

HIGHLANDS AND ISLANDS ENTERPRISE / SCOTTISH ENTERPRISE

SCOTTISH SNOWSPORTS STRATEGIC REVIEW

PART A

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Dear Fiona

SCOTTISH SNOWSPORTS STRATEGIC REVIEW

We have pleasure in submitting our review of the Scottish Snowsports Sector.

Our report and recommendations have been prepared on the basis of the findings of our work as detailed in our proposal to you dated 16th September 2010 (P1550).

The contents of this document have been conscientiously prepared by us utilising the findings of our research, information made available to us from various sources, and feedback from the client group and individual ski centres.

This document has been prepared for Scottish Enterprise / Highlands and Islands Enterprise and its clients and no liability to third parties will be accepted.

We have welcomed the opportunity of working on this project for you.

Yours sincerely
(For and on behalf of Tourism Resources Company)

A handwritten signature in blue ink that reads "David Bullough". Below the signature is a horizontal line.

David Bullough
Associate Director
Ref: DGB/IM/LD/0830F-R1 – Part A



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EXECUTIVE SUMMARY

- i. In September 2010, Highlands and Islands Enterprise (HIE) and Scottish Enterprise (SE) commissioned Tourism Resources Company, along with EKOS and Land Use Consultants, to conduct a strategic review to identify the current scale and the key issues and challenges facing the snowsports sector in Scotland. The study aimed to estimate the current economic value of the snowsports sector, based on Scotland's five key ski centres and their likely growth potential, development and diversification options for both the sector as a whole and each of the individual sites. Key actions and recommendations for the future have been identified.

This strategic review considers the existing and future position of the snowsports sector in Scotland. The roles of the governing body, Snowsport Scotland and the marketing vehicle, Ski Scotland have also been considered. A large number of consultees have been part of the research process for this review, including the centre managements, HIE, SE and local businesses.

- ii. The first formal skiing facilities in Scotland were established in 1956, with the opening of Glencoe and Cairngorm ski centres. This was followed closely in 1961 with the opening of the Glenshee ski area, by members of the Dundee Ski Club. The Lecht Ski Company was then formed in the late 1970s in the Grampian Mountains between Cockbridge and Tomintoul. The most recent ski centre to open was Nevis Range in 1989. The Nevis Range facilities include the only mountain gondola system in the UK, constructed to transport skiers up to the slopes. One of the most significant developments in the last 25 years was the funicular railway which opened at Cairngorm Mountain in 2001 at a final project cost of £19.5 million. Four out of the five snowsports centres in Scotland are located within the Highlands and Islands Enterprise Company area, who have given considerable support to the sector over the years, ranging from only limited amounts of money for smaller initiatives to considerable funding at Cairngorm with the development of the funicular. Glenshee is within the Scottish Enterprise area and as a result has received very little in the way of public funding as skiing has not commanded the same priority for the rural economy.
- iii. Over the last 25 years the annual average number of skier days across all Scottish snowsports centres was reported to be 325,700 skier days. (There is some caution over the accuracy of this figure as various manual count systems were in place in the early years). If only the last ten years are considered then the annual average number of skier days has fallen to 199,100. This fall in demand is due to a number of factors: inconsistent snow conditions; less young people entering the sport; fewer schools taking part; more competition from cheap deals overseas; and an uncompetitive Scottish ski product with old equipment and outdated support facilities. The key issues however seem to be the unreliable weather patterns and competitive deals abroad offering a better skiing experience.
- iv. The winter season 2009/10 had the best snow conditions for over 20 years, however the demand peak was still significantly below the peaks experienced in the 1980s and 1990s. Cairngorm and Glenshee in 2009/10 attracted more than 60% of the Scottish skier market, but the profile of skiers at these centres is very different. Cairngorm close to Aviemore attracts (like Nevis Range) a greater proportion of overnight skiers on short breaks, whereas Glenshee (similar to Glencoe and The Lecht) attract mainly day visitors from central Scotland or Aberdeenshire.
- v. In addition to snowsports, each of the Scottish ski centres attracts a non-snowsports market, the majority of which occurs during the summer months. However, at Cairngorm and Nevis Range there is also a market for winter sightseers. Of all the centres, Nevis Range has, due to the forested area around the base station, most successfully diversified into year-round activities: sightseeing, downhill mountain biking, international and local events, winter climbing and high wire / assault course-type facilities. Combined, these facilities attracted an estimated 141,000 visitors in 2009/10 (four times the number of skiers at Nevis Range that year).
- vi. Cairngorm Mountain also attracts a large number of sightseers each year; 130,000 in 2010 for a trip on the funicular railway. Visitor numbers on the funicular in recent years have declined due to a number of factors including: poor summer and winter weather; lack of appeal for repeat visitors; value for money issues due to short experience time – the funicular round trip only lasts 15 minutes; and lack of other facilities on site to encourage visitors to stay longer and spend money eg walks, mountain biking, children's activities.

