

The proposed Cairngorm Mountain Coaster (1) – financials

Description

Thursday, June 27, 2019

Answers are needed on Alpine coaster bid

IT must be good news that the future of Cairngorm Mountain seems more likely to be in the hands of local people who should have a good grasp of what the community needs in the way of a viable visitor experience.

But, I cannot understand the apparent fixation with installing an expensive and totally inappropriate Alpine Coaster in this wild upland location.

Looking at the site at present, you might be excused for thinking that nothing could be worse, but this project seems to suggest that every effort would be made to prove that wrong.

Surely the area already has a similar successful and easily accessible facility nearby at Carrbridge: where are the figures backing a new and untried development far from main roads?

New Aviemore and Glenmore Community Trust manager Alex Ash's statement was full of uncertainties, including words like 'My best guess' and 'if things go the way we would like'. This is not reassuring.

We need hard evidence that this is a viable plan: do visitors want this? How much would they be prepared to pay?

Would they consider return visits? Has something similar been done elsewhere and if so, how long did it take to show a profit? If the main aim of the project is to boost Aviemore as a winter resort has anyone considered re-establishing the indoor ice rink?

This would provide alternative activities when there is insufficient



ALPINE COASTER: Cairngorm bound?



Councillor Muriel Cockburn.

snow and could be a truly year-round facility.

It must be obvious to us all that with global warming Aviemore needs to look beyond an unreliable winter season but I can't see that yet another expensive blot on this unique landscape is the way forward.

Janet Gould
Seafield Court
Grantown

Letter in Strathy this week

"A mountain coaster is a massive source of income but has to be implemented by the community".

This was part of a Facebook post on Sunday 23/06/2019, the claim being that the business plan proposed by the Aviemore and Glenmore Community Trust (A&GCT) and the SE Group showed a good profit could be made from the building of an Alpine Coaster. From the A&GCT webpage:

"With a proven high return on investment, a mountain coaster could easily be privately financed etc".

This post takes a critical look at the claim there will be *"a proven high return on investment"*.

I will use the figures provided by the SE Group, the international experts engaged by HIE, which are available on the Highlands and Islands Enterprises website ([see here](#)), as I am unable to find the A&GCT business plans.



There would appear to be several

omissions from the SE Group report, e.g. the length, vertical drop, top speed, and the time it takes to complete the circuit for the proposed roller coaster. These are all considerations for anyone wanting a thrill, so I will therefore use the figures for the mountain coaster at Zipworld in Wales.

Zipworld example

Length 1075m, 365m up and 710m down, max speed 40 kph and a circuit time of about 6 minutes, i.e. 5mins. up 1min. down, just slightly less than the time it takes to go up and ski down Coire Cas. There are restrictions on who can use sleds, with a minimum height of 1.35m and maximum weight of 150kg. Also for single person sled use there is a minimum age of 9yrs+ and for shared sled, 9yrs+ with a second rider from 3yrs – 8yrs.

Pricing at Zip World:- A ticket buys 3 runs of a single sled for £19 off peak (o/p) or £29 peak (p). A shared sled costs £29 o/p, or £39 p, BUT for two adults (whose combined weight must be less than 150kgs) its £38 o/p, £58 p.

Costs, income and net revenue

There are several costs to be taken into consideration :-

- (1) design, construction and re-instatement of ground,
- (2) daily wages,
- (3) daily energy,
- (4) annual maintenance,
- (5) loss of revenue to the Funicular – something else not mentioned by A&GCT, and
- (6) re-wilding to reduce the visual impact.

Then we need to know :-

- (1) the estimated number of users/ tickets sold,
- (2) the number of runs allowed per ticket,
- (3) the cost of a ticket?

All this information will allow us to obtain a figure for the “*massive source of income*” that some people expect.

The SE Group contains calculations about this on page 78 of their report:-

Figure 21. Typical Financial Data – Activities

Activity	Capital Cost		Visits	
	Low	High	Low	High
Mountain Coaster	£2,747,000	£2,885,000	65,000	110,000
Zip Line Tour	£1,888,000	£2,403,000	12,000	20,000
Lift Served Mountain Biking	£1,545,000	£2,000,000	6,000	25,000

Notes:

1. Ranges are based on preliminary vendor estimates. Actual figures will vary based on site, regulatory and operation-specific circumstances.

Mountain Coaster: Quoted from Wiegand (May 2018, included in Appendix 1) and includes 10–12% additional for earthworks, mounting, buildings, customs etc., and 75%–100% of baseline costs have been assumed to cover these additional costs.

The figure of £14 for a one minute ride is ridiculous and shows in my opinion how serious the flaws are in the argument, **and**, the potential revenue does not take into account items (2) – (6) of the costs and is therefore gross not net.

If, however, we look at page 87 of the SE Report, a totally different set of figures are presented:

Mountain Coaster – Summer Operations

The capital cost for the designed mountain coaster is estimated at £2,885,000. Wiegand reports that UK and European coasters typically expect to operate the summer with many operations reaching 150,000 visits. The ticket price per ride used in this analysis, £6.00, matches the industry standard.

Estimating 76,000 rides at £6.00 per ride, total summer coaster revenue is £456,000. The summer is 4 operators with patrol support in case of mechanical issues and 2 staff for ticketing. Using 4.75 staff for 758 hours at £10.00/hour including benefits, results in a total labor cost of £45,005. As to additional costs, £13,700, is estimated for ongoing maintenance of the coaster and £10,000 as a contingency for unexpected maintenance. This brings the total operating cost of the coaster in the summer to approximately £84,000, leaving a £372,000 margin.

This shows an expected cost of (a) £2,885,000, an expected revenue of £456,000, an operating cost of £84,000 (18.42% of revenue), leaving an net revenue of (b) £372,000. This is the “massive source of income” that is being promoted. Dividing (a) by (b) gives you the number of years to pay back the initial capital investment, 7.75 years and that is assuming all overheads remain as predicted before the profit can be appreciated.

A copy of an email obtained through a Freedom of Information request reveals that the A&GCT expect a figure of 36,000 visits/ rides at a ticket price of £7.50. This equates to an expected revenue of £270,000 minus an operating cost of approximately £50,000 (18.42% of revenue) leaving a net revenue of £220,000 and a breakeven point for the initial investment of just over 13 years.

Compare that figure to the revenue from skiers using the same visitor number, 36,000 day tickets at nominal price of £37 per day is £1,332,000. Instead of guessing at a price, would it not be base prices on established charges elsewhere, such as Zipworld, but adapt this so that it includes/takes account of the funicular (assuming its repaired)?

This shows that the idea of a mountain coaster being a major revenue earner, in my opinion, is simply

“pie in the sky”. The only way it can be justified is if the capital costs for planning and construction were all met by the public purse, another huge waste of public money.

What needs to happen.

Before any decision is made on taking forward the proposals for a mountain coaster, it would be prudent for someone from HIE, with the necessary skills, to approach Zipworld for advice with regards to the variables mentioned above and compare them to the SE Group report. That company has experienced a variety of problems that could completely derail the project, no pun intended. Also while I have shown that the mountain coaster could not be a stand alone business, it has to be remembered that it should be part of a master business plan that has been requested from HIE by the CNPA and others.

Part 2 of my post will be on the environmental issues surrounding a mountain coaster that need to be addressed.

Category

1. Cairngorms

Tags

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2. CNPA
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