	60	69	56	Other Suppliers and Services
Motor vehicle expenditure and maintenance	250	185	290			Other routine maintenance, fuel and supplies
Ohakune & Taupo Office lease, supplies and services	198	150	139	93	13	Other Suppliers and Services
Postage, courier, printing and stationary	94	21	49	69	47	Other Suppliers and Services
Professional fees	258	235	82	11	50	Other Suppliers and Services
Rental supplies and services	20	11	61	41	32	Other Suppliers and Services
Retail supplies and services	10	1	2	7	12	Other Suppliers and Services
Road and car park maintenance	97	84	172	147	157	Other routine maintenance, fuel and supplies
Safety and Environmental risk	70	60	85	43	44	Other Suppliers and Services
Ski patrol supplies and services	92	86	114	102	65	Other Suppliers and Services
Snow school supplies and services	145	97	209	58	23	Other Suppliers and Services
Snowmaking supplies	108	25	35	254	242	Lift maintenance, grooming & snow making services
Software fees and IT services and supplies	618	633	718	415	418	IT and communication
Staff Training expenditure	113	30	105	75	241	Staff costs
Staff uniform	269	226	182	500	309	Staff costs
Strategic Planning	184	117	136			Other Suppliers and Services
Telephone rental	141	70	88	69	81	IT and communication
Ticket stock consumed	284	199	152	91	153	Other Suppliers and Services
Transport expenditure (excl. Fuel)	215	282	250	350		Other Suppliers and Services
Travel and Entertainment	58	73	158	91	105	Other Suppliers and Services
Turoa avalanche	0	55	238			Turoa avalanche
Summer operation supplies and services				12	36	Other Suppliers and Services
Total other supplies	**5,582**	**5,191**	**6,694**	**5,611**	**4,757**	
Other Suppliers and Services per Statement of Comprehensive Income in annual reports	**5,582**	**5,191**	**6,694**	**5,611**	**4,757**	

To the Department of Conservation,

This submission is in support of the application by Whakapapa Holdings Limited (WHL) for a 10-year concession to operate the Whakapapa Ski Area. **The Ruapehu Ski Club Inc. strongly believes that the continued operation of the Whakapapa Ski Area is crucial to the existence of many Whakapapa-based ski clubs**. These clubs, and the wider skiing community, are deeply connected to the mountain, and their history is intertwined with the development of the ski area.

In the past, club members and locals actively participated in the creation of Ruapehu Alpine Lifts (RAL), the previous operator. They invested in shares and purchased life passes to fund lift infrastructure, such as the Rangatira Chairlift, to ensure access to skiable terrain for both clubs and the general public. **The clubs rely on a financially stable ski field operator at Whakapapa to ensure their ongoing operations**.

WHL's application is for a 10-year term. This approach acknowledges the need to address the complexities surrounding the Waitangi Tribunal Claim (Wai1130). It is vital that the ski area remains operational during this period, otherwise, there will be negative consequences for the environment, culture, recreation, and economy of the region. The 10-year term allows time for the resolution of these issues, after which WHL can develop a longer-term plan in consultation with iwi.

WHL has committed to maintaining the existing maximum daily capacity of 6,500 people. While WHL has indicated a focus on collaboration with clubs, it is also vital that access for club members who are staying in the clubs above the Top of the Bruce be addressed. It is also important that the "Clubbies Only" overnight parking area remains at the current level.

WHL has indicated they wish to work collaboratively with the Ruapehu Mountain Clubs Association (RMCA) to ensure easy, safe, and fair access for club members. They are also looking to promote summer opportunities to benefit clubs, such as biking, tramping, and hiking. These efforts may contribute to year-round activity and encourage both domestic tourists and club members to visit Whakapapa. WHL have advised they will work with RMCA to develop these opportunities and build on past relationships with clubs.
A key priority for WHL is snowmaking and snow grooming, using technology that is changing rapidly. WHL is committed to snowmaking and grooming which are critical to their objectives. The company also plans to address the need for replacing aging groomers and snow guns. These initiatives will support the rock garden as a viable area of the ski field

RSC would ideally like DoC to ensure that WHL has an obligation to ensure that reasonable access for club members to the lower mountain is provided in terms of upload and download of pedestrians and supplies via the Rangatira Chairlift, and to provide dedicated Clubbie carparking.

In conclusion, the Ruapehu Ski Club Inc. believes that WHL's application is essential for the future of Whakapapa. WHL's commitment to collaboration with mountain clubs, cultural sensitivity, and investment in the ski area, as well as a 10-year plan that is in accordance with the Tongariro National Park Management Plan, and provides assurance that the ski area will continue to operate and contribute to the community. Critical to this success is the need to provide reasonable access to the mountain to Ski Club Members.

Michael Webb-Speight
Secretary
Ruapehu Ski Club Inc.
7 February 2025

Ruapehu Skifields Stakeholders Association

WHL2024-455-1

7th February 2025

Director General
Department of Conservation
Permissions Hamilton
Private Bag 3072, Hamilton 3240
Attention: Lynette Trewavas - Senior Permissions Advisor
Via email to: mtruapehusubmissions@doc.govt.nz

Submission on Whakapapa Ski Field Concession Application

Ruapehu Skifields Stakeholders Association (RSSA) welcomes the opportunity to participate in, and provide feedback on the application by Whakapapa Holdings 2024 Limited (WHL) to operate a private/commercial facility/structure (Whakapapa Ski Area) on conservation land within the Tongariro National Park (TNP).

1. Submission Introduction

The RSSA, as representatives of thousands of stakeholders, are neutral to the concession application from WHL due to the concerns outlined in this submission.

In summary these concerns are:

1. **Survey Results**: A significant portion of RSSA members expressed concerns about privatisation and preferred a Not-For-Profit (NFP) model that honours the interests of Iwi and Hapū, life pass holders, and the local community. ***Ref** point 2*
2. **Iwi Preference**: Our stakeholders prefer a NFP model that includes Iwi in a governance/ Kaitiakitanga role. ***Ref** point 2*
3. **Crown Role**: There have been serious questions about a strong perception of Crown bias, lack of good faith and poor transparency in this process. The Crown have failed to meaningfully engage with Iwi and Hapū, and ignored viable alternatives, such as restructuring the existing RAL entity. ***Ref** point 3*
4. **Iwi and Hapū Concerns**: Iwi and Hapū have consistently expressed concerns about their exclusion and the lack of respect for their interests throughout the RAL insolvency and concession process. ***Ref** point 5*
5. **Treaty Negotiations**: Privatisation at this stage undermines Treaty negotiations, risks financial instability, and threatens long-term investment in the ski field. ***Ref** point 4*
6. **DoC Conflict of Interest and Fast Track Timeline**: RSSA believes there is a conflict of interest with the Department of Conservation (DoC) in the concession decision process which has been fast tracked. ***Ref** point 6,7*
7. **Economic and Social Impact**: Maintaining and enhancing Whakapapa ski field operations is critical for the economic and social well-being of communities in the Central North Island.
8. **Positive Aspects of WHL Application**: WHL's application includes positive aspects such as continuing with the existing RAL management and staff structure and upgrading snowmaking infrastructure. ***Ref** point 9*
9. **Negative Aspects of WHL Application**: Concerns include the short concession term and lack of significant infrastructure investment. ***Ref** point 10*
10. **Summary:** RSSA final thoughts and observations regarding the RAL Insolvency and concession process. ***Ref** point 12*

We are firmly of the view that maintaining and enhancing Whakapapa ski field operations on Mount Ruapehu is a critical priority for all stakeholders, most importantly Iwi and Hapū, the local community and for the thousands of members of the public that visit each year. We hold this view irrespective of the organisation running the Ski field.

Our members are passionate skiers and snowboarders, lovers of the Maunga, everything it represents, and everything that happens with it. Ruapehu provides primary North Island access for winter snow sports. We are acutely aware that skiing on Ruapehu is vital for the economic and social wellbeing of communities in the Central North Island.

The importance of the Maunga to everyone is eloquently captured in the TNP Management Plan where it says *"In New Zealand, national parks are areas of publicly-owned land that are preserved in perpetuity for their intrinsic worth and for the benefit, use and enjoyment of the public."*

2. Vision and Background of RSSA

The RSSA was started by volunteers from the local community, life pass holders, season pass holders, former Maunga staff and local businesses. Several of the founding members were also members of the Ruapehu Alpine Lifts (RAL) Shareholders and Life Pass Holders Group. The RAL Shareholders and Life Pass Holders Facebook Group was originally created in 2016 as a place for the shareholders of RAL to connect together and discuss areas of common interest regarding the company. Over time, the group had advocated for more transparency from the RAL Company, Board of Directors and the Shareholding Trust (who acts as the legal majority shareholder).

Based on our 1,600 plus financial members and donors over the past two years and our constitution, the purpose of the RSSA is to:

- Supporting the financial sustainability of Whakapapa and Tūroa ski fields so that they may continue to provide skiing and snowboarding lift facilities.
- Advocate on behalf of the Members in matters relating to Whakapapa and Tūroa ski fields.

Based on numerous surveys we conducted with over 3,000 participants, the overwhelming response was to retain both Whakapapa and Tūroa ski fields under the same community not-for-profit (NFP) ownership model that had endured for 70 years.

Respondents wanted a restructured governance to include Iwi and Hapū, and for them to have a Kaitiakitanga role while the TNP settlements are underway.

RSSA Survey January 2025

Responses from the most recent RSSA survey to our members in January 2025 regarding the Whakapapa Concession Application reveal a significant concern among participants regarding the privatisation of the Whakapapa ski field. Many again expressed a preference for a NPF model that honours the interests of Iwi, life pass holders and the local community.

- While 57% supported the WHL Concession Application, there was a dominant sense of resignation in the comments toward the privatisation of the ski fields, indicating that they believe it is the only viable path left given the current situation and the Crowns refusal to seriously look at any alternatives.
- There was a notable desire for transparency and accountability from any new operators, with several comments emphasising the need for a balance between financial viability and Iwi/community values in managing Whakapapa ski field.
- 29% of the responses answered "No," showing a notable level of dissent or opposition to the WHL application.
- 14% of the responses answered, "Not Sure," reflecting uncertainty among a smaller segment of participants regarding the WHL application.
- With regards to whether those respondents would still support an alternative public benefit ski field solution if the Crown were to put this on the table. An overwhelming 90% of the submissions answered "Yes".

- There was a direct correlation to how poorly the two-year RAL insolvency and concession process has been handled. Only 38% of respondents felt it had been handled well by the Crown and Ministry of Business, Innovation and Employment (MBIE).

  Analysis of the comments indicated a significant frustration with government handling of the insolvency and concession process, and dissatisfaction with the perceived bias and lack of transparency.

- Responses in relation to whether Iwi Treaty Partners had been respected during the RAL insolvency and concessions processes, only 33% of the responses answered "Yes".

3. Primary Concerns

We do not believe that the application for concessions by WHL Limited is well aligned to the TNP Management Plan quoted above. Importantly our members would prefer retaining the existing RAL structure as previously outlined.

We note this is highlighted as an option by DoC themselves in an official information act (OIA) e*xcerpt from* October 2023 referenced below.

OIA Excerpt.

Department of Conservation

Date: 27 October 2023
To: Sarah Owen, Director Office of Regulatory Services (acting)
CC: Steve Brightwell, Tara Allardyce, Karen Rainbow, Eamonn Whitham. Rachael Jordan and Vicki Crosbie, ORS
From: Attachment: Draft external advice to provide to prospective concessionaires.

Options aside from accepting a new application

28. *There is an outside chance that a new concession won't be required in the short to medium term.*
29. *MBIE has previously considered having the receivership continue over the medium term, while the Tongariro National Park settlement process takes place. Under receivership the shareholding / ownership remains the same. It does not trigger the need for Ministerial consent to vary the concession terms. The current concessions remain intact although the Minister retains the right to terminate because RAL is in receivership.*
30. *RAL could also sub-licence some / all of its activities but only with the Minister's prior approval. So, allowing a third party to act in its shoes (e.g. operating the field, taking money from the customers) needs Ministerial approval.*
31. *As long as there is a sub-licensee, RAL remains responsible for complying with all the terms and conditions of the concessions. There are two concessions (Whakapapa and Tūroa), and RAL could seek approval to sub-licence both or either. This is unlikely, but included here as a* possible eventuality.

This is critical given the Crown are the only major secured creditor since purchasing the ANZ security in 2023 as highlighted in the WHL Application background below.

> In June 2023 creditors could not agree on a proposed pathway forwards and the RAL Board placed the company in Liquidation. In October 2023 the NZ Government, through the Ministry of Business, Industry and Employment (MBIE) became the major secured creditor and in that role has placed RAL into Receivership. Both the Liquidator, and now the Receiver have stated publicly the assets of RAL are for sale.

More importantly, the timing of granting a concession to a privately owned operation does not reflect well on current Treaty negotiations in the region, with TNP being at the heart of these negotiations.

4. Incompatibility with Treaty Negotiations

Shifting away from a NPF community-based organization to a private for-profit entity in the midst of Treaty negotiations that encompass the whole Maunga is not only poorly timed, but shows a significant lack of respect for the current process and the history behind the creation of the Tongariro National Park.

The August 2022 edition of North & South magazine provides critical context for why the shift that is being proposed in the WHL application and the previously granted Pure Tūroa concession are not appropriate and not beneficial to securing the best future of the Maunga (which is Taonga) and all who benefit from it:

> *"In 1887, as the Crown was rapidly buying up land for settlement on the Central Plateau, Ngāti Tūwharetoa paramount chief Horonuku Te Heuheu Tūkino IV sought to protect the iwi's most sacred lands. He signed a deed giving the volcanic cones of Tongariro, Ngāuruhoe and Ruapehu to the government to form the country's first national park, the world's fourth by DOC's count…*
>
> *But in 2013, the Waitangi Tribunal found the story of the gift was a myth. Te Heuheu never intended to give the land to the Crown, the tribunal wrote in its Te Kāhui Maunga report. Instead, he was "inviting the Crown to share their taonga as joint owners and trustees". The tribunal found the translations between the English and Māori texts of the deed were "fundamentally incompatible". The iwi claimed the peaks were "their sacred taonga" and "the very essence of their identity" which they would never have given away. The tribunal agreed this was inconceivable.*
>
> *Two years later, in its report on claims relating to Tongariro National Park, the [Waitangi] tribunal recommended it be taken out of Crown ownership and become jointly owned and managed with iwi.*
>
> *In 2018, the Supreme Court found DOC's policies for national parks and conservation wrongly asserted that the treaty clause could be trumped by other parts of the Conservation Act. It said the department was required to take into account the economic interests of iwi when making decisions under the treaty principle of active protection. In essence, if DOC failed to give effect to the principles of te Tiriti o Waitangi in all of its work, it was open to legal challenge from iwi.*
>
> *"Sustainable use is an essential part of the conservation ethic for the sustenance of tangata whenua as a people; it is critical for cultural survival, identity and knowledge," the report said."*
>
> *It is important to note that UenukuIwi from whom the name "Tūroa" originated have already signed a deed of settlement, further highlighting the significance of Treaty negotiations at the current time.*
>
> *It is imperative that both ski fields continue to benefit Māori and their lands economically, with further delays only creating economic and social pain for all those connected to the region.*

The RSSA strong preference is that Iwi, Hapū, the skiing community and Crown become the owners of the Whakapapa under the existing RAL entity and that its ongoing operation will benefit Iwi and all New Zealanders.

RAL is already a public benefit entity that could be restructured to involve Iwi in a Kaitiakitanga role. This was clearly highlighted in the proposed RSSA Deed of Company Arrangement (DOCA) which was supported overwhelming by 72% of Creditors at the June 2023 Water shed meeting.

RAL already has concessions to operate Whakapapa and has 70 years of experience operating on Ruapehu. In fact the WHL application proposes leaving the existing RAL management and operations team in place.

The WHL proposal as with the Pure Tūroa sale will require significant debt forgiveness by the Crown, which is taxpayers money. There is already a ski operator RAL in place that has concessions to operate the Whakapapa ski field.

RAL has operated for 70 years and financial modelling shows it will be financially viable if the Crown provide the same debt forgiveness to the existing operator that is being offered to WHL.

5. Iwi and Hapū Concerns Regarding the RAL Insolvency and Concession Process

Iwi and Hapū have consistently expressed significant concerns regarding their exclusion and the lack of respect for their interests during the RAL insolvency and concession process over the past two years.

Key references to their concerns include:

Withdrawal from the Process:

- Iwi group Te Kotahitanga o Ngāti Tūwharetoa formally withdrew from the liquidation process, citing significant concerns with the asset sale and liquidation process. They requested an opportunity to collaborate with the Crown on a transition plan but were ignored and therefore denied.

  Ref *Te Kotahitanga o Ngāti Tūwharetoa Iwi letter to DoC Penny Nelson, August 2023.*

Lack of Consultation:

- The pan-Iwi group Te Patūtokōtokō raised concerns about the lack of information and time provided by the Crown to engage meaningfully in the process. They formally requested more time to work with the Crown to develop a pan-Iwi plan, but this request was also ignored and therefore denied.

  Ref *Te Patūtokōtokō Iwi letter to Crown, September 2023*

- "Iwi and Hapū expressed their deep distrust of the Crown and its processes, noting the current issue and insufficient time they have been given to engage as an example of why the lack of trust continues. Some questioned the Crown's commitments to entering into true partnerships with Iwi and Hapū and again used the current issue of RAL as an example of how this is not occurring.
  Ref *Te Arawhiti to Ministers Allan, Little, Prime & Davis, June 2023*

Ethical and Treaty Principles Violations:

- Ngāti Tūwharetoa Trust highlighted that the process did not honour agreements outlined in its 2018 Treaty of Waitangi settlement. They claimed that the Crown's approach prejudiced their ongoing negotiations concerning the TNP and violated tāngata whenua consultation obligations.

  Ref *Te Kotahitanga o Ngāti Tūwharetoa Iwi letter to DoC Penny Nelson, August 2023.*

Privatisation Concerns:

- Iwi raised issues about the Crown's perceived predetermined privatisation of RAL assets, which undermined the community and Iwi's historical involvement in the region. They argued that this was inconsistent with the spirit of collaboration under the Treaty of Waitangi.

  Ref *Te Patūtokōtokō to the Crown, September 2023.*

Concessions and Cultural Sensitivity:

- The expedited DoC concession transfers were criticised for failing to respect the time required for Iwi consultations, further exacerbating the perception of disrespect, predetermined decision-making and fast tracking.

  Ref *Pou Ārahi letter to Doc, February 2024*

6. Crown Apologies

During the RAL insolvency and concession process, the Crown have expressed regret and made many apologies to Iwi and Hapū in specific contexts both publicly and privately directly about the process.

Notable instances include:

General Acknowledgment of Historical Failures:

- The Crown acknowledged failing to consult Iwi and Hapū regarding decisions affecting the TNP. They apologized for breaches of the Treaty of Waitangi and for excluding Iwi from managing and protecting their sacred lands.
  Ref *Te Tihi o te Rae - Deed of Settlement of Historical Claims to Representatives of Te Korowai o Wainuiārua (Uenuku), Tamakana, and Tamahaki from Minister Andrew Little, on behalf of the New Zealand Government, July 2023*

Apology During Treaty Settlement:

- Minister Andrew Little issued an apology to the Uenuku Iwi during the signing of their Treaty of Waitangi settlement, recognising inadequate consultation concerning the management of the Ruapehu ski fields and expressing regret for historical oversights.

  Ref *Minister Andrew Little, on behalf of the New Zealand Government to representatives of Uenuku, Tamakana, and Tamahaki Iwi during the signing ceremony of the Te Tihi o te Rae - Deed of Settlement of Historical Claims at Raetihi Marae, July 2023*

Lack of Fulfilment During Concession Transfers:

- While apologetic statements were made in certain forums, such as acknowledging Iwi concerns in Cabinet discussions, the government faced criticism for inadequate engagement during the RAL asset sale and concession transfer processes, which Iwi described as being rushed and lacking in meaningful consultation.

  Ref *Letter from Te Kotahitanga o Ngāti Tūwharetoa to Penny Nelson, Director-General of the Department of Conservation (DoC), August 2023*

- An acknowledgement from Crown that the engagement process with Iwi and Hapū in relation to the RAL insolvency and concessions had been flawed and not met the standard of rigour that should be expected. The Crown apologised for the impact this had on the local Māori communities. They also advised that their expectation was to see real change and the Crown intended to use shareholding in the new entities to monitor the delivery of these commitments.

  Ref *Letter from Hon Kiri Allan, Minister Prime & Minister Little to Ngāti Rangi, Ngāti Haua, Patutokotoko, Uenuku, Tūwharetoa, Ngāti Hikairo & te Ariki Tā Tumu Te Heuheu Next steps regarding Ruapehu Alpine Lifts, June 2023*

- In addition to these apologies from the Crown and various Government departments, we understand that breeches are still occurring. With a senior official in DoC who had recently sincerely apologised for the harm caused to Iwi and Hapū by DoC's conduct, and highlighted their commitment to ensuring they work together with Iwi and Hapū.

These instances underline a systemic neglect of Iwi and Hapū interests in the governance, consultation, and restructuring of RAL's insolvency and concessions process. While these apologies reflect an effort to address historical grievances, it is clear that these apologies are insufficiently reflective of any practical, inclusive actions demonstrating meaningful change or trust.

7. DoC Conflict of Interest

The RSSA believe that DoC has a clear conflict of interest with the WHL concession application decision, particularly related to their own legislation with regard to the process, more specifically:

DoC's Role in not upholding the Principles of the Treaty of Waitangi under Section 4 of the Conservation Act 1987. DoC has not effectively integrated the principles of partnership, protection and given meaningful consultation into its evaluation of WHL's application.

This is highlighted by DoC themselves in the same OIA excerpt dated from October 2023 highlighted below, were DoC acknowledge this and mitigate it by deferring the decision to the Minister or nominated persons to make a final decision:

> *12. Process decisions set out in this memo will have a bearing on the advice included in the decision support document (DSD). The decision maker will use the DSD to make decisions on concession application/s.*
>
> *13. The process decisions in this memo should not be made by the concession application decision maker, in order to avoid perceptions of pre-determination or a possible conflict of interest between these regulatory process decisions, and later anticipated concession application decisions.*

8. DoC Fast Track Process

DoC clearly outline the normal process and timelines that a concession process of this nature should take, as highlighted below from the same OIA excerpt dated from October 2023. However this concession application has clearly been compressed and fast-tracked, as it was with the Pure Tūroa concession application. This has led to many ongoing issues.

> *Key challenges for the Mt Ruapehu concession process*
>
> *39. DOC's decision-making process and timeline for any new concession will be under scrutiny by the Crown, iwi, stakeholders and the public.*
>
> *40. The application process for ski field activities at Mt Ruapehu would normally be deemed complex or high risk, being high impact activities on highly protected land (Tongariro National Park has dual World Heritage Status).*
>
> *41. A concession process for a complex or high-risk application would usually involve pre-application engagement and an initial application, followed by additional requests for information as issues are identified. Ideally, we would receive an application tailored for current circumstances, comprehensive, and readily understandable. Currently, 80% of ski field applications are processed within 20.5 months.*
>
> *42. It is likely that the concession information provided by RAL will have gaps, and ordinarily, prospective concessionaires would be required to commission reports (cultural impact and environmental assessments, plus others) before an application was publicly notified. In this case, there won't be time for significant new reports or information to be prepared, if the four-month processing timeframe is to be met.*
>
> *43. One option to manage this is to depart from the usual application management process, by accepting an application that largely relies on information already held. This would be the information used to grant existing RAL concessions or assess previously authorised activities. This option presents risks, discussed further below.*

9. WHL Application

In relation to specific points of the WHL application, the RSSA would like to make the following observations and request that DoC take into consideration when making a recommendation.

10. WHL Application Positive Aspects

There are a number of aspects within WHL application that we consider positive, and for that, they are to be commended. These are as follows:

- The key positive aspect of this application is to provide another option to ensure skiing can continue in the short term in leu of the crown allowing RAL to continue.
- WHL will continue with the existing RAL key management and staff structure already in place which ensures stability.
- Addition of key board members such as Bridget Legnavsky with both ski industry and NZ government department experience.
- WHL will be upgrading the snowmaking guns as well as snow grooming. This is especially relevant given Tom Elworthy's expertise via his company Ski Industries Limited.

11. WHL Application Negative Aspects

Short concession term

The RSSA are very concerned that the short 10-year concession being sought does not provide an adequate timeframe for WHL to justify any significant investment. This short concession term and lack of any significant infrastructure investment during the concession term will mean that at the end of 10 years the Whakapapa ski field will likely end up with aging lifts and infrastructure that again require a major investment of tens of million dollars.

As mentioned earlier, a more logical approach would be to utilise the concessions already granted by restructuring the existing organisation. This approach was put forward by the RSSA as a DOCA at the watershed meeting and received the support of 72% of the Creditors. The RAL Liquidation Committee are also advocating a similar approach for a court approved creditors compromise that , has the benefit of longer concessions.

In addition, DoC themselves highlighted that retaining the existing RAL structure is a viable option as previously referenced in this submission. ***Ref** Point 3*

WHL Application for Removal of Redundant Structures

As highlighted in the WHL application excerpt below. DoC (the tax payer) has allocated $7 million for the removal of the assets WHL are not taking. This includes the far west cafe building and Schuss Haus Café which as assets, could be wanted in future.

We understand that Iwi and Hapū have not been consulted regarding the removal of these structures which further highlights the DoC's failures in relation to its Treaty principles and the TNP.

Can WHL promise to the NZ skiing public especially the (LPH) who paid for the development of these ski field facilities, that the West Ridge Quad chair and Far west T-bar will not be removed for the sake of maximising profit margins for private investors in the next 10 years?

WHL has also identified several buildings, and other structures, which have been in use by RAL up until recent years but will not be used by WHL. These structures have been excluded from the Schedule of Assets which WHL is purchasing from the Receivers of RAL. They are:

West Ridge Kiosk café	West
West Ridge Kiosk toilet	West
Schuss Haus café	Hut Flat
Waterfall Express drive station & chair storage *- excluding a snowmaking pump room adjoining the southern wall of this terminal*	Hut Flat
Diesel tank - above ground	Bruce Rd
Carpet Control	Happy Valley

These excluded structures are therefore redundant and will be included in the DOC instigated program.

WHL Application and Iwi Consultation

The RSSA are interested in the consultation undertaken with the various Iwi and Hapū as listed in the WHL application as highlighted below. This is solely based on the RSSA's own consultation with many of these various Iwi and Hapū. We sincerely hope this was meaningful consultation and is reflected in the submissions received from Iwi and Hapū during this public consultation process.

7.1 Department of Conservation

WHL introduced themselves to DOC in the Central North Island office in late 2022 very soon after it was clear the assets of Whakapapa and Turoa would be sold off by the then Administrator for RAL. Engagement with the Taupō office has continued since that date.

7.2 Tangata Whenua

Since early 2023 representatives of WHL have met with individuals and groups of individuals associated with:

- Ngāti Tūwharetoa, including the hapu forum of Te Kotahitanga o Ngāti Tūwharetoa (TKNT), the Ariki's office, the hapu of Ngāti Hikairo
- Nga Waihua o Paerangi (Ngāti Rangi)
- Te Korowai o Wainuiārua (Uenuku)
- Ngāti Haua

These hui were all focused on introducing WHL, the key individuals involved, and sharing aspirations for the ski field and the maunga. There have been in excess of 20 hui, with most being face to face but with two Teams meetings.

We would also like to highlight the WHL Application executive summary, excerpt as highlighted below. While very well intentioned, when entering into a major sales and purchase agreement of this nature, we would have thought it prudent that a relationship agreement with the relevant Iwi and Hapū would have been agreed and signed during the consultation that WHL state has occurred, as outlined above.

This would then give the relevant Iwi and Hapū some certainly that any concerns they may have will be mitigated in future. This is especially relevant given the TNP treaty settlements are underway, and the Crown does not have any shareholding. Therefore has no way of ensuring the below commitments are delivered as was the Crowns intention. ***Ref** Point 6*

We propose to reinvigorate the Te Pae Maunga governance agreement with Ngāti Tūwharetoa and Ngāti Hikairo, like what is provided for in the current licence granted in 2016 plus be open to developing relationship agreements with other Iwi as they may require.

In summary the initial years will be about:

1. Iwi

During this first 5 years a primary focus will be on engaging with Iwi to better understand the cultural values associated with the maunga and determine what changes, activities and new replacement infrastructure will be acceptable for the long term, plus on working with wider stakeholder and user groups to ensure WHL actions enhance value for them.

WHL long-term aspirations have deliberately not been developed, not even discussed. WHL needs to engage with Iwi on the question of "What does good look like" without having any predetermined plans. Only then can we confirm an Indicative Development Plan and apply for an extended licence term.

WHL Application Snowmaking

We note that WHL are intending to use Snowmax as per the highlighted excerpt below in their application for the snowmaking, even though Iwi and Hapū objected to the use of a Snowmax during the Tūroa concession application.

> A snow inducer, called Snomax, is added into the snowmaking water as this water is pumped out of the reservoir. Snomax is a protein that facilitates water freeze at a higher temperature. The proteins act as extra nuclides and improve the crystallization process. More snow is made from less water, as less water evaporates. Snow produced from Snomax also lasts longer because of its stronger ionic bonds and smaller crystal structure.
>
> In the first five years of the new licence, this system will be upgraded with the acquisition of state-of-the-art automated snow guns. Many of these will replace older snow guns that are outdated both in age and technology.

It is important to note that Snowmax has been banned in a number of European countries due to serious concerns regarding its impact on the environment and human health, some of which have been highlighted below. We would hope that DoC have thoroughly investigated this to ensure its use is appropriate, especially given the TNP is a Dual Heritage World Park.

> *Hydrologist Carmen de Jong, 47, from the French Strasbourg University is one of those who have been testing Snomax and warned: 'Various studies have showed that Snomax can have very negative effects on human health.'*
>
> *Hansueli Rhyner, 58, from the Snow and Avalanche Research Institute in Davos, in the Swiss the canton of Graubunden, said: 'At the end of the day, modern artificial snow machines generate perfectly good snow without a risk to the environment or human health, and this Snowmax concoction is not necessary.'*
>
> *Science of The Total Environment - **Bacterial-based additives for the production of artificial snow: What are the risks to human health?***
> *https://www.sciencedirect.com/science/article/abs/pii/S0048969710000112?via%3Dihub*

WHL Application Financials

Because these have been redacted, the RSSA cannot make an informed opinion on whether WHL as a new company have the financial capacity to fund the ski operations for the 10 year term and whether their business model is financially sustainable. We are solely reliant on the Crown and Ministry of Business, Innovation and Employment (MBIE) to ensure that these are sufficient.

This is important to note because other companies MBIE have invested in such as Whakatōhea Mussels Ōpōtiki (WMOL). Have been significantly loss making ventures which have required large ongoing Crown funding. MBIE and minsters also approved the original Whakapapa Gondola loan, despite advise being given that it was a high risk venture which would fail a 1% stress test.

In addition, another major company (Sarah Lee) owned by the South Island Office (the major shareholder of WHL) was placed into administration in 2023 after only 3 years of ownership.

This is particularly relevant given the following reference contained within the WHL application excerpt below, and considering the high risks associated with operating the ski field on Mt Ruapehu.

> 2. The Commercial Model
>
> As stated in the Pure Turoa application for their licence, ski fields are inherently capital-intensive operations which require ongoing investment to maintain and upgrade facilities and services which will ensure customer expectations can continue to be met, and the operation can be sustained over the long term. WHL must achieve annual surpluses that will initially provide for repayment of the debts being taken on, and then provide surpluses to fund future replacement assets and/or provide investor confidence for further investment. Getting this commercial model right will be a second focus in these initial years.

We also note that the Crown does not have any shareholding in WHL similar to Pure Tūroa despite taxpayer debt forgiveness and offering an additional loan of $5 million to WHL. This also means there is no requirement from the Crown as a shareholder to provide any further support nor hold any shareholder oversight or influence.

This is particularly important given the Crown previously stated they would use this shareholding to see real change and indented to use it to monitor the delivery of Iwi and Hapū commitments. ***Ref Point 6***

Letter from Hon Kiri Allan, Minister Prime & Minister Little to Ngāti Rangi, Ngāti Haua, Patutokotoko, Uenuku, Tūwharetoa, Ngāti Hikairo & te Ariki Tā Tumu Te Heuheu Next steps regarding Ruapehu Alpine Lifts, June 2023

We would also question the gondola debt of approx. $14m owed to the Iwi gondola bondholders and how much is being paid for all other Whakapapa assets which were mainly funded by LPH.

12. Summary

We believe a move into private ownership away from a NFP community-based structure at this time directly conflicts with the TNP treaty negotiations. This is not helped by the perceived bias, lack of good faith and lack of transparency in this process demonstrated by the Crown, MBIE and DoC.

The RSSA's view which is shared by the majority of its members, is that this concession application is a foregone conclusion and the concession will be granted against the wishes we believe of most local Iwi and Hapū, and clearly as a poor alternative.

It must also be noted that the Crown have already spent in excess of $35million of taxpayers money on this insolvency process over the past two years, excluding the original $15 million of debt forgiveness.

During this process the Crown has not only managed to divide the local ski community, but more importantly done immense damage to Iwi and Hapū relationships within the Ruapehu region.

The Crowns poor conduct and lack of commitment to Iwi and Hapu in this matter under the Treaty of Waitangi Act 1975 will surely add to a litany of historical grievances to be addressed in the upcoming TNP settlement.

Common sense suggests it would have been much less complicated, quicker and less costly to simply stabilise the existing company and provide Iwi with a Kaitiakitanga role while the TNP settlements are underway.

The RSSA believes serious questions need to be asked as to why this option was not genuinely considered and what the real agenda was driving this outcome.

Furthermore we would suggest this concession process has been fast tracked, despite not being included in the new fast track legislation and not having been referred for approval. This opens up the possibility of further legal challenges such as Judicial reviews.

Ultimately we would suggest this seriously undermines DoC's reputation in the eyes of many New Zealander's and highlights the dangers of unbridled power.

Ngā mihi

Sec 9(2)(a)



Acting Chairman

Ruapehu Skifields Stakeholders Association

Ruapehu Skifields Stakeholders Association

7th February 2025

Director General
Department of Conservation
Permissions Hamilton
Private Bag 3072, Hamilton 3240
Attention: Lynette Trewavas - Senior Permissions Advisor
Via email to: mtruapehusubmissions@doc.govt.nz

Submission on Whakapapa Ski Field Concession Application

Ruapehu Skifields Stakeholders Association (RSSA) welcomes the opportunity to participate in, and provide feedback on the application by Whakapapa Holdings 2024 Limited (WHL) to operate a private/commercial facility/structure (Whakapapa Ski Area) on conservation land within the Tongariro National Park (TNP).

1. Submission Introduction

The RSSA, as representatives of thousands of stakeholders, are neutral to the concession application from WHL due to the concerns outlined in this submission.

