

# Item 1

**Lauren Bollu**

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**From:** Stacey Wrenn <swrenn@doc.govt.nz>  
**Sent:** Friday, 12 April 2024 3:05 pm  
**To:** Lynette Trewavas  
**Subject:** FW: Concession  
**Attachments:** Deed of Surrender - RAL Turoa Concession [Executed].pdf

Hi Lynette,

Confirmation settlement has occurred for PTL.

Cheers,  
Stacey

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**From:** Sec 9(2)(a)  
**Sent:** Friday, April 12, 2024 12:48 PM  
**To:** Damian Coutts <dcoutts@doc.govt.nz>; Stacey Wrenn <swrenn@doc.govt.nz>  
**Cc:** Cam Robertson <Sec 9(2)(a)>; Greg Hickman <Sec 9(2)(a)>; Sec 9(2)(a)  
**Subject:** RE: Concession

Hi Damian and Stacey

Touching base to let you know that the sale and purchase of Turoa Assets has now settled. In accordance with the Deed of Surrender (attached) and the new concession entered by our client, we understand that the new concession is now operative. Please confirm.

Thanks for your assistance getting to this milestone.

Kind regards,

Sec 9(2)(a)

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**From:** Damian Coutts <dcoutts@doc.govt.nz>  
**Sent:** Friday, April 5, 2024 4:58 PM  
**To:** Sec 9(2)(a); Cam Robertson <Sec 9(2)(a)>; Stacey Wrenn <swrenn@doc.govt.nz>; Greg Hickman <Sec 9(2)(a)>; Laura McPhail <Sec 9(2)(a)>  
**Subject:** RE: Concession

Thanks Sec 9(2)(a)

Completely understand. We will send material to iwi shortly informing them of the Ministers decision.

Kind regards  
Damian

Damian Coutts  
Director Operations  
Central North Island Region

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**From:** Sec 9(2)(a)  
**Sent:** Friday, April 5, 2024 4:48 PM  
**To:** Cam Robertson Sec 9(2)(a); Damian Coutts <[dcoutts@doc.govt.nz](mailto:dcoutts@doc.govt.nz)>; Stacey Wrenn <[swrenn@doc.govt.nz](mailto:swrenn@doc.govt.nz)>; Greg Hickman Sec 9(2)(a)  
**Subject:** RE: Concession

Hi Damian

For completeness, regarding the surrender, the preference is to wait until the Completion date rather than surrendering the concession today, so we're not left with a period where PTL holds the active concession but doesn't own the Turoa assets. I've had a chat to Sec 9(2)(a) on this who agrees with this approach.

Thanks  
Sec 9(2)(a)

Sec 9(2)(a)

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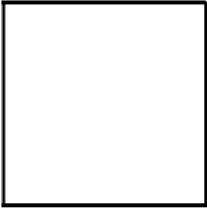
**From:** Cam Robertson Sec 9(2)(a)  
**Sent:** Friday, April 5, 2024 4:21 PM  
**To:** Damian Coutts <[dcoutts@doc.govt.nz](mailto:dcoutts@doc.govt.nz)>; Stacey Wrenn <[swrenn@doc.govt.nz](mailto:swrenn@doc.govt.nz)>; Greg Hickman Sec 9(2)(a)  
**Subject:** Concession

Hi Damian

Please see att Concession doc, signed.

Ngā mihi,

**CAMERON ROBERTSON**  
Sec 9(2)(a)



[pureturoa.nz](http://pureturoa.nz) / Ohakune / New Zealand

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**DEED OF SURRENDER**

Concession Licence 48601-SKI (Tūroa)

THIS DEED IS DATED 5 April 2024

**BETWEEN**

- (1) **RUAPEHU ALPINE LIFTS LIMITED (*In Receivership and Liquidation*) ("RAL")**
- (2) **MINISTER OF CONSERVATION ("Minister")**

**BACKGROUND**

- A. RAL holds a concession from the Minister pursuant to s49 of the National Parks Act 1981 to operate the Tūroa Skifield pursuant to a concession licence 48601-SKI (the "RAL Concession").
- B. The Minister has resolved to grant a new concession, 109883-SKI, to Pure Tūroa Limited which would enable Pure Tūroa Limited ("PTL") to operate the Turoa Skifield ("New Concession"). The New Concession requires that the RAL Concession is surrendered by RAL before the activities provided for in the New Concession can commence.
- C. RAL, PTL and Brendon James Gibson and Neale Jackson in their capacity as joint and several receivers of RAL have entered into a Sale and Purchase Agreement dated 1 February 2024 ("SPA"), under which RAL has agreed to transfer its assets associated with the Tūroa Skifield to PTL. The sale of RAL's Tūroa Skifield assets to PTL under the SPA is conditional on the grant of the New Concession on terms satisfactory to PTL.
- D. RAL and the Minister wish to record the surrender of the RAL Concession on the terms below.

**AGREEMENT**

**1. COMMENCEMENT**

- 1.1 The provisions of this Deed will take effect from later of:
  - (a) the date the New Concession is executed by the Minister and PTL;
  - (b) the date on which Completion (as defined in the SPA) occurs under the SPA.

**2. SURRENDER AND GRANT OF NEW CONCESSION**

- 2.1 RAL surrenders the RAL Concession and the Minister accepts the surrender. As a result, the RAL Concession is terminated.
- 2.2 The surrender of the Concession will not prejudice the respective rights, powers and remedies of each of the parties to the Concession in respect of any breach or non-

observance of any covenant, condition or agreement of the Concession occurring prior to the surrender.

**3. GENERAL**

3.1 Neither party may transfer or assign any of its rights or obligations under this Deed without the other party's prior written consent.

3.2 This Deed may be executed in counterparts (which may include electronic copies) all of which together will constitute one deed.

**4. LIMIT OF LIQUIDATORS' AND RECEIVERS' PERSONAL LIABILITY**


4.1 The parties acknowledge that John Howard Ross Fisk and Richard John Nacey as joint and several liquidators of RAL (the "Liquidators") and Brendon Gibson and Neale Jackson as joint and several receivers of RAL (the "Receivers") are entering into this Deed as agents for RAL. Notwithstanding any action the Liquidators or Receivers may have taken (which action is deemed to be on behalf of RAL), neither the Liquidators nor the Receivers, or their respective employees, agents, advisors or representatives will bear any personal liability whether in contract, tort (including negligence) or otherwise, in relation to this Deed or the RAL Concession, to the extent such liability arises from or in connection with this Deed.

4.2 If, notwithstanding the provisions of **clause 4.1** above, a court of competent jurisdiction holds the Liquidators or Receivers or their employees, agents, advisors or representatives personally liable in respect of any matters arising under or incidental to this Deed, any other agreement or document entered into by them pursuant hereto or the RAL Concession (to the extent such liability arises from or in connection with this Deed), then:

- a) such liability will be limited to \$5,000; and
- b) the Minister will not have recourse to either or both of the Liquidators' or Receivers' personal assets or to the personal assets of their employees, agents, advisors or representatives, nor will the Minister petition or otherwise seek adjudication for bankruptcy of the Liquidators, the Receivers or of their employees, agents, advisors or representatives, in respect of any liability, claim or judgment in connection with this Deed or the RAL Concession (to the extent such liability arises from or in connection with this Deed).

4.3 The Minister also acknowledges and agrees that **clauses 4.1 and 4.2** are not severable from this Deed and under no circumstances will the Minister (or any person claiming through the Minister) claim or support any claim that **clauses 4.1 and 4.2** are unenforceable or should be excluded or severed from this Deed in any way. The provisions of **clauses 4.1 and 4.2** are intended for the benefit of the Liquidators, the Receivers and their employees, agents, advisors or representatives and are enforceable at the suit of the Liquidators and/or Receivers, or their respective employees, agents, advisors or representatives pursuant to Subpart 1 of Part 2 of the Contract and Commercial Law Act 2017.

Executed as a Deed by:

<p><b>Ruapehu Alpine Lifts Limited</b> (in liquidation and receivership)</p> <p>In the presence of:</p> <p>Sec 9(2)(a)</p> <p>Witness Signature</p> <p>Witness Name</p> <p>Witness Occupation</p> <p>Witness Address</p>	<p>Sec 9(2)(a) _____ Joint Receiver</p> <p>Signature &amp; name</p> <p>Sec 9(2)(a) _____ Joint Receiver</p> <p>Signature &amp; name</p> <p>Signature &amp; name</p> <p>Signature &amp; name</p>
<p>by <b>THE HONOURABLE TAMA POTAKA</b>, the Minister of Conservation,</p> <p>In the presence of:</p> <p>Sec 9(2)(a)</p> <p>Witness Signature: _____</p> <p>Witness Name: <u>Harry Evans</u></p> <p>Witness Occupation: <u>Private Secretary</u></p> <p>Witness Address: <u>4/3L Executive Wing, Parliament Buildings, Wellington.</u></p>	<p></p> <p>_____</p>

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Read

# Departmental Memo



Department of Conservation  
*Te Papa Atawhai*

GS ref: 22-B-0702

DOCCM: DOC-7198816

## In Confidence

**Date:** 9 November 2022  
**To:** Minister of Conservation  
**From:** Karl Beckert, Director, Operations Strategic Support  
**Subject:** **Potential liabilities from RAL ski fields and similar concessions on conservation land**

### Executive summary – Whakarāpopoto ā kaiwhakahaere

1. Ruapehu Alpine Lifts Limited (**RAL**) entered voluntary administration in October 2022. The administrators are looking for solutions that will enable the ski fields to continue operating. If they are unable to do this and the ski fields close, we are aware we will be left with a significant liability to remove the ski field infrastructure and remediate the land.
2. We have estimated this potential liability to be between \$47 million and \$88 million.
3. This estimate is a desktop estimate and does not account for assets being sold and removed by the administrator, or the residual value we may recover from the assets as part of the removal process.

4. Sec 9(2)(g)(i)

[Redacted]

5. Sec 9(2)(g)(i)

[Redacted]

6. Sec 9(2)(g)(i)

[Redacted]

7. Sec 9(2)(g)(i)

[Redacted]

## Purpose – Te aronga

8. The purpose of this memo is to advise you about our potential liability from RAL's inability to meet its obligations under its concessions. It is also to provide an overview of other concessions where there is a risk we may also face similar significant liabilities.

## Background and context – Te horopaki

9. Some concessions authorise the concessionaire to develop infrastructure or modify the land in some way. These concessions generally include a condition requiring the concessionaire to remove the infrastructure and/or remediate the land on the expiry or termination of the concession, if required by us (**make good condition**).

10. Sec 9(2)(g)(i)

11. Sec 9(2)(g)(i)

## Ruapehu Alpine Lifts in voluntary administration

12. RAL operate two ski fields in Tongariro National Park under concessions, one at Whakapapa and one at Tūroa. There is substantial infrastructure at both ski fields that has been developed since the 1950s, including lifts, buildings, car parking, and snow making infrastructure.
13. On 11 October 2022, RAL entered voluntary administration. John Fisk and Richard Nacey of PricewaterhouseCoopers were appointed as the voluntary administrators (**the administrators**).

14. Sec 9(2)(b)(ii)

15. Sec 9(2)(b)(ii)

## Cost to remove RAL infrastructure and remediate the land

16. We have estimated the potential costs to remove RAL infrastructure and remediate the land. This estimate is a desktop assessment only, based on previous removal costs for redundant infrastructure and adjusted for inflation.



17. When estimating removal costs, we have assumed all overground and underground infrastructure is to be removed and that it has no value. If we need to remove infrastructure, we will develop a more accurate estimate by:
- Working with iwi to determine the extent of remediation required
  - Determining the actual work required, as some infrastructure may remain on site or be sold to a third party
  - Working with contractors with the necessary expertise and capability to undertake the work to determine the actual costs
  - Determining the residual value in assets that can be sold to recover costs.
18. Access issues have impacted potential removal and remediation costs. Many sites are unable to be accessed by road. Removal of materials and infrastructure from the site will require use of machinery to transport over snow in winter months and/or heavy lift helicopters. There is also a short window of opportunity each year to undertake the works due to weather constraints.
19. We have estimated the removal and remediation costs for all RAL infrastructure to be between \$47 million and \$88 million, allowing for Sec 9(2)(i)
20. Removal of infrastructure would be a multi-year programme of work.

#### Whakapapa estimate

21. Infrastructure at Whakapapa ski field includes seven lifts and t-bars, the Sky Waka gondola, large buildings, carparks, and a snow making reservoir, plant, and pipes.
22. We have estimated removal and remediation costs to be between Sec 9(2)(b)(ii), allowing for Sec 9(2)(i)
23. This estimate includes approximately Sec 9(2)(b)(ii) to remove the Sky Waka and associated buildings including the Knoll Ridge Chalet. If the Sky Waka remains on site as a year-round attraction, we will not be liable for this cost.

#### Tūroa estimate

24. Infrastructure at Tūroa includes seven lifts and t-bars, large buildings, carparks, and two snow making reservoirs and pipes.
25. We have estimated removal and remediation costs to be between Sec 9(2)(b)(ii)

#### **Other concessions in Tongariro National Park**

26. Sec 9(2)(g)(i)

Out of Scope

Out of Scope

Potential liability for accommodation concessionaires

9(2)(g)(i)

**Summary of potential liability if RAL enters liquidation**

34. In summary, we estimate our potential liability for concessions related to RAL's activities, based on the assumptions we have applied, to be:

	Potential liability	Notes
Whakapapa ski field		Sec 9(2)(b)(ii)
Tūroa ski field		
Club ski huts and Skotel		
Chateau Tongariro		
<b>Total</b>		

35. We have advised the Treasury of this potential liability.

Out of Scope



**Risk assessment – Aronga tūraru**

47. Sec 9(2)(g)(i)



48. Sec 9(2)(g)(i)



**Next steps – Ngā tāwhaitanga**

- 49. We are working closely with the administrators to ensure they have all the information they require as they work to find a solution that will allow the ski fields to remain open.
- 50. We will continue our wider assessment of where else we may have potential liabilities through 'make good' provisions, and how we can mitigate both the current and future risk.
- 51. We will keep you updated on this work through the status report.

Contact: Karl Beckert, Director, Operations Strategic Support; Sec 9(2)(a)

**ENDS**

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Item 4

# Meeting Memo

## Joint Ministers Meeting on Ruapehu Alpine Lifts and Mt Ruapehu

<b>To</b>	Minister of Conservation Minister for Regional Development Minister for Treaty of Waitangi Negotiations Minister of Finance (copy)	<b>Date submitted</b>	26 January 2024
<b>GS tracking #</b>	24-M-0004	<b>DocCM</b>	DOC-7550287
<b>Security Level</b>	[REDACTED]		

<b>Meeting date/time</b>	Wednesday 31/01/2024, 9.30-10.30am
<b>Meeting location</b>	Parliament, Office of Hon. Nicola Willis (EW 7.2)
<b>Attachments</b>	Attachment A – Background and further context Attachment B – DOC briefing 23-B-0466 Out of Scope [REDACTED]

Key contacts			
Name	Organisation	Role	Cell phone
Lil Anderson	Office for Māori Crown Relations – Te Arawhiti	Tumu Whakarae	Sec 9(2)(a) [REDACTED]
Ruth Isaac	Department of Conservation (DOC)	Deputy Director-General, Policy and Regulatory Services	Sec 9(2)(a) [REDACTED]
Robert Pigou	Ministry of Business, Innovation and Employment (MBIE)	Deputy Chief Executive and Head of Kānoa - Regional Economic Development & Investment Unit	Sec 9(2)(a) [REDACTED]

## Purpose

1. This meeting provides an opportunity for Ministers to discuss and agree, in advance of Cabinet decisions in March 2024, on their position regarding future options for Ruapehu Alpine Lifts Limited – In Liquidation and In Receivership (RAL) and Mt Ruapehu ski areas. Proposed agenda items are:
  - a. Finalising the sale of RAL's Tūroa assets and operations to Pure Tūroa Limited (PTL).
  - b. Resolving the Government's position on the future of Whakapapa ski field:
    - i. whether to continue to provide financial support to RAL after March 2024; and/or
    - ii. whether to continue to provide support for the future operation of Whakapapa ski field.
  - c. To consider the Crown's response to the request from iwi to establish a pan-iwi Forum to work with the Crown on matters relating to Mt Ruapehu.

