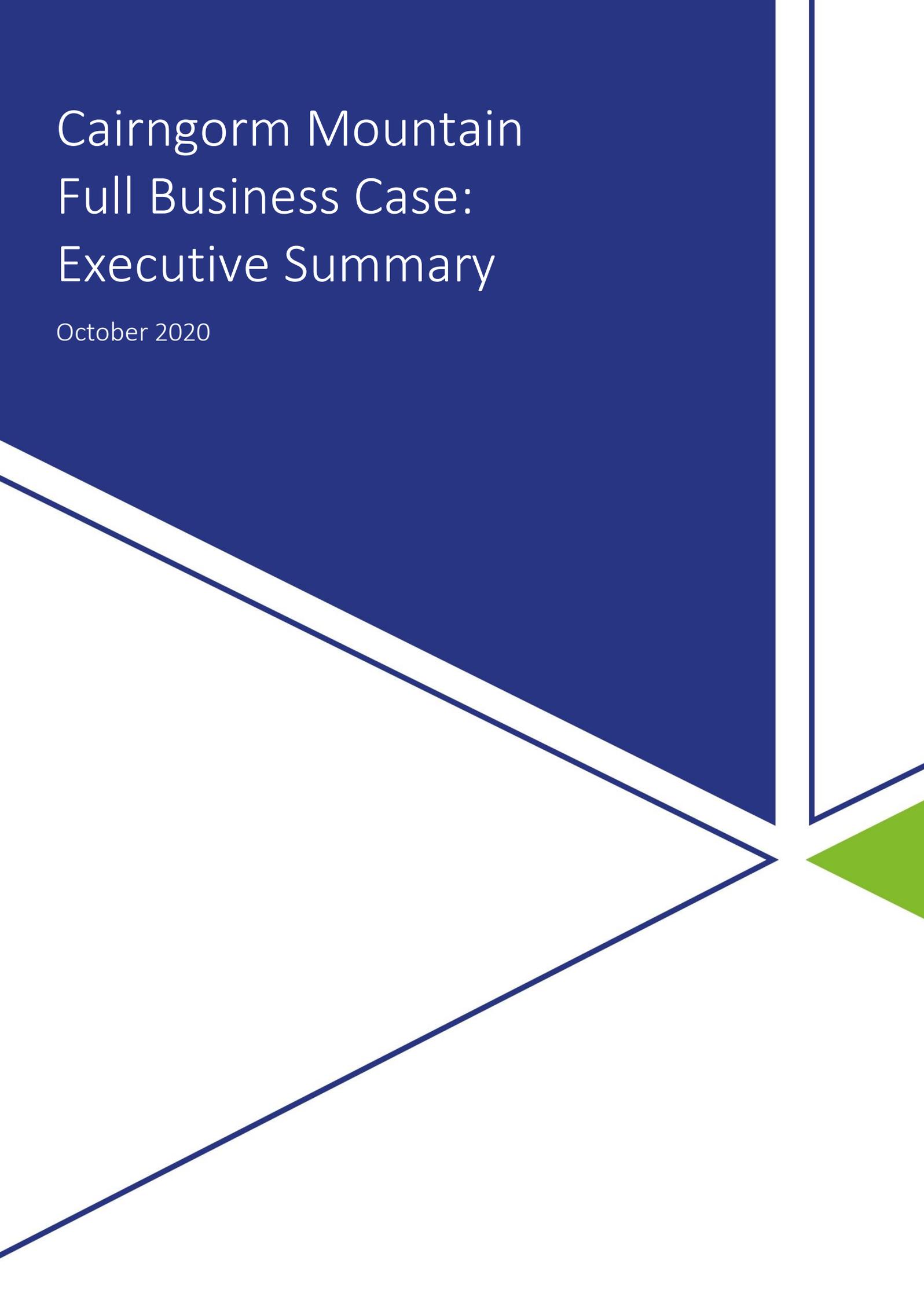


Cairngorm Mountain Full Business Case: Executive Summary

October 2020



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1. Background

Cairngorm Mountain estate, including the funicular and associated property, is publicly owned through regional development agency, Highlands and Islands Enterprise (HIE). HIE considers itself as a custodian, with responsibilities to ensure effective arrangements to manage and maintain the mountain environment and provide stable operating conditions for the resort business.