- vii. The other centres provide sightseeing opportunities and there are downhill mountain bike tracks at Glencoe, Glenshee, Nevis Range and The Lecht. The Lecht have diversified into summer activities, but with limited success due to the centre's location.
- viii. The average onsite spends of a snowsports enthusiast or a downhill mountain biker has been calculated. The average spends for these activity enthusiasts is more than double the onsite spend of sightseers:

AVERAGE ONSITE VISITOR SPENDS AT 2009/10 PRICES	
Visitor Type	£ Ex VAT
Skier, Snowboarder	£22.85
Downhill Mountain Biker	£21.50
Sightseer and Other	£11.17
Total	£17.68

Source: TRC Research

- ix. The value of the visitor activity at the ski centres has been calculated and broken down into snowsports and non-snowsports activity. An economic baseline range (economic value in terms of expenditure and jobs) has been prepared based on a ten-year skier day average and the most recent best year (2009/10) to given an optimistic value.
- x. The snowsports sector is very important for Scotland's rural economy. The current economic benefit is estimated (as the ten-year average) as £30 million per annum at the Scottish level and the sector creates employment for 634 people at the Scottish level.
- xi. The ski centres and their associated expenditure and employment are helping to support regional equity. Snowsports is location specific ie they are not transferrable 'mobile' businesses so any investment will remain within that specific location. Also the destinations are in rural areas where development opportunities in other sectors may be more limited.
- xii. In addition to economic impact, it is important to consider the additional benefits that can be generated by investment in improving the snowsports sector. Health benefits and social inclusion must be considered in developing the future of the sector.
- xiii. The snowsports centres in Scotland, particularly the smaller centres are all very fragile businesses and at least three out of the five have either gone into receivership and been sold or have had significant amounts of finance and shareholding restructuring over the last five years to make them more sustainable.
- xiv. The key issues facing the industry are as follows:
 - The visitor market has growing expectations of product quality driven by overseas skiing experiences. The Scottish ski product is poor by comparison, hampered by a lack of funding / investment. Public money has been available in the past for new facilities; however the lack of public money available for replacement and refurbishment, poor cashflow and the lack of debt funding possibilities is a major constraint. There is an opportunity to bring Scottish snowsports activities more up to date with contemporary products, but funding from external sources will be required;
 - Scottish ski centres need to work with Snowsport Scotland, the British Association of Snowsport Instructors (BASI), and the dry ski facilities to increase entry into the sport, attract a schools, family and beginner markets with greater average spend potential. There need to be routes / transitions between the artificial and the real experience. This is an opportunity for joint packaging and promotion of tuition / accommodation / transport;
 - Ski Scotland should assist the ski centres in promoting a destination approach, linking with local accommodation and other activity providers. Marketing to and attracting an over 55-plus market in the future will offer further opportunity;

