

The Cairn Gorm funicular and the financial crisis facing Cairngorm (2)

Description

This post contains the second part of the report ([see here](#) for first) that was presented to Ivan McKee, the Minister responsible for Highlands and Islands Enterprise (HIE) at the beginning of July.

Draft Report in response to the financial crisis facing Cairngorm

Part II The bigger picture

4) What is needed at Cairn Gorm

- a. The importance of Cairn Gorm to the local Strathspey economy is in winter, not summer. The local economy has been booming in summer without the funicular (statistics attached) and there is no need for the other summer “attractions” that HIE has been developing since it has been shut, such as the tube slides and family mountain biking infrastructure. All these facilities do is compete with other local businesses and unsuccessfully because they in the wrong place and exposed to poor weather.
- b. The importance of winter income was confirmed when Natural Assets Investments Limited decided to change CML [Cairngorm Mountain Ltd]’s financial year from the fiscal year to the calendar year. CML posted a shortened accounting period covering April to Dec 2015, basically a unique insight to the financial reality of CML in summer with the funicular operational. Over the ‘summer’ trading period in 2015 CML posted a loss of £1.248 million! Janette Janson, then General Manager of CML under Natural Retreats, affirmed what many skiers had long thought, **“...our winter revenue which is crucial to sustain the operation during the summer months.”**
- c. The central purpose of the Cairn Gorm mountain business therefore should be to keep snowsports going and despite global warming, Met Office modelling predicts there should be sufficient snow to support the continuation of snowsports given the right infrastructure and management, including proper use of snow making machines. The challenge is to make the most of snow when it is there but the funicular because of its limited capacity and design flaws cannot do this. The funicular was originally partly justified as providing a safe means of access, including descent from the Ptarmigan bowl, compared to chairlifts in high winds but modern lifts with protective “lids” and double cables can now operate in much higher winds and can transport more people more quickly.
- d. However, uplift infrastructure is also more financially viable/profitable when not just used for snow sports. Part of the idea behind the funicular, that uplift should allow for summer as well as winter use was right, the problem was it was aimed at the wrong market. We believe the solution is to develop a lift system that would carry snow sports in winter and mountain bikers in summer. This is now happening all over Europe and is well established at Glen Coe and Aonach Mor.

- e. We recognise and strongly support the need to protect the natural environment at Cairn Gorm which has been advocated all the way up to the International Union for the Conservation of Nature which has passed resolutions at two general assemblies [these were included in appendix 1]. There is a clear requirement to keep mountain bikers off the upper slopes of Cairn Gorm but the solution to this is for lifts to have mid-stations or stop half way and mountain bike trails to be constructed on the less sensitive ground. If those trails then descended to Glenmore that would be very attractive to mountain bikers and attract the sort of people who like the challenge of the rain and wind.
- f. For that to happen, however, we believe the land needs to be under single ownership and single management. Since HIDB (Highlands and Islands Development Board) wrested the Cairngorm Estate from the Forestry Commission in 1971 there has been a lack of joined up management in Glenmore and Cairngorm. It was later revealed that the Forestry Commission withdrew from negotiations to transfer back ownership of the estate in 2006, instigated by HIE following the completion of the funicular, because of concerns about HIE's lack of transparency about the financial implications and the liabilities that might transfer to them.
- g. While HIE's proposed family mountain biking facility with magic carpets (cost £691k) does provide an example of dual use of uplift it is misconceived and aimed at the wrong market. A beginners' ski area is for people who cannot ski but a family bike facility is for people who can already ride and it is unclear why they would use a magic carpet to ascend a gentle slope that they could cycle up more quickly. Any facility for beginners would be far better located in the shelter of the woods down in Glen More. The venture is unlikely to be successful.

5) HIE's management of the Cairngorm Mountain business

- a. There has been one serious financial disaster after another at Cairn Gorm under HIE, all documented by Audit Scotland: the decision to construct the funicular, the decision to outsource to Nature Retreats, the initial decision to repair the funicular. We will not repeat that history here but we have also documented other smaller examples of HIE has wasted money at Cairn Gorm over the last seven years on parkswatchscotland.
- b. One of the fundamental issues here is that HIE both finances the business and operates it as its own. As a result, Cairngorm Mountain has never had to operate like a real business – HIE has bailed out every mistake – and even after outsourcing the operation to Natural Retreats HIE paid for almost all investment in infrastructure. The other snow sports operators in Scotland have achieved a lot more with far less and that is illustrated by their market share
- c. Moreover, the annual funds given by HIE to keep the Cairngorm Mountain business going (capital and running costs support) form a very high percentage of HIE's total distribution throughout the Highlands & Islands and drains money from elsewhere
- d. The history shows that HIE unfortunately cannot be trusted, whether this is what it says about the finances or the evidence it provides to support investment decisions. Other organisations and people have recognised this, for example FLS in 2006 when they withdrew from negotiations to take back ownership of the Cairngorm Estate and former CEO, Bob Kinnaird, who said in October 2006 "But going back to the underpinning issue of mistrust –You don't build a successful business on mistrust"
- e. There are many examples showing how HIE lacks the expertise to provide snow sport facilities. While snow sports operators across the world have reduced the number of lifts they operate they have generally increased capacity and the total length of pistes. This has helped increase income while reducing costs. On Cairngorm HIE has reduced lifts, without replacing them with

better ones (the SE Group report they commissioned was about this but has not been implemented), and reduced the ski area. HIE have never dealt with the access road, which when blocked by snow results means the business cannot make any money. (This is an issue that would have been addressed if a gondola from Glenmore had been installed instead of the funicular and as was proposed by various NGOs at the time). Snow cannons have been bought but not used, [Correction. The snow cannons were used in the 20/21 season but only two of them in the 21/22 season], and instead of using snow making capacity to keep pistes going, which is what attracts visitors and income, they now create a snow patch low down with a snow factory (the funding for the latter was concealed in CML's accounts by HIE increasing the share capital of the business).

- f. There is also a history of missed opportunities: the Coire na Ciste group (of which some of the authors were members) suggested a hydro scheme to address power issues and bring in income but after two reports stating this was feasible HIE commissioned a report that said it wasn't; various other groups have approached HIE with ideas or proposals to use facilities and have been rebuffed; HIE selected Natural Retreats, a cowboy organisation with no track record in preference to a local ski school when it outsourced the mountain (justified by dodgy procurement criteria designed to exclude small organisations)
- g. And there has been a failure to work in partnership even with government agencies: the frustration of the CNPA at the stream of planning applications that were submitted despite the lack of a masterplan (there is still not a proper plan); the failure to meet commitments that were agreed as part of the plan for Cairngorm and Glenmore (e.g. on improving public transport); the way HIE have tried to side-line the Aviemore and Glenmore Community Trust which was set up with a view to making a bid for Cairn Gorm.
- h. Finally there has been a longstanding disregard for customers which has always rebounded on HIE: the way they have treated season ticket holders (result people don't buy season tickets); the fixed entry times and high charges for the new campervan facility in Coire na Ciste (cost £1 at weekends) which was hardly used until HIE was forced to change through publicity; the appalling state of the car park despite the voluntary charges levied to fix this which were never spent – now they are compulsory, people go and park down the roadside; the early closing of the café facilities so that people coming off the hill in the late afternoon go elsewhere. And so it goes on.
- i. In short, the history supports our argument that HIE has never been fit to own or operate Cairn Gorm

The third post in the series will follow shortly.

Category

- 1. Cairngorms

Tags

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