The Cairngorm funicular railway, a unique Scottish visitor attraction, was taken out of service in September 2018 after an inspection raised safety concerns.

Then in November 2018, operating company Cairngorm Mountain Ltd (CML) fell into administration. The following month, HIE acquired the business and assets of CML from the administrators, and created a new company, Cairngorm Mountain (Scotland) Ltd (CMSL). This move safeguarded employment and continuity of operations.

Since then, HIE has worked on stabilising the operating company and supporting it to enhance its offer to customers. HIE has also carried out an options appraisal, commissioned detailed design work for the funicular reinstatement option, and gained necessary statutory consents relating to safety case, planning and contractor procurement to enable reinstatement works to commence quickly, should that option be chosen.

2. Business case

- In 2019, HIE commissioned RSM UK to support development of a business case for Cairngorm, including examining options to deal with the funicular.
- The options appraisal examined in detail the costs and consequences of reinstating the funicular, of removing it from the mountainside, and of replacing it with an alternative means of accessing the plateau.
- Six options were examined:

1a	Do minimum (removal of funicular, no CMSL funding or additional investment).
1b	Remove funicular, maintain / replace existing uplift infrastructure (fund CMSL and fund selected additional capital investments).
2a	Remove and replace the funicular with a single mono cable gondola, fund CMSL and fund selected additional capital investments.
2b	Remove and replace funicular with a single mono cable gondola, fund CMSL but do not fund proposed additional investments.
3a	Reinstate funicular, fund CMSL and fund selected additional capital investments.
3b	Reinstate funicular, fund CMSL but do not fund proposed additional investments.

- The Business case process followed the HM Treasury's guidance, and considered the strategic, economic, commercial, financial and management cases. In doing so it looked at both quantitative and qualitative impacts and risks associated with each option. It also applied different sensitivities to check if the outcome would differ. These included reduced visitor and skier numbers, reduced income, adding in additional lifecycle and removal costs to the reinstatement option, and reducing the costs of removal. The outcome was the same.
- The Business Case estimated the economic and wider impacts associated with all options. It calculated that reinstatement could support up to 1,000 jobs over the 30 year appraisal period. The wider economic benefits at a Scottish level over the same period is calculated at just over £160m.
- The Business Case also included costs associated with other capital investments which are a priority for operational or regulatory compliance reasons. These investments will, however, be the subject of further consideration before a decision on whether to proceed with them is made.
- Option 3a was chosen as the optimal way forward to maximise the benefits that public investment would deliver to the wider area with an investment package of **£20.51m** from the Scottish Government and HIE.
- The Scottish Government is making a capital contribution of **£10.16m**, while HIE will invest **£10.35m**, including **£8.5m** that it earned from the sale of the Centre for Health Science in Inverness to the University of the Highlands and Islands.
- The investment package comprises **£16.16m** to support funicular reinstatement – including strengthening the structure – and **£4.35m** for additional high priority capital investments, including building improvements, electrification of snow cannons, existing tow infrastructure, paths and car parking.
- The capital costs associated with other option were: **1a** £16.92m; **1b** £36.77m; **2a** £60.71m; **2b** 52.05m and **3b** £16.16m.
- The full business case for Cairngorm Mountain, published on the HIE website www.hie.co.uk also details revenue costs ranging between £9.76m and £14.57m over a five-year period to support the operating company until 2026. Internal project management by HIE has been costed at £1.88m over the same five-year period.
- Once the funicular is back in service, it is expected to attract thousands of visitors a year, generating benefits for the wider economy in Badenoch and Strathspey, where the tourism and hospitality sectors have been dealt a huge blow by COVID-19.