In summary these concerns are:

1. **Survey Results**: A significant portion of RSSA members expressed concerns about privatisation and preferred a Not-For-Profit (NFP) model that honours the interests of Iwi and Hapū, life pass holders, and the local community. ***Ref** point 2*
2. **Iwi Preference**: Our stakeholders prefer a NFP model that includes Iwi in a governance/ Kaitiakitanga role. ***Ref** point 2*
3. **Crown Role**: There have been serious questions about a strong perception of Crown bias, lack of good faith and poor transparency in this process. The Crown have failed to meaningfully engage with Iwi and Hapū, and ignored viable alternatives, such as restructuring the existing RAL entity. ***Ref** point 3*
4. **Iwi and Hapū Concerns**: Iwi and Hapū have consistently expressed concerns about their exclusion and the lack of respect for their interests throughout the RAL insolvency and concession process. ***Ref** point 5*
5. **Treaty Negotiations**: Privatisation at this stage undermines Treaty negotiations, risks financial instability, and threatens long-term investment in the ski field. ***Ref** point 4*
6. **DoC Conflict of Interest and Fast Track Timeline**: RSSA believes there is a conflict of interest with the Department of Conservation (DoC) in the concession decision process which has been fast tracked. ***Ref** point 6,7*
7. **Economic and Social Impact**: Maintaining and enhancing Whakapapa ski field operations is critical for the economic and social well-being of communities in the Central North Island.
8. **Positive Aspects of WHL Application**: WHL's application includes positive aspects such as continuing with the existing RAL management and staff structure and upgrading snowmaking infrastructure. ***Ref** point 9*
9. **Negative Aspects of WHL Application**: Concerns include the short concession term and lack of significant infrastructure investment. ***Ref** point 10*
10. **Summary:** RSSA final thoughts and observations regarding the RAL Insolvency and concession process. ***Ref** point 12*

We are firmly of the view that maintaining and enhancing Whakapapa ski field operations on Mount Ruapehu is a critical priority for all stakeholders, most importantly Iwi and Hapū, the local community and for the thousands of members of the public that visit each year. We hold this view irrespective of the organisation running the Ski field.

Our members are passionate skiers and snowboarders, lovers of the Maunga, everything it represents, and everything that happens with it. Ruapehu provides primary North Island access for winter snow sports. We are acutely aware that skiing on Ruapehu is vital for the economic and social wellbeing of communities in the Central North Island.

The importance of the Maunga to everyone is eloquently captured in the TNP Management Plan where it says *"In New Zealand, national parks are areas of publicly-owned land that are preserved in perpetuity for their intrinsic worth and for the benefit, use and enjoyment of the public."*

2. Vision and Background of RSSA

The RSSA was started by volunteers from the local community, life pass holders, season pass holders, former Maunga staff and local businesses. Several of the founding members were also members of the Ruapehu Alpine Lifts (RAL) Shareholders and Life Pass Holders Group. The RAL Shareholders and Life Pass Holders Facebook Group was originally created in 2016 as a place for the shareholders of RAL to connect together and discuss areas of common interest regarding the company. Over time, the group had advocated for more transparency from the RAL Company, Board of Directors and the Shareholding Trust (who acts as the legal majority shareholder).

Based on our 1,600 plus financial members and donors over the past two years and our constitution, the purpose of the RSSA is to:

- Supporting the financial sustainability of Whakapapa and Tūroa ski fields so that they may continue to provide skiing and snowboarding lift facilities.
- Advocate on behalf of the Members in matters relating to Whakapapa and Tūroa ski fields.

Based on numerous surveys we conducted with over 3,000 participants, the overwhelming response was to retain both Whakapapa and Tūroa ski fields under the same community not-for-profit (NFP) ownership model that had endured for 70 years.

Respondents wanted a restructured governance to include Iwi and Hapū, and for them to have a Kaitiakitanga role while the TNP settlements are underway.

RSSA Survey January 2025

Responses from the most recent RSSA survey to our members in January 2025 regarding the Whakapapa Concession Application reveal a significant concern among participants regarding the privatisation of the Whakapapa ski field. Many again expressed a preference for a NPF model that honours the interests of Iwi, life pass holders and the local community.

- While 57% supported the WHL Concession Application, there was a dominant sense of resignation in the comments toward the privatisation of the ski fields, indicating that they believe it is the only viable path left given the current situation and the Crowns refusal to seriously look at any alternatives.
- There was a notable desire for transparency and accountability from any new operators, with several comments emphasising the need for a balance between financial viability and Iwi/community values in managing Whakapapa ski field.
- 29% of the responses answered "No," showing a notable level of dissent or opposition to the WHL application.
- 14% of the responses answered, "Not Sure," reflecting uncertainty among a smaller segment of participants regarding the WHL application.
- With regards to whether those respondents would still support an alternative public benefit ski field solution if the Crown were to put this on the table. An overwhelming 90% of the submissions answered "Yes".

- There was a direct correlation to how poorly the two-year RAL insolvency and concession process has been handled. Only 38% of respondents felt it had been handled well by the Crown and Ministry of Business, Innovation and Employment (MBIE).

  Analysis of the comments indicated a significant frustration with government handling of the insolvency and concession process, and dissatisfaction with the perceived bias and lack of transparency.

- Responses in relation to whether Iwi Treaty Partners had been respected during the RAL insolvency and concessions processes, only 33% of the responses answered "Yes".

3. Primary Concerns

We do not believe that the application for concessions by WHL Limited is well aligned to the TNP Management Plan quoted above. Importantly our members would prefer retaining the existing RAL structure as previously outlined.

We note this is highlighted as an option by DoC themselves in an official information act (OIA) e*xcerpt from* October 2023 referenced below.

OIA Excerpt.

Department of Conservation

Date: 27 October 2023
To: Sarah Owen, Director Office of Regulatory Services (acting)
CC: Steve Brightwell, Tara Allardyce, Karen Rainbow, Eamonn Whitham. Rachael Jordan and Vicki Crosbie, ORS
From: Attachment: Draft external advice to provide to prospective concessionaires.

Options aside from accepting a new application

28. *There is an outside chance that a new concession won't be required in the short to medium term.*
29. *MBIE has previously considered having the receivership continue over the medium term, while the Tongariro National Park settlement process takes place. Under receivership the shareholding / ownership remains the same. It does not trigger the need for Ministerial consent to vary the concession terms. The current concessions remain intact although the Minister retains the right to terminate because RAL is in receivership.*
30. *RAL could also sub-licence some / all of its activities but only with the Minister's prior approval. So, allowing a third party to act in its shoes (e.g. operating the field, taking money from the customers) needs Ministerial approval.*
31. *As long as there is a sub-licensee, RAL remains responsible for complying with all the terms and conditions of the concessions. There are two concessions (Whakapapa and Tūroa), and RAL could seek approval to sub-licence both or either. This is unlikely, but included here as a* possible eventuality.

This is critical given the Crown are the only major secured creditor since purchasing the ANZ security in 2023 as highlighted in the WHL Application background below.

> In June 2023 creditors could not agree on a proposed pathway forwards and the RAL Board placed the company in Liquidation. In October 2023 the NZ Government, through the Ministry of Business, Industry and Employment (MBIE) became the major secured creditor and in that role has placed RAL into Receivership. Both the Liquidator, and now the Receiver have stated publicly the assets of RAL are for sale.

More importantly, the timing of granting a concession to a privately owned operation does not reflect well on current Treaty negotiations in the region, with TNP being at the heart of these negotiations.

4. Incompatibility with Treaty Negotiations

Shifting away from a NPF community-based organization to a private for-profit entity in the midst of Treaty negotiations that encompass the whole Maunga is not only poorly timed, but shows a significant lack of respect for the current process and the history behind the creation of the Tongariro National Park.

The August 2022 edition of North & South magazine provides critical context for why the shift that is being proposed in the WHL application and the previously granted Pure Tūroa concession are not appropriate and not beneficial to securing the best future of the Maunga (which is Taonga) and all who benefit from it:

> *"In 1887, as the Crown was rapidly buying up land for settlement on the Central Plateau, Ngāti Tūwharetoa paramount chief Horonuku Te Heuheu Tūkino IV sought to protect the iwi's most sacred lands. He signed a deed giving the volcanic cones of Tongariro, Ngāuruhoe and Ruapehu to the government to form the country's first national park, the world's fourth by DOC's count…*
>
> *But in 2013, the Waitangi Tribunal found the story of the gift was a myth. Te Heuheu never intended to give the land to the Crown, the tribunal wrote in its Te Kāhui Maunga report. Instead, he was "inviting the Crown to share their taonga as joint owners and trustees". The tribunal found the translations between the English and Māori texts of the deed were "fundamentally incompatible". The iwi claimed the peaks were "their sacred taonga" and "the very essence of their identity" which they would never have given away. The tribunal agreed this was inconceivable.*
>
> *Two years later, in its report on claims relating to Tongariro National Park, the [Waitangi] tribunal recommended it be taken out of Crown ownership and become jointly owned and managed with iwi.*
>
> *In 2018, the Supreme Court found DOC's policies for national parks and conservation wrongly asserted that the treaty clause could be trumped by other parts of the Conservation Act. It said the department was required to take into account the economic interests of iwi when making decisions under the treaty principle of active protection. In essence, if DOC failed to give effect to the principles of te Tiriti o Waitangi in all of its work, it was open to legal challenge from iwi.*
>
> *"Sustainable use is an essential part of the conservation ethic for the sustenance of tangata whenua as a people; it is critical for cultural survival, identity and knowledge," the report said."*
>
> *It is important to note that UenukuIwi from whom the name "Tūroa" originated have already signed a deed of settlement, further highlighting the significance of Treaty negotiations at the current time.*
>
> *It is imperative that both ski fields continue to benefit Māori and their lands economically, with further delays only creating economic and social pain for all those connected to the region.*

The RSSA strong preference is that Iwi, Hapū, the skiing community and Crown become the owners of the Whakapapa under the existing RAL entity and that its ongoing operation will benefit Iwi and all New Zealanders.

RAL is already a public benefit entity that could be restructured to involve Iwi in a Kaitiakitanga role. This was clearly highlighted in the proposed RSSA Deed of Company Arrangement (DOCA) which was supported overwhelming by 72% of Creditors at the June 2023 Water shed meeting.

RAL already has concessions to operate Whakapapa and has 70 years of experience operating on Ruapehu. In fact the WHL application proposes leaving the existing RAL management and operations team in place.

The WHL proposal as with the Pure Tūroa sale will require significant debt forgiveness by the Crown, which is taxpayers money. There is already a ski operator RAL in place that has concessions to operate the Whakapapa ski field.

RAL has operated for 70 years and financial modelling shows it will be financially viable if the Crown provide the same debt forgiveness to the existing operator that is being offered to WHL.

5. Iwi and Hapū Concerns Regarding the RAL Insolvency and Concession Process

Iwi and Hapū have consistently expressed significant concerns regarding their exclusion and the lack of respect for their interests during the RAL insolvency and concession process over the past two years.

Key references to their concerns include:

Withdrawal from the Process:

- Iwi group Te Kotahitanga o Ngāti Tūwharetoa formally withdrew from the liquidation process, citing significant concerns with the asset sale and liquidation process. They requested an opportunity to collaborate with the Crown on a transition plan but were ignored and therefore denied.

  Ref *Te Kotahitanga o Ngāti Tūwharetoa Iwi letter to DoC Penny Nelson, August 2023.*

Lack of Consultation:

- The pan-Iwi group Te Patūtokōtokō raised concerns about the lack of information and time provided by the Crown to engage meaningfully in the process. They formally requested more time to work with the Crown to develop a pan-Iwi plan, but this request was also ignored and therefore denied.

  Ref *Te Patūtokōtokō Iwi letter to Crown, September 2023*

- "Iwi and Hapū expressed their deep distrust of the Crown and its processes, noting the current issue and insufficient time they have been given to engage as an example of why the lack of trust continues. Some questioned the Crown's commitments to entering into true partnerships with Iwi and Hapū and again used the current issue of RAL as an example of how this is not occurring.
  Ref *Te Arawhiti to Ministers Allan, Little, Prime & Davis, June 2023*

Ethical and Treaty Principles Violations:

- Ngāti Tūwharetoa Trust highlighted that the process did not honour agreements outlined in its 2018 Treaty of Waitangi settlement. They claimed that the Crown's approach prejudiced their ongoing negotiations concerning the TNP and violated tāngata whenua consultation obligations.

  Ref *Te Kotahitanga o Ngāti Tūwharetoa Iwi letter to DoC Penny Nelson, August 2023.*

Privatisation Concerns:

- Iwi raised issues about the Crown's perceived predetermined privatisation of RAL assets, which undermined the community and Iwi's historical involvement in the region. They argued that this was inconsistent with the spirit of collaboration under the Treaty of Waitangi.

  Ref *Te Patūtokōtokō to the Crown, September 2023.*

Concessions and Cultural Sensitivity:

- The expedited DoC concession transfers were criticised for failing to respect the time required for Iwi consultations, further exacerbating the perception of disrespect, predetermined decision-making and fast tracking.

  Ref *Pou Ārahi letter to Doc, February 2024*

6. Crown Apologies

During the RAL insolvency and concession process, the Crown have expressed regret and made many apologies to Iwi and Hapū in specific contexts both publicly and privately directly about the process.

Notable instances include:

General Acknowledgment of Historical Failures:

- The Crown acknowledged failing to consult Iwi and Hapū regarding decisions affecting the TNP. They apologized for breaches of the Treaty of Waitangi and for excluding Iwi from managing and protecting their sacred lands.
  Ref *Te Tihi o te Rae - Deed of Settlement of Historical Claims to Representatives of Te Korowai o Wainuiārua (Uenuku), Tamakana, and Tamahaki from Minister Andrew Little, on behalf of the New Zealand Government, July 2023*

Apology During Treaty Settlement:

- Minister Andrew Little issued an apology to the Uenuku Iwi during the signing of their Treaty of Waitangi settlement, recognising inadequate consultation concerning the management of the Ruapehu ski fields and expressing regret for historical oversights.

  Ref *Minister Andrew Little, on behalf of the New Zealand Government to representatives of Uenuku, Tamakana, and Tamahaki Iwi during the signing ceremony of the Te Tihi o te Rae - Deed of Settlement of Historical Claims at Raetihi Marae, July 2023*

Lack of Fulfilment During Concession Transfers:

- While apologetic statements were made in certain forums, such as acknowledging Iwi concerns in Cabinet discussions, the government faced criticism for inadequate engagement during the RAL asset sale and concession transfer processes, which Iwi described as being rushed and lacking in meaningful consultation.

  Ref *Letter from Te Kotahitanga o Ngāti Tūwharetoa to Penny Nelson, Director-General of the Department of Conservation (DoC), August 2023*

- An acknowledgement from Crown that the engagement process with Iwi and Hapū in relation to the RAL insolvency and concessions had been flawed and not met the standard of rigour that should be expected. The Crown apologised for the impact this had on the local Māori communities. They also advised that their expectation was to see real change and the Crown intended to use shareholding in the new entities to monitor the delivery of these commitments.

  Ref *Letter from Hon Kiri Allan, Minister Prime & Minister Little to Ngāti Rangi, Ngāti Haua, Patutokotoko, Uenuku, Tūwharetoa, Ngāti Hikairo & te Ariki Tā Tumu Te Heuheu Next steps regarding Ruapehu Alpine Lifts, June 2023*

- In addition to these apologies from the Crown and various Government departments, we understand that breeches are still occurring. With a senior official in DoC who had recently sincerely apologised for the harm caused to Iwi and Hapū by DoC's conduct, and highlighted their commitment to ensuring they work together with Iwi and Hapū.

These instances underline a systemic neglect of Iwi and Hapū interests in the governance, consultation, and restructuring of RAL's insolvency and concessions process. While these apologies reflect an effort to address historical grievances, it is clear that these apologies are insufficiently reflective of any practical, inclusive actions demonstrating meaningful change or trust.

7. DoC Conflict of Interest

The RSSA believe that DoC has a clear conflict of interest with the WHL concession application decision, particularly related to their own legislation with regard to the process, more specifically:

DoC's Role in not upholding the Principles of the Treaty of Waitangi under Section 4 of the Conservation Act 1987. DoC has not effectively integrated the principles of partnership, protection and given meaningful consultation into its evaluation of WHL's application.

This is highlighted by DoC themselves in the same OIA excerpt dated from October 2023 highlighted below, were DoC acknowledge this and mitigate it by deferring the decision to the Minister or nominated persons to make a final decision:

> *12. Process decisions set out in this memo will have a bearing on the advice included in the decision support document (DSD). The decision maker will use the DSD to make decisions on concession application/s.*
>
> *13. The process decisions in this memo should not be made by the concession application decision maker, in order to avoid perceptions of pre-determination or a possible conflict of interest between these regulatory process decisions, and later anticipated concession application decisions.*

8. DoC Fast Track Process

DoC clearly outline the normal process and timelines that a concession process of this nature should take, as highlighted below from the same OIA excerpt dated from October 2023. However this concession application has clearly been compressed and fast-tracked, as it was with the Pure Tūroa concession application. This has led to many ongoing issues.

> *Key challenges for the Mt Ruapehu concession process*
>
> *39. DOC's decision-making process and timeline for any new concession will be under scrutiny by the Crown, iwi, stakeholders and the public.*
>
> *40. The application process for ski field activities at Mt Ruapehu would normally be deemed complex or high risk, being high impact activities on highly protected land (Tongariro National Park has dual World Heritage Status).*
>
> *41. A concession process for a complex or high-risk application would usually involve pre-application engagement and an initial application, followed by additional requests for information as issues are identified. Ideally, we would receive an application tailored for current circumstances, comprehensive, and readily understandable. Currently, 80% of ski field applications are processed within 20.5 months.*
>
> *42. It is likely that the concession information provided by RAL will have gaps, and ordinarily, prospective concessionaires would be required to commission reports (cultural impact and environmental assessments, plus others) before an application was publicly notified. In this case, there won't be time for significant new reports or information to be prepared, if the four-month processing timeframe is to be met.*
>
> *43. One option to manage this is to depart from the usual application management process, by accepting an application that largely relies on information already held. This would be the information used to grant existing RAL concessions or assess previously authorised activities. This option presents risks, discussed further below.*

9. WHL Application

In relation to specific points of the WHL application, the RSSA would like to make the following observations and request that DoC take into consideration when making a recommendation.

10. WHL Application Positive Aspects

There are a number of aspects within WHL application that we consider positive, and for that, they are to be commended. These are as follows:

- The key positive aspect of this application is to provide another option to ensure skiing can continue in the short term in leu of the crown allowing RAL to continue.
- WHL will continue with the existing RAL key management and staff structure already in place which ensures stability.
- Addition of key board members such as Bridget Legnavsky with both ski industry and NZ government department experience.
- WHL will be upgrading the snowmaking guns as well as snow grooming. This is especially relevant given Tom Elworthy's expertise via his company Ski Industries Limited.

11. WHL Application Negative Aspects

Short concession term

The RSSA are very concerned that the short 10-year concession being sought does not provide an adequate timeframe for WHL to justify any significant investment. This short concession term and lack of any significant infrastructure investment during the concession term will mean that at the end of 10 years the Whakapapa ski field will likely end up with aging lifts and infrastructure that again require a major investment of tens of million dollars.

As mentioned earlier, a more logical approach would be to utilise the concessions already granted by restructuring the existing organisation. This approach was put forward by the RSSA as a DOCA at the watershed meeting and received the support of 72% of the Creditors. The RAL Liquidation Committee are also advocating a similar approach for a court approved creditors compromise that , has the benefit of longer concessions.

In addition, DoC themselves highlighted that retaining the existing RAL structure is a viable option as previously referenced in this submission. ***Ref** Point 3*

WHL Application for Removal of Redundant Structures

As highlighted in the WHL application excerpt below. DoC (the tax payer) has allocated $7 million for the removal of the assets WHL are not taking. This includes the far west cafe building and Schuss Haus Café which as assets, could be wanted in future.

We understand that Iwi and Hapū have not been consulted regarding the removal of these structures which further highlights the DoC's failures in relation to its Treaty principles and the TNP.

Can WHL promise to the NZ skiing public especially the (LPH) who paid for the development of these ski field facilities, that the West Ridge Quad chair and Far west T-bar will not be removed for the sake of maximising profit margins for private investors in the next 10 years?

WHL has also identified several buildings, and other structures, which have been in use by RAL up until recent years but will not be used by WHL. These structures have been excluded from the Schedule of Assets which WHL is purchasing from the Receivers of RAL. They are:

West Ridge Kiosk café	West
West Ridge Kiosk toilet	West
Schuss Haus café	Hut Flat
Waterfall Express drive station & chair storage *- excluding a snowmaking pump room adjoining the southern wall of this terminal*	Hut Flat
Diesel tank - above ground	Bruce Rd
Carpet Control	Happy Valley

These excluded structures are therefore redundant and will be included in the DOC instigated program.

WHL Application and Iwi Consultation

The RSSA are interested in the consultation undertaken with the various Iwi and Hapū as listed in the WHL application as highlighted below. This is solely based on the RSSA's own consultation with many of these various Iwi and Hapū. We sincerely hope this was meaningful consultation and is reflected in the submissions received from Iwi and Hapū during this public consultation process.

7.1 Department of Conservation

WHL introduced themselves to DOC in the Central North Island office in late 2022 very soon after it was clear the assets of Whakapapa and Turoa would be sold off by the then Administrator for RAL. Engagement with the Taupō office has continued since that date.

7.2 Tangata Whenua

Since early 2023 representatives of WHL have met with individuals and groups of individuals associated with:

- Ngāti Tūwharetoa, including the hapu forum of Te Kotahitanga o Ngāti Tūwharetoa (TKNT), the Ariki's office, the hapu of Ngāti Hikairo
- Nga Waihua o Paerangi (Ngāti Rangi)
- Te Korowai o Wainuiārua (Uenuku)
- Ngāti Haua

These hui were all focused on introducing WHL, the key individuals involved, and sharing aspirations for the ski field and the maunga. There have been in excess of 20 hui, with most being face to face but with two Teams meetings.

We would also like to highlight the WHL Application executive summary, excerpt as highlighted below. While very well intentioned, when entering into a major sales and purchase agreement of this nature, we would have thought it prudent that a relationship agreement with the relevant Iwi and Hapū would have been agreed and signed during the consultation that WHL state has occurred, as outlined above.

This would then give the relevant Iwi and Hapū some certainly that any concerns they may have will be mitigated in future. This is especially relevant given the TNP treaty settlements are underway, and the Crown does not have any shareholding. Therefore has no way of ensuring the below commitments are delivered as was the Crowns intention. ***Ref** Point 6*

We propose to reinvigorate the Te Pae Maunga governance agreement with Ngāti Tūwharetoa and Ngāti Hikairo, like what is provided for in the current licence granted in 2016 plus be open to developing relationship agreements with other Iwi as they may require.

In summary the initial years will be about:

1. Iwi

During this first 5 years a primary focus will be on engaging with Iwi to better understand the cultural values associated with the maunga and determine what changes, activities and new replacement infrastructure will be acceptable for the long term, plus on working with wider stakeholder and user groups to ensure WHL actions enhance value for them.

WHL long-term aspirations have deliberately not been developed, not even discussed. WHL needs to engage with Iwi on the question of "What does good look like" without having any predetermined plans. Only then can we confirm an Indicative Development Plan and apply for an extended licence term.

WHL Application Snowmaking

We note that WHL are intending to use Snowmax as per the highlighted excerpt below in their application for the snowmaking, even though Iwi and Hapū objected to the use of a Snowmax during the Tūroa concession application.

> A snow inducer, called Snomax, is added into the snowmaking water as this water is pumped out of the reservoir. Snomax is a protein that facilitates water freeze at a higher temperature. The proteins act as extra nuclides and improve the crystallization process. More snow is made from less water, as less water evaporates. Snow produced from Snomax also lasts longer because of its stronger ionic bonds and smaller crystal structure.
>
> In the first five years of the new licence, this system will be upgraded with the acquisition of state-of-the-art automated snow guns. Many of these will replace older snow guns that are outdated both in age and technology.

It is important to note that Snowmax has been banned in a number of European countries due to serious concerns regarding its impact on the environment and human health, some of which have been highlighted below. We would hope that DoC have thoroughly investigated this to ensure its use is appropriate, especially given the TNP is a Dual Heritage World Park.

> *Hydrologist Carmen de Jong, 47, from the French Strasbourg University is one of those who have been testing Snomax and warned: 'Various studies have showed that Snomax can have very negative effects on human health.'*
>
> *Hansueli Rhyner, 58, from the Snow and Avalanche Research Institute in Davos, in the Swiss the canton of Graubunden, said: 'At the end of the day, modern artificial snow machines generate perfectly good snow without a risk to the environment or human health, and this Snowmax concoction is not necessary.'*
>
> *Science of The Total Environment - **Bacterial-based additives for the production of artificial snow: What are the risks to human health?***
> *https://www.sciencedirect.com/science/article/abs/pii/S0048969710000112?via%3Dihub*

WHL Application Financials

Because these have been redacted, the RSSA cannot make an informed opinion on whether WHL as a new company have the financial capacity to fund the ski operations for the 10 year term and whether their business model is financially sustainable. We are solely reliant on the Crown and Ministry of Business, Innovation and Employment (MBIE) to ensure that these are sufficient.

This is important to note because other companies MBIE have invested in such as Whakatōhea Mussels Ōpōtiki (WMOL). Have been significantly loss making ventures which have required large ongoing Crown funding. MBIE and minsters also approved the original Whakapapa Gondola loan, despite advise being given that it was a high risk venture which would fail a 1% stress test.

In addition, another major company (Sarah Lee) owned by the South Island Office (the major shareholder of WHL) was placed into administration in 2023 after only 3 years of ownership.

This is particularly relevant given the following reference contained within the WHL application excerpt below, and considering the high risks associated with operating the ski field on Mt Ruapehu.

> 2. The Commercial Model
>
> As stated in the Pure Turoa application for their licence, ski fields are inherently capital-intensive operations which require ongoing investment to maintain and upgrade facilities and services which will ensure customer expectations can continue to be met, and the operation can be sustained over the long term. WHL must achieve annual surpluses that will initially provide for repayment of the debts being taken on, and then provide surpluses to fund future replacement assets and/or provide investor confidence for further investment. Getting this commercial model right will be a second focus in these initial years.

We also note that the Crown does not have any shareholding in WHL similar to Pure Tūroa despite taxpayer debt forgiveness and offering an additional loan of $5 million to WHL. This also means there is no requirement from the Crown as a shareholder to provide any further support nor hold any shareholder oversight or influence.

This is particularly important given the Crown previously stated they would use this shareholding to see real change and indented to use it to monitor the delivery of Iwi and Hapū commitments. ***Ref Point 6***

Letter from Hon Kiri Allan, Minister Prime & Minister Little to Ngāti Rangi, Ngāti Haua, Patutokotoko, Uenuku, Tūwharetoa, Ngāti Hikairo & te Ariki Tā Tumu Te Heuheu Next steps regarding Ruapehu Alpine Lifts, June 2023

We would also question the gondola debt of approx. $14m owed to the Iwi gondola bondholders and how much is being paid for all other Whakapapa assets which were mainly funded by LPH.

12. Summary

We believe a move into private ownership away from a NFP community-based structure at this time directly conflicts with the TNP treaty negotiations. This is not helped by the perceived bias, lack of good faith and lack of transparency in this process demonstrated by the Crown, MBIE and DoC.

The RSSA's view which is shared by the majority of its members, is that this concession application is a foregone conclusion and the concession will be granted against the wishes we believe of most local Iwi and Hapū, and clearly as a poor alternative.

It must also be noted that the Crown have already spent in excess of $35million of taxpayers money on this insolvency process over the past two years, excluding the original $15 million of debt forgiveness.

During this process the Crown has not only managed to divide the local ski community, but more importantly done immense damage to Iwi and Hapū relationships within the Ruapehu region.

The Crowns poor conduct and lack of commitment to Iwi and Hapu in this matter under the Treaty of Waitangi Act 1975 will surely add to a litany of historical grievances to be addressed in the upcoming TNP settlement.

Common sense suggests it would have been much less complicated, quicker and less costly to simply stabilise the existing company and provide Iwi with a Kaitiakitanga role while the TNP settlements are underway.

The RSSA believes serious questions need to be asked as to why this option was not genuinely considered and what the real agenda was driving this outcome.

Furthermore we would suggest this concession process has been fast tracked, despite not being included in the new fast track legislation and not having been referred for approval. This opens up the possibility of further legal challenges such as Judicial reviews.

Ultimately we would suggest this seriously undermines DoC's reputation in the eyes of many New Zealander's and highlights the dangers of unbridled power.

Ngā mihi



Jason Platt

Acting Chairman

Ruapehu Skifields Stakeholders Association

WHL Submission
By Sec 9(2)(a)

I wish to be heard.

Firstly, my background:
I have been associated with Ruapehu for almost my entire life. My parents bought us skiing in the holidays from 8 years old. We were members of Havelock Ski Club
I moved to National Park village early 80's. Worked at the Chateau, Happy Valley, Ski instructing amongst other things. Fun times!
I operated Chateau Service Station.
I have owned Edge to Edge Ski Snowboard & Alpine specialists since 1991 through to today.
In 2018 my wife & I purchased Skotel Alpine Resort, thus I am a concessionaire.

I spent 19 years associated with National Park school as my kids grew, during which time I was integral to the creation and operation of it's very successful ski academy.

I spent years on the RSS (Ruapehu Snow Sports) committee, dedicated to development and training of all forms of snow sports including both ski & board, both alpine & freeride. I was awarded honorary life membership in recognition of my contribution.

Likewise, I spent years on the committee of NIPS (North Island Primary School Ski champs). We ran the largest annual event on Ruapehu year after year, bringing hundreds of schools and thousands of kids to our beautiful Maunga to experience the thrills, joy and tears of ski/board racing.

I am a member of the NPVBA the local business association.
I am a member of NZSIF the ski industries federation

I am an RAL shareholder

I am a Life Pass holder (LPH)

I am on the committee of RSSA

I was elected to represent LPH on the RAL Voluntary Administration Creditor Committee Subsequently this morphed into being elected to represent LPH and other unsecured creditors on the RAL Creditor Liquidation Committee.

I believe the combination of those roles and years of experience qualify me to speak with some authority. I doubt anyone else could claim broader or deeper immersion in Ruapehu and the ski industry.

I believe I stand out as THE person who raised merry hell at RAL AGM's. Year after year I burrowed into the RAL annual reports and undertook to ask question after question of

the Management, Board & Trust. I just knew things were heading the wrong way and did not hold back in raising my concerns. Unfortunately, I was right.
To highlight my concerns, as I watched RAL circling the drain, I teamed up with Robert Krebs and we produced two Alternative Reports. We undertook a thorough analysis of the books and performance of the operations. The resultant reports were as comprehensive as could be achieved without access to inside data, to produce anything similar commercially would have cost a lot. I wish to remind readers these all happened a year PRIOR to the Voluntary administration. Those reports were presented to the Board and.....promptly ignored. Yet we were right. I attach both as part of this submission.

The response to those reports was actually downright hostile (yet it's worth noting that nobody ever came forward and pointed out anywhere where we got it wrong). However, that hostile response highlighted some undercurrent that I believe leads directly to where we find ourselves today.

I have little respect for those who sit on the sidelines of an organization and take pot-shots. I am not one of those people. To back up my concerns I was prepared to step up to the plate. I stood for the RAL Board immediately post presenting the Alternative reports to RAL. The bully-boy tactics of the Board members at that AGM are both disturbing and comical. The Trust, of course, wielded their vote to swat me down.

At the core of this submission is a contention that, right from back then, there has been a pre-determined agenda of privatisation. Nothing was going to deviate them then, nothing has deviated 'them' since.

Throughout my time I have always been a champion FOR RAL. It has always been curious to me those that interpreted my questioning of things as my being anti. I was anti they way things were being run, but remain, to this day, a staunch supporter of the Not-For-Profit, Public-Benefit-Entity model. (NFP) (PBE)

It is for that reason I oppose the current application for a concession to be granted to WHL.

Neither NFP nor PBE were the cause of the demise of RAL. Nor is WHL the solution.

I was elected to represent the thousands of life pass holders in the ensuing insolvency. It is a privilege to be entrusted to fight the good fight on behalf of Ruapehu's most loyal skiers (and boarders too!) spanning across generations. It is a task I and my colleagues have thrown ourselves into. I am proud of all our efforts.

I have never gone broke thus I entered the world of insolvency as a complete novice. It certainly has been a learning curve! Naive me, I thought highly paid professionals would sit down and rollup their sleeves to 1: ascertain what went wrong. 2: work with all options to thrash out the best solution.
I was right about the highly paid, wrong about everything else.

I have attended meetings with Administrators, Bureaucrats, Consultants, Receivers and more. The first question I asked of all of them was always the same:
Why did RAL go broke?
I was genuinely shocked that none of them ever knew! Neither did they seem to care. The overall impression was that we were a nuisance to be gotten out of the way, so that the pre-determined agenda of privatisation could proceed. MBIE refused to participate in even a single creditor committee meeting, plainly they had zero interest in discussing anything. If we put up reasons, they dismissed them, if we put up resistance, they just revved the liquidation bulldozer harder. When presented solutions, they buried them as fast and as deep as possible.
Privatise, privatise, PRIVATISE is their only mantra.
I attach to this submission an email I sent, just on two years ago, to try to get them to take a fresh approach. "RAL, a road to decline" (I have redacted a very small part right at the end to keep a couple of names out of the picture as they are irrelevant to the point)

I urge all to read it as it tells the story of why NFP and PBE were never the problem and that privatisation is not the solution, especially WHL, given its directorship. (Just remember when reading this, it was written 2 years ago, so must be interpreted in that light, some things have moved on)

Gloat….it is a term that incorporates some kind of joy…thus it is the wrong word here…..but the term "I told you so" is an absolute bullseye.
We were right, MBIE were wrong.
Our modeling was correct from before RAL went broke, our modelling throughout the insolvency has proven accurate and the solution we have offered was, and remains, correct.
Meanwhile MBIE and it's arrogant, overpaid consultants have been wrong throughout. Their modelling of the SkyWaka was wrong, their financing was flawed, their inflexibility once COVID etc rolled into town is what has pretty much directly what has led to this mess and it's subsequent dragging on for over 2 years since.
I am incredulous as to how the very same people who made such a mess of the SkyWaka were left in charge to negotiate the solution. Yet here we are.

The amount of taxpayer money that has been poured into a liquidation industry to get to where we are today is an absolute disgrace. It is a fiscal scandal.

That the solution was put to them two years prior and remains to this day was of no relevance to them. The pre-determined agenda shall be adhered to!

A change of government gave us hope that we might gain audience with the new minister(s). Not to be. The minister in charge of MBIE (Hon Jones) would not see us.
I gave up on MBIE and pivoted to DOC.
I requested to meet with the Minister of Conservation (Hon Potaka), offering to present a solution to the hoary problem aka RAL, again…. declined.
This is where it gets interesting…
I was never told why the meeting was declined.

However…. Some months later a redacted OIA email landed in my inbox (not my OIA) that plainly related to me. It is attached.
It is an internal memo with an official advising the Minister as to why he shouldn't meet with [redacted]… (except it's blindingly obvious that "Mr redacted" is Sec 9(2)(a)). It makes for extraordinary reading. I will speak to that more fully at oral submission time.