## Background

### *Key risks in making these decisions*

2. There is no 'zero cost' option to the Crown in making decisions about the future management of the Mt Ruapehu ski areas.
3. Current estimates indicate that RAL is expected to exhaust its funding around April 2024, if no decisions on RAL are made.
4. A sale of Tūroa ski field, conditional on the approval of a concession<sup>1</sup> for PTL, will be concluded with Crown support (subject to final Cabinet approval) on 1 April 2024.
5. There are no current potential buyers for RAL's operations at Whakapapa ski field and RAL would need additional Crown support to continue to operate that ski field, including for the upcoming ski season.
6. A decision not to provide further funding to continue the operation of Whakapapa, or the collapse of the Tūroa sale, will have significant immediate financial and operational implications for the Crown, and relevant agencies. For DOC, this has been assessed as in the order of Sec 9(2)(b)(ii) for operational costs (assuming no ski field activities).
7. If no future operator/s for the ski fields can be found, the current concession requires RAL to remove all infrastructure and remediate the land (the 'make good' provision). As RAL cannot afford to do this, the cost would practically fall to the Crown if it chooses to remediate. Initial desktop estimates put this at between \$47 million and \$88 million with revised figures being available early February.
8. The Crown therefore faces considerable fiscal risk under scenarios where RAL's assets are not sold or mothballed, and DOC becomes responsible for managing the ski field infrastructure. Remediation costs are unevenly split between Whakapapa and Tūroa ski fields – approximately 1/3 for Tūroa and 2/3 for Whakapapa.
9. Consequential regional economic impacts from closure of Whakapapa and/or Tūroa are significant. Both ski fields are estimated to contribute around Sec 9(2)(b)(ii) per year to the local Ruapehu economy.

### *Decisions on RAL need to be undertaken before the end of March 2024*

10. Decisions on RAL need to be confirmed before the end of March 2024. April 2024 is a critical time for RAL because:
  - a. The conditional Sale and Purchase Agreement with PTL settles on 1 April 2024. If PTL is granted a concession, final agreement from Cabinet to provide \$3.05 million

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<sup>1</sup> A statutory permission to undertake activity on public conservation land.

of government support to facilitate the deal needs to be finalised prior to the settlement date.

- b. Delaying the settlement risks incurring additional costs and/or PTL potentially withdrawing. If RAL cannot complete the sale process with PTL, it would need to then maintain its Tūroa ski field assets and operations.
- c. If Ministers wish to continue support for RAL (or an entity that continues to operate the Whakapapa ski field), then the operator would need to run a ski season pass campaign no later than April to generate cashflow for the 2024 ski season. Without running a sales campaign, additional funding would need to be provided to sustain RAL's operations for the 2024 ski season and beyond.

### **Agenda item 1: Finalising the sale of RAL's Tūroa assets and operations**

11. The sales process and future options for the Mt Ruapehu ski fields have diverged.

#### ***Tūroa Ski Area and Pure Tūroa limited (PTL)***

12. With in-principle Cabinet agreement to PTL's bid confirmed, MBIE has been working with PTL on negotiating a conditional Sale and Purchase (S&P) Agreement for RAL's Tūroa ski field assets.
13. Once a conditional S&P Agreement is agreed, the next steps will be finalising the DOC concession process, and then confirming the funding and finalising the S&P agreement through Cabinet (if a concession is granted).

#### **Ministerial direction is needed to finalise a conditional Sale and Purchase Agreement with PTL for RAL assets on the Tūroa Ski Area.**

14. To complete the sale, Cabinet will need to approve providing PTL with \$3.05 million of government support, which is already ringfenced under Kānoa's Regional Strategic Partnership Fund (RSPF). The support consists of loans to PTL and includes the ability for the Crown to take a 25% equity stake in PTL through a convertible note.
15. PTL has indicated that a concession would need to be in place by end of March 2024 to prepare for the winter 2024 ski season. DOC is treating 31 March 2024 as the date by which key decisions on PTL's concession application will need to be made.
16. The Minister of Conservation (or their delegate) is unlikely to grant a concession to PTL without PTL signing a S&P Agreement. It is important that the concession decision maker retains a degree of separation from the Crown's sale of RAL's assets, to avoid prejudice to the anticipated concession decision.
17. There is a risk of legal challenge and/or judicial review for both the S&P process, and the concession process and decision making. This is set out further in Attachment B. If PTL is granted a concession, officials will seek Cabinet approval to finalise the deal in March 2024.

### **Agenda Item 2: Whakapapa ski field**

18. In August 2023, Whakapapa Holdings Ltd (WHL) submitted a bid for the purchase of RAL's operations at Whakapapa ski field, which included a request for significant government support. MBIE officials considered that the bid would expose the Crown to an unacceptable level of financial risk. In October 2023, Cabinet did not agree to progress the bid.
19. MBIE officials continued to negotiate with WHL to find terms that were acceptable to both parties but were unable to reach an agreement. In late December 2023 WHL formally withdrew its bid. This meant that there are no viable bids remaining for the Whakapapa ski field. Cabinet therefore needs to decide whether:
  - a. To continue to provide financial support to RAL/the Crown to manage Whakapapa ski field after March 2024; and/or
  - b. To continue to provide support in another form for the future operation of Whakapapa ski field.

### **Crown/RAL ongoing management of Whakapapa ski field**

20. Without any viable bids for RAL's operations at Whakapapa ski field, two commercial options for the Crown to operate the ski field are being developed by MBIE for Ministers' consideration:
  - a. Continue to run RAL in receivership; or
  - b. Form a Crown Company (NEWCO) to take over the operator of RAL's remaining assets.
21. MBIE will provide further advice on the structure, costs, and trade-offs of the above options over a 5-to-10-year period. A 5-to-10 year term would provide certainty to the community, assist with reducing overall costs, and creates an opportunity for the future of the ski field to be considered through future Tongariro National Park negotiations.

### **Ongoing management of Whakapapa ski field by DOC**

22. In the event that no new operator takes over the ski fields, and RAL ceases to operate, the cost of keeping the fields safe and maintained in an "able to be restarted" condition is estimated at Sec 9(2)(b)(ii). This cost can be split into roughly two-thirds for Whakapapa and one third for Tūroa.
23. No active ski fields would see the Crown's revenue from concessions fall by around Sec 9(2)(b)(ii) per year.
24. If Whakapapa (or Tūroa) ski field were to close, health and safety risks will need to be managed promptly. This includes temporarily restricting access to the ski fields while DOC secures hazardous substances (bulk diesel storage, ammonia, explosives).
25. DOC will also need to ensure the volcanic eruption and lahar warning system at Whakapapa, which is based around RAL infrastructure, remains operational, and any other health and safety risks such as de-icing lift towers are well managed.
26. There are over 55 ski club huts located in Tongariro National Park, each managed under its own concession. If the ski fields close, many of these clubs would also likely close. While the clubs have obligations in their concessions to remove their infrastructure once their concessions terminate, few have the means to do this.
27. It is likely that many will simply abandon their buildings once ski field services cease, leaving DOC and the Crown responsible for the cost of removing or managing this infrastructure. An assessment of this consequential liability and other options to manage infrastructure risks are expected in early February.
28. DOC is not currently funded for these cost pressures. This is noted in DOC's upcoming Cost Pressures submission to the Treasury, which signals further funding would be sought if required.
29. Keeping Whakapapa ski field open and operated as a ski field by DOC (or under a management agreement with a third party) is not considered feasible and is not preferred as an option. DOC does not have the expertise or significant resources required to operate a ski field. Further advice would need to be sought to fully understand the legal, operational, and financial risks in pursuing this option.

### **Possible carve out of future operation - Sky Waka**

30. The "Sky Waka" gondola on the Whakapapa ski field is operated by RAL as an all-year attraction, providing a summer sightseeing opportunity and skier access during winter.
31. The Sky Waka construction was funded by investors, including several iwi-based organisations and MBIE. These loans and bonds give the Sky Waka bondholders secured credit over it. It is unclear if parties may seek for the Sky Waka to continue operating, if RAL's Whakapapa operations cease. Operating the Sky Waka as a standalone entity would require a new standalone concession, and its operation is currently dependent on other RAL assets (ticket booths, Knoll Ridge café and others).



### **There are financial implications for both options**

32. Since 2018, the Government has had considerable involvement with RAL and to date has spent over Sec 9(2)(b)(ii) to support the ski fields.
33. Sec 9(2)(b)(ii) has not yet been allocated or spent and remains ringfenced. \$3.05 million has been ringfenced to finalise the sale of the Tūroa ski field to PTL, pending final Cabinet approval and the DOC concession process being finalised. Sec 9(2)(b)(ii) has been ringfenced for decisions relating to the Whakapapa ski field.

### **The 'make good' provision**

34. There is substantial ski field infrastructure on Mt Ruapehu – such as chair lifts, buildings, chemical storage, snow making pipes and other structures. Under the terms of RAL's concessions, RAL must remove all infrastructure and remediate the land on termination of their concessions – known as the 'make good' provision. As RAL cannot afford to fulfil the make good provision, liability for it was assumed by Cabinet [CAB-23-MIN-0240 refers].
35. We have estimated the cost to remove infrastructure and remediate the land to be between \$47 million and \$88 million, based on a desktop analysis. Work is underway to refine this estimate and fully understand the costs involved to meet these liabilities, including how costs are divided between Whakapapa and Tūroa.
36. Cabinet has already agreed to fund the removal of infrastructure that RAL was previously required to remove under the terms of their concessions – known as 'currently redundant infrastructure'. Cabinet has approved up to \$8.5m for the Department from the current financial year for this work (subject to costings and endorsement by Ministers of Conservation and Finance).
37. There is no specified timeframe (or legal requirement for the Crown) to remove infrastructure. However, there will be a very strong public expectation infrastructure is removed rather than left on the mountain. Removal of infrastructure that was redundant at the time of liquidation is already underway.

### **Economic impact**

38.

Sec 9(2)(b)(ii)

39.

### **Concession and application fees**

40. DOC has previously been approved a write-off of Sec 9(2)(b)(ii) RAL debt for unpaid concession fees and contributions to community services (sewerage, water and other services).
41. It is possible that negotiations with PTL will result in the Crown being asked to absorb the processing costs of the PTL and possible WHL concession application processes, including costs to hold public hearings. DOC usually recovers costs for this from the concession applicant.

### **Agenda Item 3: Engagement with Treaty partners**

42. In mid-2023, agencies, led by Te Arawhiti, engaged with the groups with interests in RAL and TNP (including Ngāti Tūwharetoa, Ngāti Rangī, Te Korowai o Wainuiārua, Patutokotoko, Ngāti Hāua and Ngā Tāngata Tiaki) so that Ministers and Cabinet could be fully informed when making decisions about the future of the ski fields.
43. The Crown formally recognised that prior engagement with iwi in relation to RAL had been flawed as it did not allow appropriate time or sharing of quality information, had harmed relationships between the Crown and iwi, and caused offence to Te Ariki Tā Tumu Te Heuheu, paramount chief of Ngāti Tūwharetoa. The insufficient engagement caused delay and disruption to the various RAL processes.
44. A key commitment arising from this engagement was for MBIE and DOC to continue to engage with iwi as the Crown made decisions. The Crown will need to determine how to engage with iwi in relation to RAL in the future.
45. Agencies have continued to engage with iwi including to explore options for how the concerns raised can be mitigated – including shorter concession terms.
46. Crown decision making needs to be aware of how closely linked RAL and the future Tongariro National Park (TNP) negotiations are for iwi.
47. In late 2023, iwi suggested developing a pan-iwi/Crown advisory body to have oversight of all matters related to Mt Ruapehu. Officials advised iwi we would seek feedback on this approach from the new Government.
48. We have not undertaken detailed analysis of the structure of a potential 'Tongariro Iwi Forum', but it could mitigate a range of risks in relation to Crown decision making over Ruapehu, including in relation to litigation or judicial review by iwi, whilst also forming a foundation for the start of the TNP negotiations.
49. At your meeting we recommend Ministers discuss officials exploring a Tongariro Iwi Forum, with final decisions to be taken at a later date.

### ***Tongariro National Park Treaty negotiations***

50. The Minister for Treaty of Waitangi Negotiations and the Minister for Conservation will be jointly responsible for the TNP Treaty negotiations. As such, DOC and Te Arawhiti will also be engaged in this matter in the long term.
51. When future options for Mt Ruapehu were initially raised, letters from Te Ariki Tā Tumu Te Heuheu, Te Kotahitanga o Ngāti Tūwharetoa, Ngāti Hauā, Ngā Tāngata Tiaki o Whanganui and Te Korowai o Wainuiārua expressed a view that they did not support continuation of commercial ski fields on Ruapehu in their current form.
52. The general preference in those letters was for the sales to be halted and for commercial operations to be considered after, or during, the TNP Treaty negotiations. Te Ariki and Te Kotahitanga have suggested they may pursue legal action to avoid their interests being prejudiced.
53. Te Arawhiti considers that should iwi remain dissatisfied with the Crown processes in relation to RAL, they may seek further avenues (including through judicial review and litigation) to have their interests recognised.
54. The Crown is committed to collective negotiations with iwi with interests in TNP (including Ngāti Hāua, Ngāti Rangī, Ngāti Tūwharetoa, and the iwi of Te Korowai o Wainuiārua). Discussions and decisions in respect of RAL should be mindful of not destabilising progress towards the TNP negotiations.
55. TNP will be a challenging negotiation as the Crown has agreed to negotiate collectively with the groups with identified interests in the park, there are complex mandate issues to be resolved, and there are significant third-party interests on the mountain. The collective negotiation over TNP is intended to be limited to the provision of cultural redress and will likely include discussions on its future governance and management (with a similar scope to the recent Taranaki Maunga arrangements).

56. There may be opportunities through the negotiations to discuss some of the issues with the administration of the ski fields that have arisen recently in respect of RAL. Regardless of whatever separation the Crown sees between RAL and the future cultural redress negotiations, iwi consider the issues are closely linked and interdependent.
57. The Crown remains committed to being ready to begin negotiations once all iwi with interests in TNP are ready to do so, and are waiting to hear from iwi regarding timeframes, approach and process.

**MEMO ENDS**

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## Attachment A: Agenda

Agenda	
Time	Item
9.00 to 9.10	Agenda item 1: Finalising the sale of RAL's Tūroa assets and operations <ul style="list-style-type: none"><li>Does the Government support the sale of RAL's Tūroa assets and operations to PTL as currently proposed?</li></ul>
9.10 to 9.20	Agenda item 2: decisions on financial support post-March 2024 <ul style="list-style-type: none"><li>Will the Government continue to provide financial support to RAL to manage Whakapapa ski field after March 2024? and/or</li><li>Will the Government continue to provide support in another form for the future operation of Whakapapa ski field?</li></ul>
9.20 to 9.30	Agenda item 3: engagement with Treaty partners <ul style="list-style-type: none"><li>How does the Crown intend to engage Treaty partners during this process and about wider issues relating to Mt Ruapehu, noting the upcoming Treaty Settlement process?</li></ul>
9.30	Leave Meeting

## Attachment B: Background and further context

1. The Mt Ruapehu ski fields (Whakapapa and Tūroa) within Tongariro National Park (TNP) were previously managed by Ruapehu Alpine Lifts (RAL) via concessions administered by DOC. RAL was placed into liquidation in June 2023, and into receivership in November 2023 by MBIE (acting through Crown Regional Holdings Ltd) on behalf of the Crown. The receiver is currently operating both ski areas using RAL's existing concessions.
2. The sale of RAL's assets on Tūroa ski field to Pure Tūroa Limited (PTL), with Crown support, is in the final stages of negotiation (led by MBIE). The sale and purchase agreement currently under negotiation will be conditional on a new concession being granted to PTL.
3. MBIE is the lead agency for commercial arrangements (including the Receivership), sale and purchase processes, and regional economic issues.
4. DOC is the lead agency for land management arrangements including removing redundant infrastructure from Tongariro National Park; and the future management of the ski fields, including any new concessions.
5. Te Arawhiti has primarily supported both agencies in their engagement with iwi and hapū with interests in Mt Ruapehu. Te Arawhiti also supports the Treaty settlement work program, including the future negotiations over Tongariro National Park.
6. Agency briefings (Attachments B and C) contain detailed background on this matter.

### Legal challenges

7. Decisions about the future use of ski fields on Mt Ruapehu have generated a significant amount of public interest. We expect any decisions made in this regard will be subject to a high degree of scrutiny, and possible legal challenge.

### Ruapehu Skifields Stakeholders Association (RSSA)

8. RSSA is an incorporated society and interest group of ski enthusiasts, including a number of Life Pass holders. It was one of four unsuccessful bidders to purchase RAL assets, proposing a restructuring of the RAL board and a creditors' compromise to allow RAL to continue to operate on its existing concessions (albeit with a different operating model). MBIE assessed that the proposal was not commercially viable, but RSSA continues to explore legal channels to challenge the proposed sales to other commercial operators.
9. On 15 December 2023, the RAL Liquidation Committee, comprising a number of Life Pass Holders, issued a proceeding against RAL's Liquidators. The purpose of the claim is to require the Liquidators to pay the legal fees of the Committee. T 9(2)(h) A 1-day hearing to resolve the priority issues will take place on 8 February. MBIE will update Ministers on the outcome of the hearing.

