

Tēnā koutou katoa,

As we head into the latter part of our season, I would like to take this opportunity to provide you with an update regarding winter 2020, Ruapehu Alpine Lifts (RAL).

Winter 2020

Climate change and operating on a volcano present challenges every year, however COVID-19 has made things even more difficult.

Adapting our processes and procedures to operate in the new COVID-19 environment has required our teams and guests to be patient and flexible which we are extremely grateful for. We remind ourselves every day that we are extremely fortunate to be able to operate under COVID-19 Alert Level 1 and 2, which is something the board, management and staff do not take for granted.

In our planning for the 2020 season, some of the key elements we needed to consider were:

1. Maintaining a safe operating environment for our guests and staff at all times.
2. Operating the ski areas to meet strict capacity restrictions imposed on the company.
3. Whether we could open both ski areas each day of the season given the reduced staffing levels within the company.
4. Providing a top to bottom ski & ride experience at each resort and to continue to develop our Sky Waka sightseeing experience.

Putting COVID-19 to one side - the start to this season saw warm weather, limited ability to make snow and minimal natural snowfall. This meant the experience was limited and it has only been since August where we have been able to offer top to bottom skiing and riding at both ski areas.

Since the beginning of July, we have welcomed over 215,000 manuhiri (guests) to our maunga. Our guest numbers are ahead of where we were for the same period in 2019 with one less month of operations. The key factor driving this increase compared to 2019 has been our Sky Waka sightseeing guests. These sightseeing numbers have doubled over the same period in 2019. This growth is significant for RAL and our region, especially with the limited snow offering at the start of this season.

We acknowledge that the experience at both Whakapapa and Tūroa is different to prior years. The effort that our teams have put in to deliver what is currently on offer at both ski areas has been tremendous. Key areas where our offering differs to prior years are noted below with some reasoning why:

- Ski and Ride School - Due to the closure of New Zealand's borders we have not been able to recruit our ski and ride instructors, which has meant we have had to offer a limited ski and ride lesson programme
- Not all lifts being operational – Due to the lockdown period and the month by month support that was being provided by our Bank, we were unable to complete our scheduled maintenance on our lifts (specifically the Delta and Western facilities at Whakapapa and Alpine Meadow lifts at Tūroa)
- We made a conscious decision to reduce our off-mountain activities, specifically rental and ticket sales to enable consolidation of resources back on the maunga
- We have also made a critical review of our food and beverage offerings throughout both resorts and approached the operation of these facilities with a demand-based model

Bookable Parking

A key change for the 2020 season has been the introduction of bookable parking. DOC and Ngati Hikairo asked RAL to implement a car park booking system to control congestion, manage demand and spread arrival times for visitors to Tongariro National Park.

Car parking has always been an option to manage visitor numbers and RAL is legally required to manage this as part of our concession. DOC mandated the implementation of a system as a legal way to control demand as it will help to reduce congestion and safety risks at both ski areas.

We initially introduced this system to manage demand over the busiest weekend days experienced between July and September. At COVID-19 Alert Level 2 we were directed by DOC to rejig our operations to safely operate to government specifications by implementing an optimal visitor cap. This has meant our daily visitation has been severely reduced and we have used the bookable parking system as the tool to manage this. Our daily numbers can fluctuate slightly and are dependent on operational facilities and the weather forecast for the upcoming week.

This is clearly version one and launched with extremely restricted skier capacity. It's a credible start but we acknowledge there are several improvements that can be implemented to improve experience.

Operating under COVID-19 Alert Level 2

As mentioned earlier we are extremely fortunate to be able to operate under both COVID-19 Alert Level 1 and 2 and our industry body SAANZ (Ski Area's Association New Zealand) has been working extremely hard to ensure this has been an option for all ski areas across New Zealand.

Under COVID-19 Alert Level 2 our on-mountain team are following risk-based Health & Safety protocols. These protocols include proactively managing capacity (through the bookable parking system), using PPE, and contact tracing systems. We also consider which activities are appropriate for this alert level and overlay hygiene and cleaning practices to ensure everyone is safe when they visit or work here. We utilise the NZ government COVID-19 tracing app and our lift pass gate systems allow for further contact tracing for all our guests.

We are also encouraging our guests to purchase their passes online before they arrive at the ski areas and have not been accepting physical cash during COVID-19 Alert Level 2.

With snow in the forecast this should result in a strong finish to what has been a challenging year. We are now hopeful that the country will revert to COVID-19 Alert Level 1 so that you can all make the most of the remaining 6 weeks of the season.

RAL Update

In April, when the country was in lockdown, we provided an update that the financial forecasts from COVID-19 were not acceptable to our Bank (ANZ) and we were operating on short term extensions to our bank funding.

While our guest numbers are ahead of last year, the financial position of the company has remained challenged so we are pleased to announce that we are now funded through to 30 November 2021. Our Bank has extended our borrowing terms which means we are now operating as a going concern and can commence our planning to open for winter 2021. The extension of terms has several conditions in place which includes a review of how we access capital in the future. We recognise that we require improved access to capital other than our current mix of retained earnings, bank borrowing and life pass sales.

Our company capital structure is unusual, we are a limited liability company, but with shareholders that cannot receive any benefit other than RAL reinvesting any profits back into the ski fields. In more recent times, those profits have simply not been enough to adequately reinvest in our lift infrastructure – while we have made good progress at Whakapapa we are well behind at Tūroa and we need both ski fields to be at a higher standard.

We are commencing a process reviewing our sources of capital. We expect there to be changes but we enter this review with an expectation that both fields continue to operate.

We thank you for your continued support, we look forward to seeing out the end of the 2020 season and taking Whakapapa and Tūroa forward into the future.

Nga manaakitanga,

Murray Gribben
Chair
Ruapehu Alpine Lifts Limited