What it points to is either, government bureaucrats determined to prevent any version, other than their own, getting in front of any minister. (Did Jones receive something similar?) and/or Ministers deliberately avoiding hearing anything other than the bureaucrats. So as to have some kind of plausible deniability?

Minister Potaka, I am speaking directly to you now.
There is an alternative to the privatisation /new concession option application before you today.
MBIE created a mess and, just as in the highly flawed Tūroa concession process, have dumped it on DOC's lap to clean up.
The alternative solution was presented as a Deed of Company Arrangement at the June 23 Watershed meeting. It received overwhelming popular support, north of 72%, but was voted down by a $$$ voting block of MBIE/ANZ/DOC.
The subsequent receivership means that a DOCA is no longer the correct legal mechanism, thus a similar proposal would legally be a Creditor Compromise.
We propose a Creditor Compromise.
The details of the (then) DOCA will need to be adjusted to reflect that it proposed retaining Tūroa along with Whakapapa which, of course, is no longer the case.
Notwithstanding that adjustment the fundamentals of the proposal remain the same, namely:
Retain RAL ltd and its existing concessions.
Forgive the Crown debt.
Invite Iwi to take up Trustee positions on the RAL trust. (but with a minor tweak to the Trust Deed)
Retain Life Passes (but with conditions)

The details of the financial modelling I will not include here, they can easily be discussed later. I invite viewing of the Liquidation Committee submission; it lays out a little more detail of financial projections.
I will make these observations though: 2024 was the first season that RAL has operated as a stand-alone Whakapapa in a generation. Despite being under the burden of receivership, despite very disappointing snow, despite a recession…it made money! Again, we modelled that and again, we were right. I had been advocating, for years, that RAL get back to basics. Stick to Ruapehu, stick to the Alpine and stick to Lifts. The trauma and uncertainty of the insolvency has pulled RAL's head out of the clouds and forced them (kicking and screaming?) to do just that. Guess what, it worked!

The Crown debt is gone regardless, it's a zero-sum game.

Iwi/Hapu on the trust is pivotal here. It gives them effective ownership of the skifield (55%), this has important implications. It retains the vital 60-year concessions and puts them under the guardianship of the very people who should be the Kaitiaki.
It allows the Skifield to get on with the job.
It allows Iwi to learn about the operation of Whakapapa, but not (yet) be the managers.
It allows the TNP treaty settlement all the time it needs to be negotiated and concluded, be that 15 weeks or 15 years, the two can run in parallel.

Life passes will be reactivated, but not for free! Thus retaining Ruapehu's most loyal individuals and families.

This is by far the best deal for the taxpayer, for the iwi and for the skiers. It is the most closely aligned with the core values of National Parks…to preserve and protect in perpetuity and to provide for benefit, use & enjoyment.

Our proposal is the only one to shoulder our responsibility to clean up the highly disrespectful mess left by previous RAL management, namely the redundant infrastructure.
Our proposal is the only one to retain money in the local economy (surely that was the goal of the Provincial Growth Fund right from the outset?)
Our proposal is the only one to put Iwi in control from the beginning, throughout and at the end of the TNP treaty settlement.
It allows the Iwi and Skiwi alike to learn the benefits we all bring to the table and enjoy the amazing joy Koro Maunga offers.

I will now counterpoint the privatization proposal.
It requires a new concession, this achieves nothing. There is a perfectly (possibly imperfectly?) workable concession that can continue, without delay. It is seamless. The problem with a new concession is that it requires time and expense to reproduce what already exists, but to what end? One only need look to the recent Tūroa concession to see a very messy outcome that has, to put it mildly, pissed Iwi off! This means going back over it again and again. Even if that is sorted, it is still only a temporary measure. I will guarantee that this concession cannot foresee the post TNP future. Upon settlement of that treaty process it is almost inevitable that any concession will require revision. So why bother? Retain THIS concession, use it as the framework to finalise the post TNP landscape. It is only a temporary measure regardless; it is for only 10 years. This is a dreadful situation that pretty much compels any private enterprise to move immediately to suck out what they can, while they can. No strategic planning can occur. Sounds like the RAL of old…reactive, not strategic.

The applicant talks about learning what Iwi want. I have been on a journey of learning with Iwi and Hapu throughout this process. I have been shocked to be told that they have heard very little from WHL. By 'they' I mean multiple Iwi groups. I get the feeling that WHL have barely begun.
Our proposal puts Iwi right at the heart of co-governance right from day 1.

The WHL proposal turns its back on Life Pass Holders. I find this extraordinary.

It staggers me that any business would cut off its most loyal client base. Surely they have heard the willingness of that community to, far from be a bunch of freeloaders, front up with more money! Our modelling put that at many millions. WHL have never engaged at any level.
Dave Mazey, you sold those life passes. You persuaded hard working kiwi families to front up with a lot of money. They fulfilled their side of the contract in trust and good faith. For you to then turn around and betray that deal, to take their money and turn it to your own private profit? Let's just say that is not how my moral code works.
Ditto the redundant infrastructure. Pretty much all of it dates from your era as RAL CEO. Yet you're proposing the taxpayer have your cast-offs, so you can personally profit. What say you to Iwi? What say you to Kiwi taxpayers?

Given the above, I see a wish list for tower snowmaking guns. Tower guns require foundations. I certainly can't speak for Iwi, but I can imagine a little awkwardness when going to ask to pour more concrete.

WHL present three directors with ski industry pedigrees. I acknowledge their skills and experience. (I personally have neither met nor spoken to, Tom Elworthy of Bridget Legnavsky) However they are not the only ski industry experts around.

It has been said of our proposal to put Iwi in the 55% ownership position…"what would they know about running skifields, they'll just f it up". Ignoring the implied racism there, it's actually a fair question. The answer is that they know that and that, right from the outset, we and others have worked with them to assemble an impressive team of industry professionals. I am confident that the skills in our camp easily match, if not eclipse, those of WHL. (and, no, none of them are members of RSSA, we aren't in the business of running skifields).
Looking into the future is an absolute intention to apprentice local youth through to highly qualified and skilled international careers in the ski and tourism industry. That includes highly specialized ropeway and mechanical trades, equally specialized snow safety qualifications, and more. This is a huge opportunity that a NFP model can allocate more funds to than any private model. Not all dividends are purely monetary.

I will point out that Iwi can readily bring a lot of expertise to the table. They have access to huge resources (and have some damned smart cookies behind them). Far more so than private investors. I believe only they can weave the skifield into a broader whole spanning the entire central North Island. WHL, on the other hand will, by definition, have an imperative to suck money away to the South Island.

Financially, I am confused. MBIE shot down the original RSSA/DOCA accusing that proposal of not having money, yet here we see WHL being granted a $5m loan purportedly to assist with the purchase of RAL. This simply does NOT inspire confidence. They need a loan right from day 1? You're kidding me, right?

Throughout this appalling process there has been a common playbook. It has been rolled out again and again.
Brinkmanship.
From the RAL AGMs right through to this application we have been always given one choice.... “You must vote for XX, or the skifields will close!”
Vote for the convertible notes or you won’t get the 2018 season
Vote for newco or the Giant won’t get rebuilt
There are many examples but the most outstanding was the Watershed meeting.
MBIE and its lawyers had fought and bullied, trying all they might to stop the DOCA being presented at the Watershed. But we had an absolute legal right to put it to a vote, so presented it was.
It was the most extraordinary spectacle. The PTL & WHL options (Separate & privatise!) were presented as the only sensible ones and that failing to vote for them would be an absolute catastrophe. The 2023 season would be in peril!
The Administrators were asked (from the floor) 4 simple questions.
1: Have you seen the bids?
2: Have you verified their finances?
3: Do they have concessions?
4: If not, do you know how they will obtain concessions?

Answer: No. No. No. No.
Oh, but please vote for them as the alternative is a disaster!
How could any responsible delegate vote for such a debacle?
What a disgrace.
The DOCA gained over 72% approval, yet the liquidation industry ganged up in a stunning display of abuse of power and voted it down.
Guess what, the world did not end! The doomsday scenario was entirely a mirage.

I am reminding everyone of this for two reasons.
Firstly, you are not obliged to support WHL because there is no alternative. There is.
Secondly DOC you are not the pet of the liquidation industry, you are beholden to The Conservation Act and the National Parks Act and associated policy documents.
The receiver does not own the concession. The Minister of Conservation has the authority to issue, to keep or to cancel concessions. NOT MBIE. Retain the existing concession.
Do not repeat your appalling behavior of June 23.
Hon Potaka, you are also minister of crown/iwi relations. I put it to you that you have the opportunity here to score a great win or do great harm to those relationships. Do the right thing, please.

WHL have also applied for a license/lease over 6 buildings in Whakapapa village as staff accommodation. A problem has arisen as Skotel has put in a prior claim on those buildings for its staff accommodation. I have had considerable correspondence with DOC on this matter. I will not go into detail here as DOC are already fully aware of the matters raised. I am flagging the issue here at submission time and ask that this be taken as my requesting all the aforementioned correspondence be considered as part-and-parcel of this.

To very quickly background those curious. Whakapapa Village is a mess, nobody can deny that, for a myriad of reasons, it is in a neglected sorry state. The concerns around staff accommodation are valid and important for all operators in the Tongariro National Park. The 6 buildings ex-RAL are NOT assets of RAL ltd; they are not under the jurisdiction of the Receiver. Skotel has made a claim on them and we have requested no decision be made re those buildings pending a more comprehensive korero around all the Whakapapa Village buildings, Chateau, RAL, DOC, Skotel, the lot. Such a discussion need not delay anything to do with the skifield operations. Happy to discuss with anyone who would like to know more.

You may have noticed a recurrent thread throughout this submission of dissatisfaction with the process, of pre-determined agendas. I firmly believe this is still in play. That, along with the brinkmanship mean that my efforts and this submission are likely just a waste of time. The Tūroa concession process seemed to be a mere tick box exercise to give lip service to a process. I listened to those submissions, in particular the remarkably detailed and eloquent submissions as presented by multiple Iwi. What became of their remarkably unified concerns? Nothing!
This has come back haunt DOC as the terms of the resulting concession have been proving a nightmare for DOC, PTL and Iwi alike. The effects continue to ripple still.

To ensure the Grantor and/or the delegated decision maker(s) are fully informed and able to make a neutral decision we request a meeting to fully present the details of the option to retain RAL ltd and the existing concessions.

Sec 9(2)(a)
6/2/25

Sec 9(2)(a)

Invitation Evaluation – Minister of Conservation

Name of requestor and reference #	24-I-0100 Sec 9(2)(a)		
Due to Office	4 September 2024		
Priority	Low	Medium	High
	☒	☐	☐
Type of audience	Private individual	Public/Media	Iwi
	☐	☐	☐
	NGO	Business	Other
	☐	☒	☐
Nature of meeting **Note:** DOC will not provide meeting advice for political meetings.	Standard meeting	Event/Visit	Political
	☒	☐	☐
Meeting purpose	Sec 9(2)(a) wants to discuss his views on what led to Ruapehu Alpine Lifts Limited (RAL) entering liquidation and options for its future.		
Recommendation	**Decline** Sec 9(2)(b)(ii) [redacted] We recommend you decline to meet Sec 9(2)(a) at this time to protect your decision making role.		
Minister/SPS/Advisor/Press Sec comment	*[For office use only – Office comment / Further actions requested / Calendar conflicts i.e. House leave request required]* ***Accept / Decline*** *Comment:*		

	[i.e. alternative actions / decline for now but wrap into future regional visits etc]
Opportunities	This is an opportunity to receive more information about Whakapapa ski field from a highly experienced local operator.
Risks to consider	If you meet Sec 9(2)(a) there is a risk this may impact perceptions of you as a neutral decision maker.
Background information	Sec 9(2)(a) [redacted] e is also a member of the Ruapehu Skifields Stakeholders Association (RSSA) and was a leader in the RSSA's 2023 bid to restructure RAL.

Released under the Official Information Act

Submission on Application

Whakapapa Holdings Ltd (2024)

1) Introduction

I make my submission with extensive experience of managing licences and leases in National Parks and other Conservation areas over a period of thirty-eight years.

My initial experience was at Turoa Ski-field when I was involved in the Ski-Field Feasibility Studies, the Environmental Impact Assessment and the licence allowing Alex Harvey Industries to develop the ski-field.

As Chief Ranger and then DOC Conservator, I personally negotiated with RAL their current licence to operate at Iwikau, as well as licences for all club huts in Iwikau and Whakapapa Villages. I was the responsible DOC manager when RAL took over the Turoa licence.

I was the Manager responsible for developing and signing off both the current Tongariro National Park Management Plan and the Tongariro/Taupo CMS. I am a strong believer in the principals of the National Parks Act and the need for strong/effective Management Plans, in order to protect parks and public access to them.

My experience taught me that licences are the most effective tool to provide concession opportunities whilst best protecting National Park values and managing impacts from commercial development. They also optimise public access whilst not impeding a licensee from carrying out their mission. A lease on the other hand, provides essentially exclusive ownership rights to land and increases the impacts of development, through a greater area of land being included in the leased area.

I experienced significant problems managing leases for lodges on the Milford Track, (the land was simply not managed to the appropriate standard envisaged under the National Park legislation). Similarly at the Chateau in Whakapapa Village. At the Chateau the leasee would plant exotic plants and not control problem plants and animals. The large area of land included in the lease was not available for public access or other uses, unless specifically permitted by the leasee.

2) The Application

It is a very good application. It provides a good analysis of the effects on the National Park and how these will be mitigated. It gives careful and appropriate consideration of how best to establish partnerships with Iwi.

I support the application to transfer the licence. I acknowledge the proven record of Director David Mazey as C.E.O of R.A.L for many years. He was the most environmentally aware licence or lease representative I worked with in my duration as D.O.C Conservator.

3) Lease v Licence

This is a fundamental question unlikely to be understood by the public. My discussions with DOC staff indicate the distinction is not understood by most of them.

There is no requirement in the National Parks Act 1980 to issue a lease for infrastructure outlined in the application. The legislation offers both options, a licence and a lease as a concession.

The Tongariro National Park (TNP) Management Plan is quite clear that it directs licences to be issued for the three ski-fields. Clause 5.2.6 SKI AREA LICENSES states that "the Department believes that a ski area operated and managed by one concessionaire has benefits through a co-ordinated approach to public safety, the development of facilities and ultimately the skier experience".

> OBJECTIVE 1 states "To protect the values of Tongariro National Park through co-ordinated, effective licence management for ski areas".

There are many reasons why a single licence should be offered at Whakapapa Ski-field.

a) As explained above, the National Parks Act 1980 allows it and the TNP Management Plan requires it.

b) A licence minimises the amount of land used exclusively by the concessionaire to that required to operate the Ski-field in a safe manner. This is essential in a National Park. It ensures that only required land is developed as well as allowing optimum public access.

c) A lease is virtually an alienation of land. It provided the right of "exclusive possession". This means the leasee can manage the entire area of the lease for their own requirements without regard for the general public. The Department has many examples of lease holders managing land without regard for the principles of the legislation that the land is held. The Chateau lease was a local example.

d) At expiry of a lease there can be a commitment for the Department to pay out lease holders. This has occurred in the South Island high country with farming leases and it appears, it is a current issue with the lease at the Chateau?

e) There is a strong precedence for licences being used for all ski-field concessions in Tongariro National Park; for the reasons I am emphasising. It has not happened by error or omission. Licences have been used since 1953 and are reflected in current licences to operate the three ski-fields and in keeping with the TNP Management Plan. I urge the Department to think carefully about the legal, environmental, management and public access consequences of a change to issuing leases. There would be significant management issues should Club Hutt licences be changed to leases.

f) At Whakapapa Ski-field areas like carparks, snow making and even restaurants are not exclusive to customers of the Ski-field Licence holder. For example; the general public are permitted to use carparks even if not skiing. General public are entitled to use restaurants for shelter, rest, eat their lunch or use the toilet facilities. This is outlined in the Whakapapa Ski-field Management Plan and also the Ski-field Licence held by R.A.L These issues appear to be overlooked by the Department?

g) As indicated in (f) above there are many issues of **public access** affected should leases be issued rather than a licence. Section 49 (c) of the National Parks Act 1980 allows concessions to be granted, but protects the rights of the public. Public access is a fundamental right under the National Parks Act 1980. This is strongly reflected in TNP Management Planning and issuing of Ski-field Licences.

Issuing leases as proposed would be a direct contravention of the rights held by the public under the current National Parks Act 1980 and the TNP Management Plan and Ski-field Licence. I have no concern to leases being issued for staff accommodation as in Whakapapa Village or the easements that have been applied for.
There would be additional administration costs to both the Ski-field licence holder and the Department should a mix of licence and leases be granted. The Government has consistently stated their desire to reduce compliance costs.

Secondly setting an appropriate concession fee will be much more complex using a mix of Ski-field licence fee and lease fees.

4) Aircraft use Application

I am concerned at an apparent broad increase of planned helicopter use and intention to use drones, as a daily occurrence. There are significantly additional impacts – visual and noise

here and I ask that DOC limit the use of aircraft and/or drones as to what is stated in the TNP Management Plan.

5) Removal of Facilities

I welcome the intention of Whakapapa Holdings to not replace the chairlifts and facilities that are to be removed. I note this work is to be funded by DOC. I would like to stress the need for this work to be carried out to the highest environmental standards under the direction and supervision of someone suitably qualified and experienced.

6) Old Stone Building - Staircase

I note the Heritage status of this building and support ownership transferring to D.O.C. I hope that Whakapapa Holdings will provide logistical support to D.O.C or any other party who may undertake protection or restoration work on the building

I would like to be heard in support of my submission.

Paul Green

Sec 9(2)(a)

Phone: Sec 9(2)(a)

Submission on the application by Whakapapa Holdings 2024 Limited
Location of proposed activity: Whakapapa Ski Area, Tongariro National Park
Concession applied for: Lease, licence and easement

this concession application presents a well-researched and reality-based case to the Department of Conservation (DOC) for **Lease, licence and easement operate ski area our facilities in Tongariro National Park.**

Based on the information provided in the application and supporting documentation the only weakness I noted in the various assessments that supported the application is the lack of attention given to natural quiet.

Natural quiet, or the absence of human-made noise, has significant value when considering World Heritage values. The World Heritage Operational Guidelines emphasize the importance of integrity and authenticity in preserving World Heritage sites. While the term "natural quiet" isn't explicitly mentioned, these principles can be interpreted to include maintaining natural soundscapes. Here are some key points on how these guidelines could be applied.

1. Integrity: This refers to the wholeness and intactness of a heritage site, including its natural features. Preserving natural quiet can be seen as part of maintaining the site's ecological integrity.

2. Authenticity: This involves ensuring that the heritage site retains its original values and characteristics. Natural quiet contributes to the authenticity of natural heritage sites by preserving their original soundscapes.

3. Protection and Management: The guidelines stress the need for effective protection and management systems. This includes measures to minimize human impact, such as controlling noise pollution to preserve natural quiet.

4. Visitor Experience: Enhancing visitor experience is also a priority. Natural quiet can significantly improve the visitor experience by providing a sense of tranquillity and connection with nature.

Recommendations

that the **application by Whakapapa Holdings 2024 Limited is supported**
applying the principles outlined above to include limits on noise from aircraft, and

restaurants etc sites can better preserve their natural soundscapes and maintain their ecological and cultural values.

Bruce Jefferies
Senior Consultant
Conservation Management and Planning Systems
Email: Sec 9(2)(a)
Mobile: Sec 9(2)(a)

Bruce Road, Manawatū-Whanganui 4691



5 February 2025

Submission by Te Horonuku Mountain Sports Club

To: Department of Conservation (DOC)

Subject: Support for Whakapapa Holdings 2024 Ltd Lease and Licence Application for Whakapapa Ski Area

Te Horonuku Mountain Sports Club would like to express its support for Whakapapa Holdings 2024 Ltd's application for a lease and licence to operate the Whakapapa Ski Area within Tongariro National Park. Our club depends on the continued operation of this ski area to promote mountain sports and provide recreational opportunities for our members and the wider public. Below, we outline the key reasons for our support.

1. About Te Horonuku Mountain Sports Club

Te Horonuku Mountain Sports Club, established in 1966, is a friendly, community-focused ski club based on the Whakapapa skifield of Mt. Ruapehu. The club provides warm, comfortable, and affordable ski-in, ski-out accommodation, fostering a welcoming and social atmosphere for members, including students, graduates, professionals, and families. We take pride in our strong 'pitching in' culture, where members contribute to keeping the lodge running smoothly, creating a great sense of community.

Being based on the mountain means our members can wake up right on the slopes, avoiding the hassle of daily commuting. We also offer opportunities for children to get involved in ski development and racing, helping to grow the next generation of mountain sports enthusiasts. Ensuring the continued operation of the ski area is essential for maintaining these opportunities for our members and the wider community.

2. Economic and Social Benefits

Whakapapa Ski Area plays a key role in the local economy by attracting visitors, which in turn supports businesses and jobs in the region. For our club, it provides:

- Access to high-quality facilities that encourage participation in mountain sports.
- Opportunities to host and take part in ski events and training programmes.

Any disruption or closure of the ski area would have a significant impact, affecting both our members and the wider community.

3. Ensuring Ongoing Recreational Opportunities

Whakapapa Ski Area offers a variety of year-round recreational opportunities. In winter, it provides access to skiing and snowboarding, while in summer, it serves as a base for sightseeing and hiking. The infrastructure maintained by Whakapapa Holdings is crucial to enabling these activities, particularly for:

- Families and beginners looking for a safe and structured environment to learn skiing.
- Members of our club and the general public who enjoy alpine recreation at different skill levels.

4. Commitment to Safety and Infrastructure Maintenance

We appreciate Whakapapa Holdings' dedication to maintaining infrastructure and prioritising visitor safety. Their focus on meeting high safety standards ensures that the facilities remain in good condition and accessible to all users.

5. Environmental and Cultural Considerations

We recognise Whakapapa Holdings' commitment to operating in an environmentally and culturally responsible manner. Their application reflects their dedication to:

- Minimising ecological impacts through careful planning and sustainable practices.
- Respecting the cultural significance of Tongariro National Park and working closely with iwi and hapū.

Maintaining this balance is essential to ensuring that the ski area remains a sustainable and inclusive destination for all.

6. Working Together for Conservation

The ski area demonstrates a successful model of co-operative conservation management. Te Horonuku Mountain Sports Club supports Whakapapa Holdings' collaboration with DOC, iwi, and other stakeholders to:

- Maintain and improve facilities in line with conservation goals.
- Ensure that decisions are informed by a broad range of perspectives, including recreational users like our club.

7. Stability and Long-Term Planning

Approving the lease and licence will provide the operational stability needed to maintain and improve the ski area. A recent survey of our members has indicated their strong concern about the future of the mountain and has been a consideration in their booking ski holidays elsewhere. This has been evidenced by a drop in member nights booked over recent years. The proposed 10-year term will allow for:

- Continued recreational access for our members and other visitors and certainty when making long term skiing plans.

- Enough time to address longer-term governance and cultural considerations, including the settlement of Wai 1130.

8. Aligning with Policy and Management Plans

This application aligns well with the objectives of the Tongariro National Park Management Plan, particularly by:

- Supporting public enjoyment of the park while preserving its natural and cultural values.
- Maintaining key infrastructure necessary for recreational use.

The Whakapapa Ski Area covers a small portion of the park and operates within the guidelines of the Management Plan, ensuring a responsible balance between use and conservation.

9. Additional Concession Requests

We ask that any concession granted by DOC to Whakapapa Holdings Ltd includes the following provisions:

- Continued provision of the provisions/grocery storeroom at the same reasonable rates.
- Continued after-hours access to car parking for club members, specifically for parks 1 & 2.
- Continued provision and easy public access to the Iwikau Shelter.
- A minimum of four stakeholder meetings per year between Whakapapa Holdings Ltd and the ski clubs, facilitated through RMCA.

In addition, while not specific to our club, we would like the concession to include the continued provision of toilet facilities and shelter in the Far West, which would be of benefit to all mountain users.

Conclusion

Te Horonuku Mountain Sports Club strongly supports Whakapapa Holdings 2024 Ltd's application for a lease and licence to operate the Whakapapa Ski Area. The ongoing operation of the ski area is vital for the economic, recreational, and social well-being of our members and the broader community. We encourage the Department of Conservation to approve this application to ensure that these benefits continue while respecting the environmental and cultural integrity of Tongariro National Park.

Te Horonuku Mountain Sports Club

Sec 9(2)(a)

Russell Turnbull
President

7th February 2025

Director General
Department of Conservation
Private Bag 3072
Hamilton
Attention: Lynette Trewavas
Via email to: mtruapehusubmissions@doc.govt.nz

Whakapapa Holdings Limited Submission

I wish to make a submission in relation to the application made by Whakapapa Holdings Limited (WHL) to obtain a concession to run Whakapapa Ski Area.

I support the application, I am making a submission. I do not wish to be heard.

I have been lucky enough to have had the opportunity to ski on Mt Ruapehu most of my life, both competitively and recreationally. I have lived in the Ruapehu region for the last ten years. Our family purchased five life passes in 2016. While three of these passes had a good amount of use from when they were purchased until they became invalid they are a long way from breaking even.

I believe that granting a concession to WHL is absolutely the right thing to do, it is the only realistic option available if snow sports are to continue on Mt Ruapehu. There is no one that knows Whakapapa ski area better than Dave Mazey. Daves's knowledge of Whakapapa is exactly what is needed to bring Whakapapa out of the prolonged insolvency process and into a bright new era where people will be able to enjoy snowsports on Whakapapa for many years.

I agree with WHL's application to obtain the use of buildings in Whakapapa Village. Whakapapa Village has had a horrendous few years, it needs WHL to bring it back to life.

I agree with WHL's application in its entirety except for the make up of the management team, which is basically what is left of the Ruapehu Alpine Lifts (RAL) management. It is important to understand why RAL was placed into voluntary administration in October 2022. Many people including the Ruapehu Skifields Stakeholders Association (RSSA) will have you believe that COVID followed by poor ski seasons are to blame for RAL's demise. I totally disagree, it was poor management that led to RAL's demise. RAL was on the brink of financial collapse in 2019.

Up until about 2016 Whakapapa was a great place to go skiing, it had a happy vibe the staff were friendly, everyone had a great time. Unfortunately this all changed, RAL was trying to make money wherever it could the customer experience greatly diminished. When people visiting Whakapapa for the first time were treated poorly by rude staff and charged exorbitant prices for a poor product.

Some of the poor decisions that were made by management are:

- The fencing off of Happy Valley
- Not letting anyone onto the snow in Happy Valley without a pass even to accompany their children.
- Only allowing people to consume food in cafes that was purchased at the cafes.
- The opening of the West Ridge Quad and Far West T-Bar getting later and later in the season (Mid August-September)
- The lack of maintenance on the lifts and other ski field infrastructure.
- The disgusting mess of redundant infrastructure, particularly the remains of the Waterfall Express.
- The poor treatment of local schools leading to school skiing trips being turned into logistical nightmares, a not fit for purpose and totally unusable booking system and poor communication with schools.
- And of course the biggest calamity of them all is the Sky Waka.

Dave Mazey has publicly stated that WHL is not RAL 2, that being the case I would have thought a fresh management team would be required.

At the watershed meeting in June 2023 WHL had proposed a great offer for life pass holders that included an option to repurchase life passes for a fair price. Unfortunately this offer was derailed by the RSSA. The current offer from WHL to life pass holders is significantly less than the first offer but fairly consistent with the offer made to life pass holders by Pure Turoa.

I disagree almost entirely with the submission of Sec 9(2)(a), we do agree on one point and that is the Whakapapa has been left in a disrespectful mess however we disagree on who is responsible for that mess.

The RSSA has spent the last two years barracking for an outcome that was never going happen and that is for RAL to be retained. It's been plainly obvious for almost two years that retaining RAL was never going to happen and was never a realistic option. The RSSA kept beating this drum despite the writing being on the wall. The RSSA was told by many of its members and followers that a change of tack was required and that maybe they should work with WHL to negotiate a better deal life pass holders, they refused to do this instead preferring to cry foul on how the insolvency process has been managed. Many people feel let down by how the RSSA have “advocated” for life pass holders.

The Ruapehu region has suffered greatly over the last five years with the global pandemic, the collapse of RAL and the Tangiwai mills closing in September 2024. The granting of Pure Turoa’s concession has been well received in Ohakune. The granting of a concession for WHL will further bolster the Ruapehu economy and give hope to loyal businesses particularly in National Park that have been hanging in there.

I ask you to do the right thing and grant the concession in its entirety as applied for by WHL.

Yours sincerely
Willie Aitken

Whakapapa Holdings Limited Submission

I support the Whakapapa Holding Limited submission to operate the ski field in the national park, in a similar manner as the former operator RAL, but most likely a lot better. I have a lot of faith in Dave Mazey and Tom Elworthy, as Dave ran the mountain very well with his team for many years and built it up to show it at its best, and I believe Tom, with his experience, will be a fantastic asset and a key player. I believe the team put together is well equipped to take on the task and will make it work, I have no doubt at all.

I have skied at Whakapapa and Turoa for the last 45 years, had a life pass and am a Ski club member so am committed to the mountain for many years to come, as are my close group of friends, all similar to me, and numbering circa 40 or so.

I have enjoyed Mt Ruapehu and its surrounding areas for a long time with my wife, and my children have grown up on the mountain, it is simply a magical place and I think it should remain a ski field and area for enjoyment for **all**.

It is imperative that the fantastic facility continues, not just for skiing, but to support the surrounding area and its economy (National Park, Ohakune, Lake Taupo, Raetihi etc), these need the patronage from both sides of the mountain to survive. It would be a disaster if this beautiful place was to fail.

Similarly, the Chateau is a world class facility, it is so majestic sitting there as you approach the mountain, there is no way New Zealand should even contemplate letting this go, it should never have been allowed to go to overseas interests! The Chateau, if attached to WHL would complement the ski field as it always has and attract high level overseas visitors, an option that has been missing for too long since it was allowed to deteriorate, New Zealanders need to be involved here again and I believe the experience of the new team will make this happen with some relevant support.

In my opinion, I do not see how the continued operation of Whakapapa, and Turoa is/was even a question for the government? The equation is simple in the big picture, annual revenue from the area in GST, PAYE, some income tax etc far exceeds all the money the government has contributed to date, not to mention any subsidies that would be paid out to those in the surrounding areas if the mountain was not operating.

RUAPEHU
OUR GREATER OUTDOORS

Jo Kennedy
Visit Ruapehu
Sec 9(2)(a)
Ph Sec 9(2)(a)
08 February 2025

Subject: Submission in Support of Whakapapa Holdings 2024 Limited (WHL) Application to Lease and License Whakapapa Ski Area

Tēnā koutou,

I am writing to express our strong support for Whakapapa Holdings 2024 Limited (WHL) in its application to lease and license the Whakapapa Ski Area for a ten-year period. As a regional tourism organisation, we recognise the critical importance of a sustainable and community-driven future for Whakapapa.

Community and Economic Impact

WHL has demonstrated a deep commitment to the local economy and community. With thousands of visitors each year, Whakapapa is a cornerstone of the region's economic activity, supporting jobs, businesses, and tourism operators. The economy in Ruapehu heavily relies on tourism, and with Whakapapa Ski Area, summer walks, and the Sky Waka gondola, coupled with the reinvigoration of the Chateau Tongariro and surrounding infrastructure, a long and healthy outlook is ahead for our district and our people. The continued operation of the ski area under WHL's leadership will provide certainty to those who depend on the mountain for their livelihoods and will bolster regional economic resilience.

Tourism contributed over $100 million annually to the local economy pre COVID, further solidifying Ruapehu as a thriving year-round destination.

Experienced and Capable Leadership

The WHL leadership team, comprised of Dave Mazey, Tom Elworthy, and Bridget Legnavsky, brings over 75 years of collective experience in New Zealand's ski and tourism industries. Their expertise, alongside the existing senior management team and workforce with a combined 350 years of experience, ensures that Whakapapa will be managed with professionalism, innovation, and a clear strategic vision.

Environmental and Cultural Stewardship

WHL has committed to operating Whakapapa in an environmentally responsible and culturally respectful manner. Its plan includes infrastructure repairs, snowmaking improvements, and lift maintenance while maintaining an open dialogue with iwi and local stakeholders. The proposed

ten-year lease, with a review at five years, reflects WHL's balanced approach to short-term operational stability and long-term planning.

The intrinsic connection with iwi is central to the future of Whakapapa. The area is a significant part of the Tongariro National Park settlement, and any development must align with cultural values and historical responsibilities. The mahi done at the Tongariro Alpine Crossing complements this work, fostering a cohesive vision for tourism, conservation, and cultural integrity within the region. WHL's ongoing engagement with iwi ensures that Whakapapa's development will honour and enhance these connections for generations to come.

Recreational and Infrastructure Investment

WHL's application outlines plans to enhance visitor experiences through upgraded snowmaking capabilities, new snow guns, and the replacement of the groomer fleet. The commitment to keeping all existing lifts operational, including those in the western area, will ensure access to Whakapapa's world-class terrain for all skill levels, from beginner skiers in Happy Valley to experienced riders exploring the mountain's volcanic landscape.

Additionally, original forecasts suggest that the Sky Waka gondola could attract ~ 300,000 visitors during the summer season. This influx will significantly boost Ruapehu's standing as a year-round destination, benefitting local businesses, accommodation providers, and tourism operators beyond the traditional winter months.

Conclusion

The approval of WHL's concession application is vital for the continued success and wellbeing of the local communities, and the economic stability of the broader Ruapehu region. We fully support WHL's application and encourage the Department of Conservation to grant the necessary lease and license for its operation.

Thank you for considering this submission.

Ngā mihi nui,

Sec 9(2)(a)

Jo Kennedy
General Manager
Visit Ruapehu

WHL2024-484-1

My submission on the application of Whakapapa Holdings Limited for a 10 year concession on Mt Ruapehu. I refer to the applicant as "WHL".

I do not support the application for a concession by WHL.

I do not support corporate welfare provided to a *for profit entity.*

I do not support bulldozing of treaty partners' rights.

I do not support when huge waste of tax payers money on the gravy chain of consultants, Voluntary Administrators, Liquidators and Receivers, when there was a simple solution at significantly lower cost.

I do not support a short term 10 year concession, when a 60 year concession already exists and can continue to exist with a revitalised public benefit not for profit entity RAL.

I do not support a phoenix entity that has directors that worked at an executive level for RAL, when RAL left redundant structures on the Maunga.

I do not support a phoenix entity that has connections to the financially troubled Sara Lee Australia entity (Newsroom 20/10/2023).

I do not support a process where government Ministers will not talk to ALL stakeholders.

I do not support allowing a new concessionaire being let off the hook for the cost of removal of redundant structures on the Maunga that are owned by the previous business whose assets they are purchasing.

I do not support DOC taking financial responsibility for the cost of redundant structure removal.

I do not support Kanoa lending the intial $10M to RAL to build the Sky Waka when they received advice stating that just a 1% change in cost or revenue could result in financial failure.

I do not support Kanoa obtaining the rights to convertible notes in RAL or the RAL group in an apparent contravention of the RAL constitution.