### **Recent correspondence from Ngāti Hāua**

10. On 18 December 2023, following notification that an application had been received from PTL, Graham Bell and Maxine Ketu of Ngāti Hāua Iwi Trust wrote to DOC expressing concern about the concession process. The letter alleged that the concession application could not be considered complete or fit for purpose, as PTL had not engaged with Ngāti Hāua. The letter noted:

*Ngāti Hāua were not appropriately included or provided for in previous concession arrangements relating to Ruapehu Alpine Lifts Limited and the ski fields on Ruapehu maunga, and this treatment will not be tolerated by Ngāti Hāua.*

11. DOC has since met with Ngāti Hāua to acknowledge their concerns and discuss how DOC will engage with Ngāti Hāua during the concession process. It is likely that these or similar concerns may be expressed in the submission process for the PTL concession application.



## Briefing: Ruapehu Alpine Lifts and Mt Ruapehu ski fields

<b>To</b>	Minister of Conservation	<b>Date submitted</b>	7 December 2023
<b>Risk Assessment</b>	High Decisions on future management of the Mt Ruapehu ski fields will attract significant public scrutiny	<b>Priority</b>	High
<b>Reference</b>	23-B-0466	<b>DocCM</b>	DOC-7515948
<b>Security Level</b>	██████████		
<b>Action sought</b>	Note the upcoming key decisions. Meet with Ministers for Regional Development and Minister for Treaty of Waitangi Negotiations to discuss the matters raised here.	<b>Timeframe</b>	20 December 2023
<b>Attachments</b>	No attachments		
<b>Contacts</b>			
<b>Name and position</b>			<b>Cell phone</b>
Ruth Isaac, Deputy Director-General, Policy and Regulatory Services			Sec 9(2)(a) ██████████
Stacey Wrenn, Senior Manager, Regulatory Delivery (Acting)			Sec 9(2)(a) ██████████

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## Executive summary – Whakarāpopoto ā kaiwhakahaere

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1. The Mt Ruapehu ski fields (Whakapapa and Tūroa) within Tongariro National Park were previously managed by Ruapehu Alpine Lifts (RAL) via concessions administered by the Department of Conservation (the Department).
2. Further information about the Department's regulatory system, including concessions, is included in your introductory briefings. As Minister of Conservation, you have a role in making regulatory decisions relating to concession applications. Your key strategic decisions for Mt Ruapehu will include options for:
  - removing redundant infrastructure from Tongariro National Park; and
  - the future management of the ski fields, including a possible new concession/s (these decisions may be delegated to a Department official).
3. RAL was placed into liquidation in June 2023, and into receivership by the Ministry of Business, Innovation and Employment (MBIE) (acting through Crown Regional Holdings Ltd) on behalf of the Crown. The receiver is currently operating both ski fields. The sale of RAL's assets on Tūroa ski field to Pure Tūroa Limited (PTL), with Crown support, is in the final stages of negotiation. MBIE is leading this work, and the sale and purchase agreement they are negotiating will be conditional on a new concession being granted.
4. We expect to receive a concession application shortly, potentially before the sale and purchase agreement is finalised. PTL has indicated to MBIE that they would need a concession in place by end of March 2024 to prepare for the winter 2024 ski season. Therefore, we are treating 31 March 2024 as the date by which key decisions on any concession applications will need to be made.
5. Timeframes for concluding the application process by March 2024 will be very tight, so pre-work on the application is already underway.
6. We are aware Whakapapa Holdings Limited (WHL) is also discussing a potential sale and purchase agreement with MBIE to purchase RAL's assets on Whakapapa ski field. WHL has also signalled that it is likely to submit a concession application to operate Whakapapa ski field. It is unclear whether a sale and purchase agreement will be finalised before the application is received.
7. You also have a role to advise on the impacts of the future of RAL's operations at Cabinet. If RAL's concessions are terminated, the current concession requires RAL to remove all infrastructure and remediate the land (the 'make good' provision).
8. As RAL cannot afford to do this, the cost would practically fall to the Department and the Crown – estimated at between \$47 million and \$88 million, with work underway to confirm this cost. The Crown and the Department, therefore, face considerable fiscal risk under scenarios where RAL's assets are sold or mothballed, and the Department becomes responsible for managing the ski field infrastructure.
9. This cost is likely to be incurred if no new commercial operator takes over RAL's operations, if Cabinet withdraws support for the proposed purchaser of Tūroa, or under the ongoing receivership management of RAL's Whakapapa ski field.
10. Cabinet will receive joint advice from MBIE, the Department, and Te Arawhiti on these issues in March 2024, as requested in October 2023.
11. Some iwi/hapū and Māori representative groups have previously indicated they would not support continuation of commercial ski fields on Ruapehu in their current form, and have sought to link this matter to Tongariro National Park Treaty negotiations.
12. Noting the short timeframe in which decisions will need to be made, we recommend an urgent meeting between yourself, the Minister for Regional Development, and the Minister for Treaty of Waitangi Negotiations to discuss engagement with Treaty partners and the concession process. This matter also engages your role as Minister for Māori Crown Relations: Te Arawhiti.

**We recommend that you ... (Ngā tohutohu)**

		<b>Decision</b>
a)	<b>Note</b> the contents of this briefing, including the offer to meet with officials and discuss the issues in greater detail.	Noted
b)	<b>Agree</b> to meet with Hon. Shane Jones, Minister for Regional Development and Hon. Paul Goldsmith, Minister for Treaty of Waitangi Negotiations to discuss the future process and government decision-making in respect of RAL.	Yes / No

Date: 7/12/2023

Ruth Isaac  
Deputy Director-General, Policy and  
Regulatory Services  
For Director-General of Conservation

Date: / /

Hon. Tama Potaka  
**Minister of Conservation**

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## **Purpose – Te aronga**

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1. This briefing provides a summary of the context and issues concerning the current state, and future management of, Whakapapa and Tūroa ski fields. It notes your key strategic decisions concerning Mt Ruapehu, and next steps.

## **Background and context – Te horopaki**

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2. RAL is a limited-purpose public benefit entity that does not pay company tax or dividends to shareholders – instead, it is required to invest profits into the ski field activities to benefit the public on Mt Ruapehu within the Tongariro National Park.
3. In October 2022, RAL entered voluntary administration with around **Sec 9(2)(b)(ii)** of deferred maintenance and debt of close to \$45 million. A significant amount of this debt was owed to the Crown, including loans from the Provincial Growth Fund.
4. On 21 June 2023, RAL was subsequently placed into liquidation by the High Court following an unsuccessful attempt during voluntary administration to sell the fields to private buyers.
5. Crown funding saw RAL able to operate through the 2023 ski season before it was placed into receivership by MBIE (acting through Crown Regional Holdings Ltd) on 2 November 2023. This decision allowed more time to determine a solution on the future of the ski fields.
6. RAL has operated Whakapapa ski field since 1953 and Tūroa since 1999 under concessions granted by the Minister of Conservation. The current Whakapapa concession expires in 2051 (with rights of renewal of up to 25 years) and the current Tūroa concession expires in 2042 (with rights of renewal of up to 35 years). RAL (in liquidation and receivership) continues to manage ski field operations under the existing concessions.
7. We have been working with MBIE, Treasury and Te Arawhiti to identify options for the future management of the ski fields. MBIE is the lead agency for RAL's commercial arrangements (including the receivership) and regional economy matters. The Department of Conservation (the Department) is the lead agency for land management matters. Te Arawhiti has primarily supported both agencies in their engagement with iwi and hapū with interests in Mt Ruapehu.
8. A potential new operator, Pure Tūroa Limited (PTL), is interested in taking over RAL's operations for Tūroa ski field, subject to PTL being granted a concession to operate the ski field prior to the winter season in 2024. We understand PTL are currently preparing a concession application to submit to us.
9. At this stage, we understand there are no formal deals being advanced with any potential operators for Whakapapa ski field, but that MBIE is currently discussing a possible deal with WHL.

## **Cabinet decisions to date**

10. The issues surrounding the ski fields have been considered at various points by Cabinet under the previous Government, with the most recent decisions made on 2 October 2023. At this time, Cabinet agreed to support a potential buyer for the Tūroa field and keep the Whakapapa business afloat while other options are developed for Cabinet consideration in March 2024. The specific commitments were:
  - agreed in-principle to provide \$3.05 million of support to PTL to purchase and operate RAL assets on the Tūroa ski field, subject to PTL being granted a concession and final Cabinet approval;
  - agreed to move RAL out of liquidation and into receivership;
  - agreed that Kānoa, through Crown Regional Holdings Limited (CRHL) will purchase for **Sec 9(2)(b)** security interest associated with **Sec 9(2)(b)(ii)**, making the Crown the majority secured creditor in RAL;

- agreed to provide RAL with a Sec 9(2)(b)(ii) loan to continue operating until the end of March 2024;
  - directed MBIE, Te Arawhiti, and the Department to jointly report back to Cabinet in March 2024 with options for extending the Crown-funded operation of RAL, detailed information on the ramifications of no longer funding RAL including the costs to the Crown, and any medium-to-long term implications on the commercial operation of the ski fields in the context of the future Tongariro National Park settlement negotiations.
11. MBIE intends to take a paper to Cabinet in March 2024, or sooner, to seek decisions on future options including funding, and finalise Cabinet support for specific bid/s. Crown financial support will likely be necessary for any other viable bid to be sustainable in the long term.
  12. Cabinet has also agreed to fund the removal of infrastructure that RAL was previously required to remove under the terms of their concessions – known as ‘currently redundant infrastructure’. As RAL cannot afford to remove this infrastructure, the cost would practically fall to the Department and Crown.
  13. Cabinet has approved up to \$8.5m for the Department from the current financial year (subject to costings and endorsement by you and the Minister of Finance) for this work.

### **Key upcoming Ministerial and Departmental decisions**

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14. As Minister of Conservation, the decision to grant a concession (permission required to authorise commercial activity in a conservation area) sits with you, unless delegated to a Department official. Ski field concessions are usually granted by your delegate, but this can be revisited according to your views.
15. In early 2024 we will seek agreement to draw down the tagged contingency for funding the removal and remediation of already redundant infrastructure from joint Ministers (see paragraphs 65-69 below). We will brief you at this time and Treasury will advise the Minister of Finance.
16. We are scheduled to report back to Cabinet in March 2024 along with MBIE and Te Arawhiti, as signalled at paragraph 11, on how any future Treaty negotiations may be affected by decisions to mothball, remediate, or operate (part or all) of RAL’s assets – noting that Treaty negotiations for the Tongariro National Park have not yet commenced (see paragraphs 55-61 below).
17. Prior to this Cabinet meeting we will brief you on the fiscal risks and other implications posed by managing, operating, mothballing or remediating assets under various scenarios.
18. By March 2024 the progress of Pure Tūroa Limited’s concession application will be clear. There may also be greater clarity on options for Whakapapa assets, including whether we are progressing a concession application. We will provide you with a full briefing at this time.
19. We are looking at options that may be required should the March 2024 deadline not be able to be met through the concession process and will provide further advice on this.

### **Timeframes for the Tūroa concessions process**

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20. PTL is currently in the final stages of negotiating a sale and purchase agreement with MBIE for the transfer of RAL’s operations and assets on Tūroa ski field. This agreement is conditional on a new concession being granted and is subject to final approval from Cabinet, as to date Cabinet has only provided agreement in principle for funding to PTL.
21. We are expecting to receive a concession application from PTL no later than 8 December. PTL has indicated they need a concession in place by end of March 2024, to allow sufficient time to prepare for the winter 2024 ski season.

22. We have advised PTL that we will require a minimum of 71 working days (four months) to undertake the concession process, including public notification. Public notification is required under the Conservation Act 1987 as the concession activity will include exclusive use of some areas (for example buildings).
23. This timeframe is tight but allows sufficient time for each stage of the concession process to progress efficiently. The key steps of the process are:
  - review application documents and confirm whether it is ready to notify – six working days
  - public notification (minimum of 20 working days) and public hearing process – 35 working days
  - post-hearing report prepared – 10 working days
  - analyse submissions, hearing report, and prepare a decision report – 15 working days
  - decision maker to decide whether to grant the concession – five working days
24. Accounting for holiday period working day exclusions, we need to receive a concession application in early December 2023 to ensure a decision can be made in March 2024.
25. There are some issues that could challenge the four-month timeframe including:
  - the quality of the material submitted with the application not being sufficient to publicly notify, given we have significantly reduced time to seek additional information pre-notification;
  - challenges, legal or otherwise, to the decision to allow only the minimum 20 working day period for public notification and receipt of submissions – and the challenge of this potentially occurring over the holiday period (noting the period from 20 December to 10 January is excluded from the working day count);
  - the number and complexity of issues raised through the public notification and / or hearing process; and
  - the timeliness and level of engagement with Treaty partners to ensure our section 4 obligations are met, as well as those under Te Awa Tupua (Whanganui River Claims Settlement) Act 2017.
26. PTL has indicated it needs a concession to be issued by 31 March 2024 to allow adequate time to prepare for the 2024 ski season.

#### ***Mitigations for timeframe challenges***

27. We have engaged early with iwi to seek to understand their views of the proposed concession activity prior to the concession application being submitted. This engagement will continue throughout the concession process.
28. We have provided pre-application support to PTL, to enable them to prepare a concession application that is ready to publicly notify without further amendments.
29. To reduce complexity in the assessment process, we have advised PTL to apply to undertake activities that were authorised under the previous concession – i.e., not new, untested activities, as these will require further analysis. PTL may apply to extend the scope of their concession in the future via a variation.

#### ***Possible Whakapapa concession application pending***

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30. In addition to an application from PTL to operate the Tūroa ski field, WHL has advised the Department of its intent to apply for a concession to operate the Whakapapa ski field. WHL has advised it may also be able to submit an application as early as 6 December.
31. We understand WHL is also negotiating a revised bid with MBIE, and that WHL may submit a concession application prior to the completion of a Crown-supported funding agreement.

32. An earlier WHL bid was rejected by MBIE as the bid contained unfavourable terms for the Crown and potentially exposed the Crown to significant costs.
33. As with PTL, the Department would need to receive an application in early December 2023, in order to make a concession decision for Whakapapa ski fields in March 2024. Taking this matter to Cabinet would need to occur concurrently to the application being processed, to enable a decision on the concession application to be made by March 2024.
34. If no new operator is in place to manage Whakapapa ski field after March 2024, the Crown has the option for the receiver to remain in place in the medium term to permit RAL to continue operating the ski field. The Crown will incur additional costs for this which are currently being worked through.

### **Other options for ski field management outside a concessions process**

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35. An efficient concession process with robust public notification and engagement with Treaty partners is the most feasible and preferable option to allow PTL to takeover RAL operations at Tūroa ski field, noting that any concession application must be considered on its merits.
36. However, noting the challenges that may emerge during the concessions process we are exploring the feasibility of alternative options for ski field management – in case a concession process cannot be concluded satisfactorily by March 2024, or the sale cannot otherwise be completed. These are presented in order of viability.

### **Medium term sub-license under existing receivership management**

37. One possible option to manage the ski field/s outside a new concession could be for the receivership to continue over the medium term. Under receivership the shareholding / ownership remains the same, and does not trigger the need for your consent to vary the concession terms.
38. The current concessions would remain intact and the receivers/RAL could continue to manage the ski fields, or sub-license some / all of its activities to a new operator. If it appoints a sub-licensee, RAL remains responsible for complying with all the terms and conditions of the concessions. RAL/the receivers could seek approval to sub-license either or both of the Whakapapa and Tūroa ski fields. Under this option, PTL and/or WHL could be engaged as the sub-licensee for one or both of the ski fields, with your approval.

### **Operating the ski fields under a management agreement**

39. One of the earlier options that was explored but set aside was reverting management of the ski fields to the Department (i.e., cancelling the concessions) and having us manage the ski field operations either directly or through a non-publicly notified management agreement with a third party (such as PTL or WHL).
40. This option presents significant risks, including legal and financial. This type of management agreement has not been tested and would likely prove controversial.
41. MBIE has also tested whether PTL or WHL would be open to undertake a management arrangement. Neither party supported the idea, as it was not commercially viable and their preference was to continue with the sales process.

