CSC AGM – 23 November 2023 - Other business

David Glenn has been following the RAL debacle and was asked to provide some context of how RAL got into the current mess, what's been happening over the past 12 months – and provide a comment on where things might go from here.

Poor governance:
David acknowledged the effect of covid and a poor snow season wasn't helpful, but he considered the root cause of RAL's demise was a restricted ownership structure, which allowed governance standards to erode:

- RAL has been in existence for 70 years and is a community owned non-profit company. The RAL Trust is the controlling shareholder (45%); the Trust is pivotal in keeping the Directors to account. If the Trust doesn't do its job – poor governance practices start to creep in.
- It worked for 55-60 years – as integral, experienced directors came and went. However, over the past 10-15 years there was a decline in the Board's cohesiveness and expertise which led to a culture of "group think" and hubris across the Board and the Trust.
- Without the necessary check & counterbalance that the Trust should have provided, the Board lacked the diversity of thought to understand the complex operational environment, so were less able to keep management to account; it developed a dismissive attitude to the community focused minority shareholders; and it allowed a massive build up in debt – which ultimately led to the collapse of RAL.

David's observations of the last 12 months included:

- In his almost 40 years of business experience, David has never seen such a boiling hot cauldron of predetermined agendas, conflicts of interest, and fee grab - underpinned by conceited & dismissive egos of the major players (though admittedly David acknowledged he hadn't dealt with Government departments before!).
- MBIE has been driving the show (as the Provincial Growth Fund is being administered by MBIE – Kanoa) – as they are largest creditor. They have bullied and leveraged their access to cash to push a privatisation agenda – and their preferred bidders (at the expense of the skiing community that has kept RAL going for 70 years). MBIE has no problem with community assets being passed across to private bidders.
- The Government funding 'package' offered to the preferred bidders (Whakapapa Holdings & Pure Turoa) is the best lolly scramble a private enterprise could wish for **-** which is why Iwi registered their interest when the funding support was disclosed.
- David's concern is how long will the private bidders really be around for. The operator of the two ski fields needs to have an intergenerational time horizon – something that is difficult to reconcile with Private Equity.
- However, the privatisation agenda can't be implemented – as DOC can't deliver new licences to operate – as Iwi haven't consented.
- Right from the get-go the Voluntary Administrator, DOC and MBIE should have been dealing with Iwi.

The future requires a Government & Iwi agreement:

- The Government is aware that if the ski fields are forced to close, it will devastate the local Ruapehu economy and trigger a Government obligation to remove the skifield assets from the mountain at an approx cost of $100-$150 million.
- Though DOC issues the licences to operate the ski fields, it must consult with Iwi.

Iwi are waiting for the new Government to be formed!