I do not support Kanoa's handling of the RAL financial difficulty processes.

I do not support the deliberate burning off of Ruapehu's most loyal financial supporters – The Life Pass holders who have funded over $45M of the ski field assets.

I do not support the receivers approach to burn off the Life Pass Holders when there was no cost to the receivership to honour the contracts for 2024 as the lifts turned no matter what.

I do not support the business approach that destroys a multi-generational market.

I do not support the business approach that has resulted in ski clubs to losing 25% of their membership, creating more cost for DOC to remove club assets.

I do not support "a for profit entity" taking dividends as it is painfully obvious that an active volcano, with difficult weather conditions and distant from an international airport, will not be able to develop the ski field and will likely struggle to maintain the ski field, without ongoing government corporate welfare at the taxpayers' expense.

<u>What I do support as an Alternative to WHL</u>

I support listening to Treaty Partners

I support listening to Sec 9(2)(a) – refer his submission

I support the Ruapehu Skifields and Stakeholders Association submission

I support a creditor compromise to revive RAL

I support a creditor compromise to revitalise the not for profit RAL which would have cost far less to the taxpayer than the way both the government and liquidation industry decided to proceed for some unknown reason.

So who am I and why should I care

Skiing at Mt Ruapehu since I was 8 years old when I became a Member of RSC which has huts on both sides of the Ruapehu. My parents were early members of RSC when it based its ski trips out of the Chateau. My parents went on to be original shareholders when RAL was formed. Those shares have been passed on to me and my children. I later worked at the mountain and I purchased a life pass, and later life passes for my children. It seemed a safe thing to purchase a life pass as some wise directors set up the RAL Trust to provide protection from wild ideas. Unfortunately I and others feel badly let down by the current trustees. MBIE offered an unaffordable offer of loans. The Directors and Trustees went for it and here we are with this mess. Where a

Community owned Not for profit entity has been tipped over by ideas of Newcos, profits for investors, when it is painfully obvious for profit just does not work on a active volcano, with at times terrible weather patterns and bad snow years and yes now the unexpected Covid lockdowns. The mess concerns me deeply as you can see I have had a long history with the Maunga. I became a founding member of the Ruapehu Skifield Stake Holders Association with the aim of trying to get back to common sense.

David Krebs

7th February 2025

BWB Texts

Short books on big subjects from great New Zealand writers

100% Pure Future

New Zealand Tourism Renewed

EDITED BY
SARAH BENNETT

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CONTENTS

Preface: Visiting Friends & Relatives 7
Sarah Bennett

1. The Long Road Ahead: Finding New Compass Bearings 15
David G. Simmons
2. A Regenerative Journey: New Zealand Tourism Renewed 29
Rod Oram
3. In for the Long Haul: Carbon-proofing New Zealand Tourism 44
Susanne Becken
4. Manaaki Tangata, Manaaki Whenua: A View From Tongariro Maunga Tapu 64
Te Ngaehe Wanikau
5. Nature Under Pressure: Improving National Park Management 73
Dave Bamford

6. Queenstown From the Ground Up: Building a Sustainable Tourism Business 101
Erna Spijkerbosch
7. Travels on a Lonely Planet Looking Back, Going Forward 117
Tony Wheeler
8. A Pure Promise: Towards Sustainable Tourism 132
Raewyn Peart
Conclusion 149
Hugh Logan

Appendix A 160
Appendix B 164

Notes 167
Acknowledgements 178
About the Authors 179
About BWB Texts 185

PREFACE
VISITING FRIENDS & RELATIVES

SARAH BENNETT

STAYING AWAY

My husband Lee and I spent Level 4 lockdown a long way from home. We'd just been at WOMAD in Taranaki, and had gone on to stay with friends at their Kāwhia bach for a few days before heading home. But then the global pandemic reached New Zealand. Our friends invited us to self-isolate at the bach. Keep ourselves and others safe. Stay out of the way.

Kāwhia is a remote harbour settlement in the Waikato. It is the resting place of the *Tainui* waka; at the seaward and landward gateways to the town sit two marae with immaculately groomed grounds and whare as neat as new pins. Between them are quiet streets lined with modest homes, some used mostly for holidays, others occupied by a permanent population of around 350. Tidy

gardens and a proudly maintained village centre attest that this seaside holiday town – known for boating, fishing and a vast, black-sand beach – is home to a tight-knit community.

Few international tourists find their way to Kāwhia. This is a place for visiting friends and family.

In the early days of lockdown, some locals are on edge. There is talk of roadblocks. Even bach-owners are expected to stay away. As outsiders, we're conspicuous.

We've been in Kāwhia a fortnight – a week into lockdown – when I come face to face with the anxiety that comes from having strangers in town.

I'm queuing outside the petrol station to buy milk. In front of me, a woman is agitated. As she enters the shop she mutters within earshot, 'Too many outsiders round here for my liking.'

I decide to speak to her as she comes out. 'Excuse me,' I say. 'I couldn't help hearing what you said and I wondered whether you wanted to talk.' I feel vulnerable, teary.

She makes no eye contact as she snaps a refusal, climbs into her car and drives away.

Two women are standing behind me in the queue. 'What happened there?' one gently inquires. I recap the exchange. 'Well, how long have you been here?' she asks. I explain my circumstances – that

my husband and I were invited to stay, that we're grateful to be here, that we totally respect the right of locals to put the wellbeing of their community first. By this time, I'm in tears.

'Oh, don't worry about her, dear,' the woman responds. 'She'll be right.'

Later that day, a message appears on the local Facebook page: 'To the lady I upset at Kāwhia Motors today, I am sorry … but I stand by my comment … this is a vulnerable community.' She apologises a second time for causing me 'distress', and acknowledges that she knows we are staying as guests of friends.

As the days pass, the locals are getting used to us. We connect with them as we take our daily liberty, chatting at appropriate physical distance while their friendly dogs constantly burst our bubble. Lee's jam is photographing the birds out on the harbour. Mine is biking the short distance to the beach, or to the hilltop cemetery where I draw threads between this place and its people.

One afternoon I bike to the beach with a rubbish bag round my handlebars, cleaning up the roadside as I go. By the time I reach the car park the bag is full to bursting. I tie it up and leave it under a tree to collect the next day, setting it next to another full bag of rubbish, also carefully tied and placed. This explains why the beach is so clean.

Six weeks after arriving, we're down to Level 3

and it's time to go back to Wellington. While our time in Kāwhia hasn't exactly been a holiday, the town has provided us with many of the comforts of home.

STRANDED IN PARADISE

We're home only for a month before we head down to Queenstown for six weeks, for a mix of work and play. We're staying with friends – a mum and two kids – with whom we'll ski, cook, dance and hug. We'll also spend money in the local economy, just like we should.

Thanks to Covid-19, Queenstown sure needs the dough. This time last year we jostled in chairlift queues with an army of Aussies and the line for Fergburger was 50 people long. This year it peaks at around 15.

Downtown, full bore has been replaced by a pronounced ebb and flow. Monday through Wednesday it's quiet; a thin string of workaday types go about their business while the fancy shops and restaurants sit all but empty. Come Thursday, however, things pick up. The population seems to quadruple overnight. Shotover Street is back to being bumper to bumper.

A sea of black puffer jackets makes it clear that the influx is Kiwis. They were supposed to be sunbathing in Bali, but now they're learning to ski. And by all accounts they're loving it. Look

at lucky old us, stranded in paradise! Who knew Queenstown was so cool?

Well, don't say we hadn't told you. Queenstown well deserves its reputation as one of the world's friendliest and most fun adventure resorts. That's why international visitors have been flocking here for years – around 2.2 million of them in the year ended June 2019. Another one million or so came from New Zealand.[1]

Nowhere in New Zealand has tourism looked so commodified as in Queenstown. The town is a 'destination', the airport a 'gateway', its experiences 'products' and its wild places 'natural assets'. And up until Covid-19, tourism was actually our biggest 'export', of course. You could be forgiven for thinking it's all about the numbers and the money. Many of the industry's 'operators' – let's call them *people* – would beg to differ.

In Queenstown I meet up with friends whose businesses rely on tourism. They exemplify the values that make travelling in New Zealand so special. Their top priority is looking after their staff. They're grateful for the wage subsidy. They're thinking creatively to find ways through. And they're also incredibly relieved and thankful that New Zealanders are coming to Queenstown and helping them stay afloat.

A local restaurateur tells me that domestic travellers have kept them well clear of their worst-

case scenarios. What's more, staff are enjoying hosting Kiwi clientele. 'They've got good manners,' she says. 'They're grateful.'

The marketing manager of an adventure tour company relays their tenacious attempts at reinvention. The big opportunity, she says, is to integrate tourism more closely with education, health and environmental restoration – think school kids on camps or nature-based voluntourism. Their business is well positioned to pivot, but it's a matter of how long they can hang on.

I pop in to Creeksyde Holiday Park to see Erna, the owner. Sleeves rolled up, three decades of camp management under her belt, she's up for the fight to survive. But things had to change, she tells me. 'The visitor numbers we had last year were simply unsustainable.'

As usual, the conversation turns to the idea that we need to attract 'higher-value' visitors rather than more of them. But what does a high-value visitor actually look like? 'For us, it's not about the money,' Erna says. 'It's about hosting people with whom we share mutual respect for the environment, the community, and the "Kiwi way".'

BEYOND 100% PURE NEW ZEALAND

Whether Queenstown or Kāwhia, it turns out you can't force manaakitanga. Having happy visitors relies on having happy hosts. And as tourism has

grown, an increasing number of New Zealanders are unhappy about compromising the health and wellbeing of their people, their places and the planet. *Manaaki tangata, manaaki tangata*.

So here we are, landed with a chance to reset one of our biggest industries, one that affects pretty much everyone, everywhere, and everything that we do. Tourism isn't an island. The very planes that connect us to the world affect every single living thing on Earth, after all.

There's been plenty of talk about the tourism reset over the last eight months, but I fear we're running out of time for radical action. Just a few weeks ago, tourism minister Kelvin Davis was unequivocal about the industry's position in our economy. 'Tourism will definitely become New Zealand's biggest export earner again. It will happen very rapidly once the border reopens.'[2]

Auckland Airport and Air New Zealand will no doubt be jostling at the turnstile for that. But what do the people of New Zealand want? What if we were enabled to weigh up the pros and cons, and given the opportunity to have our say? My hope is that this book helps inform our conversations.

Perhaps we could create a collective vision for the industry? New Zealanders would surely wish for it to be sustainable, but many of us are hopeful for much more. One of them is the chief executive of campervan company Tourism Holdings,

Grant Webster. He's also the chair of Tourism Industry Aotearoa, the organisation representing around 1,500 members of the industry. In the vision statement to TIA's *Tourism Sustainability Commitment* (see p.00), he states:

> Our ambition is to move beyond sustaining, to restoring, to regenerating. Tourism has tremendous capacity to improve our nature, reduce our footprint and enrich communities, and collectively we must strive to achieve this.[3]

1. NAVIGATING THE FUTURE
FINDING NEW COMPASS BEARINGS

DAVID G. SIMMONS

TOURISM BY THE NUMBERS

From many measures New Zealand has been viewed as one of the world's more successful tourism destinations. It has portrayed an enviable record of protected area management, indigenous inclusion and robust environmental management, all brought together under a 100% Pure New Zealand brand. As we examine each of these issues with a finer lens, we soon discover that all was not well with this rush to development, given the various consequences left in its wake.

Scenic grandeur and Māori culture have been recognised as core attractions since the 1900s, influencing the shape of early rail routes and the establishment of the world's second-oldest system of national parks. Industry pioneers were strong advocates for the development of tourism, which

led to the establishment of the world's first national tourism office in 1901.

New Zealand's isolated location meant early growth in visitor arrivals was slow: it took 35 years to double the numbers from the reported figure of about 12,000 in 1922. It was not until the mid 1950s that significant development occurred. In 1955, for example, entrepreneur Harry Wigley first landed a ski-equipped aircraft on the West Coast glaciers. The same year, an increase in formal government support for tourism development came with the establishment of the Tourist Hotel Corporation.

It was, however, the arrival of jet-powered aircraft in the early 1960s that finally broke the 'comfort and time' barriers, with visitor arrivals almost doubling in subsequent decades. Continued growth during the 1990s and early 2000s saw arrivals reach 2 million for the first time in 2003. Eleven years later, arrivals stopped just short of 3 million, with the 4 million mark anticipated for 2020. In 2019, before the arrival of the coronavirus, numbers hit a peak of 3.86 million.

Prior to Covid-19, tourism had spread in varying degrees to all regions of New Zealand, and had established itself as an important component of regional economies alongside the more capital-intensive primary sectors such as agriculture and forestry. Industry growth had well exceeded the audacious goal – as expressed in Tourism Industry

Aotearoa's *Tourism 2025* framework – of making tourism a $41 billion-a-year industry by 2025 when it generated $40.9 billion in the year ended March 2019.[1] For the last few years, tourism has been the country's highest-ranked foreign exchange earner (20.4 per cent), and has directly and indirectly contributed 9.8 per cent of GDP.[2] The industry directly employed 230,000 people, and many more indirectly.

Tourism's classification as an export sector has promoted a focus on international visitors, obscuring the fact that New Zealanders themselves are great travellers. In 2019, New Zealand residents made 3 million overseas trips, of which 2.34 million were for holidays and visits to friends and relatives. Some 1.4 million were made to Australia, with the Pacific and Europe making up much of the remainder. In all, New Zealanders spent $6.7 billion on overseas leisure and business travel that year.[3]

A further dimension of tourist activity – rarely commented upon until recently – is the many thousands of New Zealanders who travel domestically. The most recent visitor data shows domestic tourism accounting for more than half of all visitor expenditure in 13 of 16 regions. Only the West Coast, Otago/Queenstown Lakes and Auckland have greater international than domestic expenditure.[4] Suffice to say, these regions are

suffering the most while international visitation is on hold.

The same data tells us that there are also favourite domestic regions – Tasman and Marlborough in the south, and Northland, with smaller regions (Manawatū, Gisborne and Taranaki) also enjoying considerable economic benefit from domestic travel. The bigger picture shows us the significance of domestic tourist expenditure across New Zealand. As a proportion of regional tourism, domestic expenditure varies from 82 per cent in Manawatū and Whanganui, to just below 50 per cent in the West Coast, Auckland and Otago/Queenstown Lakes.

Economically, the importance of tourism varies from region to region. On the West Coast, for example, total visitor spend is only a small proportion of national expenditure, yet this is a significant source of income for the region – equivalent to more than 25 per cent of the value of the region's total GDP. Similar regional significance is also seen in the more economically diverse Otago/Queenstown Lakes area, where the value is even higher at close to 33 per cent. At the other extreme, while visitor expenditure in Taranaki is at similar levels to the West Coast, tourism expenditure is equivalent to only 5 per cent of GDP as the region has strong dairy and petrochemical sectors. The median percentage value of visitor expenditure to

regional GDP across New Zealand's 16 regions is approximately 11 per cent.

Another point worth noting is that domestic travellers generate 58 per cent of New Zealand's total tourism expenditure but undertake 78 per cent of trips.[5] This tells us that their average spend is much lower than international visitors', yet they spend proportionally more on retail (which includes fuel, food, drink and general shopping), but proportionally less on cafés, restaurants and bars. Correspondingly, international visitors spend more on passenger transport and airlines.[6]

THE NATURE OF TOURISM

In considering the challenges of tourism as it was before Covid-19 – and the possible way forward – it's worth examining the nature of tourism as a business and a resource user, and the ways in which traditional market economics provide direct challenges for its governance and management.

Tourism 'products' are most often built upon common property resources such as New Zealand's natural places, Māori culture, genuine hospitality, uncrowded beaches and wildlife. These can be referred to as tourism's foundation resources.

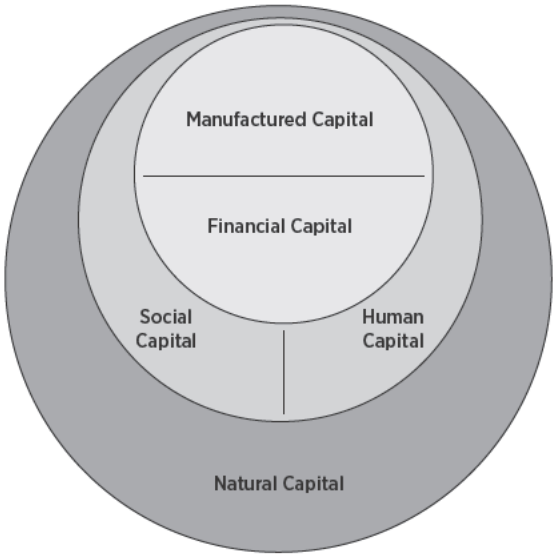
Internationally, such foundation resources are increasingly discussed within the framework of the five 'sustainability capitals' which underpin the UN Sustainable Development Goals and are

illustrated in Figure 1. The New Zealand Treasury has followed this and similar international practice within its Living Standards Framework, referring to four capital stocks: natural, human, social and financial.[7] Other authors take an even more granular approach by including specific reference to cultural and built capitals. Regardless of the number or specificity of various capitals, finding balance between each of these is now recognised as the cornerstone of wellbeing and a pathway to global sustainability goals.

Importantly, these capitals are not equal: natural capital pre-empts all others. Financial and economic capitals are contingent on natural capital, but also on the human and cultural capitals at play. These are useful considerations when examining tourism.

Access to natural, social and cultural capitals is commonly provided free of charge, but as we can note from recent experience, their 'consumption' by tourists is not without costs or consequences. In economic terms, the natural and social capitals are recognised as common property resources – that is, they are natural resources owned and managed collectively by a community or society rather than by individuals.[9] Profits tend to accrue to business owners, while the costs – such as waste, crowding and environmental stresses – are shared with the community.

Figure 1: The Five Capitals, adapted from Forum for the Future.[8]



When we fail to price or include all the costs associated with the production or consumption of a good or activity such as tourism, we call this a market 'failure'. Such failures are commonly called 'externalities', as these components remain outside financial transactions.

All industrial activities produce some externalities, the most common of which is the use of unpriced oxygen in a variety of hydrocarbon-based fuel motors that produce unpriced carbon dioxide and other unpriced greenhouse gas emissions. This particular case is a global problem because air is a

global resource. It is also particularly relevant to tourism, as explained in Susanne Becken's chapter (p.00).

On the other side of the ledger are underpriced or unpriced benefits. Economists call these merit goods – goods and services that would be under-provided if left solely to market forces or private providers. In general, the provision of merit goods – such as health, education and defence services – are at the heart of political considerations and budget allocations. Within tourism, however, merit goods – such as the provision of tourism data and insights, destination management and promotion – are not as well considered or budgeted for.

Within tourism, it is commonly the case that no one entity is big enough or willing to invest in providing adequate services for all. While collective actions such as joint ventures or public–private partnerships are often created to produce more socially desirable outcomes, it is tempting for many to sit back and 'free ride' on others.

This presents fundamental problems within tourism management. An example is the pressure for publicly funded national and regional tourism ('destination') management organisations to meet local and visitor needs while catering to industry. Who pays for the common resources used? And without a direct market that prices those resources, how do we set a value on using them?

In the past two decades, liberal market policies have seen the role of the private sector grow at the same time as reducing the influence of the public sector on resource management.[10] This prevailing market-oriented paradigm has shaped perspectives on tourism investment, development, marketing and regulation, one outcome of which is phenomenal growth rates and consequent pressure. Without robust and considered management, it is all too easy to overuse common property resources to the detriment of all and with the gain to self-interested individuals or groups.

The development and provision of tourism ought not be left to market forces alone. Many economists have argued that the way to rein in 'market failures' is for the government to act. But public-choice economists point out that 'government failures' also exist. Governments have, at times, developed both inappropriate and unsuccessful tourism ventures, as well as limited or late investment in essential infrastructure such as public toilets in small but highly visited communities like Tekapo.

The pressures that have arisen from the rapid growth in tourism have brought into question tourism's social licence to operate. Social licence exists when an activity has the ongoing approval of the local community and other stakeholders. It needs to be earned and retained, requiring

much more than communicating a rhetoric about how tourism is good for 'us'. It is dependent on active engagement with communities in tourism planning, implementation and operation, including employment.

The 2020 'Mood of the Nation' survey, released just prior to the first impacts of Covid-19, showed that an increasing number of New Zealanders were concerned about tourism growth. The survey, commissioned twice yearly by Tourism New Zealand and Tourism Industry Aotearoa to measure New Zealanders' perceptions of the industry, detailed that while more than 90 per cent of respondents felt that tourism was beneficial for New Zealand, more than 35 per cent felt that international visitation was putting too much pressure on the country. This was a notable increase over the previous four years, up from 18 per cent in December 2015.

FINDING COMPASS BEARINGS FOR THE JOURNEY AHEAD

This collection of essays provides various perspectives on tourism in New Zealand. There is a single compelling message: it is time for us to re-think the role of tourism in our society, economy and development goals. Each essay in this book contains important compass bearings for the journey ahead.

Rod Oram assesses tourism as an economic opportunity. In the face of sustained high growth in recent years, the conversation has shifted to seeking value over volume. How do we move from measuring visitor arrivals and expenditure to measures of a broader set of values? He also discusses the opportunities for regenerative tourism alongside other sectors' regeneration journeys, most particularly agriculture and food, and what role te ao Māori and mātauranga Māori might play.

Susanne Becken's essay on carbon-proofing New Zealand tourism is vital reading, not least because of New Zealand's desire to be carbon neutral by 2050 and to fulfil the requirements of the Paris Climate Accord. So what does decarbonated tourism look like across all dimensions of the industry? Becken concludes that we might look to te ao Māori for guidance in this space.

Te Ngaehe Wanikau's essay provides an invaluable perspective from Tongariro maunga tapu. Transcending tourism is the paramount principle of *manaaki tangata, manaaki whenua* – that caring for the people and the land is the bedrock from which all other benefits and wellbeings are sourced. Unique to Aotearoa and already integral to New Zealand tourism, Māori cultural perspectives offer enduring threads for the future, as they have in the past.

Wanikau's essay raises questions around who the dominant stakeholders are in tourism development. This is a central concern brought to the fore in Raewyn Peart's essay, in which she examines whether there is a need for a renewed strengthening of public-sector organisations and other stakeholders, or for novel types of partnerships to address some of the challenges that tourism growth poses. She also points out that tourism – and government tourism policy – is all too often at odds with other government policy directions. Both Becken and Peart indicate that this is particularly so in respect of climate policy.

With respect to a wider framework for a sustainable tourism future, Tourism Industry Aotearoa has stepped up to provide 12 goals for operators under its Sustainability Commitment (p. 00). In 'Queenstown from the ground up', long-time holiday park owner Erna Spijkerbosch tells her story of building a sustainable business amid the increasing pressures of visitor volumes, reactive development and waning social licence within the host community.

Social licence has also been stretched thin in New Zealand's 13 national parks. As Dave Bamford explains in his essay, the five years pre-Covid-19 have seen the problems of overcrowding, environmental degradation, cultural impacts and concession problems come to a head. Bamford

draws on historical insights and immediate opportunities to propose changes to national park policy and management plans.

Lonely Planet founder Tony Wheeler contributes the perspective of an inveterate global traveller. He reminds us why we travel, how things have changed, and what tourism might look like in the years ahead. If international travel re-emerges as an expensive and somewhat niche activity, what are the challenges and opportunities that arise?

As I write, it has become increasingly clear that tourism – and the broader economy – face a long road ahead. There are, however, plenty of positives. The impetus to travel around New Zealand has been welcomed by many domestic travellers. With significantly fewer international arrivals, we can pause to consider the future of this important industry.

The time has come for a collective assessment of New Zealand tourism – its volume, form, style, speed and spread. But we also need to consider its purpose, and the values by which we measure it. These questions will inevitably lead us to consider how tourism can contribute to the four capitals – natural, social, cultural and financial.

In this reframed view of the world – where natural capital underpins all others – where might tourism fit? In this country we might consider a national statement that expresses a collective

and inclusive view of the fundamental purpose of tourism. A good starting point is to ask, 'How can tourism contribute to the long-term wellbeing of New Zealanders and New Zealand?'

In 1988 I wrote an essay entitled 'The Socio-Cultural Impacts of Tourism: Literature Review, Policy and Research Implications for New Zealand' for the New Zealand Tourist and Publicity Department. More than three decades later, its words still ring true: ' … a style and indeed a level of tourism which does not have the support of the local population is not sustainable. A central issue concerns the process by which the public of New Zealand can understand tourism development and contribute fully to its success.'[11]

2. A REGENERATIVE JOURNEY

NEW ZEALAND TOURISM RENEWED

ROD ORAM

Tourism is one of humankind's great achievements in modern times. Yet the benefits it brings us often come with negative consequences. Profits for hosts and fulfilment for tourists, for example, can strain communities and degrade ecosystems.

Sometimes we suffer a double-whammy. We escape our stressful lives for fleeting holiday encounters with things we've lost, such as peace, freedom and natural beauty; yet too much tourism in one place can spoil the very things we yearn for.

But what if we reinvented tourism so it becomes an exemplar of wholesome humanity? An activity that generates common wealth in all senses of the word – ecological and economic, social and cultural? Those four capitals are the basis of the government's Living Standards Framework and the wellbeing focus of its budget-making process.

Rightly so, since the quality of our personal and collective lives depends on them. By enhancing these four capitals, tourism would increase its contribution to Aotearoa and encourage other sectors and other segments of society to grow anew too.

Tourism is well suited for the task. It touches so many aspects of our lives, from the experiences we seek to the technology and resources we use to realise them. Most of us are tourists, at least at home if not abroad; and most of us are hosts, at least to family and friends, and sometimes in our brief encounters with tourists seeking directions or advice.

Making wise tourism choices worldwide will help speed up the transformation to deeply sustainable economies and societies over the next few decades. Crucially, that is all the time humanity has left to avert a climate catastrophe, and to ensure 10 billion people, the likely population in 30 years' time, can live reasonably well on this planet.

We're only 5 million people here in Aotearoa. But some of our distinctive attributes give us opportunities to offer our own particular take on the reinvention of tourism, as well as a great responsibility to do so.

Ours was the last large land mass to be settled by humans, beginning barely 800 years ago. Then these lands, waters and surrounding oceans were

astoundingly diverse and rich in indigenous flora and fauna. Today, because of our exploitation, these once fecund ecosystems are greatly depleted and despoiled, with a high degree of indigenous species loss too.

Yet, we still have the largest stock of natural capital per person after oil- and gas-producing countries, analysis by the World Bank shows. We are responsible, for example, for the fourth largest Exclusive Economic Zone in the world's oceans, one which still has a high level of indigenous species. And we have big ambitions on land too, such as eradicating introduced species of mammalian predators that have decimated native forests and birds. The Predator Free 2050 movement is spurring communities to action around the country. We can become world leaders in restoring ecosystems and embedding our built environments deeply in nature.

For many visitors, Aotearoa is the ultimate long-distance destination. How can they journey in climate-compatible ways to help us develop a zero-emissions transport system? How can their enjoyment of our unique landscapes, ecosystems and species help us restore them? How can their engagement in our towns and cities help us express our own attractive styles of urban life? Above all, how can we enliven them and strengthen our identity and society by sharing with visitors our

indigenous Māori world view that we are inherently one with nature?

DEFINING TOURISM'S VALUE

Tourism and travel are global agents of change because of their contributions to economies. In 2019, their combined sector grew by 3.5 per cent to contribute 10.3 per cent of global GDP, and they contributed 330 million jobs, one-tenth of all jobs, according to the World Travel and Tourism Council's 2020 report.[1]

This was the ninth year in a row it had grown markedly faster than the global economy as a whole. Only two sectors grew faster: information and communications at 4.8 per cent, and financial services at 3.7 per cent. Among slower sectors, agriculture grew by 2.3 per cent and manufacturing by 1.7 per cent.

While domestic tourism has been a feature of societies for generations, international tourism is a phenomenon of prosperity and globalisation in the decades since the Second World War. In 1950, only 25 million tourists crossed international borders, according to data from the United Nations World Tourism Organisation.[2] In 2018, 1.46 billion did so, a 58-fold increase.

Drivers of the spectacular growth included the phenomenal increase in aircraft efficiency and thus plunging travel costs, particularly in the jet age; rising incomes; the opening of borders; heavy investment in promotion and infrastructures; and the sharing of stories, experiences and adventures through mass and, latterly, social media. In many ways, the rise of tourism is evidence of the postwar gains in economic wealth, political freedom, social progress and technological sophistication.

Here in Aotearoa, we've experienced an even more remarkable surge in tourism. In 1950, only 14,176 overseas tourists arrived here, according to Statistics New Zealand. In 2019, we hosted 3,864,018 of them, a 273-fold increase. That was a rate of growth almost five times faster than the global sector's rapid expansion.

Our international arrivals averaged barely 40 per day in 1950 but 10,600 a day in 2019, with the summer peak far higher and the winter trough much lower. Meanwhile, over those seven decades our population grew from 1.9 million to 5 million. This meant there were 134 citizens for every international tourist in 1950, but only 1.3 for every tourist in 2019. In other words, international tourists grew 100 times faster than citizens.

By meeting the needs of overseas visitors, we gain many benefits for ourselves. These include greater air connectivity and capacity which makes it easier, and possibly cheaper, for us to travel overseas and at home at least out of season; a wider range of customers, attractions, accommodation,

restaurants, bars, entertainment, business services, jobs and other economic activities; and the opportunities for visitors to get to know us and our country, and we them and theirs.

The economic equation is complicated, though. The headline facts are clear. In the year to March 2019, Statistics New Zealand data show domestic tourists generated $23.7 billion of expenditure (with $17.9 billion coming from households and the balance from business), and international tourists $17.2 billion. The sector employed 229,566 people, a mix of full time, part time and seasonal. Total tourism generated a direct contribution to GDP of $16.2 billion, or 5.8 per cent of GDP, and an indirect contribution of $11.2 billion, or 4 per cent of GDP. The combined GDP share is similar to the global average, though, so our economy is not as 'tourism heavy' as it is often perceived to be.

While there's no doubting the volume of tourism activity, judging its value is harder. The main measure is the economic value added by each full-time equivalent employee (FTE). Value added is the 'value' businesses add to the goods and services they purchase and use in producing their own outputs.

But 2014 was the last time the Statistics NZ's Tourism Satellite Account calculated tourism employment on the full-time equivalent basis necessary for comparing the value generation of

sectors. That data showed 166,800 FTE direct and indirect employees, who generated 8.3 per cent of GDP. Their contribution per employee to GDP was $88,612 for direct employees and $89,567 for indirect employees. By comparison across the whole economy, the average contribution was 16 per cent greater, at $106,155 per FTE.

This was consistent with a pattern identified by Lincoln University's 2006 analysis of the Tourism Satellite Account dating back some years. It found that in 1997 each New Zealand FTE added $58,250 of value to GDP, whereas each tourism sector FTE added only $45,077 of value because of the low-skilled service nature of much of the work. The 2004 figures were $62,983 and $44,531 respectively. Between 1997 and 2006, the annual growth rate of labour productivity over the entire economy averaged 1.1 per cent. For the same period, tourism employers hired more staff, but they delivered less overall value per FTE hire, culminating in a negative annual growth rate of 0.2 per cent.

In addition to its low labour productivity, tourism demonstrates low capital productivity. In the year to March 2019, the sector's net capital stock for all tourism (direct and indirect) was $106.69 billion, or 12.6 per cent of the $842.66 billion total for all industry. Yet, the sector's contribution to GDP was disproportionately lower at 9.8 percent.

TACKLING TOURISM'S CHALLENGES

While tourism creates substantial gains, it also generates significant externalities – costs which are not included in calculations of its overall net economic benefit. As described by other authors in this book, these include the damage tourism does to climate, ecosystems, and social and amenity values, plus the burden of infrastructure costs borne by government or other parties.

The sector's brisk growth over the past decade has prompted it to work diligently on these economic, environmental and social challenges. For example, Tourism Industry Aotearoa released its *Tourism 2025 and Beyond Growth Framework* in 2014, and updated it in 2019 as its *Sustainable Growth Framework*.[3] Its 'Top 10 Actions' are: Embed sustainability; Managing destinations; Growing and shaping demand; Embracing Tikanga Māori; Living Tiaki [protection, guardianship]; Engaging the community; Measuring and managing industry carbon use; Investing in infrastructure and amenities; Fostering domestic tourism; Investing to deliver quality tourism data and research.

The sector's analysis was more sophisticated than its past efforts, and its proposed actions have merits. But the sector's strategy was still business as usual: further brisk growth (from revenues of $39 billion in 2018 to $50 billion in 2025) while trying to cope better with the negative consequences.

This failed to convince Simon Upton, the Parliamentary Commissioner for the Environment. Seven months later he produced his report *Pristine, Popular… Imperilled? The Environmental Consequences of Projected Tourism Growth.* He concluded:

> Twenty years ago, one of my predecessors, Dr Morgan Williams, issued a report entitled *Management of the environmental effects associated with the tourism sector*. I deliberately didn't read it until we had completed our own research to avoid approaching the topic with preconceptions. When I finally came to do so, I was struck by how little has changed. Numbers have grown, compensatory investments have been made and some genuinely impressive initiatives have been taken by some players. But the essential challenges remain clearly recognisable, although now on a much-enlarged scale. Despite many soothing words about sustainability over the two intervening decades, we haven't significantly shifted from an extractive path dependency.[4]

Just three months later, life as we knew it – in its entirety, not just tourism – was upended by the rapidly accelerating global Covid-19 pandemic. In response, on 19 March 2020 our government closed the border to all but returning New Zealand citizens and permanent residents.

Of the extensive economic consequences, the tourism sector has suffered the greatest shock. Its total loss of international tourism revenues, with

no hope of more than a trickle of people across the border until well into 2021, is devastating for its people and companies. Admirably, though, they are remaking their businesses in highly creative and innovative ways. Their pivot to domestic tourism has been particularly effective, with an eager response from New Zealanders missing their overseas travels.

But to absolutely thrive, the tourism sector needs to radically rethink its role in our natural environment, society and economy. Its greatest opportunities lie in tackling its greatest liabilities. Then it will become a trailblazer for all New Zealanders on their journey to deeply sustainable relationships with the natural world – literally our life-support system – and with each other in our social and economic structures.

The biggest liability is carbon emissions generated by tourists flying here, with cruise ships compounding the problem. Even the most efficient of these ships emit three to four times more carbon dioxide per passenger-mile than a jet, according to research by Bryan Comer at the International Council on Clean Transportation in Washington DC.[5]

We could ignore this, given it is a global issue and we're small. Between 2009 and 2013, global tourism emissions increased from 3.9 to 4.5 billion tonnes of CO_2 equivalent (four times more than previously

estimated), and accounted for about 8 per cent of global greenhouse gas emissions, according to research published in *Nature Climate Change*.[6] 'The majority of this footprint is exerted by and in high-income countries. The rapid increase in tourism demand is effectively outstripping the decarbonisation of tourism-related technology. We project that, due to its high carbon intensity and continuing growth, tourism will constitute a growing part of the world's greenhouse gas emissions,' the authors wrote.