### **Legislative solutions as an alternative to a traditional concessions process**

42. If the standard concession process encounters unforeseen circumstances or delays occur, another option to consider is special purpose legislation granting the concession without undertaking the full concession process (e.g., removing consultation with the public and mana whenua on this specific concession). The concession terms and lengths could be set out as desired. This would be a novel approach for resolving a

concession issue, and may set a precedent for how similar regulatory matters could be dealt with in the future.

43. This would require drafting a bill that would likely need to be passed under urgency (and forgoing public input through select committee) to meet the March 2024 deadline. With a tightly defined scope, the drafting of a bill should not entail long timeframes. Legislating for this purpose could be controversial and may have significant implications for the Crown's relationship with Treaty partners. However, we could engage with iwi during the development of the bill to reduce this risk.

### **Engagement with iwi to date, and going forward**

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44. Section 4 of the Conservation Act requires the Crown to give effect to the principles of the Treaty of Waitangi.
45. When making decisions on a concession application for Mt Ruapehu, this will require as a first step ensuring we are informed of and understand the views and interests of all iwi/hapū and Māori representative groups with an interest in the ski field areas (such as Te Pou Tupua which represents the legal person Te Awa Tupua, established through the Whanganui River settlement).
46. We have been engaging with iwi/hapū throughout this process, both directly and via other agencies (Te Arawhiti and MBIE).
47. We have sent introductory letters concerning the pending PTL and potential WHL concession applications to our Treaty partners to further support this engagement.
48. When future concession options were initially raised, letters from Te Ariki Tā Tumu Te Heuheu, Te Kotahitanga o Ngāti Tūwharetoa, Ngāti Hauā, Ngā Tāngata Tiaki o Whanganui and Te Korowai o Wainuiārua expressed a view that they did not support continuation of commercial ski fields on Ruapehu in their current form.
49. The general preference in those letters was for the sales to be halted and for commercial operations to be considered after, or during, the Tongariro National Park Treaty negotiations. Te Ariki and Te Kotahitanga have suggested they may pursue legal action to avoid their interests being prejudiced.
50. We have continued to engage with iwi including to explore options for how the concerns raised can be mitigated. One of the options being discussed is a shorter concession term (up to 10 years rather than 30+), which would enable the concession to be revisited closer to the conclusion of the Tongariro National Park negotiations.
51. Irrespective of discussions to date, formal consultation with our Treaty partners still needs to take place after a concession application is received to ensure we meet our responsibilities under s4 of the Conservation Act.
52. We have good relationships with iwi leaders at an operations level, which will support engagement during the anticipated concession processes.
53. Discussions between iwi leaders, and officials at MBIE and Te Arawhiti have signalled that a Crown-iwi group could be created to provide a mechanism for providing advice on Tongariro National Park matters generally. The Department has not been involved in discussions with iwi leaders on this matter to date.
54. It is unclear whether the proposed group could feasibly be established in time to support any concession consultation processes. However, the development of such a group could be discussed at a meeting with the Ministers for Regional Development and Treaty of Waitangi Negotiations.

### ***Tongariro National Park Treaty negotiations***

55. The Crown is committed to collective negotiations with iwi with interests in Tongariro National Park (including Ngāti Hāua, Ngāti Rangī, Ngāti Tūwharetoa, and the iwi of Te Korowai o Wainuiārua).

56. Tongariro National Park collective negotiations have not yet commenced. However, as part of engagement on the future of RAL, Ngāti Tūwharetoa requested the Crown progress discussions on the future of Tongariro National Park, which the Crown agreed to do with “some urgency”.
57. The collective negotiation over Tongariro National Park is limited to the provision of cultural redress and will likely include discussions on its future governance and management (with a similar scope to the recently concluded Taranaki Maunga arrangements).
58. On 11 September 2023, the former Minister of Conservation and Minister for Treaty of Waitangi Negotiations met with representatives of Te Kotahitanga o Ngāti Tūwharetoa, Ngāti Hāua, Ngāti Rangī and Te Korowai o Wainuiārua, as well as Te Ariki Tā Tumu Te Heuheu and his office, to engage about when iwi may be ready to commence negotiations.
59. At that meeting, most iwi expressed a preference to meet together, mana ki mana, rangatira ki te rangatira, prior to discussing the Tongariro National Park collective negotiations further with the Crown. Ngāti Tūwharetoa expressed that they are ready to enter negotiations now.
60. The Crown committed to being ready to begin negotiations once all iwi with interests in Tongariro National Park were ready to do so, and would wait to hear from iwi regarding timeframes, approach and process. There has been no further progress to date.
61. You will receive a separate briefing related to the status of current Treaty negotiations in due course.

### **Ski field infrastructure on Mt Ruapehu is a significant Crown/Departmental liability**

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62. There is substantial ski field infrastructure on Mt Ruapehu – such as chair lifts, buildings, chemical storage and other structures. Under the terms of RAL’s concessions, RAL must remove all infrastructure and remediate the land on termination of their concessions – known as the ‘make good’ provision. As RAL cannot afford to fulfil the make good provision, this cost would practically fall to the Department, and therefore the wider Crown.
63. We have estimated the cost to remove infrastructure and remediate the land to be between \$47 million and \$88 million, based on a desktop analysis. Work is underway to refine this estimate and fully understand the costs involved to meet these liabilities.
64. While it is clear the Crown accepts the liability, there is no specified timeframe in which residual infrastructure would need to be removed. Early closure of the ski fields would, however, increase the moral obligation on the Crown to at least start the process – especially in light of Treaty negotiations over Tongariro National Park.

### **Currently redundant infrastructure**

65. Since the ski fields were first established, there has been ongoing replacement and renovation of ski facilities, some of which has resulted in redundant infrastructure being left on site.
66. The Tongariro National Park Management Plan and concession agreements require that this infrastructure is removed. As RAL has no ability to remove this, Cabinet has accepted liability for it.
67. Separately, in 2023, Cabinet approved up to \$8.5m from the current financial year (subject to costings and endorsement by yourself and the Minister of Finance) to remove infrastructure which is already redundant as a result of previous RAL developments.
68. We have contracted surveyors and quantity surveyors to provide these costings by February 2024. We are currently procuring the main contractor to remove the already

redundant infrastructure. The contractor should be in place within 3-6 months and works would begin from mid-2024 (with snow cover required to move heavy machinery into place for works).

69. In recent discussions, PTL has indicated it considers the Ngā Wai Heke ski lift at Tūroa ski field is redundant for its business purposes. No allocation has been made for removing this lift, either as a DOC obligation on behalf of the Crown or as part of MBIE's sales and purchase agreement (which is yet to be signed).

### **Securing health and safety hazards if ski fields are closed**

70. It remains a possibility the ski fields may close, as it is not guaranteed any deals will be successful. In this case, the liquidator or receiver could stop operating the ski fields and look to immediately sell assets where possible. On-going operation through the receiver would require further Crown funding.
71. In the event of closures, our Operations team is prepared to act immediately to manage health and safety risks, including temporarily restricting access to the ski fields while we secure hazardous substances (bulk diesel storage, ammonia, explosives). We would also need to ensure the volcanic alert system, which is based around RAL infrastructure, remains operational, and any other health and safety risks such as de-icing lift towers are well managed.
72. We have undertaken contingency planning for this scenario to allow an assessment of readiness. This work has confirmed the Department has neither sufficient District or Regional capacity nor expertise to manage the fields and would require substantial additional resourcing. It is estimated it would cost up to 9(2)(b)(ii) in the short-term and up to Sec 9(2)(b) annually to maintain the ski fields in a "ready to re-start" condition.
73. This would include removing cables and towers from ski-lifts, security at site and fixed costs such as power (currently near Sec 9(2)(b)(ii) (1), the majority of which is lines charges). These costs fall in a roughly two-thirds Whakapapa, one-third Tūroa split.
74. Funding this from the Department's baseline would have an impact on the Department's ability to deliver its core conservation services.

### **Risk assessment – Aronga tūraru**

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75. Decisions about the future use of ski fields on Mt Ruapehu have generated a significant amount of public interest. Groups including Federated Mountain Clubs have previously indicated their interest in the concession process. They have previously signalled they will consider judicial review if they consider we have not run a robust regulatory process.
76. As above, some iwi have already publicly stated a preference for ski field sales to be halted while the Tongariro National Park Treaty negotiations progress. This creates both a legal and relationship risk. The relationship implications of progressing sales (or concessions) could impact on the Crown's ability to begin or conclude Treaty negotiations.
77. However, waiting for any negotiation process to be finalised is not a viable option. We are mitigating this through early engagement and discussions about reduced concession terms.
78. There will be pressure on the Department to conclude a concessions process before the end of March 2024, as funding is only available until this time. If we expedite the process at the cost of running a robust regulatory process, there is a risk of legal challenge. However, if we do not complete the concession process in this timeframe, there is a risk of additional financial and operational challenges for the Crown. To mitigate this risk, we have planned for a timeframe for processing any concession application that, while tight, will ensure we have run a robust process.

79. Separately, parties whose bids to buy the ski fields were unsuccessful (i.e., not endorsed by Cabinet) may challenge decision making around the sale and purchase process or the grant of any future concession.
80. You recently received correspondence from the Ruapehu Skifields Stakeholders Association (RSSA) about the potential sale of the ski fields. We will provide separate advice about a response to this letter. RSSA was one of two unsuccessful bidders for RAL assets, and the only one to propose continued public ownership through restructuring the board and continuing with existing concessions.

### **Consultation – Kōrero whakawhiti**

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81. We are working closely with MBIE and Te Arawhiti on matters relating to RAL.
82. We have consulted with Te Arawhiti, MBIE, the Treasury, and the Department of Prime Minister and Cabinet on this briefing.

### **Financial implications – Te hīraunga pūtea**

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83. The Department has previously been approved a write-off of <sup>Sec 9(2)(b)(ii)</sup> RAL debt for unpaid concession fees and contributions to community services (sewerage, water and other local body services).
84. In the event that no new operator takes over the ski fields, the cost of keeping the fields safe and maintained in an “able to be restarted” condition is estimated at <sup>Sec 9(2)(b)(ii)</sup> per year. This cost can be split into roughly two-thirds for Whakapapa and one third for Tūroa.
85. No active ski fields would also see the Crown’s revenue from concessions fall by around <sup>Sec 9(2)(b)(ii)</sup> per year.
86. There also over 55 ski club huts located in Tongariro National Park, each managed under its own concession. If the ski fields close, we expect many of these clubs would also close. While the clubs have obligations in their concessions to remove their infrastructure once their concessions terminate, few have the means to do this. We consider it highly likely many will simply abandon their buildings once ski field services cease, and the Department and Crown will therefore be responsible for the cost of removing this infrastructure.
87. It is also possible that as a result of Crown negotiations with PTL, the Crown will be asked to absorb the processing and activity costs of the PTL and possible WHL concession application processes. The Department usually recovers costs for this from the concession applicant.
88. The Department is not currently funded for these cost pressures. This is noted in our upcoming Cost Pressures submission to the Treasury, which signals we would seek funding if required.

### **Next steps – Ngā tāwhaitanga**

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89. We suggest a joint meeting between yourself, the Minister for Regional Development and Minister for Treaty of Waitangi Negotiations to discuss these issues in greater detail. Officials can provide additional material to support this meeting.
90. We will provide you with further briefings when decisions are required and will also provide regular status updates through your weekly Status Report.

**ENDS**

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## BRIEFING

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# BRIEFING

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## Item 5

**From:** [Stacey Wrenn](#)  
**To:** [Tui Arona \(parliament\)](#)  
**Cc:** [Harry Evans](#); [Government Services](#); [Ruth Isaac](#)  
**Subject:** 24-B-0109 - Email - Request - Cabinet Paper Consultation - Future of Ruapehu Alpine Lifts Limited  
**Date:** Tuesday, 27 February 2024 12:09:00 pm  
**Attachments:** [24-B-0109 - Email - Request - Cabinet Paper Consultation - Future of Ruapehu Alpine Lifts.docx](#)  
[image001.png](#)

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Kia ora Tui,

Attached is the advice for the Minister about the RAL Cabinet paper. To cover off the matters we have discussed (and points that have progressed since the draft Cabinet paper was circulated), this ended up being quite long, so I've copied the advice into a word document to make this easier – attached.

Please let me know if you have any questions, or if there's anything further the Minister would like advice on.

Thanks,  
Stacey

**Stacey Wrenn (she/her)**

Senior Manager, Regulatory Delivery  
Whare Kaupapa Atawhai | Conservation House

Phone: Sec 9(2)(a)

[www.doc.govt.nz](http://www.doc.govt.nz)



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## **Cabinet Paper Consultation – Future of Ruapehu Alpine Lifts Limited**

MBIE have prepared a draft Cabinet paper (2324-2109) that provides an analysis of options available to the Crown with respect to Ruapehu Alpine Lifts (RAL) in liquidation and receivership. We have contributed to the development of the Cabinet paper, along with Treasury, Te Arawhiti, and Crown Law.

MBIE has led the analysis of the commercial options presented in the paper. Any questions related to the content of the proposed deals should be directed to MBIE or the Minister for Regional Development. We have shared your earlier question about payments to creditors with MBIE officials.

### **Update on Tūroa ski field sale process**

A conditional sale and purchase agreement has been signed with Pure Tūroa Limited (PTL) for the Tūroa ski field. The deal includes Crown support, which needs to be confirmed by Cabinet, and is conditional on PTL obtaining a concession to operate from the Department by 31 March 2024.

PTL's concession application was publicly notified in January, and the public notification period closed in February. Public hearings have been held in Ohakune and Tūrangi, and are due to conclude on 27 February 2024. Following the hearings, Department officials will prepare advice on whether a concession should be granted, and if it is granted, the terms and conditions of that concession. The advice will cover all statutory tests to be considered under the Conservation Act, along with information presented in submissions and hearings. You may be the decision maker on this application, or delegate the decision to a Department official (briefing 24-B-0074 refers).

### **Whakapapa without prospective buyers**

The Cabinet paper sets out an option for Cabinet to consider setting up a Crown Holding company to run the ski field. This company would still require a concession. It will take at least four months from the point any concession application is submitted to the Department to make a decision on the application, to allow for public notification, an analysis of the application, and engagement with iwi and hapū.

The Cabinet paper currently notes it will take several months to progress a solution for Whakapapa ski field, including setting up a Crown Holding company and processing a concession application. We (and Crown Law) have advised MBIE officials that as the Cabinet paper will not be considered until 11 March, it is not feasible to process a concession application by 30 June, even if a concession application is submitted immediately upon Cabinet making decisions. MBIE officials are considering reframing their advice to be clear that a new concession is not able to be in place by the start of the ski season, and that it may be preferable for the receivers to run the ski season rather than change operators during the season. MBIE officials will update the Cabinet paper to reflect the Crown funding required for this option.

The Sky Waka gondola is also being operated by the receivers. If the ski field closes, it is feasible the Sky Waka and associated Knoll Ridge café could continue to be run under a separate concession. We understand MBIE officials are considering the commercial feasibility of this option.

### **Options presented in Cabinet paper**

None of the options outlined in the Cabinet paper are without cost to the Crown, and the Cabinet paper is light on alternative options if the ski field/s close.

For DOC the financial and resource implications range from relatively insignificant to serious. Continuation of the ski-fields, irrespective of who the operator is, has the least financial impact on the Department.


The continued running of the ski fields by a third party preserves Crown revenue from activity fees (historically approximately Sec 9(2)(b)(ii)) and financial contributions to community services (water supply, sewage treatment) provided by the Department at Iwikau and Whakapapa Villages, and means the Department is not responsible for any operational costs associated with the ski fields.

If the ski field closes, officials have estimated that in the event the liquidator undertakes nothing more than to dispose of vehicles and other non-fixed assets, the Department would face costs of up to Sec 9(2)(b)(iii) in the first year to keep the site safe, remove any dangerous goods, undertake such work as limited decommissioning of ski-lifts and/or de-icing. Officials have estimated maintaining the site in a secure and safe state such that it could be re-started by a suitable operator at up to Sec 9(2)(b)(iii) per year.

#### **Updated information about iwi consultation**

Alongside consultation on the concession application, several iwi have provided their views on the process via public notification and hearings. The Department, along with Te Arawhiti, have recommended information about the views of iwi are updated in line with what has been expressed through the concession process. We are recommending the following information is included in the Cabinet paper:

Sec 9(2)(ba)(i)



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Department officials are continuing to engage with iwi as we prepare advice on the concession application, and hope to resolve some of the concerns raised by iwi prior to a decision being made on the concession application. Further attempts are being made to engage with Ngā Tangata Tiaki in line with the requirements set out in Te Awa Tupua (Whanganui River Claims Settlement) Act.

Department officials will consider the views raised by iwi through both the public process and direct engagement, and whether we have met our statutory responsibilities through the application process. This analysis will form part of the advice to the decision maker to consider when making the decision about whether to grant the concession.

**End of concession redundant infrastructure left for Crown to deal with**

RAL has an obligation to remove all of its infrastructure at the termination or expiry of its concession, as set out in the terms and conditions of the concession. As RAL does not have the funds to do this, these costs will practically fall to the Crown.

The concession condition reflects the Tongariro National Park Management Plan policy that all redundant infrastructure will be removed and the land restored to as near its original state as possible [Section 4.1.3 policy 3]. As the time Management Plan does not provide a clear timeframe for undertaking remediation, the Department considers the obligation to remediate has to be approached according to what is “reasonable in the circumstances.” Officials can provide you with more advice on this matter if required.

**Cost of remediation yet to be confirmed**

The cost of doing this work was estimated through a desk-top exercise in the early days of RAL entering voluntary administration and has recently been revised [Status update MOC 9 refers].

The figures are based on ground-truthing by quantity surveyors at Whakapapa (but not Tūroa, which is assumed more likely to continue operation as there is a conditional sale and purchase agreement in place). The Sky Waka and Knoll Ridge café were also excluded on the basis they could potentially operate as a stand-alone tourism business.

Two different demolition and removal methods were considered. Costs should be treated as high-level estimates which would need further investigation, full survey work and market testing to confirm.

The previous estimate was \$47-88 million including removal of the Sky Waka.

**Updated information about appropriation**

A multi-year appropriation has been established to allow for this eventuality. Department officials are preparing a letter from you to the Minister of Finance to seek out of cycle funding

from Cabinet to cover the eventuality that remediation work is required. Officials will work with MBIE and Treasury officials this week to ensure this is reflected in the Cabinet paper.

**Currently redundant infrastructure being addressed.**

Further agreements within or alongside the concession meant RAL was required to remove infrastructure it was replacing at the time of replacement. As this has not been done, the previous Cabinet approved up to \$8.5M as an additional Vote Conservation appropriation from FY23/24, subject to detailed costings, your approval and concurrence of the Minister of Finance. We will provide you with the costings and seek your approval on March 15 [CAB-23-MIN-0456 refers].

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## Item 7

Out of Scope

**From:** Sam Harrison <[samharrison@doc.govt.nz](mailto:samharrison@doc.govt.nz)>  
**Sent:** Wednesday, February 28, 2024 2:21 PM  
**To:** Tui Arona (parliament) Sec 9(2)(a); Harry.Evans  
Sec 9(2)(a)  
**Cc:** James Johnson (Policy Manager) <[jamesjohnson@doc.govt.nz](mailto:jamesjohnson@doc.govt.nz)>; Ruth Isaac <[risaac@doc.govt.nz](mailto:risaac@doc.govt.nz)>; Kevin Martin <[kmartin@doc.govt.nz](mailto:kmartin@doc.govt.nz)>  
**Subject:** Briefing: Approval for out-of-cycle funding request to cover RAL decommissioning liability  
**Importance:** High

Kia ora kōrua

Find attached the urgent briefing seeking approval from MOF for an out-of-cycle funding required related to RAL infrastructure liability. The letter in Attachment A must be sent to MOF no later than 1 March. I have also attached the draft Cabinet paper with the financial recs. If there are any comments on that we need them by 5pm at the latest.

Email attachments:

- Briefing: Approval for out-of-cycle funding request to cover RAL decommissioning liability
- Attachment A: Letter to the Minister of Finance (to be signed and sent by 1 March)
- Attachment B: Treasury template for out-of-cycle Budget request - Ruapehu Alpine Lifts – Make Good Provision
- Attachment B: Treasury template for out-of-cycle Budget request - Ruapehu Alpine Lifts – RAL 5 years OpEx
- Annex One Cab paper – Decisions to continue support for RAL post-March 2024 (comments before 5pm)

Nā

**Sam Harrison**

Senior Policy Advisor | Kaitohutohu Matua

Budget and Funding Policy

Policy and Regulatory Services

Department of Conservation | Te Papa Atawhai

Mobile Sec 9(2)(a)

Email: [xxxxxxxxxx@xxx.xxx.xx](mailto:xxxxxxxxxx@xxx.xxx.xx)

**Conservation House Wellington | Whare Kaupapa Atawhai**

Level 2, 18 - 32 Manners St | PO Box 10 420, Wellington 6143

DOC logo horizontal long.



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# Briefing: Approval for out-of-cycle funding request to cover RAL decommissioning liability

<b>To</b>	Minister of Conservation	<b>Date submitted</b>	28 February 2024
<b>Risk Assessment</b>	High	<b>Priority</b>	Very High
<b>Reference</b>	24-B-0019	<b>DocCM</b>	DOC-7545648
<b>Security Level</b>	[REDACTED]		

<b>Action sought</b>	<b>Sign and forward</b> the attached letter to the Minister of Finance seeking approval for an out-of-cycle funding request for recognition of the Crown's decommissioning liability for the Ruapehu ski fields.	<b>Timeframe</b>	1 March 2024 The letter must be sent to the Minister of Finance's office no later than 1 March
<b>Attachments</b>	Attachment A – Letter to the Minister of Finance Attachment B – Treasury template for out-of-cycle Budget request		

<b>Contacts</b>	
<b>Name and position</b>	<b>Cell phone</b>
Ruth Isaac, Deputy Director-General, Policy and Regulatory Services	Sec 9(2)(a) [REDACTED]
Kevin Martin, Chief Financial Officer	Sec 9(2)(a) [REDACTED]

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## Executive summary – Whakarāpopoto ā kaiwhakahaere

1. Ruapehu Alpine Lifts Limited (**RAL**) has substantial ski field infrastructure on Ruapehu, within Tongariro National Park. Under the terms of RAL's concessions, RAL must remove all infrastructure and remediate the land on termination of their concessions.
2. As RAL cannot afford to fulfil their decommissioning obligation, Cabinet has previously noted that the Crown is likely to become liable for the decommissioning of the ski fields at Whakapapa and Tūroa [CAB-23-MIN-0240]. We estimate the cost to decommission Tūroa and Whakapapa ski fields is between <sup>Sec 9(2)(b)(ii)</sup> [REDACTED].
3. A Cabinet paper is currently being prepared by the Ministry of Business, Innovation and Employment for the Minister of Regional Development outlining the current position and future options for RAL.
4. If Cabinet chooses to cease funding either of the ski fields this would trigger the requirement to recognise the estimated cost of the decommissioning liability in accordance with accounting standards, for that ski field. If funding for the decommissioning liability is not approved at the same time the decision is made, we would record substantial unappropriated expenditure.
5. As the liability may need to be recognised in the next two weeks (i.e. the same time the liability is triggered), a decision is required before Budget 2024, and therefore approval from the Minister of Finance for an out-of-cycle funding request is sought. The approval is required to include the out-of-cycle funding request in the upcoming paper; Cabinet will make the final decision on whether the funding is approved.
6. The Minister of Finance's approval is ideally required before the Cabinet paper is lodged at 10am on 29 February 2024, for consideration at Cabinet Economic Policy Committee on 6 March 2024. 1 March 2024 is the latest possible deadline.

### We recommend that you ... (Ngā tohutohu)

		Decision
a)	<b>Sign</b> the letter to the Minister of Finance in Attachment A	Yes / No
b)	<b>Forward</b> the signed letter to the Minister of Finance	Yes / No

Date: 28/02/2024

Ruth Isaac  
Deputy Director-General,  
Policy and Regulatory Services  
For Director-General of Conservation

Date: / /

Hon Tama Potaka  
**Minister of Conservation**

## **Purpose – Te aronga**

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7. To seek your agreement to sign and forward the letter to the Minister of Finance in **Attachment A**, which seeks approval for an out-of-cycle budget request to be considered by Cabinet, to cover:
  - the costs related to decommissioning liability for the ski field infrastructure on Ruapehu
  - the immediate costs to ensure the ski field infrastructure is maintained safely following RAL's liquidation.
8. The funding request is proposed to be included in the upcoming Cabinet paper on RAL, which is being led by the Minister for Regional Development and is being considered by Cabinet Economic Policy (**ECO**) committee on 6 April 2024, and Cabinet on 11 April 2024.

## **Background and context – Te horopaki**

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9. RAL has substantial ski field infrastructure on Ruapehu, within Tongariro National Park. RAL entered voluntary administration on 11 October 2022.
10. A Cabinet paper is currently being prepared by the Ministry of Business, Innovation and Employment (**MBIE**) for the Minister of Regional Development; the paper outlines the current position and future options for RAL. We have provided your office more detailed advice on this Cabinet paper and the Department of Conservation's (**DOC**'s) views in separate advice, provided via email on 27 February 2024.
11. Under the terms of RAL's concessions, RAL must remove all infrastructure and remediate the land on termination of their concessions, i.e. decommissioning.
12. RAL cannot afford to fulfil its decommissioning obligations. Because of this, Cabinet has previously noted that the Crown is likely to become liable for the decommissioning of the ski fields at Whakapapa and Tūroa [CAB-23-MIN-0240]. We estimate this would cost between <sup>Sec 9(2)(b)(ii)</sup> [redacted] for Tūroa and <sup>Sec 9(2)(b)(ii)</sup> [redacted] for Whakapapa (total range of between <sup>Sec 9(2)(b)(ii)</sup> [redacted]).
13. Decommissioning can be avoided if an operator can be found for one or both of the ski fields. This is more likely for Tūroa than Whakapapa. If no operator can be found, there are no mandated timeframes for decommissioning; this will be the subject of a future Cabinet decision. We anticipate that iwi and the public will have strong expectations that all infrastructure is removed from the mountain. This is reinforced by policies in the Tongariro National Park Management Plan that require the land to be remediated in time.
14. The future of Chateau Tongariro in Whakapapa Village is partly linked to the future of RAL's ski fields on Ruapehu. On 22 February 2024, we sought your direction on which decommissioning or hibernation option you would like to pursue for the Chateau and its ancillary buildings (24-B-0063 refers). A decision on this matter is needed soon.

## **Decommissioning liability will arise if Cabinet decides to cease funding the ski field**

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15. If Cabinet decides not to provide any additional financial support to the RAL, this would result in the ending of operations at one, or both of the ski fields. This would trigger the Crown's decommissioning liability. In turn, accounting standards dictate that the Crown should make provisions for the costs of decommissioning.<sup>1</sup>
16. We have discussed this with our auditors. They agree that if the Crown does not provide funding for an operator, and no other operator is forthcoming, then accounting standards require liability for decommissioning to be recognised. Even though the

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actual expenditure to decommissioning may not be incurred immediately, the liability still needs to be recognised.

17. Funding for the decommissioning liability would need to be approved at the same time as the decision that triggers the liability, i.e. when Cabinet considers whether to continue to fund the ski fields. If no funding is approved, DOC would record substantial unappropriated expenditure.
18. Given the size of the decommissioning liability, and that it may need to be recognised immediately in the current financial year, it would not be possible for us to reprioritise baseline funding to meet it. The liability may be triggered within the next two weeks so funding approval cannot be deferred to the Budget 2024 round.
19. The attached letter to the Minister of Finance seeks approval for an out-of-cycle funding request to be considered, if Cabinet decides to cease funding the ski field(s).

### **Funding for immediate operating costs may also be needed**

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20. If RAL is liquidated and no new operators of the ski fields are appointed then we will immediately be faced with meeting considerable operational costs of maintaining the ski field infrastructure, until such time that its future is determined.
21. Currently, the best estimate that we have of these costs are Sec 9(2)(b)(ii). The out-of-cycle funding request includes Sec 9(2)(b)(ii) to fund these costs for up to five years.

### **Risk assessment – Aronga tūraru**

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22. Cabinet approved the creation of a multi-year appropriation in October 2023 for decommissioning infrastructure, but there is no funding allocated to it [CAB-23-MIN-0456].
23. If the decommissioning liability needs to be recognised and there is no funding approved for the liability, we would record a significant amount of unappropriated expenditure.
24. Spending without, or in excess of, appropriation is unlawful. Unappropriated expenditure must be addressed in accordance with the Public Finance Act 1989 and is reported in the Department's Annual Reports.

### **Consultation – Kōrero whakawhiti**

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25. The Treasury has been consulted on the letter and their feedback has been reflected. They are supportive of this request being put forward.
26. We have discussed the recognition criteria and accounting treatment for recognising a provision for the decommissioning liability with our auditors KPMG. They agree it is in accordance with accounting standards we must comply with.

### **Financial implications – Te hīraunga pūtea**

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27. Sec 9(2)(b)(ii)
- 
-



**Next steps – Ngā tāwhaitanga**

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31. If you agree, sign the attached letter and send it to the Minister of Finance.
32. We have worked with MBIE officials and the Treasury to include the relevant text and financial recommendations into the draft Cabinet paper.
33. The Minister of Finance’s pre-approval to include this funding request in the Cabinet paper is ideally confirmed before the Cabinet paper is lodged at 10am on 29 February 2024, for consideration at ECO Cabinet Committee on 6 March 2024. We have worked closely with the Treasury on this funding request; the Minister of Finance’s office is aware of the request and has confirmed they can process it quickly given the urgency.
34. However, given tight timeframes, this may not be possible. Approval from the Minister of Finance must be secured before the paper is considered by the ECO Cabinet committee on 6 March 2024. In order to do this, the letter seeking approval must be sent to the Minister of Finance no later than 1 March 2024.
35. We will provide you with further advice on the Crown’s role and obligations relating to the decommissioning of RAL’s Ruapehu infrastructure and the wider issue of redundant assets on public conservation land.

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**ENDS**

## Item 9

28 February 2024

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings

Dear Nicola,

### Pre-approval for out-of-cycle funding request with financial implications

I am seeking your approval to include an out-of-cycle funding request in the upcoming cabinet paper on the Whakapapa and Tūroa ski fields (cabinet paper).

The Minister of Regional Development is planning to take a paper to Cabinet on the current position and future options for Ruapehu Alpine Lifts Limited which are in receivership. The Crown has previously accepted it is likely to become liable for the cost to remove redundant infrastructure from the Ruapehu ski fields (Whakapapa and Tūroa) and restore the environment to its original state (the 'make good' contingent liability). Both ski fields are within Tongariro National Park.

Updated estimates for the 'make good' decommissioning liability are in the range of <sup>s9(2)(b)</sup> ~~\_\_\_\_\_~~ <sup>(ii)</sup> ~~\_\_\_\_\_~~. The range reflects the potential different methods of decommissioning that may be required.

As the agency responsible for the Tongariro National Park, the liability will be recorded by the Department of Conservation (**DOC**). Cabinet has previously agreed to establish a multi-year appropriation within Vote Conservation for this purpose, but no funding has yet been approved [CAB-23-MIN-0456].

Cabinet's decisions in the upcoming paper may result in the cessation of operations at one or both of the ski fields, and this would trigger the requirement to recognise the cost of the make good liability in accordance with accounting standards. If funding for the make good liability is not approved at the same time the decision is made, DOC would record substantial unappropriated expenditure.

If the liability recognition is triggered, the Cabinet paper will request out-of-cycle funding for these costs, which are expected to be recognised in the current financial year. In addition, if neither ski field is operating DOC will incur additional expenditure to manage and maintain infrastructure until such time that either new operators are appointed or it is removed. The estimated cost of this is <sup>Sec 9(2)(i)</sup> ~~\_\_\_\_\_~~. On this basis, the funding approval cannot be deferred to the 2024 Budget process.

I confirm I have met all the requirements of the pre-approval process for out-of-cycle funding, including providing credible and genuine alternative funding options in the attached Budget template.

Hon Tama Potaka  
Minister of Conservation  
[Date]

Hon Nicola Willis  
Minister of Finance  
Approved / Not Approved

[Date]

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BUDGET-SENSITIVE

## Appendix B: Out-of-Cycle Funding Request Template

The minimum required information is set out in italics in each of the answer boxes (with blue boxes reflecting what needs to be filled out by agencies and red boxes filled out by the relevant Treasury Vote team). Additional supplementary documents (e.g. the draft Cabinet paper) should also be attached along with this submission.

**Overall Treasury assessment/comment:** this will reflect a summary of how well the initiative meets the following criteria and will help inform the Minister of Finance's decision to pre-approve the request.