Or we could be a leader, making carbon-neutral tourism a defining goal of our ambitious new strategy. There are pathways for decarbonising travel, as Susanne Becken describes in her essay in chapter 3. Some technologies are here, such as electric cars; others are near, such as electric campervans with adequate range. Others are medium term, such as jet engines running on sustainable fuels; and some long term, such as hybrid and electric aircraft.

But tourists, domestic and international, can go carbon neutral right now by offsetting their greenhouse gas emissions. Some people consider offsets are greenwash, a way to salve consciences while avoiding the crucial need to cut emissions or not generate them at all. They are, though, a legitimate way to help fast-forward the changes we must make in our behaviours and technologies.

Thus, the real issue is the integrity of the offsets chosen. For example, the United Nations' Carbon Offset Platform says the UN's portfolio of Clean Development Mechanisms have replaced fossil fuels with renewable energy, reduced energy consumption, and removed atmospheric carbon through reforestation and ecosystem regeneration projects.[7] To date, 'CDM projects have been responsible for avoiding more than 1.8 billion tonnes of GHG emissions.'

A growing number of New Zealand organisations are providing credible offsets with demonstrable benefits, with Toitū Envirocare (part of Landcare Research), the Crown Research Institute, and Ekos among the leaders.[8] Offsets are highly affordable. For example, for an economy-class round trip from the UK to New Zealand the price is $260–300, based on a November 2020 cost of offsets of around $38 a tonne of CO_2. By comparison, the UK government's departure tax for the out-bound flights is $160, while the New Zealand government charges a $35 International Visitor Conservation and Tourism Levy.

Starting as a volunteer programme, inbound tourists should be encouraged to be carbon-neutral travellers, not just for their international flights but for their carbon footprint from transport, accommodation, activities and other sources while they are here. Tourism and travel organisations

could offer them easy-to-use calculators to do so, and show them where their offsets were being put to good use. Visiting those projects, such as regenerating native forests, would help them to deepen their knowledge of the country, to get to know us better and to enrich their visit to Aotearoa.

Developing such a programme first with domestic tourists would be a way for us to learn about the journey to a deeply sustainable country, thereby increasing tourism's social and cultural value to society. It would also be an incentive for tourism and travel operators to invest in such a future for their businesses as they help to accelerate the shift to clean tech and energy, thereby increasing tourism's economic and ecological value to society.

TOWARDS REGENERATION

Such profound change is underway in many sectors. For example, the Primary Sector Council's *Fit for a Better World* vision, mission and strategy document, released in July 2020, is based strongly on the concept of regenerative agriculture. This is given a unique and deeply New Zealand context through its embrace of Te Taiao, an expression of te ao Māori, the world view of humankind's symbiotic relationship with nature. With the strategy document, the council released a companion document describing this. It is called *Te Taiao Ora*

Tangata Ora – the Natural World and Our People Are Healthy.

The traditional view of sustainability is broadly about changing the way we do things to minimise the negative impact we have on ecosystems, people and society. The concept of regeneration, though, goes far further. It's about redesigning everything we do so we help nature, people and society recover and flourish.

We could help nature rebuild its diversity and vitality, resilience and fecundity in all of Aotearoa's land, waters, atmosphere and oceans. Ways to do so include eradicating predators from native bush; helping threatened species recover; making infrastructure compatible with natural environments; ensuring tourism and other human activities do not degrade pristine places; and using natural resources in ways that help renew and regenerate the ecosystems which provide them to us.

As a nation, we define ourselves in large part by our wild and rural places, even though a higher proportion of people live in towns and cities than in many countries in Europe and elsewhere. We could give expression to our distinctive style of urban life by bringing nature back into our towns and cities to make them healthier and more productive, in terms human and natural. Ways to do so include travelling less by relying more on virtual communications and on walking, cycling and public transport; by restoring urban rivers and coastal waters; and by bringing more of nature back into urban environments to help us feed ourselves and restore urban ecosystems.

Imagine just one example. We make Matariki a great midwinter festival, celebrating in places urban, rural and wild the turn in our seasons towards natural and human regrowth. Festivals of music, the arts, food, adventure, sport, science, innovation, industry and more would be a great draw for domestic tourists; and an even stronger one for visitors escaping ever hotter northern hemisphere summers for our mild winter days which are perfect for outdoor and indoor activities.

An enlivening logic runs through these great ambitions. We must learn how to work with nature, not against it. In all we do. This is the journey tourism reinvented can take us on. As we regenerate our ecological and economic, social and cultural capitals, we in turn will richly reward tourism.

3. IN FOR THE LONG HAUL
CARBON-PROOFING NEW ZEALAND TOURISM

SUSANNE BECKEN

One of the Achilles heels of tourism in New Zealand has always been its high carbon footprint. Any discussions of future-proofing this important sector surely must tackle what might be tourism's biggest challenge long term. This chapter provides a brief overview of why tourism in New Zealand is so carbon-intensive and why this matters. It then moves towards exploring some avenues for reducing carbon to the point where we can genuinely talk about clean and green tourism that is fit for many generations to come.

One question on many people's minds is whether this current Covid-19 pandemic is not just a crisis (or 'a war', as several leaders have called it) that will be overcome, but could instead force a profound turning point in respect of the human–nature relationship, the extent of globalisation, and the

way we structure economies and societies. Tourism and travel sit at the core of these potentially significant and permanent shifts.

HOW CARBON-INTENSIVE IS NEW ZEALAND TOURISM?

The carbon cost of international air travel

The archaic, Eurocentric perspective of Aotearoa's position on the global map is that it is at the 'bottom of the world'. In the last 30 years, however, the centre of gravity of global economic activity has shifted towards Asia, closer to New Zealand's 'back yard' and within one long-haul flight. Whilst New Zealanders now feel closer to the world than ever before, the reality remains that for travellers coming from most other countries, reaching New Zealand still involves overcoming considerable distances.

And even the relative 'closeness' of our fastest-growing markets comes at a carbon cost. Figure 1 opposite shows the increase in carbon dioxide (CO_2) emissions from visitors' air travel over the last decade. The figure highlights the considerably lower footprint of tourists from Oceania (mainly Australia), where the per-person one-way emissions are 284 kilograms of CO_2, compared with 1,461 kilograms for those flying from Europe. The total of around 3 tonnes of CO_2 that a European visitor produces flying return to New Zealand

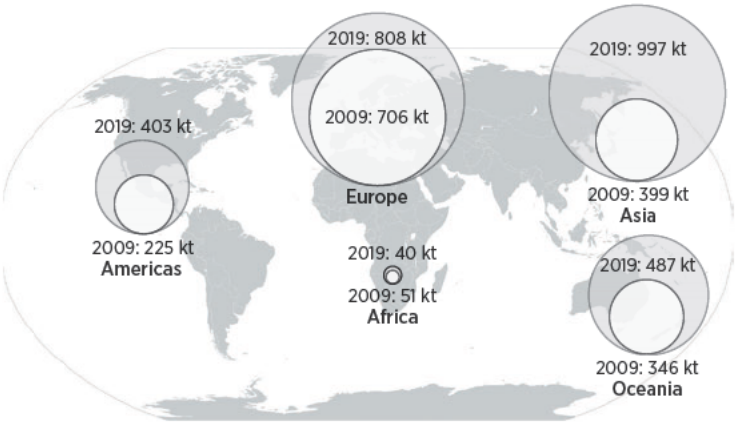


Figure 1: Growth in carbon emissions by region by kilotonne over the last 10 years, using arrival data (Stats NZ), average travel distance (Becken, 2002) and air-travel emission factors (BEIS, 2019).[1] Note: circle sizes only approximate the carbon footprints. Estimates are conservative as they do not take detours into account, and assume an average distance for travellers, which is a considerable simplification. Emissions represent one-way carbon dioxide-equivalent emissions. *Source for map*: Wiki Commons

exceeds the 1.6 tonnes estimated to represent a fair carbon budget per person per year on this planet.[2] The proportion of European arrivals has declined from 20 per cent to 15 per cent in the last 10 years, whilst that of Asian visitors increased from 16 per cent to 26 per cent. The carbon footprint from air travel between Asia and New Zealand has consequently increased substantially.

The figure also shows that, regardless of market, the total 'carbon pie' has increased due to the massive growth in arrivals over the last decade.

This presents a major sustainability and credibility paradox for New Zealand: one that has disappeared as I write in July 2020, but will continue to raise questions in future – not least because there are also 3.1 million New Zealanders who travel overseas every year, causing additional emissions.

The changes we are currently witnessing in the aviation industry as a result of Covid-19 have the potential to permanently change air travel, with significant implications for all countries that depend on high seat capacity, frequency of flights and cheap fares. The combination of airline bankruptcies, downsizing of fleets, potential loss of business-class customers, economic hardship, and the psychological concerns of travellers is likely to see a challenging recovery.

In-country carbon emissions

The carbon footprint of air travel to New Zealand is not the only problem. A second key characteristic is the country's popularity as a touring destination. New Zealand is more than 1,600 kilometres in length, and it also lacks significant public transport systems, resulting in visitors typically travelling by air or private vehicles (increasingly campervans).

The Parliamentary Commissioner for the Environment's 2019 report on tourism, *Pristine, Popular … Imperilled?,* shows that 56 per cent of New Zealand tourism's total carbon footprint

within national borders is due to transport.[3] A recent release on New Zealand's greenhouse gas emissions by Stats NZ revealed that tourism industries contributed 7.4 per cent of the country's greenhouse gas emissions and 15.3 per cent of CO_2 emissions in 2018.[4] These had increased 16.3 per cent since 2007, with air transport and land transport accounting for the largest increases.

It's useful to recognise a few factors that work in New Zealand's favour. From a tourism perspective the central focus on nature in terms of both regional destination positioning and product development brings with it a considerable share of activities that occur in the outdoors and are zero-carbon, such as going for a hike, cycling and spending time at the beach. While we lack detailed data on visitors' activities (and arguably some of the popular outdoor activities are carbon heavy, such as jet boating or helicopter rides), it is conceivable that compared with more 'built' destinations – think Dubai or even the Gold Coast – the energy and carbon footprints for visitors' recreational activities are lower.

Highly relevant in this context is also New Zealand's significant proportion of renewable energy. In 2018, the share of renewable energy relative to all total primary energy supply (TPES) was 39.9 per cent.[5] This is very high when compared to the rest of the world. The International Energy Agency reports that in 2017 the global TPES was

13,972 Mtoe (million tonnes of oil equivalent), of which only 13.5 per cent came from renewable energy sources (including biofuels, which are contested for a range of sustainability impacts and also a potentially low energy-invested to energy-return ratio).[6] For New Zealand tourism, the high share of renewable energy presents a major advantage because many tourism operations are probably low – if not zero – carbon. This doesn't mean we shouldn't seek to conserve precious energy: a move towards electrifying our transport system means the need for (renewable) electricity will increase.

WHY IS DECARBONISATION IMPORTANT?

Climate change is existential

There are many reasons why taking carbon out of tourism is of critical importance. It is in everyone's interest to reduce the probability of devastating climate change.

We are rapidly approaching the so-called carbon budget, a term for the amount of carbon in the atmosphere that will lead to a warming of at least 1.5°C compared with pre-industrial times. The Intergovernmental Panel on Climate Change (IPCC) uses more than 20 different global climate models to provide detailed projections of what the future climate might look like. These models can be used to test different emission

scenarios, and the results show just how severe the impacts of that 1.5˚C warming will be – even compared with a 2˚C warming that had been seen as the critical threshold for many years.[7] Various modelling exercises suggest that at the current rate of emissions we have around 7–10 years until we exceed the remaining carbon budget.

Current pledges made by countries under the Paris Agreement will put the world on a warming path of 3–3.5˚C by the end of the century. Work by the Stockholm Resilience Centre on 'Hothouse Earth' details the potentially catastrophic consequences of such extreme warming, including possible scenarios of 4–5˚C. In the extreme cases, sea levels could be 10–60 metres higher than at present, and parts of the Earth could become uninhabitable.[8] One might argue that in such scenarios, concerns about tourism become irrelevant.

In New Zealand, the Climate Change Response (Zero Carbon) Amendment Act commits to reducing domestic net greenhouse gas emissions (except biogenic methane) to zero by 2050.[9] Emission reductions will have to be at least in the order of 45 per cent between 2010 and 2030, and reach 'net zero' by 2050. The Act provides for the development of a climate change adaptation plan. Both mitigation (i.e., reducing emissions) and adaptation (i.e., adjusting to impacts) are relevant for tourism, and both represent a risk if ignored.

Carbon will become more expensive

The risk of carbon exposure is increasingly recognised among investors who are becoming reluctant to support (sometimes uninsurable) high-carbon industries. Airlines could become one such 'sunset' industry. The Task Force on Climate-Related Financial Disclosures (TCFD) provides guidance and standards for companies that seek to disclose financial climate risks in a consistent manner, and Air New Zealand is one of the very few airlines that uses the TCFD to develop a comprehensive risk assessment.

Most likely, the cost of carbon is going to increase because of further climate policies such as carbon taxes, emission allowances or mandatory offsetting. The latter is being operationalised through the current Carbon Reduction Scheme for International Aviation, but is already facing pressure because carbon offsetting is not a long-term solution and fails to make substantial contributions to the overall aim of decarbonisation.[10] Put simply, and regardless of policy instruments: using fossil fuels will become more expensive. The pricing of carbon will reinforce the effects of increasing costs of a finite resource – peak oil has not gone away – and unconventional sources of oil such as oil shales are likely to become more expensive, as they will be forced to take into account the costs they impose on the global climate.

Climate impacts are incredibly destructive

The expense of carbon is not the only problem. Tourism companies must deal with the increasing costs of climate change effects such as extreme weather events that damage assets, disrupt operations or increase operating costs. A number of New Zealand tourism companies and other service providers – including the Department of Conservation and NZ Transport Agency – are already counting the costs. The West Coast of the South Island, where multiple storms have left tourism infrastructure irreversibly damaged, is a prime example.

Climate change impacts such as drought, flooding, fires and hurricanes will accelerate elsewhere in the world as well, and this has substantial, if indirect, effects on tourism because of the wider economic damage they create. Researchers estimate that the annual 'climate damage' could be in the order of several per cent of global Gross Domestic Product (GDP). Such reductions in GDP reduce the propensity of people to travel, especially long haul.[11] We will get important insights into these effects in the aftermath of Covid-19, a crisis likely to suppress long-haul travel demand for many years to come.

In the case of New Zealand tourism, with its high-profile brand '100% Pure New Zealand', the economic and environmental risks are overlaid

by significant reputational risk. The disconnect between long-haul flights and environmental awareness among customers is epitomised in the Swedish neologism 'flygskam' (flight shame). The 'flight-free' movement has been gaining traction around the world, especially among younger generations and in combination with the 'Fridays for Future' initiative led by Swedish climate activist Greta Thunberg. Whilst still marginal at this point, and potentially affected by the Covid-19 crisis, strong moral opposition to air travel is certainly something that New Zealand should be aware of.

MOVING TOWARDS NET ZERO

A policy disconnect

Just like any other country, New Zealand has the obligation to reach net-zero emissions by 2050, and this will be extremely challenging. The Parliamentary Commissioner for the Environment's recent report, *Farms, Forests and Fossil Fuels: The Next Great Landscape Transformation*, highlights clearly that we will not resolve this by planting trees![12] The reductions need to be real, and they will affect tourism.

One challenge for tourism is that there is something of a policy vacuum when it comes to climate change. As outlined in a global analysis, the integration between tourism and climate policy is extremely limited.[13] Indeed, in most countries – and

New Zealand is no exception – tourism policy and investment actively undermine national climate goals. Most tourism ministries promote growth regardless of any climate goals that other parts of their government have committed to, including through international agreements or national legislation. There is a large disconnect between climate action and tourism growth, and the question needs to be asked how the New Zealand tourism sector can recover – or more importantly thrive – given the constraint of reducing carbon budgets. The carbon account developed by Stats NZ is a first important step, but an action plan and policy for decarbonising tourism need to follow.

Tackling tourism emissions inevitably requires addressing the question of tourist volume, as well as the challenge of rapid investment into zero-carbon technologies (e.g., new hotels must incorporate passive design principles). However, given the massive impact that Covid-19 has had on both government and private-sector bank balances, the ability to invest in new technology may be limited – unless it specifically forms part of the immediate recovery plan. It makes any short-term, crisis-response investment decisions extremely relevant to our longer-term ability to address climate change. New Zealand tourism operators have always displayed a high level of creativity and innovation, and a low-carbon, resilient recovery

will have to draw on that capital if those businesses are to 're-emerge better' from the crisis. Business support programmes and investment into research and development can support this.

Rapid deployment of existing and new technology

One answer to tourism's carbon problem is a zero-carbon transport network. That makes this a pertinent time to ensure that tourism interests are represented in strategic decisions.

Incorporating more electric-vehicle charging stations into New Zealand's roading network, as was achieved in Queensland where an electric corridor has been designed from Brisbane to Cairns with tourist travel in mind, is one solution. Similar solutions for New Zealand could be hub-and-spoke transport, such as a park-and-ride service to shuttle visitors to Aoraki/Mount Cook or Milford Sound/Piopiotahi to replace large numbers of individual vehicles (as recommended by Dave Bamford, see page 00), or large-scale reinvestment in rail as earmarked in the Covid-19 stimulus package. Over time, the whole transport system needs to be decarbonised, but it would make sense to start early trials in pilot locations and as part of multi-stakeholder partnerships (including with science organisations) to 'trial and learn'.

Some companies are already exploring options

for battery-driven campervans or jet boats, but large-scale implementation will be costly. Also, whilst electrification seems like a good idea, it will require considerable investment in further renewable energy generation without compromising other national priorities such as conservation. Battery technologies remain controversial when it comes to broader environmental impact assessments, as batteries require a lot of resource to produce, and extracting these resources is often associated with considerable environmental and social impacts (e.g., lithium exploitation in the Congo).

Doing things differently through behaviour change

Investing in new technology and improving energy efficiency is one way of decarbonising tourism, but it will not be enough. We will also rely on significant behavioural change. Reducing travel distance by promoting 'slow' visitation is one way forward. This might mean that we require visitors to stay longer; they simply may not be able to 'tick off' all the 'icons' from north to south in one visit. The current move towards domestic tourism might be favourable in this regard. Whilst there is a lack of detailed recent data on domestic tourism flows, it is conceivable that domestic visitors are amenable to exploring one particular region, rather than taking an extended (high-velocity) road trip.

It may be challenging to change travellers' expectations, but more local travel would likely increase benefits to regions. For example, visitors might spend more money on higher-yield activities and other tourism offerings rather than low-yield petrol. This could generate better outcomes in terms of added value and employment, as well as improve individual visitor experience. More analysis of the 'values' that different visitors generate, including the carbon footprint they leave behind, is necessary. A recent piece by NZIER, for example, highlighted that cruise-ship visitors make up 9 per cent of international visitors but only 3 per cent of expenditure.[14] Whilst not included in our national greenhouse gas account, it is known that cruise ships have a disproportionally high carbon footprint. Such evidence raises questions around desirable markets (e.g., who are the target segments) but also common practices (e.g., how much do we charge cruise ships and their passengers).

There is a huge range of actions that both hosts and guests can take to reduce tourism's carbon footprint, such as conserving energy by switching off the lights when leaving a room or using air conditioning more wisely. Research in Australia highlighted that guests welcome the opportunity to learn about how to conserve resources, especially if this information is conveyed in an experiential

way that adds to enjoyment and satisfaction.[15] A case study in a rural setting achieved carbon reductions in the order of 30 per cent by guests who were given information on sustainable practices and eco-feedback on their own consumption (via smart meters), indicating great potential for customer buy-in.

Initiatives such as the Tiaki Promise, Tourism Industry Aotearoa's Sustainability Commitment and various environmental certification schemes (e.g., Qualmark, EarthCheck) are promising starts, but they don't go far enough. Many lack the monitoring mechanisms and target-setting to assess progress. (Holiday park owner Erna Spijkerbosch shares her lessons learned in Chapter 6.)

Zero-carbon aviation?

The single biggest question for New Zealand tourism will be: how will people get here in a low-carbon way?

As Figure 1 (p.79) shows, a move towards closer markets makes a big difference. Perhaps one repercussion of the coronavirus epidemic will be an even stronger travel relationship between Australia and New Zealand. There may also be a permanent move towards more domestic travel as an alternative to international travel, which is likely to become more expensive and may still be perceived as unsafe. The effect of this may be to

reduce the air-travel footprint more significantly than any other policy could have achieved in such a short time.

But what about the other markets that we would still like to welcome in Aotearoa, maybe at a slightly lower volume but as important contributors to the economy and cultural exchange nevertheless? What are the options for aviation? Long term there seem to be two major technological opportunities. One is the use of electric planes on short-haul routes and with limited passenger load. Air New Zealand is actively investigating the options for the domestic air network, following other countries such as Norway that have similarly dispersed populations – and tourist attractions – and a high share of renewable energy.

For jet-engine aircraft – in which existing capital investment is huge – the only sustainable way forward is to replace aviation fuel with a non-fossil-fuel alternative. A range of options is being explored (and in some cases put in place) for producing 'Sustainable Aviation Fuels', and depending on the feedstock (e.g., forest residues) and process these may present net carbon improvements. Some airlines are investing in joint ventures that produce fuel from landfill waste, and this may provide medium-term feedstock until we have reached zero waste to landfill. One option that genuinely seeks to close the carbon cycle is to make synthetic fuels

essentially from CO_2 from the air. The process of turning electricity into liquids (so-called e-fuels) relies on large amounts of electricity and a range of chemical reactions that combine CO_2 (or methane, CH_4) and water to create hydrocarbons similar (or essentially identical) to fossil oil. The power-to-liquid fuels are more sustainable than biomass-derived fuels because they consume considerably less land area, they require much less water, and they take the same amount of carbon from the atmosphere as is emitted later when the aircraft burns the fuel. In that sense they can be up to 95 per cent climate-effective.[16] Many biofuels are not even achieving a net positive effect and therefore do not offer an alternative for aviation. The big challenge for e-fuels will be cost, estimated to be three to four times that of fossil fuel, and the need for large-scale renewable energy installations.

For New Zealand, these might be necessary investments should we want to keep any form of aviation in the long term. Investment on such a high scale will rely on government support (and a social licence to direct money towards sustainable aviation fuel), but New Zealand's geographic position means this might not just be a strategic decision but an imperative.

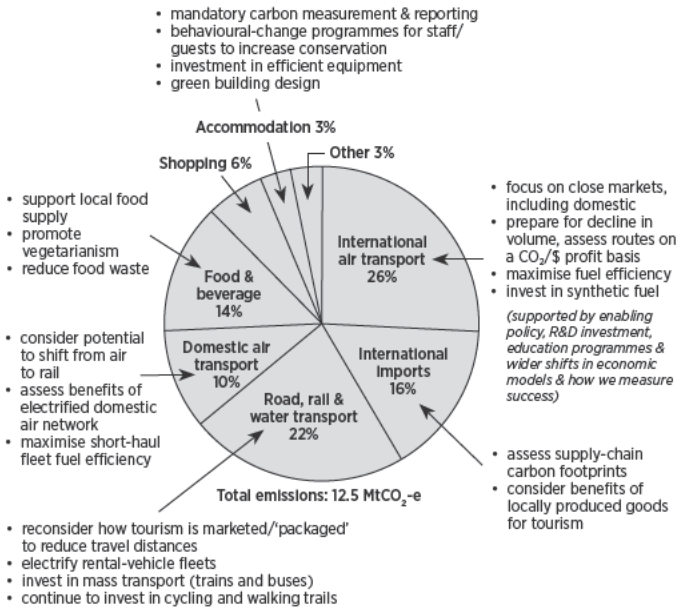
CONCLUSION

The future of tourism in New Zealand must be low carbon, and planning for this needs to start now. The Parliamentary Commissioner for the Environment provided useful baseline information on how big the footprint is and where we can make the biggest difference. To ultimately become carbon zero we need to pursue all options, with everyone stepping up their commitment: government organisations, the private sector, destinations and individuals.

In a somewhat tragic way, the Covid-19 crisis provides a timely opportunity to stop and reflect on not only what tourism has become, but also the wider economic and societal models that we have allowed to determine how we live and what appears important. Part of such reflection might involve consideration of which parts of tourism should be 'recovered' and which ones might need to be discouraged from regrowing. To make informed decisions about the future trajectory of tourism we might need to improve our knowledge base around what constitutes 'value' – for example, economic benefit per unit of carbon emitted.

On the other hand, we already have considerable insight into what can be done to reduce the carbon intensity of tourism, some of which is 'low-hanging fruit' that we have not harvested. Figure 2 provides some suggestions for immediate action – not just within transport, which is the main focus of this essay, but also food, accommodation, supply chains

Figure 2: Proposed measures to reduce carbon emissions in the key areas relevant to tourism activity.



Source: *Pristine, Popular...Imperilled?*

and carbon reporting. To make meaningful carbon reduction, action on all fronts is necessary.

Government direction and support will be essential for some of the larger changes to occur. The current *New Zealand–Aotearoa Government Tourism Strategy* provides a good start, but will need to be supported with more specific planning on how to ensure that tourism (including potential

regrowth after Covid-19) remains within the sector's fair share of New Zealand's carbon budget.

Wherever we start, one thing is clear. Tourism will not be the same after the Covid-19 crisis, and 're-imagining' has to move away from a mass-tourism model to one that is low in resource use, high in value generated, and mutually agreed on by all parties. In New Zealand's case, the opportunity to work with Māori and learn from their more holistic approach to the human–nature relationship needs to be front and centre. Developing low-carbon tourism that has high cultural integrity, contributes to conservation and enhances community wellbeing is the aim, and this likely means 'less is more'.

4. MANAAKI TANGATA, MANAAKI WHENUA

A VIEW FROM TONGARIRO MAUNGA TAPU

TE NGAEHE WANIKAU

The ancient chorus of karanga pierces the morning mist. As if prompted by a primal cue, the hairs on the back of our necks tingle as waves of involuntary shivers and goosebumps wash over us. Our once normal space is now lost in the etherealness of the moment.

Through my tear-clouded vision looms the magnificence of sacred Tongariro, standing as he has for countless millennia – a sentinel of permanence and grandeur. His battle-scarred torso is reflected in the still waters of Lake Rotoaira, each scar an eternal reminder of the time when the immortals tore the world asunder in their quest for love. As the final strains of the first karanga drift away to join the mist, we once more pay silent homage to the victor: Tongariro.

Morning mists float above the calmness of Rotoaira, hushed melodic otherworld whispers carried upon the dancing wind eddies. Motuopuhi, the island fortress of the great inland chief

Te Whareangi, emerges from the mist. In the still air, it seems to float above the waters in its own tranquillity.

As the scarlet rays of dawn strike the slopes of Tongariro, his eternal gaze to his beloved Pīhanga is captured in that one surreal moment. As the second karanga sounds out, tears once held back now roll without restraint down our cheeks. This is the world of Ngāti Hikairo – descendants of Te Whareangi, guardians of the mountains and the surrounding lands.

Within this short space of time, our inner selves have transformed from the ordinary to the extraordinary. We have connected. Every fibre of our beings resonate to a rhythm borne upon the genesis of creation. People and place are permeated with mana, mauri, ihi, wehi, rangatiratanga, kaitiakitanga, manaakitanga – words often used without true comprehension now understood in this moment. People have joined with each other and the very landscape itself through ancient portals that transcend boundaries and ethnicity. Pōwhiri – the traditional welcome – has been initiated, merging us into a oneness of people and oneness of place.

As I share my kōrero with you as a welcome to this reading, you may ask what is the significance of a pōwhiri experience as an opening statement? What relevance does this have to an industry that in the main views the landscape as a prop to an activity or an experience that is primarily founded in physical dimensions? Of course, the majority of visitors are impressed by the undeniable beauty of the landscape and invariably leave Aotearoa with

fond memories of their visit. But who controls the narrative of these experiences? What experiences are our visitors missing? And, is the pre-Covid-19 model sustainable?

THE LAND AS OUR NARRATIVE

In almost all instances, the only opportunity tangata whenua – the people of the land – have to define the narrative is when welcoming manuhiri onto their marae or another of their significant sites. Pōwhiri opens a portal to genuine kinship, one that connects humankind to everything in existence. It reunites people with the connection between mother and child.

For Ngāti Hikairo, that mother is Papatūānuku – Mother Earth. From her is born the resource that has sustained humanity from the beginning of time: the precious, life-giving waters that nurture, nourish and make verdant everything they touch. They are the very source of life, springing forth from sacred mountains who ruled before mankind. These mountains are our connection from Papatūānuku to Ranginui – Father Sky – and all that exists in between.

The mountains are our connection to the cosmos, and through that our physical and spiritual connection to the guardians of every aspect of our environment, seen and unseen. As the waters born from within the womb of Papatūānuku spread

across the landscape, so too does our genealogical connection to all things.

For Ngāti Hikairo and Ngāti Tūwharetoa, the mountains of Tongariro are the source of our spiritual, cultural, emotional and physical wellbeing. They are the reservoirs of the collective memories of a people whose association with this landscape spans 34 unbroken generations. This landscape defines our past, dictates our present, and directs our future.

The simple act of pōwhiri is imbued with a spiritual depth that reflects an intimacy with the surroundings and environs that comes from prolonged occupation. It is applied as an act of welcome that connects us to each other and our surrounds; it is an act of reciprocated respect and care. It is an act that embodies the narrative held precious by the people of the land.

In our world, we see a tourism industry that can be cynical in its appropriation of this narrative. Our names, words and symbols are employed to promote their business. In most instances the people delivering the service lack any knowledge or comprehension of what those words or symbols really mean. Yet that narrative is our whakapapa, our genealogy. It is our identity. It encapsulates all our collective memories, our stories, our origins and through it our connection to all things.

SAWING OFF THE BRANCH WE SIT ON

Ko te whakahīhī o te tamaiti kua wareware ia i tana iti, ā, tae noa ki te wā ka maharatia anō e tona whaea.

The child's arrogance had led him to forget his insignificance, until one day the mother had to remind him.

It has taken a traumatic and tragic event, Covid-19, for us to re-evaluate ourselves. For seven weeks, the world was stilled, our people confined. Slowly, it dawned that our lockdown was not only protecting Aotearoa from the impact of worst-case Covid-19 scenarios, but there were also significant associated benefits to the wellbeing of Papatūānuku.

It was as if we could hear her sigh of relief. Papatūānuku could not only take a breath – she had begun to heal. We could feel the life return to places that had been still. The birds and other animals of Tāne Mahuta – Guardian of Forests – ventured back into the spaces long preserved for human activities. Birdsong was heard in places that had not known it in recent times. Cloudy, lifeless waterways became clear; some now teemed with fish. The air itself felt cleaner, clearer. For some people, allergies that had dogged them for years disappeared overnight.

The mountains were whole once more, resplendent in their majesty, no longer defined by a track or as a tick on someone's bucket list. We recognised an irony: despite the best efforts and

intentions of the entities tasked with ensuring the protection of the environment, the environment seemed to heal faster in their absence.

Lockdown also highlighted something else: that in those environments open only to tangata whenua, the presence of hapū and whānau did not impede the restorative transformation of Papatūānuku during this period.

Before Covid-19, there were times when western and indigenous narratives within the tourism industry seemed at odds with one another. The indigenous narrative was often framed as being exclusive, a barrier to industry, uncooperative and detrimental to the community. This impression was often backed up with news footage of an angry face.

The western narrative was almost invariably supported by community leaders, business operators, local government, and central government and its agencies. All were pushing a methodology based on taking, then taking more, without accepting any of the consequences. We saw improved access, more infrastructure, then still further development to mitigate the negative impact of the previous ones. In many instances the only opposing voice was that of tangata whenua, who were often negatively portrayed for daring to say, *Enough is enough*.

The model is wrong. Papatūānuku is the basis of

real wealth. Her wellbeing should not be the cost of accumulating wealth. We are literally sawing off the branch we sit on.

As I write this, people are crowding and jostling at the tourism turnstile in eager anticipation of returning to a model of tourism that is not sustainable. Many have not taken the time to just think, to re-evaluate the opportunity we have been given to rewrite the model into one that delivers both health and wealth. Instead, there is a niggling fear that large amounts of money will be made available to allow a return to a newly enthused version of this flawed model, only this time it will be on steroids.

TE ARA WHAKAMUA/THE PATHWAY FORWARD

Manaaki tangata – to care for and nurture people

Manaaki whenua – to care for and nurture Papatūānuku

Papatūānuku has given us an opportunity that may never be repeated in our lifetime, the chance for humanity to find a better way. Tangata whenua must stand up and take this opportunity. Although we understand that this is a time of hardship for many – not least the people of the land – we must demonstrate courage.

As tangata whenua we can support entrepreneurial endeavour, but not at the cost of our whakapapa and Papatūānuku.

Just as we have economic sustenance and wellbeing through sharing with the world the magnificence of whales rather than hunting them, so too can we find other models of recovery that are based in manaaki tangata and manaaki whenua – care for the people and care for the land.

We must collectively work to restore our narrative as the narrative by which we welcome people to our world. Tangata whenua should be genuinely empowered to take leading roles in the tourism industry within our respective tribal areas. There needs to be collective buy-in to develop a tourism framework that is founded in kawa and tikanga – our traditional values and ways – applied in a contemporary context and with the wisdom gained from our experience of Covid-19.

New tourism models should be developed that are driven by hapū and whānau, as only they can offer. Such models should operate in collaboration with existing and sustainable recreation and other activity. These models should share with visitors a unique insight into our world, a world that has been shaped by our ancestors, culture, traditions and environment, through a sacred, unbroken genealogical thread from creation to the present day. This is a thread woven and held strong by the people and the stories of the land they belong to, a thread that will weave visitors into the very landscape itself.

Our tikanga will underpin sincere welcomes and genuine experiences that embody true manaakitanga – to care for and nurture the spiritual, cultural, emotional and physical wellbeing of all manuhiri.

This kaupapa is not exclusive to hapū and whānau, but to all people who wish to participate in a new model tap-rooted in values and wisdom from our collective past. As we move forward in the new tourism, our strength will be our unity and our diversity.

As we near the final act of pōwhiri, the karanga upon which are carried acknowledgements to the living and to those who have gone before us has gone out. Each call has embraced our manuhiri and their ancestry into ourselves and the land. We have heard the whaikōrero, the oratory; the purpose for the gathering has been discussed in the age-old tikanga and kawa of tangata whenua.

So too ends this viewpoint, though in the manner of tangata whenua it is not an ending, rather an opening to unrealised potential and opportunity.

Kia tau te rangimārie i runga i a tātou katoa

May peace be upon us all

5. NATURE UNDER PRESSURE

IMPROVING NATIONAL PARK MANAGEMENT

DAVE BAMFORD

Before Covid-19, New Zealand's national parks were under pressure, facing incessant, year-on-year visitor growth. Locations particularly bearing the brunt included Fiordland's Milford Sound/Piopiotahi, the glaciers of Westland Tai Poutini, Hooker Valley in Aoraki/Mount Cook, and the Tongariro Alpine Crossing. For a decade, park management has done little more than play catch-up as it tries to cope with the environmental, social and cultural pressures of burgeoning tourist crowds. Let's grasp the opportunity this pandemic pause has presented. Future national park management must focus on setting limits, a better concessionaire system, the introduction of entry fees and shuttle transport to popular locations, and limiting the number of car parks.

Tourism focused on our natural landscapes has

long been entrenched in Aotearoa/New Zealand. Rotorua's thermal regions, in particular Ōhinemutu and Whakarewarewa, were part of a golden era of tourism development from the late 1800s. Early tourists also explored Milford Sound/Piopiotahi, the Tongariro mountains, Aoraki/Mount Cook and the Whanganui River. In 1894, Tongariro became our first national park, and over time other areas were set aside as national parks or scenic reserves.

There is now a total of 13 national parks. With their outstanding and distinctive natural and cultural values, they are considered our premier conservation lands. They have also become a key driver of New Zealand tourism. For the record, they are: Tongariro, Egmont (soon to be known as Te Papakura o Taranaki), Whanganui, Abel Tasman, Kahurangi, Nelson Lakes, Paparoa, Arthur's Pass, Westland Tai Poutini, Aoraki/Mount Cook, Mt Aspiring, Fiordland and Rakiura. Together they represent and contain a great diversity of special natural landscapes and ecosystems. Advocates are calling for even more national parks to be established.

The National Parks Act 1980 aims 'to preserve our national parks in perpetuity for their intrinsic worth and for the benefit, use and enjoyment of the public'. With tourism growth, achieving these aims has become a challenge. It's also worth

noting that generating economic development through tourism was one rationale for creating newer national parks such as Rakiura, Paparoa and Whanganui. In the case of Paparoa, some conservationists, seeking protection against potential logging of the Paparoa Range, suggested that tourism could be an ally for conservation. A new national park would both protect the forests and create a drawcard for tourists.

That rationale has been increasingly hard to defend. The management of our national parks has, in many places, failed to stem the negative impacts of increased visitor numbers. A major reason for this is that the relevant legislation, plans and policies are outdated. The Conservation Act 1987, National Parks Act 1980 and Commerce Act 1986, along with most individual national park management plans and concessionaire policies, were written more than a decade ago, before tourist numbers accelerated. They are inadequate. These inadequacies have been exacerbated as yet more tourism development, driven by government leaders keen to generate economic return from our national parks, has occurred.

Over the past 10 years – the last six in particular – tourists crowding into our most popular national parks, and their adjacent towns and villages such as Wānaka, Franz Josef/Waiau, Fox/Weheka, Punakaiki and Te Anau, have been frequently

called out as examples of the negative social, environmental and cultural impacts of tourism. The Tongariro Alpine Crossing became the poster child of 'loving our national parks to death'. Tourism's social licence to operate has dwindled.

Arguably we have become complacent about caring for our national parks. Thirty years ago, New Zealand was internationally regarded as a world leader in the professional and sustainable management of national parks. That was in an era of few tourists – one million international visitors in 1990. In 2019 New Zealand hosted four million.[1] Our national park management regime has not kept up.

The default position has been to react to what international visitors want at the expense of what New Zealanders – especially those living in the areas under pressure – want, and at the expense of the health and wellbeing of our national parks. Much of the management response has focused around development to cope with ever-increasing numbers, such as million-dollar spends for bigger car parks and larger huts.

I believe we now need to ask the question: how much tourism is appropriate in our national parks? More importantly, how do we minimise the impacts of tourism to ensure the restoration of our national parks and special areas?

NATIONAL PARK AND CONSERVATION VISITOR LEGISLATION, POLICIES AND PRINCIPLES

A range of legislation and policies administered by the Department of Conservation (DOC) relate to visitor management in national parks and conservation areas. The Conservation Act, National Parks Act, Reserves Act 1977 and Marine Reserves Act 1971 all provide for the public to be able to benefit from and enjoy New Zealand's natural heritage and history. The Conservation Act 1987 requires DOC to 'foster the use of natural and historic resources for recreation, and to allow their use for tourism', and the National Parks Act 1980 requires DOC to 'administer and manage all national parks in such a manner as to secure to the public the fullest proper use and enjoyment of the parks'. Overseeing all this is the New Zealand Conservation Authority, along with regional conservation boards, which guide policies such as the General Policy for National Parks and the General Policy for Conservation, and prepare conservation management strategies and national park management plans.

The legislation protects the public right to enter (free of charge) national parks, marine reserves, other conservation areas, recreation reserves, historic reserves and scenic reserves. Recreational activities, including walking, tramping, climbing, swimming and kayaking, do not require permission.

However, the public right to enter is not

absolute. Entry to nature reserves – designated to protect the special, often critically endangered plants and animals they contain – requires an entry permit. Examples include Kāpiti Island and Little Barrier Island/Hauturu.

The aim of the legislation is to enable the enjoyment and safety of people in these places, but more importantly to protect the natural qualities within. The Conservation Act requires that any use of natural or historic resources for recreation or tourism must not be inconsistent with the purpose for which the resource is protected. DOC can also set conditions and restrictions if they are deemed necessary to protect the welfare of the place or safety of the people.

The legislation allows DOC to set a reasonable charge for the use of visitor facilities such as huts and campgrounds. However, the legislation does not allow DOC to charge visitors to use paths and tracks. Similarly, there is no ability within the Marine Reserves Act to charge for the use of structures or facilities provided within marine reserves, such as mooring buoys, jetties and boat ramps. This legislation reflects the long-standing right – and tradition – enjoyed by New Zealanders to freely visit the mountains, forests, coastlines, rivers, lakes and historic and cultural sites within our protected conservation areas.

Providing commercial services for visitors on

conservation land requires a DOC concession. This ensures the service provided is compatible with the area's conservation values and that these values are protected. Concession fees also contribute towards conservation work and visitor infrastructure. The legal concession framework is set out in part 3B of the Conservation Act 1987. According to the framework, in one example, a concession may not be granted if the activity would have adverse effects that could not reasonably be avoided, remedied or mitigated. Running somewhat counter to this, however, is that the Commerce Act supports the allocation of unlimited concessions.

Beneath these various Acts sit regional conservation management strategies and national park management plans. Each of these had a 10-year horizon, but nine of 13 plans are outdated: Aoraki/Mount Cook (expired in 2014), Arthur's Pass (expired in 2017), Egmont (expired in 2011), Fiordland (expired in 2017), Kahurangi (expired in 2011), Nelson Lakes (expired in 2009), Tongariro (expired in 2016), Westland Tai Poutini (expired in 2011) and Abel Tasman (expired in 2018).[2]

DOC also has a responsibility, under Section 4 of the Conservation Act, to interpret and administer the Act to give effect to the principles of the Treaty of Waitangi. This involves building and supporting effective conservation partnerships with tangata whenua at regional and local iwi levels.

Various non-statutory plans such as regional tourism plans and feasibility studies also influence visitation to national parks. Examples are the Ruapehu Regional Visitor Development Plan 2017;[3] the Taranaki Crossing Experience Feasibility Studies 2018–19;[4] various Tongariro Alpine Crossing studies; the Milford Opportunities Project 2018; and the Arthur's Pass Development and Investment Framework (the latter two both ongoing at time of print). These plans and studies have no statutory role, but can be influential in supporting regional economic development and tourism promotion.

Two recent, relevant and important tourism initiatives are the Tourism Sustainability Commitment (TSC; see p.00) developed by Tourism Industry Aotearoa (TIA), and the Tiaki Promise initiated by tourism industry leaders (p.00). The TSC calls for the adoption of 12 'commitments': principles designed to guide a tourism business in enhancing its environmental, social and economic sustainability. By May 2020, almost 1,400 tourism companies and organisations had signed up to the TSC. Since August 2020, the commitments have become mandatory for TIA membership.[5] While they are worthy principles, they are not subject to any regulation and, at this early stage, the effectiveness of the TSC is yet to be realised.

The Tiaki Promise, introduced in 2019, invites both international visitors and New Zealanders to 'care for New Zealand'. The kaupapa asks travellers to promise to care for nature, tread lightly and respect culture for the benefit of current and future generations. It follows examples set by the Icelandic Pledge and Palau Pledge, which in similar terms ask tourists in those countries – also grappling with tourism pressure – to take responsibility for their behaviour. [6]

It is too soon to note any discernible difference as a result of the Tiaki Promise, and just 400 tourism companies are currently supporting the initiative. Realistically, improved management of tourism pressures in our national parks is going to require more than a tourism pledge.

IMPACTS OF NATIONAL PARK TOURISM

New Zealand's national parks are the *raison d'être* for most international visitors' travel to this country. As far back as the 1980s, concerns were expressed about the visitor facilities at Milford Sound/Piopiotahi, Mount Cook Village, and the Whakapapa and Tūroa ski areas of Tongariro National Park. At that point management plans were updated, and infrastructure improved as finance permitted.

However, the more recent, exponential growth of visitor numbers was, quite simply, not predicted. Tourism forecasts prepared in 1999, 2007 and 2015 did not foresee the growth that occurred.[7] What did

happen? In 2019 the busiest three places – Milford Sound/Piopiotahi, the glaciers in Westland Tai Poutini, and Hooker Valley in Aoraki/Mount Cook – each hosted around one million visitors. More than 200,000 visited the Abel Tasman Coast Track, and 160,000 walked the Tongariro Alpine Crossing.[8] The rapid escalation of visitor numbers in the past 10 years has challenged park management and led to a range of impacts including environmental degradation.

Environmental impacts

To meet increased visitor demand we have developed more visitor infrastructure, thereby encouraging more tourism and recreation. We have developed a new Great Walk and promoted 'Great Rides' in our national parks. Bigger car parks have been built, encouraging the use of cars and campervans to travel the country and into national parks, by default increasing congestion and carbon emissions. The use of helicopters and light planes in national parks has increased drastically in the last decade, adding to carbon emissions, noise and congestion. Ironically, thousands of scenic helicopter flights each year take tourists to see glaciers that are fast disappearing as a result of climate change. New Zealand has done next to nothing to provide efficient and effective transport systems for accessing the national parks.

Noise

Noise pollution has also been a growing problem in our national parks due the proliferation of glacier landings, heli-skiing, and sightseeing flights in helicopters and light aircraft. Westland Tai Poutini, Aoraki/Mount Cook, Mount Aspiring and Fiordland are the parks most affected. In each of the glacier villages – Franz Josef/Waiau and Fox/Weheka – there can be more than one hundred take-offs and landings on fine days, creating dawn-to-dusk noise that has become a concern for many residents. This creates a dilemma, given that such flights are major tourism attractions that directly or indirectly furnish the livelihoods of many locals.

Aviation causes similar noise pollution in Aoraki/Mt Cook National Park and in Fiordland National Park, where Milford Sound/Piopiotahi scenic flights including 'helicopter hops' for cruise-ship passengers create constant noise. Such noise has increasingly impacted recreational climbers and trampers escaping to the 'solitude' of the high mountains and backcountry – and yes, some do access such areas via helicopter themselves.

Approved helicopter and plane landing sites are listed in the national park management plans and conservation management strategies. There are also flight-path protocols to minimise noise in the vicinity of the Milford Track, and in the Hooker

Valley below Aoraki/Mount Cook. However, other than standard Civil Aviation regulations, which allow planes in uninhabited areas to fly as low as 500 feet above the ground, there is very little control.[9]

New Zealand's policies and rules of air access, landings and overflights in national parks are among the most permissive in the world. Mountain tourism leaders visiting from European, United States and Canadian national parks have expressed surprise at what is allowed here.

Social impacts

The Tongariro Alpine Crossing is a prime example of the challenges faced in managing a hugely popular national park attraction. Unquestionably a stunning day out, it is often touted – both within the industry and well beyond – as one of the world's best day walks. Adding to its popularity has been heavy promotion by Tourism New Zealand as a *Lord of the Rings* movie location.

In the late 1980s, the track was upgraded and hosted about 1,000 visitors a year. The growth since has been staggering: 25,000 visitors in 2000 doubled to 50,000 by 2005; five years later it was 75,000. Since 2016, the growth rate has slowed due to improved management, including better shuttle services and proactive discouragement of bad-weather trips. Even still, in 2019 up to 160,000 people walked the Crossing, 80 per cent of whom were international visitors.[10]

As the walk became more popular, management responded by hardening the track, building toilets and extending car-parking space. These developments – along with even more promotion of the walk – led to even greater numbers. Managing private transport to the start and finish points became a logistical nightmare. Walkers were starting earlier and earlier to beat the crowds, and as numbers increased so too did the transport shuttles. In the summer of 2019/20, more than 50 commercial transport operators, travelling from towns around the region, provided transport to and from the Crossing.

These problems have been compounded by conditions on the Tongariro maunga, including volcanic activity. In 2012 an eruption in Te Maari Crater which threw rocks onto the track and wrecked Ketetahi Hut (fortunately empty at the time) highlighted the risk. As well as this volcanic danger, the exposed and changeable alpine conditions, the lack of skills and awareness of many walkers, and overcrowding on the track combine to present huge management challenges around safety, social licence and long-term sustainability. Further compounding these issues is the National Parks Act, which hinders any option for DOC to limit daily visitor numbers.

Cultural impacts

Tūwharetoa iwi revere the Tongariro mountains. The mountains are their ancestors, as explained by Te Ngaehe Wanikau in Chapter 4. This spiritual significance is why, in 1887, the iwi proposed to the Crown a tuku, or covenant, for the sacred summits Ruapehu and Tongariro to protect them for all future generations. These summits later formed the nucleus of Tongariro National Park. Iwi have always expressed their concerns, at times anger, over the lack of respect for their ancestral mountains. This has caused tensions with those involved in the management of the Tongariro Alpine Crossing, and with tourism operators who have a vested interest in maintaining access to the walk. Iwi, led by the Tongariro hapū Ngāti Hikairo, continue to express concern about human waste and other rubbish left on the mountain, and the lack of respect for the sacredness of the maunga.

In other areas, a significant factor in addressing disrespect of this kind is increased recognition of the Māori perspective that the whenua, or land, is a living identity. In 2014, through the Waitangi Treaty settlement process, Te Urewera was made a legal person. At the same time, Te Urewera National Park was disestablished: the concept that their ancestral land could be considered a Crown-managed entity is anathema to Tūhoe iwi. This new approach is a clear and innovative way of acknowledging the

Tūhoe link with Te Urewera. Similarly, under the Whanganui River Deed of Settlement in 2017, the Whanganui River was accorded the status of legal personhood.[11] The new legal entity, Te Awa Tupua, was a world first for a river. Te Awa Tupua encompasses the entire catchment, including Whanganui National Park, the Mountains to Sea Ngā Ara Tūhona Great Ride, and the Whanganui Journey, a popular multi-day river trip promoted alongside New Zealand's Great Walks. Iwi in both Te Urewera and Whanganui have pledged to continue to welcome visitors. Iwi leaders have spoken of the importance of manaakitanga, the ability to look after their visitors. That includes caring for their safety, showing them how to respect the river, the land and the tikanga or protocols, teaching them iwi history and culture, and how all of this will also enhance the value of their experience.

Other current Waitangi Treaty settlement processes are also considering the concept of legalising land as a person or identity. These include settlements encompassing Egmont National Park and Tongariro National Park. In both processes, local iwi are actively involved in discussions about the future management of the parks.

Concessionaires

As tourism in New Zealand's national parks increased over the last decade, commercial

enterprise increased with it – boat cruises and water taxis, kayak trips, scenic flights, guided walks and much more. All businesses operating in a national park or other conservation land require a DOC concession, the terms of which help ensure ongoing protection and preservation; the fee contributes towards facilities maintenance.

Currently more than 4,000 licensed concessionaires operate on Department of Conservation land, more than 1,000 of which are tourism operators.[12] Many are small businesses, but several significantly large companies are also concessionaires.

The economic benefits derived from tourism in the national parks cannot be underestimated. More than half of our international visitors make at least one visit to a national park. On average, more than 80 per cent of visitors to both Milford Sound/Piopiotahi and the Tongariro Alpine Crossing are from overseas.[13] Counting their domestic travel, food and accommodation, and the tourism services they pay for within the national parks, these visitors make a considerable economic contribution.

The economies of some of our regions are in fact highly dependent on national parks and other conservation areas.

This dependence on commercial activity is a major challenge in managing 'preservation in perpetuity' while 'allowing use for tourism', per the National Parks Act 1980 legislation. Driven

by political, commercial and economic agendas, DOC is reluctant to define and set visitor limits, in turn prioritising development ahead of protection. While I am cautiously supportive of – and do advocate for – tourism activities in our national parks, we must manage tourism in a better way to avoid its negative impacts.

RENEWING NATIONAL PARK MANAGEMENT

While New Zealand's economy has taken a massive hit from Covid-19, an obvious focus for recovery is the tourism industry. There is much talk of resetting, of reimagining. If we do not use this impetus to improve the management of tourism in our national parks, we will have lost a generational opportunity. We should be quick to respond.

As needs must, the recovery has started within our borders, with many and various efforts afoot to encourage New Zealanders to explore their own country, including our national parks.

Budget 2020 included a $400 million targeted Tourism Recovery Fund. This could contribute significantly to improving visitor management to our national parks and protecting them for future generations. One opportunity was the fund's Strategic Tourism Assets Protection Programme, in which the government provided support for companies that are a tourism asset of strategic significance.[14] Sadly this became a contentious

process and there were questions raised about the transparency, clarity of criteria and final allocation of funds. Also activated under the fund is a Tourism Futures Taskforce. Consisting of cross-government and tourism-sector representatives, it is charged with identifying and prioritising the current and future issues that will shape and impact tourism, and lead recommendations on further policy and regulatory reform in the sector.

The taskforce has an important task ahead of it. As the industry fights to recover, there is a risk that the country will rush back into business as usual. Let's not do this. Let's not slip back into focusing on numbers instead of better economic returns, and social and environmental benefits for New Zealand and New Zealanders. Resetting now is crucial. Here are my ideas for renewing our national park management.

Limiting visitor numbers

Freedom of entry into our national parks is enshrined in legislation and is a 'right' long held dear by New Zealanders. However, this free-for-all status is leading to overcrowding and other serious damage in some special places – the Tongariro Alpine Crossing and Mount Cook Village are just two examples. To better manage overwhelmed 'must-visit' national park sites, we must control the numbers.

There are mechanisms available to manage visitor numbers at specific sites. These include charging entry fees, permit allocation, and infrastructure such as appropriately located car parks and park-and-ride schemes that can be limited or closed when optimal visitor numbers are reached. Such systems work well and are accepted overseas.

The National Parks Act, however, limits our ability to proactively manage pressure areas. The Act should therefore be reviewed. Depending on the pace of the tourism rebuild, we have perhaps five years to put new management plans in place. However, changing the Act will take time and political courage. We need to start now to ensure that when international visitors return in significant numbers New Zealand has the appropriate legislation in place. The Conservation Act should also be reviewed. Given the 'freedom of access' status to all conservation land, we must ensure that both Acts provide the legal means to proactively manage visitor impacts.

In any review of the National Parks Act or Conservation Act, we must never lose sight of their original intent: to protect and conserve.

Charging entry fees

While entry fees to overseas national parks are common, I am not in favour of blanket entry fees for

this country's national parks. However, I strongly believe that we can – and should – introduce an entry fee to a few of our most-visited sites. This concept is logical and fair, and would be effective in controlling visitor numbers, especially when combined with other tools.

Milford Sound/Piopiotahi would be one of perhaps 10 key sites with entry fees. In 2019, one million visitors travelled there, more than 80 per cent of them internationals.[15] Other national park locations where an entry fee could be considered include Franz Josef Glacier/Kā Roimata o Hine Hukatere, Fox/Weheka Glacier, and the Punakaiki Pancake Rocks and Blowhole Walk. Other popular conservation sites that could consider charging an entry fee are Cape Rēinga and the Coromandel's Cathedral Cove Walk.

Paying an entry fee would ensure that visitors make a direct contribution to facilities and infrastructure, in turn helping to manage the impacts of that visitation. The fee could cover the cost of shuttle transport from a nearby town or centre, thus reducing carbon emissions, congestion and the need for big car parks.

We already have a precedent for charging 'entry fees': the legislated Stewart Island/Rakiura Visitor Levy ($5 per person), which contributes funding for the island's visitor infrastructure.

Optimising the International Visitor Levy

In the last few years the government increased its budget allocations for core DOC functions, benefiting visitor-related planning, management and operations. Despite this, there remained a strong call for a dedicated tourism and conservation fund, resulting in the introduction of an International Visitor Conservation and Tourism Levy (IVL) in 2019.

The $35 fee is levied on international visitors arriving in New Zealand, except for those from Australia and most Pacific Island countries. Given international visitor numbers at the time, the levy had the potential to raise upwards of $80 million a year to promote 'sustainable tourism'.[16] It is intended to be used to support research, planning and infrastructure across the conservation estate, as well as specific projects such as Kākāpō Recovery and Predator Free New Zealand. The levy would also be used to support the infrastructure of small communities that have been under pressure from tourism, particularly those with low ratepayer bases. Examples include Raglan, National Park Village, Punakaiki, Franz Josef/Waiau, Fox/Weheka and Te Anau.

As government works with the tourism industry towards post-Covid recovery, it is important to not lose sight of the long-term benefits of continuing the IVL. The levy is an important mechanism for

relieving tourism pressures on the conservation estate, including in our national parks and on those small, pressured communities.

The IVL should be reviewed, with the aim of strengthening and extending its value in the new tourism era. It could be considerably increased, effectively focusing the market on high-value international visitors, rather than high volumes. As outlined in Susanne Becken's essay (Chapter 3), the carbon cost of getting to and around New Zealand also advocates for this approach. A higher IVL would also help reinforce to visitors that we value our environment. Furthermore, I believe Australians should not be exempt.

Creating proactive management plans

New Zealand's conservation management strategies and national park management plans should guide visitor use of the national parks, but most are well out of date. Both the Westland Tai Poutini and Aoraki/Mount Cook National Park Management Plans were updated in 2018 and their drafts released for public submission. There was a strong negative response. Many stakeholders, including environmental and outdoor groups, protested that the plans were flawed and were too permissive of tourism development. Intentions to significantly free up air access and increase landing sites, along with proposed changes in the Westland

Tai Poutini plan to allow for a gondola development in the Franz Josef valley, created particular tensions. Following discussions with Ngāi Tahu, and a Supreme Court ruling relating to iwi and commercial concessions in another conservation area, both management plan processes were 'paused'.[17]

We are now in a much-changed world. In May 2020, DOC – in consultation with Ngāi Tahu – agreed to withdraw both draft plans and begin again. This is a good thing. These plans absolutely need to be reviewed, especially in light of the ongoing impact of Covid-19. Let's hope the new draft plans reflect a fresh, proactive approach to managing the impacts of visitors, encompassing concession management, air access and visitor infrastructure – without detracting from national park principles.

Potentially, these new management plans could become best practice for managing all our national parks, appropriate to the world we now live in.

We should also revisit destination plans and studies that were in progress when Covid-19 arrived: for example, the Milford Opportunities Project and Arthur's Pass Development and Investment Framework.

Plans to improve management on the Tongariro Alpine Crossing should also be revisited. Operational improvements over the last few years have

already lessened some environmental, cultural and social impacts, and improved the visitor experience, but there is still work to do. Other potential improvements under discussion are the setting of a maximum daily limit of 1,000 walkers, improved infrastructure and transportation, and providing a heightened cultural experience involving guiding and storytelling by local iwi. Perhaps these are all more easily achievable now.

Concessionaires as conservation partners

Of the 4,000 concessionaires operating on conservation land, more than 1,000 provide tourism services in national parks. Many perceive their concessions as simply a transactional agreement or financial contract.

If national park concessions continue to be considered in this way, I do not see a viable future. Being a concessionaire is an honour and a privilege, one that comes with the responsibility to care for the future health and wellbeing of the national parks in which they operate.

Now is the time for change. National park concessionaires should be encouraged and enabled to move away from a mere transactional relationship and into a partnership with DOC, so that the concessionaire supports conservation goals. Among the many possibilities are providing conservation advocacy, and supporting conservation initiatives

such as predator control either directly by doing the work, or indirectly by encouraging clients to help fund programmes. Operators could enable visitors to assist in conservation work, adding another layer to their experience. There are many excellent examples to follow. Real Journeys, Rotorua Canopy Tours, Wilderness Lodges New Zealand at Moeraki and Arthur's Pass, Kāpiti Island Nature Tours and White Heron Sanctuary Tours – all are concessionaires well known for supporting conservation, educating their visitors and prioritising sustainability principles.

Limiting the number of concessionaires in specific areas – for example, on the Tongariro Alpine Crossing – would likely lead to better conservation and cultural outcomes, and should therefore be considered.

Align concessions with TIA's sustainability commitments

Almost 1,400 tourism operators have signed up to Tourism Industry Aotearoa's Sustainability Commitment (TSC), 12 commitments ranging across financial sustainability, environment protection and enhancement, waste minimisation, carbon reduction, community engagement and support, fair employment conditions for workers, and educating visitors about our special places as well as providing them with outstanding experiences.

These commitments could be written into tourism concessions. An example is including financial incentives for reducing carbon emissions by moving to an e-vehicle fleet. Another would be the requirement to employ local people on a living wage. It might even be possible for DOC to partly offset the concession fee against conservation, community and cultural benefits provided by the concessionaire. In the current era when visitors are looking for low-impact travel options, concessionaires with proven sustainability commitments can leverage their position in the marketplace, and potentially set higher prices for their activities and services.

Aligning concessions to the TSC has the potential for many a win–win, not least through minimising negative environmental impacts, but also by improving the value of national park tourism to visitors, concessionaires and ultimately to New Zealand.

Connecting through Māori culture

Iwi have at times expressed concern about how tourism operators relate traditional stories of the iwi and (mis)interpret their cultural values. Indeed, many DOC concessions now include clauses that clarify how the concessionaires must operate in respect of local iwi culture and history. In some cases DOC specifies that concessionaires respect

wāhi tapu and urupā, and seek guidance from iwi who claim mana whenua over any area in which they wish to operate. While this looks right and proper on paper, such considerations are often ignored or deemed low priority by the concessionaire and DOC staff.

A renewed New Zealand tourism should step up on this important aspect. Concession requirements should be upgraded to ensure operators' concessionaires understand matters related to iwi – their history, spirituality and connection to the land. As part of the concession process, concessionaires and their staff could attend cultural awareness hui run by iwi at key national park locations, or similar programmes run in the areas in which they intend to operate. This has yet more win–win potential, providing mutual understanding; deeper knowledge of tangata whenua, their history, culture and connection to the landscape; and a means to offer visitors more meaningful experiences.

CONCLUSION

Tourism has placed particular areas in New Zealand's national parks under considerable environmental, social and cultural pressure. Covid-19 has given us the breathing room to renew our visitor management practices. A range of mechanisms should be explored, including reviewing national park legislation, setting visitor

limits, and resetting DOC's concessions system to look beyond the financial transactions and towards conservation outcomes. Entry fees to a few, highly used visitor sites could be introduced to help fund the management of these areas. As we rebuild tourism, national park management should be renewed to focus on value rather than volume.

This will require hard work, commitment and courage. Too often we plan for the short term rather than taking a generational approach. In the rush to grow the tourism industry, we have forgotten our responsibilities to care for the land and the future generations who will, in turn, be tasked with caring for it.

6. QUEENSTOWN FROM THE GROUND UP

BUILDING A SUSTAINABLE TOURISM BUSINESS

ERNA SPIJKERBOSCH

I feel like I've taken a trip on a time machine, back to the early '90s. As I write this, Covid-19 has taken almost all of our international visitors away and left us wondering about the future of our business, and about life. This strange new world is hard to get your head around. It feels like a movie, but is actually a new reality.

Since we emerged from strict lockdown, we've seen the local industry clamour for Queenstown to return to 'normal'. But do we really want to return to the way it was? I certainly don't. Despite the fact that I'm in the tourism business, I wouldn't want to see visitor numbers like we had between 2015 and 2020 ever again. To put it simply: it was unsustainable.

Covid-19 has hit the pause button. It's given us a time to stop, look and think – even as our business

struggles, as we reduce staff, and as we navigate government directives and work out what can and can't be done. It's hard to know what any business will look like in the months and years to come. What we do know is that we have a long, hard road ahead.

My husband Tonnie and I have owned and operated Creeksyde Holiday Park for 33 years. The region has undergone massive transformation in that time and we're the first to admit that we've benefited from that. But we've been increasingly uncomfortable with what we feel has been reactive development to unmanaged growth in visitor numbers that has come at the cost of the community and the environment.

This scenario is not exclusive to Queenstown, of course. Pre-Covid-19, many within the wider tourism industry were discussing and developing initiatives to make our industry more sustainable. Tourism Industry Aotearoa's Sustainability Commitment (see page 00) is a laudable effort in this direction. Many of its goals have always been ours.

In this essay, I'd like to share our journey towards environmental, social and financial sustainability in the hope that it helps others put genuine sustainability at the heart of what they do.

BACK TO THE FUTURE

In 1932, my parents travelled from their home

in Gore for their honeymoon in Queenstown. They slept in an ex-army pup tent at the town campground, which also doubled as the cricket ground. It had a long-drop toilet and a hose tap.

Back then, the Wakatipu area was a popular playground for the folks of Otago and Southland. They bought land and built cribs, coming to stay for weekends and longer holidays.

My husband Tonnie and I moved to Queenstown in 1970, and started a plumbing business in 1973. We came into tourism through a side door: it was hard to find housing for our staff so, in 1988, we bought land on the edge of town. The aim was to build staff accommodation. However, we then had the chance to sell the plumbing business, so started Queenstown Holiday Park and Motels Creeksyde. We're still here today, on Robins Road, five minutes' walk from the centre of town.

The land we built on was an old plant nursery. Some locals told us it was too far out of town to succeed. But our timing was fortunate. By the late 1980s Queenstown was starting to attract visitors from further afield. Cars were better, roads improved, and air travel became more common. More people started coming to ski.

The town slowly changed. Initially, development was measured and fairly well thought out. A motel or two were built. Part of Ballarat Street became The Mall. More than one or two eateries would stay

open through winter. The hospital land in town was sold, and many years later we got a new hospital out at Frankton Flats – in those days still farmland, with some development around the fringes.

But Queenstown was still a typical New Zealand community, complete with an annual ball to raise funds for the fire brigade. Everyone knew everyone.

As time passed more visitors came, encouraged by destination marketing that promoted our attractions and shoulder-season holidays. By the early 2000s tourism had hit big time. The news was out: 'There is money to be made in Queenstown'.

More hotels and restaurants opened. We got a big supermarket. Then another. Shops with global brand names started popping up – many as loss-leaders, but who's to mind? The airport no longer doubled as the race track. It was *international*!

District Plans were appealed and changed to open up more land for housing, much of it in proximity to the CBD but cohesively using existing roads. The growth was steady and infrastructure could cope. When it couldn't, development moratoriums were put in place.

But as demand for yet more housing grew, moratoriums were forgotten. New suburbs, completely remote from current residential areas, sprang up. Sewerage, water, roading – all seemed to happen overnight. Roads became clogged as those living in these disconnected suburbs

travelled to and from work. Like Topsy it grew. And grew.

Environmental issues became secondary to development. The more shops, hotels, roads and restaurants we got, the more people wanted. You no longer recognised people on the street. Even in the supermarket it was a surprise to see someone you knew. New children were integrated into the school almost weekly. People came to Queenstown to live, and left again before we could get to know them.

We now lived in a 'tourist resort'.

GROWING FROM GRASSROOTS

Of course we benefited from the increase in visitors. Our business flourished, enabling us to expand and develop our offering. But we grew slowly and cautiously: both Tonnie and I both grew up hearing tales of the Great Depression, our parents instilling in us the philosophy that you don't buy what you can't afford or borrow beyond your means.

We invested time in financial management – reviewing every dollar we spent, focusing on improving quality and productivity, and setting realistic long-term goals. Nowadays, you might say we were intent on economic sustainability; we call it doing good, responsible business.

We built up our facilities as our resources allowed, starting with the main office building. As neighbouring properties came on the market,

we bought them to increase our land area. Where possible we repurposed their buildings, some as visitor accommodation and several as staff accommodation that is still used today.

Our plumbing background enabled us to install solar hot-water heating on our main facilities block right from the start. We now have solar hot water for all except one block in the park. Recently we added two banks of photovoltaic panels, with more than 60 panels in each bank. We now have surplus power to sell back to the grid.

We've reused and repurposed everything we can. Tonnie, a craftsman plumber and consummate DIYer, is responsible for many of our amenities – and curiosities – including the 'Tapas' barbecue pavilion with its tractor seats, a fence made of faucets and radiators, and the 'Oast House' toilet block built with timbers salvaged from an historic brewery. In 2018, we commemorated our thirtieth birthday with a spider-web garden sculpture created out of a vintage hay scoop, a hemp cargo net and a giant spider. It was sculpted by a lad from Belgium who worked at the park for a while. It's a folly, of course, but we hope it encourages people to look back at the past and make use of what they already have, rather than always wanting everything new.

Reducing, reusing and recycling has long been part of our business and personal philosophy.

One day a German visitor asked where she should put the dead battery from her camera. She was directed to the closest wheelie bin. 'Where does it go then?' she asked. 'Into the landfill,' was our reply. She was horrified.

On a trip to Europe in 2000 we saw things through different eyes. Outside the supermarkets, customers unpacked their groceries and disposed of the excess packaging into big bins. The packaging was then sent back to the producers to deal with, and they soon changed how they sent their products to the supermarkets. It showed us how grassroots action could change the way things were done.

On returning home we started looking more closely at our own waste management. We looked for goods packaged in cardboard rather than plastic. Our toilet paper, produced in New Zealand from sustainable forests, was purchased in forty-eight rolls per carton, with each roll wrapped in paper. Suddenly, the forty-eight rolls turned up in plastic packaging, loaded on a pallet and bound up in yet more plastic. When we approached the factory about this, we were told that they'd just spent thousands of dollars on a shrink-wrapping machine, so we'd just better get used to it. We searched for new suppliers. Yes, we could get fully recycled toilet paper in a cardboard box. Great! Where did it come from? From the United States, via air. No thanks.

We also looked to reduce our reliance on environmentally harmful cleaning products. Out came Aunt Daisy's *Household Hints*. We switched from chemical cleaning products to white vinegar and baking soda, which we've used to this day. This saves us thousands a year and gives us as good or better results; there are not many cleaning tasks they can't deal to.

Our cleaning cloths are made from old bath towels no longer up to standard for guest use. Then they go to ground staff for cleaning barbecues and suchlike, and then to compost. Perfume bags in wardrobes are filled with baking soda and cloves. Gardens are weeded, not sprayed. Worm juice fertilises lawns. Newspapers are folded, origami-style, into bags for food scraps.

We've always kept a close eye on what we've used, keeping in mind the saying 'If you can measure it you can manage it.' This ethos underpins our overall business philosophy, and all staff are asked to subscribe to this when they start working at Creeksyde.

Everything to do with operating the park – cleaning products, water consumption, electricity use, waste to landfill and waste diverted from landfill – is measured and monitored weekly, monthly and annually. The data is reported to EarthCheck for benchmarking and scientific auditing.