- Value proposition
- Urgency of proposal
- Reprioritisation options provided

### Section 1: Overview

Section 1A: Basic initiative information			
<b>Proposal title</b>	<i>Ruapehu Alpine Lifts – Make Good Provision</i>		
<b>Lead Minister</b>	<i>Minister of Conservation</i>	<b>Agency</b>	<i>Department of Conservation</i>
<b>Brief description of Cabinet paper (max 800 characters)</b>	<p><i>A Cabinet Paper is currently being prepared by the Ministry of Business, Innovation and Employment (MBIE) outlining the current position and future options regarding Ruapehu Alpine Lifts Limited (in receivership) ('RAL').</i></p> <p><i>The Cabinet Paper will outline options for ongoing ski field operations at Whakapapa and Tūroa, including continuation of operational funding from the Crown to RAL, which would allow one or both of the ski fields to continue operating (the existing funding arrangement is scheduled to end in March 2024); and potential for other operator(s) to take over the concession and operate one or both of the ski fields.</i></p> <p><i>If Cabinet's decisions on these options result in the cessation of operations at either of the ski fields, then under accounting standards this will trigger an obligation to remove all infrastructure from the closed ski field(s) and to restore the environment to its original natural state (the 'make good' liability). This obligation was included in the concession arrangement agreed by RAL, but Cabinet has previously noted that RAL will not be able to meet this liability and therefore the obligation will fall to the Crown (CAB-23-MIN-0240).</i></p> <p><i>Under accounting rules (Public Sector Accounting Standards), the Department of Conservation (DOC) will be required to recognise the cost of the make good liability as soon as the 'obligating event' occurs – in this case, cessation of ski field operations. This event could occur for one or both of the fields within the next few weeks, at which point DOC will recognise substantial unappropriated expenditure. The make good expenditure may not be incurred for quite some time, but the liability must still be recognised.</i></p> <p><i>An updated estimate of the make good liability is in the range of <span style="background-color: #cccccc;">Sec 9(2)(b)(ii)</span> (split between Whakapapa and Tūroa). The range reflects the potential different methods of deconstruction that may be required.</i></p> <p><i>The MBIE Cabinet paper will seek approval for immediate funding if the chosen option(s) result in the requirement to recognise the liability.</i></p>		
<b>Suggested source of funding sought</b>	<i>Between-Budget Contingency</i> <input type="checkbox"/>	<i>Pre-commitment to operating or capital allowances</i> <input checked="" type="checkbox"/>	<i>Some other fund (e.g. the National Resilience Plan)</i> <input type="checkbox"/>
			<i>Outside of allowances or other established funds</i> <input type="checkbox"/>

<b>Is this a cross-Vote initiative or part of the Justice/Natural Resource sector cluster process?</b>	<b>Y</b>	<i>This is a new request for an exception to the Natural Resources Sector Cluster multi-year funding envelope.</i>
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<b>Has the initiative been previously considered by Cabinet, declined, or deprioritised through Budget?</b>	<b>N</b>	<i>Cabinet has been advised that a liability may occur and have agreed to establishing a multi-year Non-Departmental appropriation for this purpose – but have not yet considered approval of funding.</i>
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**Section 1B: Summary of funding profile**

Operating funding sought by this out-of-cycle request (\$m)					
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
Sec 9(2)(b)(ii)	-	-	-	-	Sec 9(2)(b)(ii)

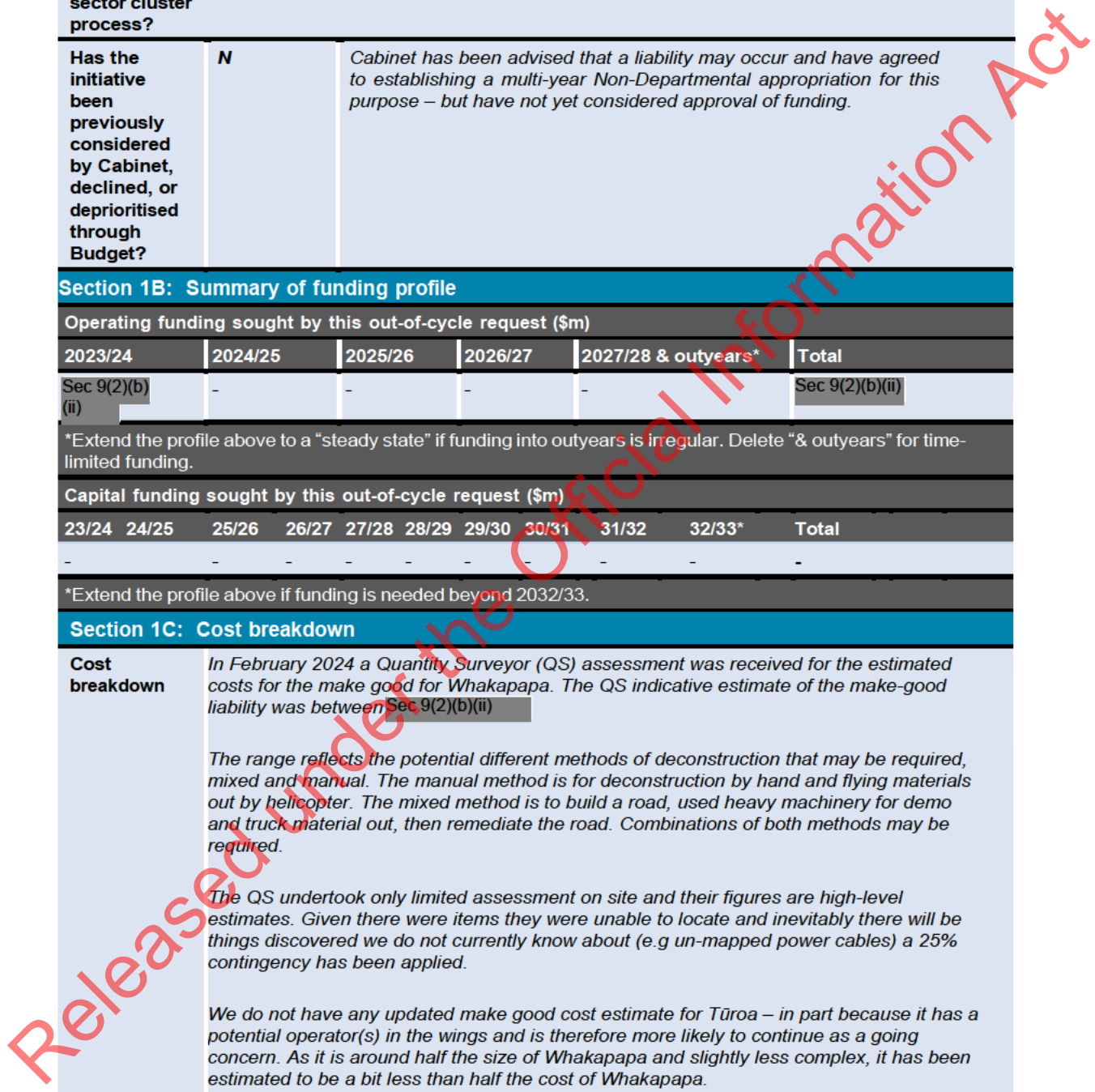
\*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Capital funding sought by this out-of-cycle request (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
-	-	-	-	-	-	-	-	-	-	-

\*Extend the profile above if funding is needed beyond 2032/33.

**Section 1C: Cost breakdown**

<b>Cost breakdown</b>	<p><i>In February 2024 a Quantity Surveyor (QS) assessment was received for the estimated costs for the make good for Whakapapa. The QS indicative estimate of the make-good liability was between Sec 9(2)(b)(ii)</i></p> <p><i>The range reflects the potential different methods of deconstruction that may be required, mixed and manual. The manual method is for deconstruction by hand and flying materials out by helicopter. The mixed method is to build a road, used heavy machinery for demo and truck material out, then remediate the road. Combinations of both methods may be required.</i></p> <p><i>The QS undertook only limited assessment on site and their figures are high-level estimates. Given there were items they were unable to locate and inevitably there will be things discovered we do not currently know about (e.g un-mapped power cables) a 25% contingency has been applied.</i></p> <p><i>We do not have any updated make good cost estimate for Tūroa – in part because it has a potential operator(s) in the wings and is therefore more likely to continue as a going concern. As it is around half the size of Whakapapa and slightly less complex, it has been estimated to be a bit less than half the cost of Whakapapa.</i></p> <p><i>The estimated costs are in the range of Sec 9(2)(b)(ii) for Tūroa and Sec 9(2)(b)(ii) for Whakapapa, a total of between Sec 9(2)(b)(ii) . (ii)</i></p>
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BUDGET-SENSITIVE

<p>The actual costs to make good will be impacted by factors which are currently unknown, such as</p> <ul style="list-style-type: none"> <li>• <i>Timing of the removal and remediation work – infrastructure assets will need to stay in place until the ski fields cease operations, and so the commencement date for removal and remediation work (of one or both fields) may be several years or even decades into the future (dependent on any future arrangements for continuation of ski field operations by RAL or other parties).</i></li> <li>• <i>As deconstruction commences more complexities in removal of materials may arise and unknown elements may be revealed, such as underground fuel, water or power lines and asbestos or other hazardous materials. A contingency of 25% has been applied but this may not be sufficient.</i></li> <li>• <i>It is expected that costs will increase over time, and so the longer the work is delayed, the more it will cost.</i></li> </ul>						
Operating expenses (\$m)						
Operating expense category	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
[Name of operating expense category]	[•]	[•]	[•]	[•]	[•]	[•]

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BUDGET-SENSITIVE

Capital expenses (\$m)										
Capital expense 23/24 category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
[Name of capital expense category]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

## Section 2: Value proposition: Why is this important?

### Section 2A: Problem definition, outcomes, and implementation

**What is the problem or opportunity that this initiative is trying to address?**

*The cost of the make good of infrastructure on Mount Ruapehu is substantial, and DOC (on behalf of the Crown) has no discretion in whether to recognize this liability and undertake the removal and remediation work in the future.*

*DOC, on behalf of the Crown, holds a responsibility as kaitiaki of the natural environment, and to protect and preserve the Conservation estate. In order for DOC to meet this responsibility, all infrastructure will need to be removed from Mount Ruapehu once ski field operations cease. The Crown has accepted responsibility to fulfil this obligation.*

*In particular, local iwi regard the mountain as a culturally significant area, and so it will not be acceptable for assets to be effectively abandoned on the mountain and allowed to deteriorate over time.*

*Accounting standards (PBE IPSAS 19) require that a provision for a liability is made when:*

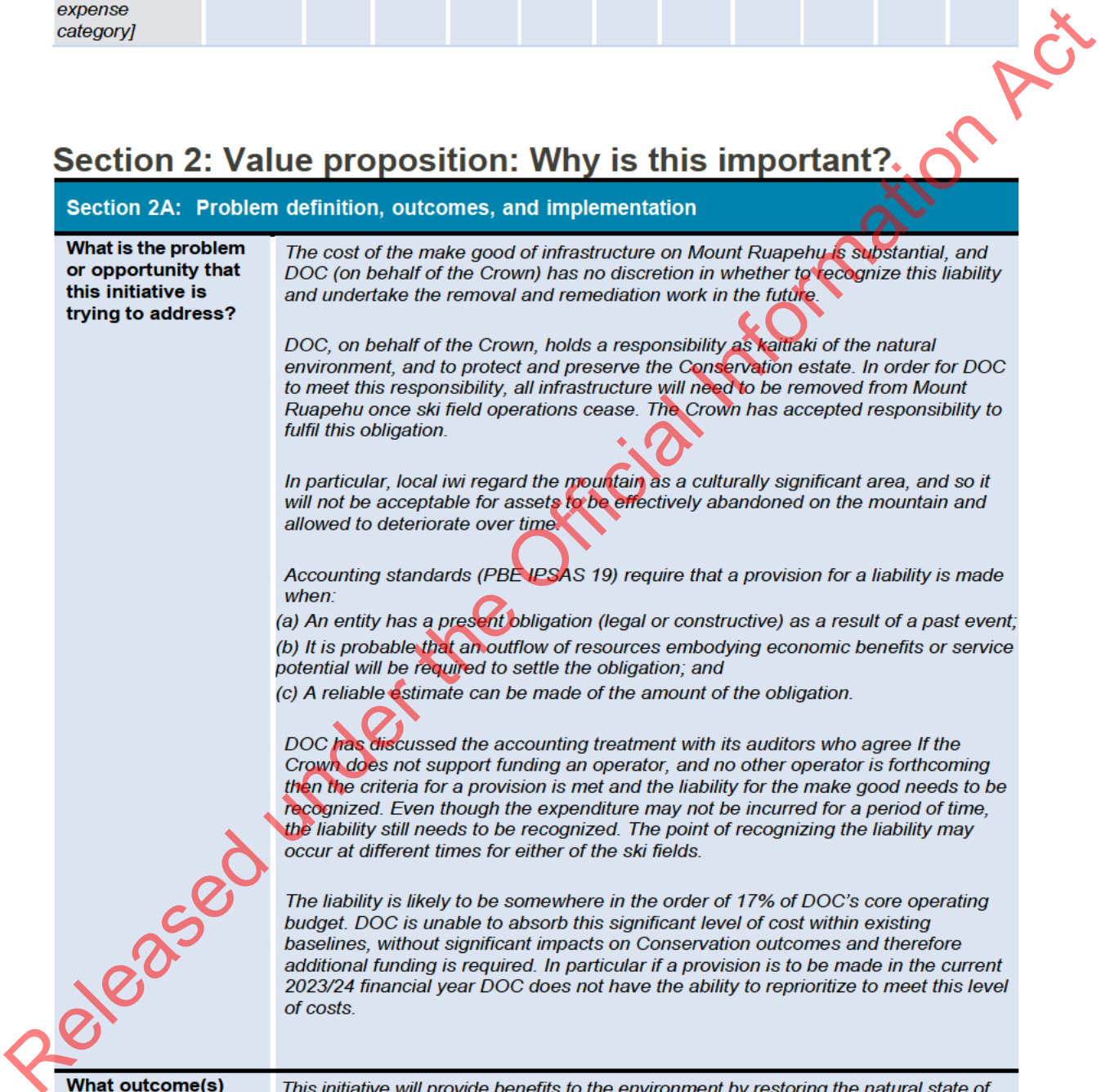
- (a) An entity has a present obligation (legal or constructive) as a result of a past event;*
- (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and*
- (c) A reliable estimate can be made of the amount of the obligation.*

*DOC has discussed the accounting treatment with its auditors who agree If the Crown does not support funding an operator, and no other operator is forthcoming then the criteria for a provision is met and the liability for the make good needs to be recognized. Even though the expenditure may not be incurred for a period of time, the liability still needs to be recognized. The point of recognizing the liability may occur at different times for either of the ski fields.*

*The liability is likely to be somewhere in the order of 17% of DOC's core operating budget. DOC is unable to absorb this significant level of cost within existing baselines, without significant impacts on Conservation outcomes and therefore additional funding is required. In particular if a provision is to be made in the current 2023/24 financial year DOC does not have the ability to reprioritize to meet this level of costs.*

**What outcome(s) would the initiative achieve?**

*This initiative will provide benefits to the environment by restoring the natural state of this area within the Tongariro National Park.*



## BUDGET-SENSITIVE

<b>Implementation</b>	<i>Implementation plans and budgets are still to be developed and are dependent on the timing of when make good activity is likely to commence. It is expected that the planning process will include consultation with technical experts and local iwi. Implementation may also need to be split between the two ski fields (Whakapapa and Tūroa) dependent on the timing of operations ceasing in the respective areas.</i>			
<b>Section 2B: Alignment to priorities</b>				
<b>Alignment to Budget Priorities (if alignment to multiple Priorities is possible, select the most relevant)</b>	<input type="checkbox"/>	<i>Addressing the rising cost of living</i>	<input type="checkbox"/>	<i>Delivering effective and fiscally sustainable public services</i>
	<input type="checkbox"/>	<i>Building for growth and enabling private enterprise</i>	<input type="checkbox"/>	<i>Not Aligned</i>
	<i>This initiative is not related to Budget priorities. The liability arises from accounting rules and is non-discretionary in nature.</i>			
<b>Specific implications regarding the Crown's obligations under the Treaty of Waitangi</b>	<b>Y/N</b>	<i>Mount Ruapehu is regarded as a culturally significant area by local iwi, and therefore it is important that the Crown is seen as actively fulfilling its responsibility as kaitiaki of the land and mountain. The Tongariro National Park is currently subject of Treaty settlement negotiations, and this will have direct implications for future usage and governance of the area.</i>		

## Section 3: Urgency: Why is funding needed now?

<b>Section 3A: Urgency and nature of funding</b>			
<b>Why is the funding urgent? Why can it not wait until the next Budget?</b>	<i>The cost liability for the make good work is required to be recognized as soon as the obligating event (cessation of ski operations) occurs. This is likely to occur within the 2023/24 financial year. There are two potential obligating events: one is the Cabinet decision to discontinue operations at Whakapapa and/or Tūroa, or earlier when DOC determines a reliable estimated costs to remove the infrastructure. The cost is not currently funded, and DOC has no capacity to manage this substantial cost within existing baselines. Without additional funding being approved, DOC would incur unappropriated expenditure.</i>		
<b>What is the nature of the funding request?</b>	<i>The funding request is to enable provision for the liability to remove ski field infrastructure and at Whakapapa or both Whakapapa and Tūroa. These costs are outside DOC's control. They arise from previous Cabinet decisions that the liability for make good costs will transfer to the Crown. Recognition of the costs is prescribed by accounting standards and the Public Finance Act.</i>		

## Section 4: Funding options analysis: What other funding options have been considered?

<b>Section 4A: Reprioritisation options analysis</b>			
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BUDGET-SENSITIVE

<p><b>What funding options have been considered as an alternative to new funding?</b></p>	<p>DOC is facing significant cost pressures, which are primarily driven by wage and inflationary pressures, as well as the ongoing impacts of severe weather events like Cyclone Gabrielle. While Budgets 2022 and 2023 included new funding which goes some way to address wage pressures and covers the immediate impacts of Cyclone Gabrielle, the Department still faces average annual cost pressures of <b>Sec 9(2)(iv)</b> (this excludes uncosted potential liabilities, such as the RAL make good costs outlined in this request) and significant rebuild costs.</p> <p>As directed by Cabinet, the Minister of Conservation has already made significant reprioritisation decisions within Vote Conservation to fund the Government's flagship marine protection proposals. These funding decisions represent a commensurate reduction in the Budget 2022 funding provided to deliver the Predator Free 2050 Strategy – which is critical to slowing New Zealand's biodiversity decline. Further reprioritisation within Vote Conservation will materially impact on DOC's ability to contribute to the goals of Te Mana o Te Taiao.</p> <p>DOC is not able to meet the remaining costs within baseline or reprioritisation without affecting environmental, including marine protection, resource management, climate change and other related priority programmes.</p> <p>For DOC to cover the make good provision from its existing baseline would require a fundamental re-design of the Conservation system and priorities. Decisions would be needed from Cabinet on which environmental programmes currently funded would no need to be stopped or paused. This is not feasible in particular if decisions are made that result in the liability needing to be recognised in the next month or two.</p>										
<p><b>If new funding is not provided, what is the second-best option for funding?</b></p>	<p>DOC does not consider that there is a second-best option for funding. The estimated cost of this liability represents a significant proportion of the Department's overall funding, and managing the cost within existing baselines would require termination of a substantial portion of DOC's operations. The approval of additional funding is the only viable option.</p>										
<p><b>Part funding/scaled options</b></p>	<p>These costs cannot be scaled down or deferred – as soon as the obligating event (cessation of operations) occurs, DOC is required to recognize the cost, based on best estimates.</p> <p>The trade-offs/consequences of part funding through alternative options are the same as above. The Department has no viable way of part funding this liability without significantly impacting upon key workstreams.</p>										
<p><b>Operating expenses (\$m)</b></p>											
<p>Operating expense category</p>	<p>2023/24</p>	<p>2024/25</p>	<p>2025/26</p>	<p>2026/27</p>	<p>2027/28 &amp; outyears*</p>	<p>Total</p>					
<p>Scaled amount met through Reprioritization</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>					
<p><b>Capital expenses (\$m)</b></p>											
<p>Capital expense category</p>	<p>23/24</p>	<p>24/25</p>	<p>25/26</p>	<p>26/27</p>	<p>27/28</p>	<p>28/29</p>	<p>29/30</p>	<p>30/31</p>	<p>31/32</p>	<p>32/33*</p>	<p>Total</p>
<p>Scaled amount met through Reprioritization</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>	<p>[•]</p>

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# Item 11

**From:** [Sam Harrison](#)  
**To:** [Tui Arona \(parliament\)](#); [Harry Evans](#)  
**Cc:** [Stacey Wrenn](#); [James Johnson \(Policy Manager\)](#); [Ruth Isaac](#); [Tyler Hall](#)  
**Subject:** 24-B-0121 - Aide Memoire; 24-K-0003 - Cabinet memo; Decisions on the future of RAL post-March 2024  
**Date:** Monday, 4 March 2024 1:35:12 pm  
**Attachments:** [image001.jpg](#)  
[24-K-0003 - Cabinet Paper Memo - Decisions on the future of RAL post-March 2024 - DOC-7584674.pdf](#)  
[24-K-0003 - Cabinet Paper Memo - Decisions on the future of RAL post-March 2024 - DOC-7584674 \(1\).docx](#)  
[24-B-0121 - Aide Memoire - Further information on Ruapehu Alpine Lifts Limited decommissioning liability - DOC-7584703.pdf](#)  
[24-B-0121 - Aide Memoire - Further information on Ruapehu Alpine Lifts Limited decommissioning liability - DOC-7584703.docx](#)

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Kia ora kōrua,

Find attached:

- 24-B-0121 - Aide Memoire - Further information on Ruapehu Alpine Lifts Limited decommissioning liability (PDF and word)
- 24-K-0003 - Cabinet Paper Memo - Decisions on the future of RAL post-March 2024 (PDF and word)

This advice is to support the Minister at the Cabinet 100-Day Committee on Tuesday 5 March 2024, where the committee will consider the Minister of Regional Development's paper "*Decisions on the future of RAL post-March 2024*".  
24-B-0121 responds to the Minister's request for further information on the Crown's accounting and legal obligations in relation to decommissioning RAL's infrastructure. It does not require any action.

Nā

**Sam Harrison**

Senior Policy Advisor | Kaitohutohu Matua Budget and Funding Policy  
Policy and Regulatory Services

Department of Conservation | Te Papa Atawhai

Mobile Sec 9(2)(a)

Email: xxxxxxxxxxxx@xxx.xxxx.xx

**Conservation House Wellington | Whare Kaupapa Atawhai**

Level 2, 18 - 32 Manners St | PO Box 10 420, Wellington 6143

DOC logo horizontal long.





## Aide Memoire: Further information on Ruapehu Alpine Lifts Limited decommissioning liability

<b>To</b>	<b>Minister of Conservation</b>	<b>Date submitted</b>	<b>4 March 2024</b>
<b>Risk Assessment</b>	Medium	<b>Priority</b>	Very High
<b>Reference</b>	24-B-0121	<b>DocCM</b>	DOC-7584703
<b>Security Level</b>	[REDACTED]		
<b>Attachments</b>	Attachment 1 – Previous Cabinet decisions and advice Attachment 2 – Maps of already redundant assets		

<b>Contacts</b>	
<b>Name and position</b>	<b>Cell phone</b>
Ruth Isaac, Deputy Director-General, Policy and Regulatory Services	Sec 9(2)(a) [REDACTED]
Sam Harrison, Senior Policy Advisor, Budget and Funding Policy	Sec 9(2)(a) [REDACTED]

Date: 04/03/2024

Ruth Isaac  
Deputy Director-General  
Policy and Regulatory Services  
For Director-General of Conservation

## Purpose – Te aronga

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1. To provide you further information on the Crown's accounting and legal obligations in relation to the decommissioning of Mt Ruapehu Alpine Lift Limited's (RAL's) ski field infrastructure on Ruapehu.

## Background and context – Te horopaki

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2. The Minister of Regional Development is taking a Cabinet paper outlining the current position and future options for RAL to the Cabinet 100-Day Plan Committee on Tuesday, 5 March 2024.
3. To support you at this meeting we are providing you with a Cabinet memo with talking points separately (24-K-0003 refers).
4. On 28 February 2024 we provided you with advice on an out-of-cycle funding request to cover potential liability related to RAL's infrastructure at Whakapapa and Tūroa (24-B-0019 refers). Previous Cabinet decisions and advice on this are summarised in **Attachment 1**. This aide memoire responds to your request for further information on the Crown's accounting and legal obligations.

## RAL and the decommissioning obligation

5. RAL was established in 1953 and since then has built extensive infrastructure in Tongariro National Park as part of their ski field operations at Whakapapa and Tūroa. On 11 October 2022, RAL announced that it had appointed voluntary administrators following a resolution of RAL's directors.
6. The Department of Conservation (DOC) administers Tongariro National Park and is required to preserve it in its natural state as far as possible.<sup>1</sup> DOC is also required to manage the park consistent with the Tongariro National Park Management Plan 2006-2016 (TNPMP) and the Tongariro/Taupo Conservation Management Strategy 2002-2012 (TTCMS).<sup>2</sup>
7. Under the terms of RAL's concessions RAL is liable, if no new operator can be found and the Minister requires it, to remove all infrastructure and remediate the land on termination of their concessions, i.e. liable to decommission. This obligation is known as the 'make good' provision and gives effect to the policies of the TNPMP. RAL's liquidation makes it highly unlikely that they will be able to deliver on their decommissioning obligations.
8. In May 2023 the previous Government made the decision to not require any potential new operators to decommission RAL's existing infrastructure to make RAL's business more attractive for investment [CAB-23-MIN-0192]. This raised the question of the future of RAL's infrastructure, especially if a new operator cannot be found.

## There are four funding requirements related to RAL infrastructure

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9. We have identified four separate issues related to RAL infrastructure, which come with associated estimated funding requirements outlined below.
  - Removal of already redundant infrastructure on Ruapehu (\$8.5 million for 2023/24).
  - Ongoing maintenance of essential services on Ruapehu (Sec 9(2)(b)(ii) [REDACTED]).
  - Whakapapa decommissioning liability (Sec 9(2)(b)(ii) [REDACTED]).

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1 Section 4, *National Parks Act 1980*. This obligation is relaxed to an extent where the land concerned lies within an amenities area. Portions of the Whakapapa and Tūroa ski fields are situated in amenities areas.

2 Section 43, *National Parks Act 1980*.

- Tūroa decommissioning liability (Sec 9(2)(b)(ii) ).
10. Of these, only the removal of already redundant infrastructure has funding set aside in a tagged contingency [CAB-23-MIN-0456]. We will provide advice later in March 2024 on drawing down this contingency. **Attachment 2** contains a map of this infrastructure.
  11. Funding for the other three issues is sought in the Minister of Regional Development's Cabinet paper, dependant on which policy options Cabinet opts to support. This aide memoire focuses on the decommissioning liability associated with Whakapapa and Tūroa. Note that the Sky Waka and the lodges at Iwakau Village are not owned by RAL, therefore have been excluded from the estimates above.

### **The Crown has an accounting obligation to recognise the liability**

12. Under the Public Finance Act 1989 and the Financial Reporting Act 2013 we are required to abide by the *Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS)*.<sup>3</sup> PBE IPSAS 19 requires that a provision for a liability must be made when three criteria are met. These criteria and our assessment against them are in **Table one** below.

Table one: Analysis of our accounting obligations under PBE IPSAS

	<b>Criteria</b>	<b>Analysis</b>
a)	An entity has a present obligation (legal or constructive) as a result of a past event ( <b>currently met</b> ).	We have a constructive obligation as there is a general expectation from the public, stakeholders and iwi that we will decommission the infrastructure. This expectation comes from previous statements made by the Crown which reflects certain aspects of the National Parks Act, the TNPMP and the TTCMS.
b)	It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation ( <b>not currently met</b> ).	If an operator is still operating the ski fields, the infrastructure will still be in use and maintained – at the point no operator can be found it becomes probable that the Crown, as provider of last resort, will have to fulfil the decommissioning obligation.
c)	A reliable estimate can be made of the amount of the obligation ( <b>currently met</b> ).	A quantity surveyor has provided cost estimates to decommission the infrastructure on Whakapapa, which have had a contingency applied. This has been used as a proxy to estimate the cost for Tūroa.

13. Accounting for the liability (the accounting requirement) is a separate and distinct question from whether the Crown has a legal obligation to remove infrastructure from Ruapehu (discussed below).
14. The decisions sought in the Minister of Regional Development's Cabinet paper could result in there being no operator for either Whakapapa and/or Tūroa. As discussed in Table one above, this would result in criteria b) being satisfied, triggering the need to recognise the decommissioning liability in our accounts. This would not mean that there is a legal obligation on the Crown to decommission the ski fields.
15. The risk of criteria b) being triggered is much higher at Whakapapa than Tūroa. An operator, Pure Tūroa Limited, has applied for a concession to operate the

3 Section 26H, Public Finance Act 1989.  
Section 8, Financial Reporting Act 2013.

infrastructure on Tūroa. On 21 February 2024 we briefed you recommending that you be the decision maker for this application (24-B-0073 refers).

16. There is currently no applicant in relation to Whakapapa. The actual expenditure to decommission may not be incurred for several years, but when it is it will be recorded against the provision. Below are the implications for when the decommissioning liability would need to be recognised at Whakapapa based on the options in the Cabinet paper:

- Option 1: No further support and RAL liquidates – **need to recognise immediately.**
- Option 2: Long term continued support for Whakapapa – **need to recognise deferred.**
- Option 3: Short term continued support for Whakapapa – **need to recognise in late 2024 or early 2025.**

#### **A separate decision is required as to whether the Crown decommissions**

17. If no operator can be found for Whakapapa or Tūroa the Government needs to decide whether it wishes to decommission the infrastructure on those ski fields. It is more likely that an operator will take over Tūroa, as discussed in detail in the Cabinet paper.

Sec 9(2)(h)

Sec 9(2)(h)

### **Risk assessment – Aronga tūraru**

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24. If the decommissioning liability needs to be recognised and there is no funding approved for the liability, we would record a significant amount of unappropriated expenditure.

Sec 9(2)(g)(i)

**ENDS**

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## Attachment 1: Previous Cabinet decisions and advice


Table one: Decisions made by the previous Government on RAL decommissioning

Date	The previous Government...	Reference
22 May 2023	<ul style="list-style-type: none"> <li><b>noted</b> that RAL's concessions to operate on Ruapehu would be transferred to a new operator if one could be found, but that the liability to decommission existing infrastructure would not be borne by the new entities - instead, it would be quarantined as contingent liabilities of DOC.</li> </ul>	CAB-23-MIN-0192
12 June 2023	<ul style="list-style-type: none"> <li><b>noted</b> that if RAL is liquidated, it would not be able to decommission the ski fields and that this obligation and liability would fall to the Crown – regardless of if proposed deals for the ski fields proceeded.</li> <li><b>authorised</b> the previous Ministers of Finance, Conservation and Regional Development to confirm the correct treatment of the 'make good' obligation including the quantum and timing of the associated fiscal impacts.</li> <li><b>agreed</b> to create a \$4 million tagged contingency for the 2023/24 financial year for the removal of RAL's infrastructure that was already redundant.</li> </ul>	CAB-23-MIN-0240
2 October 2023	<ul style="list-style-type: none"> <li><b>noted</b> that an indicative initial estimate of the liability costs the Crown has accepted to decommission was \$47 million to \$88 million.</li> <li><b>agreed</b> to increase the 2023/24 tagged contingency for the removal of RAL's infrastructure by \$4.5 million, increasing the total funds available to \$8.5 million.</li> </ul>	CAB-23-MIN-0456

Table two: Advice from DOC to the Minister of Conservation on RAL decommissioning

Date	We have provided advice to you that...	Reference
12 February 2024	<ul style="list-style-type: none"> <li>the Crown has previously accepted it is likely to become liable for the cost to remove redundant infrastructure from the ski fields (Whakapapa and Tūroa) and restore the environment to its original state (a 'make good' liability).</li> <li>while the expenditure to make good may not need to be spent for a few or potentially many years, under accounting standards, the liability needs to be recorded by the Crown once confirmed the Crown is liable. An appropriation has been approved to recognise the liability, but no funding approved yet.</li> </ul>	Status Report MOC 7
26 February 2024	<ul style="list-style-type: none"> <li>the revised estimate to remove infrastructure from Whakapapa ski field, excluding the Sky</li> </ul>	Status Report MOC 9