EarthCheck, formerly known as Green Globe,

is the world's largest environmental assessment system for travel and tourism. In 2004 Creeksyde became the first holiday park in the world to be certified under their system. In 2018 we earned the highest certification, EarthCheck Master, the only such grading in New Zealand and one of just 15 in the world. These have been great moments for us in our business life.

HAPPY GUESTS, NATURALLY

As Queenstown has changed over the last 30 years, so has Creeksyde. Located in one of Queenstown's last green spaces, it has been transformed from an old plant nursery to a peaceful, leafy oasis.

As we've created new space for visitors we've thought about how we can foster their enjoyment while also enhancing the environment. This starts from the ground up.

Our landscaping incorporates a mix of plants that attracts native birds. On our boundary, Horne Creek is a spawning ground for salmon and trout. Quacking ducks see us as a haven during duck-shooting season.

Our repurposed buildings, artworks and amenities are symbiotic, reinforcing our green philosophy through creative upcycling, at the same time providing a colourful, memorable base for a holiday. Call us quirky if you will: we've simply tried to stay true to our values, hosting folks on our

terms, in a style that feels right to us and the place in which we live.

As tourism has grown, activities and offerings have been redefined as 'products', and consolidated around brands and standards. We were early adopters of this concept, co-founding and developing a cooperative marketing group called Kiwi Camps in 1990. Years later we joined Top 10, but as time went on we found the membership constrained our individuality. Our quirkiness – propelled by our environmental ethos – did not fit the prescriptions required. We left and became independent again, free to just be ourselves.

As hosts, we and our staff do our best to treat guests as part of the family, even if only for a day. Queenstown's visitor numbers have grown so big and so fast, not everyone has been able or willing to provide the friendly welcome and attention the New Zealand industry prides itself on. Tourism operators have struggled to host visitors properly, let alone go the extra mile by sharing hidden gems or a spot of home baking. Too many businesses have come to see visitors as tourists, instead of guests deserving of appropriate respect.

There are many rewarding exchanges to be had between host and visitor beyond the financial one. I've been asked in the past, 'What does high-value tourism mean?' For us, it's not about money. For us, a high-value visitor is someone with whom we

share mutual respect for the environment, the community and the 'Kiwi way'.

Over the years, we've been fortunate to have hosted thousands of great guests and have received wonderful feedback about Creeksyde's staff, the park's distinctive personality and its environmental ethos. One guest told us the place looked like it had been built by an old plumber. How right they were!

HAPPY HOST COMMUNITIES

Tonnie and I raised three children in Queenstown, two of whom still live here with their children. My parents lived next door to us for several years until they had to move away because of a lack of suitable care facilities. In the interests of both family and business life, I've always felt it's important to invest time in community organisations.

My first role was as secretary of the local plumbers' group. There have since been many more, including as board member and president of the Holiday Parks Association of New Zealand; two terms as a Queenstown Lakes district councillor; and board member and chairperson of Destination Queenstown. It's been both a lot of work and a rich education – a way to connect with others across various communities and find out what's important to them.

The experience has been particularly useful in recent years as the tourism industry has been

forced to consider its 'social licence to operate'. By this I mean the acceptance of commercial activity by our communities because it advances the common good. Nowhere else in New Zealand has that social licence for tourism been stretched as it has in Queenstown.

The airport has been the most high-profile issue, its rapid expansion fuelling problems such as noise, air pollution and traffic congestion to the extent that many residents have deserted the Wakatipu Basin altogether.

Before Covid-19, Queenstown Airport was heading towards its maximum flight capacity. Once that was reached, we were destined to see even greater road-traffic volumes as more visitors arrived via the highways. As I write, plans for another international airport in our region are being debated by residents throughout the deep south. Some argue that the numbers will never add up, rendering such a project financially unviable.

Freedom camping has also been controversial. While it's undoubtedly a classic Kiwi pastime, in the last five years growing numbers of visitors have piled into ever-more dusty corrals on the outskirts of town, or parked overnight on urban streets and used residential gardens as toilets. At Creeksyde, freedom campers have sneaked into our park to steal showers.

While the demand on Queenstown accommo-

dation has meant we haven't suffered the same financial loss from freedom campers as other holiday parks around the country, we remain concerned about the effect it has had on many lovely places. Besides which, why should it be free? Crucially, however, freedom camping also represents a lost opportunity for us to engage with our visitors – and them with us – with all the benefits that brings.

Worker accommodation has been a perennial problem, right up to when Covid-19 hit. It's interesting to think that we actually started providing accommodation for local workers back in the late 1980s, and we've haven't stopped since.

In the late 1980s the problem was caused by crib owners wishing to keep their cribs available for their own use. Nowadays, folks want to wring every dollar of profit out of tourists, and casual holidaymakers will always pay more than tenants. The well-documented outcome has been astronomical rents, leaving workers to bunk up en masse or travel daily from Cromwell or further afield. Of course many of these workers have been young internationals, enticed to Queenstown on temporary work visas because local employment availability cannot keep up with tourism demand. Somehow not providing accommodation for workers seems to have become acceptable.

Covid-19 has all but solved this problem, for now.

Short-stay accommodation is reverting back to longer-term tenancy as rentals drop to levels more related to incomes than to the cost of servicing the mortgage. But how long will it be before worker accommodation pressure resurfaces? And what are we prepared to do to prevent it?

The people of Queenstown should grasp this opportunity to ensure there is always a good supply of reasonably priced worker housing so people can call this place *home*. To help staff secure affordable housing is to show them that we value them.

So, too, is paying them a fair wage. At Creeksyde, we offer a guaranteed base number of hours so that everyone knows how much they will earn week by week. In the past this has been a minimum of 30 hours, although most staff usually worked 35–40 hours. We've also always paid higher than the minimum wage, with increases according to experience and longevity. Our staff knew when they would work. They knew what they would earn. They knew where they could live.

The Covid-19 lockdown taught many of us to better appreciate the value of all sorts of workers, not just those working in our own businesses. People working in our supermarkets aren't just there until they find a 'real job'; nor are those washing dishes in the cafés or working at our adventure attractions. They are essential to our economy and should be part of a healthy, happy host community.

As an industry – and as a country – we pride ourselves on our world-famous friendliness, our Kiwi hospitality, our manaakitanga. That starts at home, in our own 'family' – through kindness, fairness and respect.

WHERE TO NEXT?

Over the years, our region has wished for more and more. More visitors, more restaurants, more shops, more houses. More. More. More. But poorly managed growth meant that many visitors weren't experiencing the Queenstown many of us actually wanted to share.

As for residents, many had moved away due to overcrowding, traffic congestion and problems relating to tourism growth. Since Covid-19 many residents have spoken up – loudly – saying they simply don't want as many visitors back in town again.

Across New Zealand our problems are no secret. Our fellow Kiwis speak of Queenstown as crowded, expensive, over the top. Many simply haven't wanted to visit us. But since their overseas travel has been curtailed we've had a chance to show them why we should be a top choice for a domestic holiday –not the substitute for an overseas one.

Covid-19 brings a chance to review Queenstown's tourism from the ground up. First, let's focus on our

strained infrastructure rather than approving over-ambitious development.

As we grapple with some seemingly insurmountable challenges in rebuilding our industry – and our own businesses – let's focus our efforts on genuine environmental, social and financial sustainability. Let's take action and walk the talk, rather than just ticking a box. Let's measure to manage, but not just within our own business. It's time to take a much closer look at the impact our industry is having on our region, our country and the planet.

It's time to reflect on our values, and the aspirations we have for our children. Let's look back to the basics, and cooperate to restore the health and wellbeing of our place and its people.

This isn't about the future of tourism, it's about the future of humankind.

7. TRAVELS ON A LONELY PLANET

LOOKING BACK, GOING FORWARD

TONY WHEELER

Tony Wheeler is the co-founder of Lonely Planet travel guides and one of the most well-travelled people in the world. His father worked for BOAC, the predecessor to British Airways; Tony took his first flight before his second birthday. Tony and his wife Maureen set off in 1972 to get travel 'out of their system'. Tony has barely stopped travelling since, but has yet to visit every country in the world.

In this essay, Tony is interviewed by Sarah Bennett, former co-author of Lonely Planet's *New Zealand* guidebooks.

[SB] Covid-19 saw you grounded at home in Melbourne for months on end, and that must have been a challenge for an inveterate traveller like you. What was this enforced staycation like, and where would you like to travel to next?

[TW] I used my enforced staycation to explore my own back yard, which included a lot of walking and cycling up and down the Yarra River in (and out of) Melbourne. That's been a reminder of how little we know our own patch. I've been pleasantly surprised at my 'new' discoveries. Even one abandoned old riverside homestead which, despite its historic interest, didn't feature at all in two of the Yarra River books on my shelves and only with the most casual mention in the third.

I guess if I could start travelling again tomorrow I'd probably want to pick up on the first trip I cancelled, which would have taken me to Paraguay and Uruguay in South America.

What motivates you to keep travelling?

Well, you never get bored and there's always something else to see. Often there's a good reason for my travels; one of the trips which has almost certainly been cancelled later this year is to Uganda. It's the one country in East Africa I haven't visited, but also our Planet Wheeler Foundation (a charitable organisation funding humanitarian projects in developing countries) has been involved with Melbourne University's FREO2 project that provides oxygen in health facilities with unreliable or non-existent electricity supplies. Very topical in our Covid-19 era. So I'd pencilled in a visit to the

Ugandan hospitals to see where and how FREO2 is being used.

Your seminal travel experience was a six-month road trip (in a Mini, no less) from London to Kabul in 1972. A lot has changed in those 50-odd years. Before Covid-19, people were travelling in far greater numbers, faster, further, more frequently, and for shorter stays. What do you see as the biggest changes in travel?

Where do you start? The big changes in my travel lifetime – the jumbo jet and cheaper long-distance travel, then the low-cost carriers for local/regional travel; the rise of the internet and everything getting easier to organise, book, document, discover; the boomers (my generation) discovering their wings, going further than their parents did; the widening of the world partly as a result of that; and recently any number of things such as influencers, instagrammers, selfie culture. On and on it goes.

Beyond the developments around airlines and the internet, the biggest travel change in my lifetime has been China, which represents a very large chunk of our planet (certainly population-wise) that was simply closed off when I started to travel but that is – Covid-19 apart – very much open today. And this quite apart from the number of Chinese people now travelling outside of their own country.

The ease with which we can travel – and the encouragement to do so – has led to the 'go everywhere' ideal – that people try to travel to every country on Earth. What are your thoughts on that?

Putting a tick beside every box: in a way it's the ultimate travel consumption, and the fact that it seems to have become so popular is a worry. It's become a competition, not unlike the 'climb the highest peak on every continent' or 'climb every 8,000-metre peak' – well, you Kiwi folk (Sir Edmund Hillary) started that craze? So, we have 'who is the youngest' gone-everywhere competitor, or 'who was the first African-American woman' to do it (that popped up in the last year).

Now I know a number of 'been everywheres' and some are the worst possible version – just get to the airport and I've done it. Others are much more genuine travellers. And if there has to be a list or challenge to your travels it's not necessarily a bad thing. I've got a book on meteorite craters and some of them I think,'Wow, I would like to have gone there/seen that.' A number of them would be truly difficult to get to, which definitely makes them more interesting.

There's an expectation – nay, desperation – from many quarters for the tourism industry to return to 'normal' as soon as possible. Setting aside whether

that expectation is realistic or not, do you think it's desirable?

Well, lots of people who've lost jobs and had their income wiped out will indeed want to turn the clock back to the pre-Covid-19 story. If you can't make the lease payments on the Mercedes or keep up the mortgage payments (at one extreme), or put food on the table for the kids (at the other), you may well be very enthusiastic about getting back to the previous scenario.

Is it desirable? Absolutely yes if you ask those people; absolutely not if you believe we'd gone too far pre-Covid-19. And even in just one area – the effects of tourism on the environment through global warming and climate change – we clearly have.

A major barrier to a return to pre-Covid-19 tourism levels will be the increased cost of travel. International travel may become the preserve of the wealthy, delivering New Zealand – and other destinations – the 'value over volume' proposition they've talked about for years. What do you see as the risks and opportunities of a wealthier travel demographic?

I worry that the brave new world we might dream of might not be a fair new world. The easy solution

to overtourism is always to charge more for it: keep the numbers down by only letting in big spenders.

You can look to Bhutan for an example of this: their Gross National Happiness measuring stick seemed to be heavily biased towards rich tourists. There are people who suggest Bhutan has far too many Aman Resorts. Do we want our whole tourist picture to be run by Aman? Now I've got nothing against Aman Resorts, interesting places done with a considerable amount of 'good taste', but I would not want tourist development to all be super-luxury, no matter how refined the taste might be.

Spend money! Spend money! – we're in danger of valuing tourists only for the money they spend. I'm very unenthusiastic about that. It's okay for me: I could afford the price tag. But what about young travellers who find themselves shut out purely because they can't pay for the entry ticket? Or do we make visitors sit an entrance exam – you can come to Venice because you're a student of Italian history and therefore deserve to see it for yourself? If all you want to do is ride in a gondola and see St Mark's Square then stay away.

Do you think there's any potential, for New Zealand and Australia specifically,to develop 'impact' travel such as voluntourism and WWOOFing? Is this a trend you can see accelerating during these times?

Careful with voluntourism. It's often linked to the orphanage scams – Cambodia in particular – where they cater to all those voluntourists just dying to look after some cute young orphan by recruiting 'orphans' who in fact aren't orphaned at all. Conservation projects? Letting totally unskilled tourists pretend to build things when the locals could do it much more efficiently and effectively if they weren't holding some tourist's hand. I am being a grumpy old man here …

I've also, more than once, seen the rule that you should never let architects into post-disaster situations. They're just dying to help out by designing some earthquake-proof, tsunami-protected, landslide-resistant wonder structure which in fact is expensive and difficult to build, when all people want is a roof over their head no matter how jerry-built it might be.

WWOOFing, I'm all for it and clearly it's great for all those people with green thumbs who just want to get their hands into the dirt. Those who don't?

New Zealand is well positioned to (re)consolidate its reputation as one of the world's most desirable travel destinations. What other places would you look to for inspiration and leadership in this space?

The country that often gets highlighted for its

approach to tourism is Costa Rica, which has made a lot of effort to promote itself as an environmentally friendly destination. Of course there's the danger of being 'loved to death', but there's no question that the tourism mission has done wonders for the country. The Costa Ricans are keen to point out that they get a lot more mileage out of the tourists in their rainforests than they ever would by cutting them down for their timber. Could this also be the reason Costa Rica is an island of stability and peacefulness in an often unstable and violent region?

But in fact there are lots of places where I still think, 'This works well.' Last year I spent a couple of days in the Italian Adriatic coast town of Ravenna and kept thinking, 'Why does a place this interesting – it has some very old, amazing mosaics in particular – have so few visitors? Why do I have this wonderful old church to myself?' Or a few years ago travelling up the Croatian coast: yes, Dubrovnik is very much overrun and Split rather busy, but lots of other places along the coast seemed to manage their tourist flow very comfortably.

There are plenty of other places that are far from overrun. Just because Venice and Florence are doesn't mean that everywhere in Italy is. There are lots of places in the world suffering from under-tourism. I recently spent a day in Victoria touring around the 'Silo Art Trail'. It's the second time I've

done it; I think it's a wonderful example of how to attract tourists to places where they simply did not go.

While we've developed some equivalents to the Silo Art Trail that draw visitors to lesser-known places, New Zealand has become synonymous with icons such as Milford Sound/Piopiotahi, the Tongariro Alpine Crossing and Cathedral Cove. How do you feel about restricting access to the hotspots, and have you seen this in action on your travels?

Icons and hotspots get that accolade for very good reasons – they are indeed wonderful, it's no surprise that visitors want to experience them. Mention India and what's the first image that pops into your mind? The Taj Mahal. There's a very good reason for that. It's a beautiful building with a wonderful back story. Yet no visitor to India is going to say the Taj was all that India had to offer. It's just a handy iconic image to start with, to kick off the travel dreams.

The big advantage of those icons for New Zealand is that they attract visitors who will then divert to other less crowded attractions. One of the best accolades a country can have is that visitors like it so much they want to come back. There are destinations that recognise that; they know they will never make it on to the first-visit 'must do' list. In Australia, once you've done the Opera House, the

Red Centre and the Barrier Reef, who has time for Tasmania? But lots of visitors are going to discover that Tasmania has Australia's best-known and most popular walk, and even if they don't get there on Visit 1 they may well decide to return for Visit 2 purely for that walk.

Keeping the numbers down at those big attractions is difficult. Charging the earth is, of course, the easy way out. Visitor hurdles – daily number restrictions, advance booking requirements, or even qualifications, like the times you must be able to match to enter a popular marathon – are all possibilities. None of them are going to make you very popular.

Cross-country cycle trails are going gangbusters in New Zealand (and in Australia, I believe). Our government has invested millions of dollars in developing trails in our national parks and other natural areas, and bikers are still calling for more. What are your thoughts on continued development – be it buildings, roads, walking tracks or cycle trails – in the world's most special, protected natural areas for the sake of tourism growth?

I'm a keen cyclist. I ride bicycles regularly and apart from everyday city riding I've also done a reasonable amount of bicycle touring including a two-week spell on the annual four-month (if you

go the whole way) top-to-bottom-of-the-continent Tour d'Afrique. Cycling has certainly enjoyed a pandemic boom in much of the western world; I'm amused that the first story I read from New York reported on the current difficulties of even buying a bicycle, while the first story from London commented on the big increase in bicycle theft. Like any other tourist development, improved cycling access will have its drawbacks as well as its advantages. Encouraging cyclists where the footprint is currently very light can be a really good thing. Letting bicycles loose on an already popular walking trail where walkers are going to be far from happy about somebody charging up behind them, ringing their bell and shouting 'Passing', may not be so popular. Of course, getting more of us out of our cars and on to two wheels can only be a good thing.

When it comes to tourism, you must have seen it all. What does it look like at its worst?

Oh, there's no shortage of ugly tourism. If you're going to hold a debauched bachelor party, can't you just do it at home? I've got enormous sympathy with the cities in Europe that have been selected as the weekend-get-drunk-party towns, like Prague.

There's plenty of environmental ugliness, too, like Candidasa in Bali. The developers of the first resorts there noted what a beautiful

building material coral made. You simply cut out coral building blocks and used them for walls. They looked great and even welded themselves together. Then, when you'd used up the coral reef, the resulting tidal changes washed away the beach, so you had a beach resort without a beach.

What about cruise ships?

While I have no love of big cruise ships and never want to go on one, that doesn't give me the right to say nobody else should either. But there are lots of cruise ship sins, including their love of cheap and dirty fuel. They even like to burn it when they're in port, rather than pay to be hooked up to harbour power. And there have been far too many cases of dumping sewage or fuel-oil-polluted bilge water. Perhaps it would be easier to ban them from the places they really shouldn't be – Venice, for example.

And making them behave better wouldn't hurt either. Perhaps better behaviour is going to be the ideal improvement in the post-virus new world? Cruise ships not holding their destination ports up to ransom: 'Keep our costs down or we'll go somewhere else.'

Accurate and trustworthy information for travellers will be even more important in the future. What

do you see as the opportunities for established brands like Lonely Planet and also new, more agile publishers and content providers in this space?

Travel in so many ways is dead, in limbo, in suspended animation, on life support – choose your words – at the moment. If people aren't going anywhere, there's little demand for travel information unless it's purely for armchair use. When we come out the other side it's inevitable that some of the information we're going to need will be required in a different form. There are going to be lots of questions on where can we go and what rules will apply. The accuracy of the information has always been an important part of the guidebook story and the interpretation of that information is going to be equally important. If the border to Country A is open for visitors from Country B, does that mean for the citizens of Country B or simply people arriving from Country B?

Your carbon footprint must be pretty huge by now. What do you do to mitigate that?

It absolutely is. At Lonely Planet we had a company-wide carbon-matching scheme that applied to everybody's travel, so in my LP days I just left it at that. Now I do my own carbon-matching and did some research before opting for a scheme, but I'm

not going to suggest anybody else goes with the same scheme because I really don't know if the one I chose is better or worse than many others.

The problem is this is really like the Catholic Church and sin: you say so many 'Hail Marys' and the sin is wiped clean. No it's not. We're just trying to pretend we've washed away our carbon sins to calm our guilty consciences. The original sins are still there.

I've always liked the idea that I'm sin free because I've walked around Mt Kailash, the holy Tibetan mountain. Although only for the sins of this lifetime, the Tibetans will point out. You have to go around 108 times to cover all your lifetimes.

Have you got any advice for young travellers?

It is a wonderful world out there and I have absolutely enjoyed so much of my travels. There is nothing I would rather have done. A heading-to-retirement Lonely Planet writer, contemplating that this may be the end of his travelling days, just emailed me, 'What a journey it was.' I have to say if this were the end of my travels right now I'd have to agree with him.

But let me conclude with the 'why young people should travel' passage, which I've quoted many, many times. It was originally written in Spanish and translated into English by Lonely Planet.

I was twenty, travelling on my own, and I never had any problems. I had deferred my course at the Faculty of Physics in Barcelona, with its classes, pracs and exams, to immerse myself in the permanent university of travelling through other countries and getting to know their people. It isn't just the forests, the seas, the rivers, the deserts, the paths and the daybreaks that teach you things; it isn't just the monuments and the museums: it's also the men, the women and the children who live by those paths and in those deserts. It's important to travel when you're young: you travel light and cheaply, and your heart is like a sponge. The paths across the world make up a school, which tempers the character and reinforces tolerance and solidarity. You learn to give and take, to keep the doors open in the house of the spirit, and above all to share. You learn to enjoy small things, to value what you have, to be happy in times of scarcity and to celebrate abundance. You learn to listen, to watch, and to love. Young people from wealthy countries should all spend a year of their lives, before family and work obligations tie them down forever, travelling around the world, from city to city, from village to village, with a pack on their backs. They'd lose a year in the race for success – but what's a year? – and they would gain personally, because it would open their horizons, which are often limited to chasing marks in an exam, and the world would be a better place.

Ana M. Briongos, from *Black on Black: Iran Revisited*,
Lonely Planet Publications, Melbourne, 2000

8. A PURE PROMISE
TOWARDS SUSTAINABLE TOURISM

RAEWYN PEART

New Zealand's distinctive natural landscapes and environment are at the heart of the tourism industry and are an integral part of the country's national identity. While tourism can cause negative environmental impacts there is also opportunity for the industry to be a positive contributor to the care of New Zealand's natural heritage.

In my capacity as policy director for the Environmental Defence Society, I co-wrote the report *Tourism and Landscape Protection* with Cordelia Woodhouse early in 2020.[1] In this chapter I draw on that report and its sources to examine New Zealand's tourism story, its environmental impacts and potential post-Covid-19 scenarios.

IMPACTS OF TOURISM

New Zealand tourism and the landscape are linked in a way few other countries can claim. The country's attractions, almost without exception, are its landscapes. The tourism industry has developed around and benefited hugely from New Zealand's natural landscapes and its 'clean green' natural environment. However, in some places tourism has caused negative impacts – for example, when visitor infrastructure has been built on visually prominent sites, when ecologically sensitive sites have been trampled and when tourists have left waste behind. Also, in some cases large numbers of tourists have been drawn to remote areas that have been less resilient to the impacts of large-scale visitation.

The Parliamentary Commissioner for the Environment reviewed the environmental impacts of the New Zealand tourism industry in his 2019 report *Pristine, Popular… Imperilled?: The Environmental Consequences of Projected Tourism Growth*.[2] This report highlighted the challenges of waste generation and disposal, overloaded wastewater treatment facilities, infrastructure provision, biosecurity risks, greenhouse gas emissions associated with travel, and increasing visitor numbers eroding the wilderness experience.[3]

A lack of adequate tourism infrastructure has been a recurring theme in recent years. In 2017, a Deloitte study identified acute infrastructure gaps in New Zealand – for example, for visitor

accommodation, car parking, public toilets, water supply and sewerage systems.[4] Such pressures have become particularly acute in some small settlements. Hahei, on the Coromandel Peninsula, for example, has 300 residents but 'can host up to 10 times the number of its residents during the peak summer season'.[5] Similarly about 100 residents live in Punakaiki, on the South Island's West Coast, which can be visited by some 6,000 tourists per day at peak times.[6]

Tourism has also led to the reduction of housing availability. In many popular tourist areas, homes have been converted to holiday accommodation and property prices inflated beyond the reach of locals. At the core of a successful tourism industry is the ability of visitors to interact positively with the local people. If New Zealanders become antagonistic to tourists, this undermines the tourism experience and consequently the value of the industry. This highlights the need to understand local attitudes towards, and aspirations for, tourism, and to accommodate these as the industry further develops.

The tourism industry body Tourism Industry Aotearoa (TIA) is seeking to remedy the negative impacts of tourism under the umbrella of its 'Tourism 2025 and Beyond' sustainable growth framework.[7] As well, TIA's 'New Zealand Tourism Sustainability Commitment' sets out 14 commitments under four key pillars (see page 00).[8] Around 1,400 members have signed up to the commitment (around 85 per cent of TIA's membership) and their performance is being monitored by the association.[9] Another recent initiative has been the Tiaki Promise, a campaign encouraging visitors to care for people and places when visiting New Zealand. These are voluntary and promising initiatives spearheaded by the industry.

Furthermore, TIA has argued that there has been a mismatch between central and local government funding for tourism. In 2019 it highlighted that international tourists paid an estimated $1.7 billion in GST each year to central government, while local government was left to pick up the tab for providing infrastructure and services to accommodate those visitors.[10] The Productivity Commission noted the ad hoc approach adopted by central government, with contestable funds established from time to time to fund tourism infrastructure.[11] Permanent funding arrangements, accompanied by better planning, might help prevent critical infrastructure gaps occurring in the future. With the industry now largely stalled in the Covid-19 downturn, an opportunity has arisen to address this.

TOURISM INDUSTRY PROFILE

The tourism industry has been a significant contributor to New Zealand's jobs and livelihoods.

Prior to Covid-19, more than 229,000 people were employed directly in the industry, comprising 8.4 per cent of national employment.[12] A further 164,000 were employed indirectly, meaning that more than one in seven jobs in the country were supported by tourism.[13]

Despite the importance of the sector, it is difficult to obtain information about the characteristics of businesses operating within the tourism industry. Such data is not collected by Stats NZ; there is currently no survey of tourism providers. This partially reflects the difficulty in identifying exactly what a tourism business is. Supermarkets and fuel stations in tourism towns such as Queenstown, Wānaka and Twizel have traditionally derived much of their income from tourists but have not been considered tourism businesses.

The Tourism Policy Unit in the Ministry of Business, Employment and Innovation (MBIE) commissions around $4.8 million worth of tourism data each year, including the International Visitor Survey. This data also includes regional tourism estimates based on monthly credit card and Eftpos data, a tourism satellite account prepared by Stats NZ, and forecasts of international tourist numbers and expenditure.[14]

There have been notable gaps in the information gathered. For example, there is no domestic visitor survey, despite domestic tourism traditionally

being a larger segment than international. A Domestic Travel Survey was started in 1999 but discontinued in 2012 due to concerns about high cost and low data quality.[15] A 2019 review of Tourism New Zealand identified as a notable gap the absence of systematic information on the preferences of domestic visitors.[16] This gap is likely to become more significant as the industry focuses on domestic tourists while the international border is closed.

The Accommodation Survey, undertaken by Stats NZ under commission from MBIE for many years, was discontinued in October 2019.[17] This survey collected information on guest nights in hotels, motels, backpackers and holiday parks, broken down by region. However, it did not include accommodation options such as Bookabach, Airbnb, bed and breakfasts, cruise ships, tramping huts or freedom camping, so did not provide a full picture.[18] In summary, much remains unknown about tourists and the tourism industry in New Zealand.

There is also a paucity of information about the value of landscape and the natural environment to tourism. Some information has been gleaned from the International Visitor Survey, which records data on visitor preferences and the number of people visiting public conservation land, but there has been little else. More information would help

inform choices about land use that could impact negatively on landscape values of importance to tourists.

INSTITUTIONAL ARRANGEMENTS WITHIN TOURISM

During the early years of the development of the New Zealand tourism industry, the government was actively involved in both promoting the industry and operating tourism activities, including hotels and coach tours. This was under the auspices of the Department of Tourist and Health Resorts, which was established in 1901. During the 1980s, the government withdrew from active involvement and the tourism sector was largely privatised. In 1990 the government disbanded the Tourist Department, leaving in place a small policy unit (the Ministry of Tourism, later merged into MBIE). This led to an institutional gap for tourism planning, one that became particularly evident more recently as burgeoning visitor numbers overloaded infrastructure and crowded visitor attractions in particularly popular areas and towns.

For the past three decades, the government has directed most of its tourism funding into Tourism New Zealand (TNZ), the sole purpose of which has been to sell New Zealand as a tourist destination to international markets. Leveraging off the '100% Pure New Zealand' campaign for the last 20 years, Tourism New Zealand has proven highly successful at this task.[19]

TNZ is a Crown Entity established under the New Zealand Tourism Board Act 1991. Prior to Covid-19 it employed around 150 staff based in 13 offices around the world and received an annual budget of $111.5 million.[20] In the wake of Covid-19, the entity has been tasked with supporting the revival of domestic tourism.[21]

The small Tourism Policy Unit within MBIE provides policy advice to the Minister of Tourism, works on key tourism policy issues and monitors the operations of TNZ. Within the last two years, the unit's staffing numbers have increased from an initial 15 to 50.[22] This capacity needs to increase further, potentially through the re-establishment of a Ministry of Tourism. Tourism does not have the same institutional or political heft as the primary sectors. For example, MBIE has invested around $3 million annually in tourism policy advice, while the Ministry for Primary Industries spends around $11 million annually on fisheries policy advice and $25 million on agricultural policy advice.[23]

With public conservation land a major part of New Zealand's tourism offering, the Department of Conservation (DOC) is heavily involved in the tourism industry.[24] It maintains or allows tourism infrastructure on public conservation land and

waters, and controls commercial access to them through the conservation planning and concessions systems. The department has a wide range of other regulatory roles and these can place it at a difficult intersection between conservation and tourism. It has long been acknowledged that DOC has been severely underfunded for the size of its task.[25]

TIA represents around 1,650 businesses and organisations in the tourism sector, which comprise some 85 per cent of total industry turnover.[26] It is a membership-funded body, with membership fees in 2018/19 realising $1.7 million. It also raises funds from events, sponsorship, project funding and other streams that in 2018/19 brought the organisation's total income to around $3.8 million.[27]

Primary-sector bodies are commonly funded through statutory levies on commodities, but there is no similar funding mechanism for the tourism industry. No proceeds from the International Visitor Conservation and Tourism Levy – a $35 charge for visitors entering the country, introduced in July 2019 – are paid to TIA. This means that funding to this key tourism industry body is limited, essentially restricting its activities to advocacy, communication and strategy. In contrast, DairyNZ is funded through a statutory levy on milk solids, which totalled $67.8 million in 2018/19. Much of this is spent on research and development and advocacy. DairyNZ directly employs scientists who

undertake applied research and carry out on-farm trials.[28] TIA does not have the resources to fund tourism-related research or to support innovation. Moreover, the tourism sector has not traditionally received any significant government funding for research and development. A sustainable funding model needs to be developed for TIA.

At the regional and local levels, institutional arrangements for the tourism industry are particularly fragmented. There is a network of 31 regional tourism organisations (RTOs) around the country, largely focused on marketing their destinations. The structure and size of these RTOs varies widely. Some are funded in part or in full by their local council, others by an annual levy or membership fee. However, nationwide the bulk of the funding for RTOs (83 per cent) is sourced from local government grants.[29]

In a 2007 Spinoff article, Peter Newport noted: 'There's a strong argument to be made that the free market model of allowing RTOs and the powerful tourism operators to compete for tourists is producing an unhealthy, unbalanced tourism landscape. The visitors basically go to the places which shout loudest.'[30] MBIE's 2019 review of Tourism New Zealand noted that RTOs are largely based on local government boundaries, but these typically do not align with major tourism destinations or tourist itineraries. Many RTOs are small (some-

times comprising only two or three people) and therefore of limited capability, albeit there have been some regional collaborations.[31] In addition, the focus of RTOs is largely on destination 'marketing' as opposed to destination 'management', although this is gradually changing.

RTOs need to be better supported and encouraged to rationalise or build strategic alliances to develop economies of scale. In the wake of Covid-19, government announced in June 2020 that RTOs would receive $20.2 million from the Tourism Sector Recovery Plan funding to support their operations. This is a positive start.[32]

The fragmented nature of the tourism industry's institutional structures has been a barrier to the sector's involvement in broader landscape and environmental issues. Most tourism businesses are too small to have the resources to get involved in statutory matters like district plans, even though these plans help protect landscape and environmental values that are important to their tourist clients. TIA also lacks the resources to do this, as do the numerous and scattered RTOs. The tourism policy unit in MBIE has limited capacity, although this was recently beefed up. DOC is a large institution, managing a third of New Zealand's total land area, but it has a wide range of functions across conservation and tourism for which it is under-resourced.

OPPORTUNITIES FOR IMPROVEMENT

There are several key opportunities to move towards more sustainable tourism in New Zealand. They include more investment in destination management, imposing levies or other charges on tourism to fund conservation activities, and promoting 'impact' and 'slow' forms of tourism. In the past there has been a strong emphasis on marketing to bring tourists into the country, rather than on managing the tourists and the places they visit once they arrive.

Destination management has traditionally referred to the coordinated management of the visitor experience in a specific place. It has included marketing, managing the area's values and attractions (including people), and providing suitable visitor access and infrastructure. The aim has been to ensure a high-quality visitor experience and therefore encourage repeat visitation.[33] The concept has evolved from considering only the tourist experience to including aims that tourism activity is community led, enriches the environment and is financially sustainable.

In its Destination Management Guidelines (2020), MBIE has defined destination management as bringing 'together different stakeholders to achieve the common goal of developing a self-managed, sustainable visitor destination. It is an ongoing process that requires destinations

to plan for the future and considers the social, economic, cultural and environmental risks and opportunities.'[34] This approach has been gaining traction in New Zealand. MBIE and DOC highlighted the importance of destination management and planning in the 2019 *New Zealand-Aotearoa Government Tourism Strategy*.[35] TIA suggested in its *Tourism 2025 and Beyond* report that all of New Zealand should be covered by regional destination management plans.[36] In addition, DOC is putting more emphasis on managing 'place' in areas such as Milford Sound/Piopiotahi, Tongariro National Park and the Mackenzie Basin. All these initiatives provide opportunities to better recognise and protect important landscape and natural values in tourism destinations.

In addition to the International Visitor and Conservation Levy imposed at the border, various other levies can and have been charged. Examples include the Superloo user-pays toilet in Taupō and the passenger levy charged by Real Journeys on its Doubtful Sound cruises.[37] Another example is the Environment Southland Marine Fee that Environment Southland has charged cruise ships since 2001, levied via the financial contribution mechanism of the RMA (Resource Management Act).[38] In 2017, Auckland Council imposed a targeted rate (officially known as the 'accommodation provider targeted rate' but colloquially called a

'bed tax') on hotels and motels operating within the city.