	<p>Waka gondola and Knoll Ridge Cafe building, Sec 9(2)(i)</p>  <ul style="list-style-type: none"> <li>•</li> </ul>	
<p><b>26 February 2024</b></p>	<ul style="list-style-type: none"> <li>• if the ski field closes, we have estimated that in the event the liquidator undertakes nothing more than to dispose of vehicles and other non-fixed assets, DOC would face costs of Sec 9(2)(b)(ii) to keep the site safe, remove any dangerous goods, undertake such work as limited decommissioning of ski-lifts and/or de-icing. Officials have estimated maintaining the site in a secure and safe state such that it could be re-started by a suitable operator at up to Sec 9(2)(b)(ii).</li> <li>• the 'make good' provisions reflect the Tongariro National Park Management Plan policy that all redundant infrastructure will be removed and the land restored to as near its original state as possible [Section 4.1.3 policy 3]. The Management Plan does not provide a timeframe for undertaking remediation, the Department considers the obligation to remediate has to be approached according to what is "reasonable in the circumstances."</li> <li>• it will cost between Sec 9(2)(b)(ii) to decommission the ski fields. The Sky Waka and Knoll Ridge café were also excluded on the basis they could potentially operate as a stand-alone tourism business.</li> </ul>	<p><b>24-B-0109</b></p>
<p><b>28 February 2024</b></p>	<ul style="list-style-type: none"> <li>• if Cabinet choose to cease funding either of the ski fields this would trigger the requirement to recognise the estimated cost of the decommissioning liability in accordance with accounting standards, for that ski field. If funding for the decommissioning liability is not approved at the same time the decision is made, we would record substantial unappropriated expenditure.</li> <li>• the liability may need to be recognised immediately following decisions on the Minister for Regional Development's Cabinet paper and therefore approval from the Minister of Finance for an out-of-cycle</li> </ul>	<p><b>24-B-0019</b></p>

	<p>funding request is sought. The approval is required to include the out-of-cycle funding request in the upcoming paper; Cabinet will make the final decision on whether the funding is approved.</p>	
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Attachment 2: Maps of already redundant assets



Figure 1 – Whakapapa and Turoa GIS Overview



Figure 2 – Turoa GIS of Redundant Structures

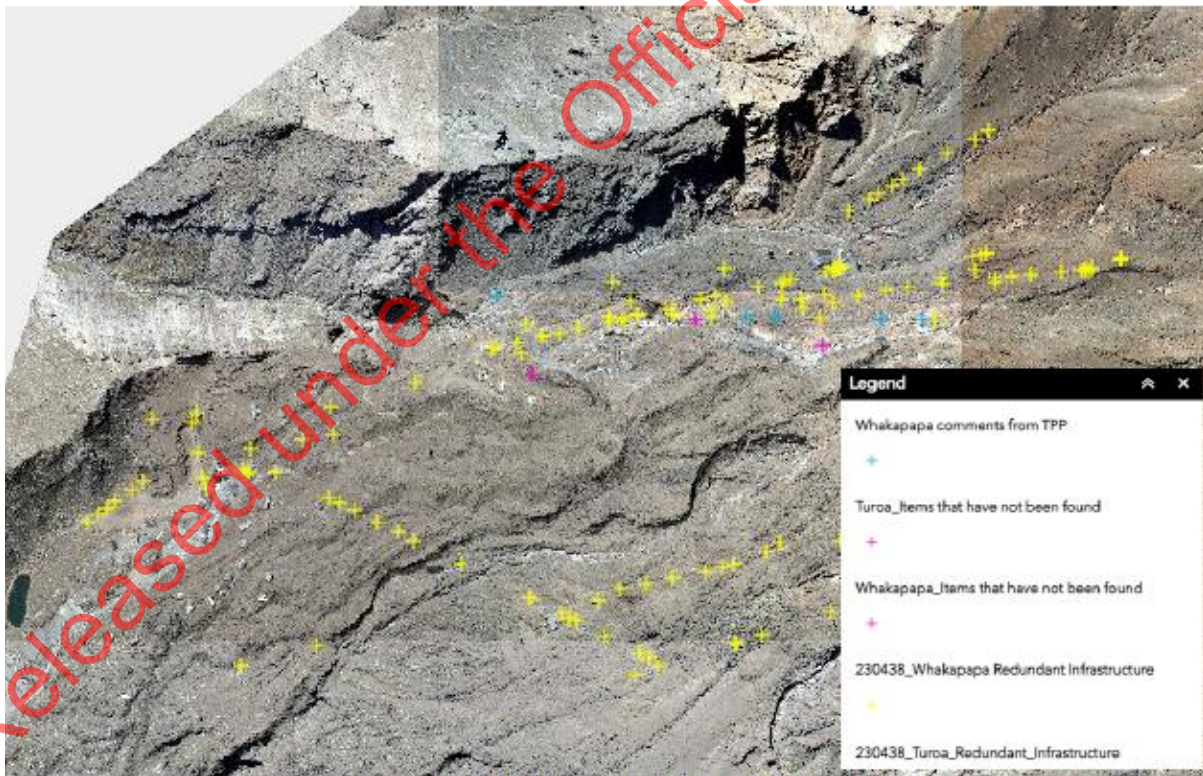


Figure 3 – Whakapapa GIS of Redundant Structures

## Cabinet Paper Talking Points

To	Minister of Conservation		
Date of meeting	5 March 2024		
Cabinet Paper	Decisions on the future of Ruapehu Alpine Lifts Limited (In Liquidation and Receivership) (RAL) post-March 2024		
GS tracking #	24-K-0003	DocCM	DOC-7584674
Minister lead	Regional Development		
Committee	100-day plan Cabinet Committee		
DOC Contacts	Ruth Isaac, DD-G, Policy and Regulatory Services: Sec 9(2)(a) Stacey Wrenn, Senior Manager, Regulatory Services: Sec 9(2)(a)		
Security Level	[Redacted]		

### Recommendations

The Minister for Regional Development recommends that the Committee:

#### Tūroa ski field sale

1. **Agree** to confirm the government's support for the sale of the Tūroa ski field assets from Ruapehu Alpine Lifts Limited (in Receivership and Liquidation) (RAL) to Pure Tūroa Limited on the terms set out in the conditional Sale and Purchase agreement entered into by RAL's receivers and Pure Tūroa Limited, and the terms of the Funding Agreement to be entered into by the Ministry of Business, Innovation and Employment (MBIE) and Pure Tūroa Limited.

#### **AND**

2. **Approve** \$3.05 million of equity and loan funding from existing ringfenced funds in the Regional Strategic Partnership Fund to Pure Tūroa Limited to enable it to complete the purchase of the Tūroa assets and to operate the Tūroa ski field.
3. **Note** that if the Minister of Conservation declines to grant a concession to Pure Tūroa Limited to operate the Tūroa ski field or if the conditions of the proposed concession are not acceptable to Pure Tūroa Limited, the sale will not complete.
4. **Note** that if the conditional Sale and Purchase Agreement between Pure Tūroa Limited and RAL's receivers is not completed, the assets and operations of the Tūroa ski field will remain under the control of RAL's receivers.
5. **Note** that if RAL's receivers continue to operate the Tūroa ski field for the 2024 season, they will require an additional \$3.05 million of funding, in addition to funding required to run Whakapapa.
6. **Note** that if the sale is not completed and no additional funding is provided to RAL's receivers to operate Tūroa assets, since RAL is in both receivership and liquidation, once RAL's receivers have concluded the process of selling RAL's Whakapapa assets, the receivers will hand RAL's remaining assets relating to the Tūroa ski field back to its liquidators. The liquidators will then disclaim the existing Department of Conservation concession for Tūroa and start the formal process to wind up RAL.
7. **Note** that if the sale of the Tūroa assets to Pure Tūroa Limited does not complete, and no additional funding is provided to RAL to operate the Tūroa assets, it is likely that the Tūroa

assets will cease operating and will be liquidated, triggering the need to provision [redacted] to cover the potential 'make good' liability for Tūroa.

Sec 9(2)(i)

8. Sec 9(2)(i)

9.

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12.

13.

Sec 9(2)(b)(ii)

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## **Key points (can be used as talking points)**

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### **Tūroa recommendations and Pure Tūroa Limited (PTL) concession application**

- No commitment can be given about whether the PTL concession application will be approved or declined.
- The concession application from PTL is in the final processing stage. The application process has been robust, and engagement with Treaty Partners is ongoing to address matters raised during the process.
- The public submission and hearing process is now complete, and the Department is on track for a decision to be made before the end of March 2024.
- The Department has sought advice from the Minister of Conservation about whether he will be the decision maker for the application, or whether he will delegate his decision to a Department official [24-B-0073 refers].

### **Whakapapa recommendations**

- Sec 9(2)(b)(ii)
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### Option three

Sec 9(2)(b)(ii)

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**ENDS**

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Help

1. Incident Name	2. Operational Period
Whakapapa ski field closure	Date: Time:

**CONTINGENCY PLAN**

The items checked below are included in the Contingency Plan

- SITUATION CONTEXT
- [OBJECTIVES](#)
- [ORGANISATION LIST](#)
- SUPPORT UNIT TASKING
- [OPERATIONS](#) UNIT TASKING
- 
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- 
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3. Approved by Incident Controller:
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Name	Signed	Date/Time
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1. Incident Name	2. Operational Period	SITUATION CONTEXT
	Date: Time:	
<b>3. Situation</b>		
<p>Ski field infrastructure at Whakapapa has been operated for 70 years in various guises, most recently by Ruapehu Alpine Lifts until its financial failure in October 2022. Despite efforts by the liquidator (PwC) and MBIE, no buyer has been found to continue operating the ski field as a going concern and it has been abandoned with DOC now responsible for maintaining public safety and keeping the infrastructure in "fit to be restarted" condition</p> <p>Assumed re-start date is in five years.</p> <p>The ski fields include:</p> <ul style="list-style-type: none"> <li>X ski lifts</li> <li>X administration buildings</li> <li>Cafes, toilets and other public amenity buildings</li> <li>Snow making equipment (fixed or relocatable)</li> <li>Water storage dam and associated pumps</li> <li>Hazardous goods including liquid ammonia and hydrocarbons</li> </ul> <p>Non-fixed assets (vehicles, tools, office equipment) has/has not already been removed from the site.</p> <p>The Sky Waka gondola and Knoll Ridge café is/is not operating as a standalone business.</p>		
<b>4. NOTES</b>		

Sec 9(2)(g)(i)

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Draft Indicative Action Plan

This plan has been developed to help guide SLT in-principle decision-making.

Actions are divided into readiness (green), response (yellow) and BAU caretaking (orange)

The actions detailed assume the **worst-case situation** of both fields being closed/abandoned with DOC required to maintain them in “ready to be restarted” condition.

Resource requirement would be proportional for other scenarios such as a single field being closed or the Sky Waka continuing to operate as a stand alone business.

Tongariro Ops staff experience/knowledge will be crucial but engaging them in the response needs to be balanced against keeping BAU afloat.

Rough desktop estimate of **Sec 9(2)(b)(ii)** (including fixed costs such as lines charges and rates). **9(2)(g)(i)**

#### 5. Factors

Risks to public safety arise from:

- Avalanche
- Falling ski lifts if towers/cables are not de-iced or isolated from the risk of icing.
- Uncontrolled road access to top of Bruce Rd in inclement weather

Risks to ability to maintain infrastructure in “ready to restart” condition are:

- Vandalism
- Incorrect decommissioning

#### 9. Predicted Incident Development

Sec 9(2)(g)(i)

Sec 9(2)(g)(i)

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Closure of either or both ski fields could happen at short notice.

Initial phase would require a response team comprising a support unit and an operations unit.

Once site(s) are secured, personnel could likely be scaled back.

Sec 9(2)(g)(i)

Longer term, the major on-ground tasks will be site security and maintaining the machinery.

Removal of already redundant infrastructure will need to happen concurrently with maintaining the closed fields.

Sec 9(2)(g)(i)

Effort will be needed to mitigate the impact of this.

Some or all mothballed machinery may be re-commissioned in time (up to 5 years) under new owner or operator models.

Sec 9(2)(g)(i)

10. Prepared by:

Date / Time



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Sec 9(2)(g)(i)

Sec 9(2)(g)(i)

Sec 9(2)(g)(i)



<b>1. Incident Name</b>	<b>2. Operational Period</b>	<b>OBJECTIVES</b>
	Date: Time:	
<b>3. Overall Objectives</b>		
<ol style="list-style-type: none"> <li>1. Ensure public safety within designated amenity area.</li> <li>2. Ensure ski field infrastructure is maintained in a state which allows for it to be re-commissioned within 5 years.</li> <li>3. Minimise on-going resource required to achieve objectives 1 and 2.</li> <li>4. Uphold Department reputation as professional and competent operator.</li> </ol>		
<b>4. Objectives for specified Operational Period</b>		
<b>5. Prepared by:</b>		<b>Date / Time</b>

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**SUPPORT UNIT**

<b>Personnel:</b>				
<i>Position</i>	<i>Name</i>	<i>Contact # (s)</i>		
Project Lead				
Communications				
Legal				
Permissions				
EAM planning				
Finance				
Comms support				
<b>Tasks</b>			<b>Required Resource</b>	<b>Costs</b>
Sec 9(2)(g)(i)		Legal		
Prepare comms plan: Includes memo for minister, avalanche advisory, public notification of closure and intended course of action – needs to include tourism sector stakeholders as has international significance		Communications team	1 FTE	
Consider options and responses for proposals to provide activities on amenity area which do not use current facilities.		Permissions	20 hours?	
9(2)(g)(i)		Legal	8 hours?	
Confirm SPA		DDG		

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Enact short term legal closure		Legal/comms		
Establish WBS tracking	Multiple codes may be required	Finance		
Secure accommodation for response/caretaking team	Short-term need may be scaled back as move from immediate response to long-term caretaking	Property	2 days plus ongoing	9(2)(i)
Sort out approval to operate Sky Waka if set up as stand-alone business – concession	May include Knoll Ridge café, ticketing facilities and carparking	Permissions	1 FTE for 2 weeks	
Negotiate govt rate for Lines charges		Finance		9(2)(i)
Negotiate local body rates with Ruapehu DC		Finance		9(2)(i)
Assess cost/benefit of on-going de-icing vs decommissioning infrastructure		EAM planners		
Source vehicles for over-snow transport		Fleet		
Sec 9(2)(g)(i)		Permissions		
Amend concessions where needed for those who continue to hold valid concessions		Permissions		
Negotiate maintenance agreement for Telco co-sited facilities		Permissions		
Identify what compliance checks are required (electrical systems, fire alarms etc) – set up schedule for same		EAM planners		
Assess viability of Telcos moving to new sites		Permissions		

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Sec 9(2)(i)	Sec 9(2)(i)	Finance		
Develop re-commissioning plan	May require specialist input from Sec 9(2)(i) and others	EAM planners		
<b>NOTES</b>				
<b>Prepared by:</b>		<b>Date / Time</b>		

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Draft Indicative Action Plan

**OPERATIONS UNIT**

<b>Personnel:</b>				
<i>Position</i>	<i>Name</i>	<i>Contact # (s)</i>		
Ops lead	George Taylor			
Health and safety				
Supervision				
Field crew				
District project lead				
Logistics/procurement				
EAM planner				
<b>Tasks</b>			<b>Required resource</b>	<b>Costs</b>
Compile hazards schedule	Can be done ahead of time	District project lead	16 hrs	9(2)
Secure SOPs for plant operation and maintenance	Can be done ahead of time?	District project lead	1 week. Sec 9(2)(i)	9(2)
Secure key personnel from RAL	Possibly short term contracts	Ops lead	2 weeks	?
Secure site	Physical barrier at carpark?, Change all locks	Contractors	Sec 9(2)(i)	9(2)(i)
Engage security personnel	Would require several people in initial phase	Contractors	Sec 9(2)(i) Could take approx 2 weeks to sort out	

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Record baseline condition of all infrastructure		District project lead /EAM planners	Sec 9(2)(i)	9(2)
Drain water and heating pipes (or fill with antifreeze)	May require contractors	District project lead		9(2)(i)
Remove or arrange for removal of hazardous substances	Some may be done by Sec 9(2)(i) where they own tanks etc. Refrigeration technicians for Ammonia plant.	District project lead		9(2)(i)
Remove non-fixed assets from site to storage	Could be consolidated into secure location on site or move to RAL national park facility	District project lead		9(2)(i)
Close/limit/continue amenities such as public shelter, recycling centre, toilets		District project lead		
Organise safe access to ski clubs	May have to be restricted in initial phase	District project lead		
Establish de-icing programme for towers to stop them falling over		District project lead		
Arrange for ski patrols while de-icing, maintenance and storm maintenance		District project lead		
Provide for and manage public access		District project lead		

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Establish longer term security measures	CCTV remote monitoring, scale down staffing	District project lead	Sec 9(2)(i)	
Isolate "redundant" structures from maintenance requirements	demolish or remove Admin buildings?	District project lead	Sec 9(2)(i)	9(2)(i)
Seek de-commissioning advice for ski lifts from Sec 9(2)(i)	may require short-term contract for consultants	District project lead	1 week?	
De-cable ski lifts	Specialist skills needed	Contractors	Sec 9(2)(i)	9(2)(i)
Remove towers to remote site	Would need helicopters	Contractors	Sec 9(2)(i)	9(2)(i)
Reduce carpark areas or commit to ongoing repairs		District project lead	Sec 9(2)(i)	
<b>NOTES</b>				
Prepared by:		Date / Time		

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