The International Visitor Conservation and Tourism Levy was expected to raise around $450 million over the first five years.[39] To date, the funds received have been split equally between conservation and tourism initiatives. Funded projects include destination planning in Westland and Milford Sound/Piopiotahi, kākāpō recovery efforts, and increasing predator-free habitat on the Auckland Islands.[40] The fund has provided a tangible mechanism whereby international tourism can financially support better conservation and landscape management. But no funds from this levy can be generated with New Zealand's borders closed.

There has been a long history of nature-based tourism in New Zealand, and some nature tourism operators have had a strong association with environmental protection and advocacy.[41] Many tourists and tourism operators have shown a willingness to make a positive contribution to the places they visit or operate in, including through contributing to environmental enhancement efforts. This desire could fertilise the growth of 'impact tourism' – tourism activity that benefits the locality within which it takes place. Australian-based Wild Mob is an example of this. A not-for-profit organisation, it takes paying volunteers to

engage in weed and pest control and endangered species recovery programmes, including in New Zealand's Hauraki Gulf.[42] A different but aligned approach has been taken by a New Zealand start-up business called Voluntourism, which seeks to connect tourists with conservation initiatives in remote areas.[43] The challenge is how to scale up this kind of activity, and in the post-Covid-19 context this will mean initially building it up from the domestic market.

Pre-Covid, a significant amount of international tourism into New Zealand was based around a 'fast tourism' model whereby visitors sought to 'do' the country in a few days. Such tourists typically flew into Auckland, drove to Rotorua and back, then flew to Queenstown and did a quick trip to Milford Sound/Piopiotahi, leaving the country just four or five days later. Conversely, those who stayed longer but self-drove in cars or campervans did not necessarily interact with the natural environment, tending to view it through the windscreen as they passed, particularly if opportunities for a deeper engagement were not apparent.

Experiences such as cycle trails and wine tours encourage visitors to slow down and spend more money with local businesses such as family-run accommodation, cafés and bike-hire shops. These activities also facilitate engagement with mana whenua and the wider community, providing

visitors with a more meaningful experience. Local tourism businesses can tailor their offering so it is appropriate to the unique attributes of their place. And in sharing stories about that place, both visitors and local residents can come to better appreciate it and the need to look after it.

Storytelling is an important facet of slow tourism – communicating information about the landscape, its natural history, flora and fauna, cultural associations and values to the people who live within it. Visitors are increasingly looking for a richer experience, particularly one that involves making a personal connection. In the words of MBIE's *Optimising Tourism New Zealand's Future Role* report, '[W]hile international visitors choose to come to New Zealand primarily because of our natural landscapes, the friendliness of the people and the Māori culture, history and stories enrich the visitor experience once they are onshore.'[44]

Promoting slow tourism – including developing experiences where visitors have a deeper engagement with New Zealand's landscapes, people and culture – could help create closer links between tourism and the protection of New Zealand's landscapes and environment. More tourism revenue could be captured locally, some of which could be reinvested in sympathetic land management and protection measures. In addition, residents and land managers may gain an enhanced

appreciation of landscape values and may be more willing to protect them. And as New Zealanders travel more frequently around their own country, they too may reconnect to their landscapes and appreciate them in a deeper sense.

CONCLUSION

Covid-19 has fundamentally changed New Zealand tourism. Change creates risk, but also opportunity. A 'reset' tourism industry could have a different focus: an emphasis on value over volume; stronger links with the landscape, nature, Māori culture and local communities; and more meaningful experiences for the visitor. Having a thriving tourism industry in New Zealand does not need to be at the cost of landscapes and the environment. It has been in the past, but there are ways to turn that around for the future. Relatively easy measures can be adopted and others will be more challenging. But change is the new norm in the context of Covid-19 and an increasingly carbon-constrained world. This new context can be used as an opportunity to rebuild a tourism industry that strongly supports both the natural environment and local tourism communities for the long-term benefit of New Zealand.

CONCLUSION

NEW ZEALAND TOURISM – PLANNING FOR A BETTER FUTURE

HUGH LOGAN

In 2019 the New Zealand tourism industry was facing a looming crisis, one of its own making. Business was booming. Nearly $41 billion of national income was being generated. Inbound arrivals had nearly doubled in 15 years, with numbers projected to continue to grow. So, what was the looming crisis? The increased visitor numbers and business growth were accompanied by an evaporating public acceptance of the impacts. The crisis was the alarming loss of social licence.

A similar crisis had occurred in the dairy industry after 2000. Rapid intensification meant business boomed, but a huge rise in fertiliser use caused widespread increase in water pollution. The result was loss of public support, consequential government regulation, and a growing industry

acceptance of the need to change, albeit reluctant in some quarters.

By 2019, New Zealand tourism was in a similar classic development trap – grow the business first and clean up afterwards. But tourism's clean-up had hardly begun. The industry, comprised of a few big players and myriad minnows, had no real incentive to respond, and was poorly equipped to do so because of its fractured structure and internal tensions. Any governmental support for change was hamstrung by a 30-year-old ideology that the industry could manage itself. Consequently, government institutional arrangements were weak.

Meanwhile, another crisis occurred, this time not of the industry's making – a global pandemic broke out at the beginning of 2020. International travel all but shut down. Borders were closed. Suddenly, businesses that relied on inbound tourism faced collapse. Used to little or no government intervention besides generous marketing subsidies, the industry rushed cap-in-hand to the government for wage support to prevent widespread staff layoffs, and cash incentives to keep operating. Nevertheless, this didn't stop a number of the major players slashing the workforce. While New Zealand successfully halted the pandemic internally, some in the industry called for the borders to be re-opened even though the pandemic

raged internationally. Once again, the New Zealand public were not impressed. Public health trumped industry pleading.

Against this background, the industry and the government are debating the future. What will that future be? Carrying on from where things left off in 2019? Or something new? The chapters of this book are a contribution to that debate.

The authors have each canvassed individual topics, making their contribution to specific challenges that the tourism industry now faces. David Simmons' introduction, drawing on 40 years of research and practice, neatly summarises the history, trajectory and overall challenges. He argues for a new compass setting, a collective re-assessment of New Zealand tourism and its volume, style, speed and spread, based above all on the support of the local population. Tony Wheeler injects a note of realism to those who might seek to overly manage tourism. The human impulse to travel is rooted in our genes and won't stop just because of a temporary pandemic. Nevertheless, there are dangers, and he cites as examples environmental pollution, a dodgy tourship industry and exploitation of volunteers. But Tony points out that air travel, while it might face a glitch, won't necessarily go away. Humans have a way of satisfying their urge to move in the landscape that transcends such disruptions. Nevertheless,

as Susanne Becken says, air travel does face a decarbonising challenge – one that may or may not be overcome by technology. Tourism will still need to change the way it operates, she says. As other businesses have found, carbon efficiency, waste management and improving resource use are not as difficult as they first appear once people start doing these things.

New Zealand's opportunity in the meantime is to back away from the development trap; to place environmental sustainability, local manaakitanga and genuine value ahead of volume, mass-market package tours and short-stay visitation, which were rapidly on the rise before 2020. This is a theme emphasised by Te Ngaehe Wanikau and by Erina Spijkerbosch. Te Ngaehe argues we have a once-in-a lifetime opportunity to build an experience rooted in our collective past, and based on Māori and local community culture and values.

New Zealand's iconic landscape has an equally important part to play. Tony Wheeler rightly points out that you can't escape from iconicism. Dave Bamford, however, argues that you *can* manage and protect. New Zealand's national parks and wild places are special in a global sense. Unusually, they are largely still in their natural, even pre-human, state. New Zealand's public conservation lands have been lightly managed for tourism compared to those in other developed countries. This approach

was becoming unsustainable, and unacceptable to New Zealanders.

Sustainability is a core theme of this book. David Simmons, Rod Oram and Raewyn Peart illustrate the significance of tourism to New Zealand's economic welfare, while lamenting a lack of national tourism data to quantify this accurately. The significant value of cultural exchange and the wider perspective this brings should also not be underestimated, but the trajectory of New Zealand inbound tourism before the pandemic looked to be unsustainable, at the very least socially and, increasingly, environmentally.

What collectively do the authors think is needed for the future? Certainly, each of them argues that a resumption of the style and trajectory evident before the pandemic is untenable and unwise. Susanne Becken shows that a recovery of inbound tourism may be further away than some believe, at a minimum of five years. And does New Zealand want a resumption of the short six- to seven-day visitations off direct flights from Asia, the tourists collecting their SUVs and heading south from Auckland or Christchurch semi-convoy fashion, stopping at businesses that promote the visitors' own culture in badly planned strip-development sites like Franz Josef and Tekapo, then travelling on to equally badly planned and managed destination 'tourist resorts' like Queenstown?

Rod Oram's analysis is that the industry's approach was – and maybe, at heart, still is – to acknowledge those challenges through its 2019 *Tourism 2025 & Beyond* strategy. This involved embedding sustainability, managing destinations, growing and shaping demand, embracing tikanga Māori, active environmental guardianship, engaging the community, measuring and managing industry carbon use, investing in infrastructure and amenities, fostering domestic tourism, and investing to deliver quality tourism data and research. He argues this was more sophisticated than past industry efforts and the proposed actions had merits. If implemented by meaningful action, it will make a difference. But the sector's strategy is still business-as-usual: further brisk growth (from revenues of $39 billion in 2018 to $50 billion in 2025) while trying to cope better with the negative consequences.

The authors argue that tourism in New Zealand needs a new approach. This involves a style and level of tourism that has the support and involvement of the community, and which contributes actively to maintain and enhance – where possible restore – this country's natural environment, landscapes, and cultural and built heritage. The *Tourism 2025* strategy document might suggest this is what the industry is seeking. But actions haven't matched its words. Large-scale growth remains the primary

objective. Industry players have secured cuts to visitor levies and concession fees (and, judging by experience, reinstating these will be hard fought). Despite decades of seeking longer in-country visits, the trend since 2010 has been the reverse, actively encouraged by direct flights from markets where holiday times are short. Having said this, the tourism industry post-pandemic has shown strength in successfully pivoting to the domestic market. It promoted effectively. It adjusted its style and its fee structures – which suggests that some of the previous charging was nakedly opportunistic, to the detriment of New Zealanders, reinforcing yet again the risk to social licence.

Pressures to revert to the situation before the pandemic should not be underestimated. New Zealand's tourism strategy has in the past been captured by inbound operators, especially the airlines. Their incentives are volume. Within the country, the industry is dominated by a few large, powerful and influential players, and an enormous number of small diverse businesses, all competing fiercely for income, with temptations to cut corners and economise on standards.

There is now a once-in-a lifetime window of opportunity to plan a better future. The authors of this book promote the following recipe for a healthy and sustainable industry:

- Produce a new national statement that

expresses a collective and inclusive view of the fundamental purpose of tourism in New Zealand.
- Place Māori and other local community values, engagement and involvement at the centre of all tourism strategies, policies, plans and developments.
- Redesign tourism so that it regenerates natural resources and New Zealand's cultural and built landscapes.
- Build a robust governance structure, particularly in the public domain, to ensure consistent policy development and implementation in keeping with overall national goals.

And what does this require?

- A more active, willing and inventive culture among industry leaders.
- Stronger, more integrated institutions. Covid-19 has shown us that a hands-off, laissez-faire approach can have short-term financial benefits, but other effects store up bigger costs and create resentment and reaction.
- Based on stronger institutional arrangements, better anticipatory planning at industry, central and local government levels. Marketing alone is not enough. It is simply a tool to implement a defined strategy.

- Decarbonise tourism. This might seem a big ask, but it is likely to prove easier than some think. And key overseas markets are likely to demand it anyway.
- Put a value on cultural exchange. New Zealand needs its connection with visitors from overseas. But do this on our terms, in line with Māori and local culture – not as an acculturated mélange or set-ups designed to appeal to inbound tastes. Local authenticity is valued by visitors. That is the attraction, despite what some might claim.
- Be much more active and, where necessary, strict in how we manage iconic places. For public conservation land, the tools are already available. Use them. We must eschew the 'light-handed regulation' philosophy for our national parks and special places. They are national parks, not business parks.
- Wean the industry off handouts and direct subsidies. Have a transition, by all means. But even in the intermediate term, this is not sustainable or helpful for a healthy industry seeking to change its modus operandi.
- Rapidly build an internal capacity to staff the industry. Reliance on a large overseas workforce, often paid at minimal rates or serving as 'volunteers', is an indictment of New Zealand's workforce planning and training.

- Recognise that New Zealanders as domestic tourists are special; indeed, in recent months they have been the saviour of the industry. Currently they feel valued, and in turn value the specialness of their country. Don't turn them off either through excessive charging or overseas visitor crowding, as was happening before the pandemic.
- Create, encourage and promote active experiences that reinforce the specialness of New Zealand ecologically and culturally. Allied to this, reinvigorate strategies and plans for longer visitations based on 'slow tourism'.
- Be wary of the numbers trap, and don't use it as a primary measure. Instead, drive through measuring and monitoring based on tourist involvement and time.
- Devote a more balanced proportion of taxpayer support to destination management and regional and local infrastructure compared to marketing.

Tourism has been an important component of the New Zealand economy. It will be again. It can be prone to international disruption, as we have witnessed in a very significant way three times over the last one hundred years. Just before 2020, it was headed for a domestic shock as its social licence began to evaporate. The Covid-19 pandemic has won a temporary reprieve. Indeed, the support of domestic tourism has restored tourism's value in the eyes of citizens. Maintaining this support, however, will be a challenge once (and when) the borders re-open and as inbound tourism begins to recommence. Now is the time to get prepared, to have the strategy and plans agreed and in place. Let us not squander this opportunity.

APPENDIX A

NEW ZEALAND TOURISM SUSTAINABILITY COMMITMENT

HE KUPU TAURANGI KIA TOITŪ AI TE TĀPOITANGA

Originally launched in November 2017 and refreshed in August 2020, Tourism Industry Aotearoa's Tourism Sustainability Commitment (TSC) 'sets out 12 commitments and outlines practical actions so all businesses can play their part'.[1]

Signing up to the TSC is now required for all TIA members; at time of print, more than 1,400 tourism businesses are signed up. Signatories commit to:

- having a sustainability plan with goals for all 12 commitments
- making measurable progress towards the goals
- embedding sustainability into business systems, processes and plans
- providing an annual update on progress
- telling communities and visitors about our sustainability efforts.

Key features of the TSC are various 'tools, resources and other support that sit behind it, including an online sustainability assessment tool'.[2]

According to TIA, the starting point for the TSC is the United Nations Sustainable Development Goals.[3] It is also aligned with the New Zealand Treasury's Living Standards Framework.[4] It supports both the tourism industry's *Tourism 2025 & Beyond: A Sustainable Growth Framework/ Kaupapa Whakapakari Tāpoi* and the *New Zealand–Aotearoa Government Tourism Strategy/Te puawai tonu o Aotearoa i te tupu tonu o te ao tāpoi*.[5]

According to TIA CEO Chris Roberts, 'The only way the industry as a whole can be sustainable is if all operators are sustainable themselves. It has to be a bottom-up approach.'[6]

THE 12 SUSTAINABILITY COMMITMENTS[7]

Economic

Tourism delivers opportunity and prosperity across the New Zealand economy.

1. Resilience: focus on long-term business performance and resilience.
2. Investment: invest to create value, opportunities and to drive sustainable practices.
3. Innovation: innovate to solve problems, create new ways to do things and increase productivity.

Visitor

New Zealand provides world-leading experiences for both international and domestic visitors.

4. Visitor satisfaction: strive to always meet or exceed visitor expectations.
5. Culture and heritage: embrace Aotearoa New Zealand's culture and heritage as part of delivering a unique and authentic visitor experience.
6. Visitor engagement: engage with visitors about how to be great travellers within Aotearoa New Zealand.

Host community

New Zealanders understand, support, shape and benefit from tourism operating in their communities.

7. Employer of choice: attract, support and develop the workforce needed to flourish and succeed.
8. Community engagement: actively and positively engage with the communities in which tourism operates, taking a leadership role to champion causes that are important to the community.
9. Sustainable supply chains: have socially and environmentally sustainable supply chains.

Environment

Tourism strongly contributes to protecting, restoring and enhancing New Zealand's natural environment and biodiversity.

10. Restoring nature: contribute to protecting and enhancing Aotearoa New Zealand's environment, including water, biodiversity, landscapes and clean air.
11. Carbon reduction: act urgently to contribute to Aotearoa New Zealand's transition to a net zero carbon economy.
12. Eliminating waste: take responsibility for the entire life cycle of products and services we use and ultimately eliminate the waste associated with these.

APPENDIX B

THE TIAKI PROMISE
CARE FOR NEW ZEALAND

Launched in November 2018, the Tiaki Promise is 'an initiative to encourage travellers, both domestic and international, to respect New Zealand's environment and travel safely'.[1] It comprises a series of action statements to which travellers are invited to commit.

The Tiaki Promise campaign is a collaboration between seven major tourism-related organisations: Air New Zealand, Tourism New Zealand, NZ Māori Tourism, Tourism Industry Aotearoa, Local Government New Zealand, Tourism Holdings Ltd (THL) and the Department of Conservation.

The campaign is supported by a raft of digital assets available free to tourism operators, including a series of videos in English and four foreign languages, and print files for posters and brochures. There's even a Tiaki Promise t-shirt.

Travellers are invited to show their commitment by uploading their name and a photograph to the Tiaki Promise website (tiakinewzealand.com), then downloading the automatically generated image to their device for sharing via social media with the hashtag #tiakipromise.

As reported in the *New Zealand Herald* at the time of its launch, Air New Zealand chief executive Christopher Luxon said the surge in tourism during the past five years was 'an incredible opportunity for our country but it's important we take responsibility as an industry for managing this growth and protecting the things that make New Zealand so special'.[2]

The campaign has been met with some cynicism within the industry and wider public. For example, the majority of two dozen comments on a Stuff article at the time of the launch ('Our Tiaki Promise protects New Zealand for future generations') were negative.[3] They described the Tiaki Promise as 'greenwashing' and 'feelgood nonsense', and likened the initiative to 'tobacco companies in the '70s telling us smoking is safe'. Several also alleged that the article was sponsored PR; a disclaimer does not appear.

THE TIAKI PROMISE

Tiaki means to care for people and place. The Tiaki Promise is a commitment to care for New Zealand,

for now and for future generations.

By following the Tiaki Promise, you are making a commitment to New Zealand. To act as a guardian, protecting and preserving our home.

WHILE TRAVELLING IN NEW ZEALAND I WILL

Care for land, sea and nature, treading lightly and leaving no trace

Travel safely, showing care and consideration for all

Respect culture, travelling with an open heart and mind

HOW TO CARE FOR NEW ZEALAND

By following the Tiaki Promise you are making a commitment to New Zealand.

Drive carefully

Be prepared

Show respect

Protect nature

Keep NZ clean

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This book was born from a conversation with publisher Tom Rennie during lockdown. Tourism was in freefall. But even as the industry was tanking and people were hurting, the big question seemed to be: *how can we do tourism better?* Tom suggested a BWB Text could help answer that.

Dave Bamford proved a brilliant first port of call, duly producing an excellent essay but also helping to muster the collective of David, Erna, Hugh, Raewyn, Rod, Susanne, Te Ngaehe and Tony. Thanks to all of you for contributing to this kaupapa.

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To friends and family: thanks for your love and support. Finally, utmost thanks to Lee Slater – 100% Pure Genius and gorgeous to boot.

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Dave Bamford has more than 30 years' experience in sustainable tourism development, in particular related to national parks and protected areas. After working as a national park ranger for twelve years, he co-established a New Zealand-based, international consultancy company supporting the development of sustainable, conservation-based tourism ventures. Dave continues that work as an independent tourism advisor and as a regular speaker at seminars and conferences. He is also a director/advisor to four companies that operate on the conservation estate, a Te Urewera Board member and a Tourism Futures Task Force Advisory Board member.

Sarah Bennett has worked in book publishing and travel writing for 25 years. After starting out at Penguin Books in London, she continued her career in Wellington as a publishing manager and editor at Bridget Williams Books and Awa Press. Sarah began travel writing in 2003; her books include *The New Zealand Trampers' Handbook* (Craig Potton Publishing, 2007/10), *Let's Go Camping* (Random House, 2009), *The Best of Wellington* (Bennett & Slater, 6 edns, 2003–2016), and ten years of Lonely Planet *New Zealand* titles. Nowadays her focus is on

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Dr Hugh Logan was previously head of the Ministry for the Environment, Department of Conservation and the New Zealand Antarctic Programme. Through DOC in particular he has been closely associated with the tourism industry and was a member of the steering group for the 2000 Tourism Strategy. More recently he has been involved in helping guide collaborative governance groups involved with freshwater management and

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Rod Oram is a business journalist, contributing to Newsroom, Nine to Noon, and Newstalk ZB. He is a public speaker on deep sustainability, business, economics, and innovation; and a member of the Edmund Hillary Fellowship, which brings together people from here and abroad who seek to contribute to global change from Aotearoa. In Citigroup's 2019 awards, Rod was the winner in the General Business category in the Australia and NZ region for his columns in Newsroom; and he was its NZ Journalist of the year. Rod was a founding trustee and the second chairman of Ākina Foundation, which helps social enterprises develop their business models in areas of sustainability. In 2016, Bridget Williams Books published Rod's *Three Cities: Seeking Hope in the Anthropocene*.

Raewyn Peart is Policy Director at the Environmental Defence Society and has more than 20 years' experience in environmental law and policy. Amongst her widely published works are major books on coastal development, dolphin protection

and the Hauraki Gulf Marine Park. She is currently leading a project researching landscape protection in New Zealand including the interface between landscape and tourism. Raewyn was a member of the Ministerially appointed Resource Management Review Panel which undertook a comprehensive review of the resource management system. In 2019 she was appointed a Member of the New Zealand Order of Merit for services to environmental and conservation policy.

David Simmons is Emeritus Professor of Tourism at Lincoln University and a specialist in destination management and economic yield. He founded New Zealand's first undergraduate degree in tourism management and subsequent post-graduate programmes. From 2008 to 2010 he was Director of Research for the Australian Federal Government's 'Sustainable Tourism CRC', and has contributed to tourism planning in Cambodia, Mauritius, Niue, Vanuatu, Nepal, India, Sarawak and North Korea via the UN, WWF and others. In 2015 he was elected as a fellow to the International Academy for the Study of Tourism and chairs the EarthCheck Global Research Institute. David has contributed to the New Zealand National Tourism Framework (Tourism 2025) and annual state of sector reports (2011–16).

Erna Spijkerbosch is the owner of Queenstown Holiday Parks and Motels Creeksyde. She is a former board member and national president of the Holiday Parks Association of New Zealand; a founding member of Kiwi Camps Holiday Parks marketing group; a life member of Top 10 Holiday Park marketing group; past, two-term councillor of Queenstown Lakes District Council; member of the Queenstown Chamber of Commerce, and of Skal; and a past board member and chairperson of Destination Queenstown. Erna has lived in Queenstown for 50 years with her husband Tonnie. They have three children and seven grandchildren.

Te Ngaehe Wanikau is tumuaki, leader and spokesman for Te Rūnanganui o Ngāti Hikairo ki Tongariro, the iwi authority for Tongariro and a hapu of Ngāti Tūwharetoa. He also sits with Tūwharetoa paramount chief, Sir Tumu Te Heuheu, on the Tongariro Taupō Conservation Board. Asked about his connection with Tongariro, Wanikau talks about layers, dimensions, and 'ultra logic' reflection.

Tony Wheeler co-founded Lonely Planet travel guides after travelling along Asia's 'hippie trail' in the 1970s, although his travels began when he lived in Pakistan, the Bahamas and the USA through his school years. Apart from many guidebooks

– including the rather primitive first edition of Lonely Planet *New Zealand* – Tony has written a number of books for other publishers including, most recently, the National Library of Australia. Since departing Lonely Planet Tony has also been involved with the Planet Wheeler Foundation's work on health and education in the developing world; Melbourne's Wheeler Centre for books; and the US-based archaeology organisation Global Heritage Fund with their mission to promote local community involvement with their historic sites. The Wheeler Institute at the London Business School also works on fostering entrepreneurship in the developing world.

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Kirsty Gunn

The Struggle for Sovereignty: New Zealand and Twenty-First Century Statehood
Margaret Wilson

The Inequality Debate: An Introduction
Max Rashbrooke

I wish to express my concern at the proposal to transfer ownership of the Whakapapa Ski fields to Whakapapa Holdings Limited. My reasons are outlined below.

Ruapehu Alpine Lifts (RAL) had been poorly run for a number of years. This was amply illustrated by the alternative board reports produced by Sam Clarkson and Robert Krebbs. These reports highlighted many of the failings that contributed to the financial problems at RAL. However, RAL continued to ignore the realities of running a ski field in the middle of the North island and those involved in running RAL contributed directly to it's current problems. It is concerning to see some of these same people , who have amply demonstrated their lack of skill, attempting to take over the ski fields. I am incredulous as to how the very same people who made such a mess of the SkyWaka are at the table to negotiate the solution.

Not-For-Profit (NFP), Public-Benefit-Entity model. (PBE) has served the ski fields well over the life of the ski field. Furthermore, it acknowledges the significant contributions of individuals, iwi and groups that use the mountain. Furthermore, the NFP and PBE models were never the problem and privatisation is not the solution, especially when considering who the WHL directors are. In addition, the WHL submission is significantly out of date, it was written two years ago.

MBIE's modelling of the SkyWaka was wrong, their financing was flawed, their policies during and after COVID have exacerbated and extended the problems directly. The amount of taxpayer money that has been poured into a liquidation process and likely a privatisation of the ski fields is a disgrace. I am shocked to see a further loan of tax payer money to a private entity even being considered.

The failure of MBIE and government ministers to engage with the representatives of these groups such as the life-pass holders group and it's elected representatives has been alarming. OIA requests have indicated that ministers have been provided with information that led them to refusing to meet with advocates of the NFP model.

The 2024 ski year, despite low snow falls, showed that the NFP model continues to be profitable and the alternative solution viable. The alternative solution was presented as a Deed of Company Arrangement at the June 2023 Watershed meeting. It received overwhelming popular support of 72%, but was voted down by the dollar voting block of MBIE/ANZ/DOC.

It remain the best solution for the ski fields for iwi and for users of the mountain. The fundamentals of this proposal are to;

- retain RAL ltd and its existing concessions.
- forgive the Crown debt as will be done if the proposal for the WHL take over proceeds
- invite Iwi to take up trustee positions on the RAL trust
- retain Life Passes with conditions to ensure continued support form this valuable customer base

Submission By Stephen Prendergast. 07 Feb 2025

It was Thoreau who said ".. beware of enterprises that require new clothes, and not rather a new wearer of clothes." And subsequently "If you have any enterprise before you, try it in your old clothes."

This submission **opposes** the granting of the Application.

This application transitions the operations of Whakapapa from a public benefit entity to a commercial for profit operation. It must be considered on that basis. WHL 2024 LTD have convinced MBIE that they will be able to operate sustainably for the period of the concession. This is despite both MBIE – briefings to cabinet - and WHL 2024 LTD , Newsroom, stating that the proposed operation is commercially unviable.

Nothing substantive about this proposal has changed since those statements were made in 2024. In the intervening period the economic outlook has deteriorated, the winter season delivered an unattractive dose of warmer than normal weather and the parties have come no closer to re-uniting behind a potentially viable and community enhancing business. Snowsports in the North Island is more fractured, less economically affordable, and climatically marginal.

You can't make a silk purse out of a sow's ear.

Is DOC obliged to accept the MBIE dictate ?

Only a fabulist would consider that this process bears little more than a rubber stamping charade. It is peak illusion. It does not change the obligation that lands with DOC to make good the terrain and natural environment when the end arrives. Indeed in many ways it does the opposite. The likely costs will substantially increase, the relationship with Iwi will deteriorate and the public licence DOC cherishes will become an unintended casualty amongst another community.

The Status Quo

It is apparent that there is sufficient operational crew and sufficient community support to continue the operations of RAL – or move to sublicence them to another operator. Indeed little new or novel is introduced by WHL in it's more recent incarnation. At best this will cement a wind down of the recreational activities with minimal capital outlay and rust out approach to ski field infrastructure.

Ultimately this will leave the Gondola operating as a visitor experience, largely unsatisfactorily without the financial injection from ski operations. It's a toss up if this happens at year 5 or shortly there after. That will be governed by climate, weather and the likely failure of the Turoa operator.

RAL would survive in those conditions. Largely because the snow sport community has a desire to see it revitalised in a way that will not be extended to a private operator.

In the same way that DOC abdicated on its statutory requirement to assess financial viability in the Turoa application, I expect it to repeat that approach.

What has happened post the PTL Decision ?

It seems evident that the process followed in the PTL applications was inconsistent with the direction provided by the Supreme Court in the Fuller's judgement. DOC would have been

aware of that but appears to have proceeded either in a misguided view that a failure to process and grant a new concession would have had more difficult outcomes for the Government, the Region, and MBIE in particular.

Its public record that DOC convened a number of hui with Iwi to apologise for the shortcomings, despite the Minister (Allan) rebuking Kanoa for its approach and deceptive assurances prior to the Turoa concession application being notified. DOC was entangled in that process, because of its complicity with Kanoa and it's focus on financial liability.

Despite this there is very little evidence in the WHL application to suggest that the approach has been substantially different. WHL references the NDA they agreed to and bluntly describes the non engagement approach that they undertook.

Indeed based on the application and the history of the Administration and Receivership and Liquidation there appears to have been a wholesale disregard for the Fullers judgement. Can a post event mea culpa satisfy the requirement ? We should perhaps consult our friend the fabulist.

What about the facilities supporting diverse recreational options ?

On P33 WHL indicates it will enhance access to the TNP however it is seeking the removal of the west buildings and facilities that directly support that. Both its own operations, and those run by a number of other concessionaires and community groups or even independent parties will be impacted.

From a snow sport aspect removal or cessation of maintenance / management of the buildings will lead to an increase in human waste, given the accessible nature of the surrounding runs and the scale and carrying capacity of the terrain. Those runs cater to intermediate and advanced skiers who may easily over estimate their abilities and the time required for a return to Knoll Ridge café, to access toilets or shelter. It will also represent the loss of available shelter in the event of deterioration in weather conditions or in emergency or unexpected natural events.

Similar observations could be made for both guided and independent walking groups taking part in the moderately well access hike to the summit/crater lake.

What about the Licence Term ?

The licence period is plainly too short to adequately accommodate the necessary activities to advance the TNP settlement process arising from the claim . This claim was lodged some 21 years ago and at last report in 2023 was still facing sizeable headwinds . (https://www.teaonews.co.nz/2023/09/13/tongariro-national-park-treaty-talks-restart-but-dark-clouds-loom/)

At 10 years the term lacks the duration to accommodate a protracted settlement process followed by the overhead of legislative, organisational, and operational elements to ensure an application for a new lease/licence can be executed in a manner that provides either continuity or a transition process at the conclusion. This will result in a series of short term extensions. Will there be any investment during this period to retain the snow sport capability ? Of course not. Equipment will be removed either by DOC, under the make good liability, or by the concessionaire in the case of its own investment in mobile infrastructure.

The short duration also dissuades WHL from investing in the resources and willingness to dedicate to a subsequent application. With a general duration of 21 months for ski field applications this would be s substantial financial commitment to undertake.

Is it feasible to deploy the current approach as an improved Concession process ? Many would argue the process is far from improved or even legal. Even with political will it seems evident much of the conservation community would rail against it. Without a substantial overhaul of the Act it is implausible.

As we are observing with the RAL saga the non revenue generating overheads easily reach the millions as they engage significant legal and consulting organisations to bolster their ranks.

Will WHL 2024 Ltd inject the required capital when it is not generated by its ski operations ? The $5 million taxpayer loan to assist with the purchase provides an answer.

Faced with the increasing burden of Gondola debt it's pretty clear that it would require a series of best ever seasons to make any real progress on that front.

Indeed the proposal by WHL 2024 Ltd identifies that there will be no new capital investments beyond mobile equipment ie groomers and snow guns. It is likely that inside the 10 year period several of the lifts will be at, or near, end of life ie Knoll Ridge, West Chair, Far West T Bar, Valley T bar - or not worth the cost of maintenance. As the lift access decreases it will be followed by income and recreational amenity.

This is not a good applications and it is the only one because of the determination of MBIE to progress it above all else, to commercialise and die. Genius.

How about car parking ?

There is nothing concrete proposed to manage what is another significant issue facing Whakapapa and the National Park itself. This issue extends beyond a simple operational principle that is managed as a BAU element. The TNPMP identifies that parking needs to properly consider the requirements of the ski lodges. There are approximately 1200 beds available in the 46 ski lodges (exc Downhill) that operate at Whakapapa. Whilst full occupancy is rare occasion that represents a significant number of the total parking available. There is around 400 parks designated as lodge parking. This overcalculates uptake except during the peak weekends. However car parks are variously obstructed mainly by prior weather conditions. Of note is that vehicle size has continued to increase over the last decade, and occupancy appears to be highly variable. Both of these events have led to a decrease in effective car park utilisation ie the number of occupants per carpark / metre of space used.

Car parking should be urgently addressed as part of this application and prior to the commencement of pass sales. To leave it as a seasonal activity means that pass holders will be unable to access the services they have purchased because the implied access will not be achievable. There is record of this in prior seasons both when bookable parking was in place and when it was managed as first come best dressed.

There is also the consideration of people who wish to access the TNP for other than snowsports. Previously FMC has advocated for their consideration – in contrast to the nearly 2500 FMC members who belong to community groups with ski lodge facilities. However the right of access is established and needs to be managed for all people visiting the park. Not withstanding that no special right should be considered based on your recreational preferences.

WHL 2024 Ltd emphasise the continuity in their management. Given that, there is little novel or unknown about this issue. DOC should require a comprehensive and enforceable car parking management plan be submitted before the concession is granted.

This would be beneficial for all TNP users both at Whakapapa and the surrounding areas.

Can we talk about Climate ?

WHL 2024 Ltd identify that they have considered the effects of climate change. So have I. But none of us are any wiser as to what their "considerations" have concluded. With an emphasis on additional snow making there is also consequential impacts on water take, run off, capture and removal of snow/melt or re icing events.

We have all seen the impacts of the rime ice. Predominantly it is lift facilities, sometimes building curtilages, which are impacted. Dealing with this effectively is a staffing activity. We have seen that increasingly fewer lifts are opened and those that are, are opened later when these events occur.

More modern lifts have better mechanisms to address this, but there is no intention to modernise the older lifts, making them more likely to either continue to open later or not run at all. This is particularly true of the higher T bars, which provide access to more reliable snow, and are a fundamental element of the Whakapapa field.

There are also likely to be more situations of heavier snow fall as the seasons contract. Unfortunately there is too much of a good thing. More groomers will address the moderate snowfalls, but a peak event requires a coordinated expanded operations crew to safely manage and address it. The application avoids addressing how they operate with these climate factors in mind.

How do I really feel ?

Overall I am disappointed that given the passage of events the application hasn't matured into a more encompassing and well thought out document that addressed the opportunities and challenges ahead in the upcoming decades.

I am concerned that in well under 10 years this ski field will no longer be in existence as a result of this application and that a better application would address the issues up front – rather than kick them to the sidelines where they will wither, and with it NI snow sports.