- The web cam project through the Ski Scotland and ski centres' websites has been beneficial and a good source of information for the public to help assess local ski conditions. There needs to be better coverage and more up-to-date ski and road closure information provided throughout Scotland using a range of media: BBC, local radio, traffic signs. More real time / up to date, accurate and consistent information is needed particularly when people are on the move or have no access to online information;
- Skiing in Scotland has proven not to be reliable at 2,000ft (610 metres) – all of the ski centre base stations are at this level. It is difficult to predict with any certainty the position going forward. Skiing in Scotland between 2,000ft to 2,500ft (610 – 760 metres) is still considered intermittent. As in Europe in the future, Scottish resorts will have to develop, where possible, the snowsports experience at higher altitudes and improve access to higher snow fields by rationalising / replacing surface tows with chairlifts, creating accessible mini resorts higher up the mountain is a possibility;
- Every ski business in Scotland is financially very marginal and fragile and really struggles to survive, particularly if they have two or three successively poor seasons. Any profit made from a good snow season, is put back into essential maintenance and replacement. As good seasons get further apart, the availability of money from cashflow for reinvestment is increasingly scarce;
- It is extremely difficult for the sector to raise bank debt, not only due to the recession / but also due to uncertainty of the climatic conditions and the long-term fragile nature of ski businesses in Scotland;
- Due to old equipment, maintenance costs are rising and breakdowns are occurring more often. As a result, additional staff time and money is spent, reducing profitability. Capital investment is required in modern equipment to reduce annual operating costs;
- The ski industry in Scotland is reactionary as a result of being driven by cashflow. Better business, marketing and maintenance planning is required in the future. Working together as a unified industry will also help to address some of these issues;
- Compared to their European counterparts the ski industry, and in fact a large proportion of the tourism industry, in Scotland is at a competitive disadvantage. There is a general VAT interpretation issue at a UK level. The funicular is zero-rated as a transportation system but all the lifts and tows are subject to the current 20% VAT rate. Other European countries interpret their own VAT rules differently (GST¹ / TVA²). The ski industry has had a number of test cases and this issue has been raised at ministerial level both in Holyrood and Westminster. GST levels on ski facilities in Sweden are 6% rather than the standard 12%, TVA in France in Ski resorts is 5.5%. Further discussion needs to be held through well-structured industry representation, further information gathered and a test case presented;
- At a national level (UK wide) it appears that the Government does not have a clear methodology or the system in place to authorise new / replacement aerial rope and cableways;
- There are opportunities for the future, but a clear strategic future direction is required at Scottish ski centres. Most diversification ideas presented by the ski centres are similar, weather dependent and will attract low volumes of niche markets rather than mass visitor appeal. This approach could increase the level of risk if the cost / benefit is not carefully assessed and market and financial feasibility studies are not carried out;
- There are opportunities for all of the five ski resorts for non-snowsports activity growth in particular at Cairngorm and Nevis Range. These centres should better target the existing overnight visitor markets in Aviemore and Fort William, providing additional onsite facilities to meet these market needs. The likes of Glenshee and Glencoe however, could add additional activities, but these new facilities should be focussed on attracting passing traffic, servicing the A93 and A82 tourist routes. Glencoe is a high profile visitor address, but it needs to develop its own critical mass of viable activities onsite to increase its summer destination credentials. There may also be an opportunity to develop onsite accommodation, but this requires further market analysis and financial appraisals.

¹ Goods and Services Tax

² Taxe sur la Valeur Ajoutée

xv. The future strategic direction for the snowsports sector has been identified as follows:

Snowsports

- Sustain, maintain and protect demand for Scottish snowsports;
- Increase average spends on / off site;
- Increase the proportion of overnight demand;
- Attract more repeat snowsports visitors;
- Encourage greater entry into the sport;
- Improve financial sustainability.

Non-Snowsports

- Develop a wider destination approach with improved links to the local area;
- Increase average onsite spends;
- Grow sightseeing and activity markets, sustainably and synergistically;
- Take advantage of location opportunities.

xvi. Strategic actions and next steps have been identified in this review. Ten key actions classified with high priority are summarised below:

TOP TEN ACTIONS FOR SNOWSPORTS SECTOR		
Key Action	Next Steps	Public Sector Role
Collective working on strategic Issues.	Hold regular meetings of Snowsports Sector Working Group. Create sub groups to address specific issues as required. – SE/HIE will ensure consistency and a collective approach to all five ski centres.	Attend meetings, integral part of working group.
Raise awareness of importance of snowsports to Scottish rural economy.	Communicate the contents of the strategic review. Develop on going communications plan.	Communication / Lobbying.
Sweat the existing asset and boost appeal to passing non-revenue generating visitors.	Consider ways to cost effectively boost appeal to non revenue generating markets, boost average spend through promotion and merchandising. (See operational reviews).	Public Sector to advise on production of operational reviews and detailed development plans for individual centres.
Create mini resorts at the highest level and rationalise lift access to higher snow fields.	Carry out strategic ski centre rationalisation and mini resort option appraisals and financial feasibility study of all ski centres. (See need for investment funding). Consider operational review.	Give consideration to helping part fund strategic studies into rationalisation, operational reviews / mini-resorts, operational review.
Continue to change public perception through improved information	Investigate reintroduction of BBC ski report, liaise with police and Traffic Scotland re road closures and Citrac Signs.	SE -BBC SG Transport Police.
Improve entry into the sport.	Work with Snowsports Scotland to deliver their action plan – schools, club and beginner initiatives, Ensure there are sufficient coaches and beginner facilities.	Local Council support (see dry ski slope funding / operation).
Identify and assess sources of external funding.	Consider case of funding for renewal, replacement and reconstruction and not just new development – protect existing jobs. Fully identify external funding sources, availability, conditions, eligibility. Development projects to be justified on own merit, economic development, social, rural diversification, etc.	Possible capital funding requirements – may have to devise specific assistance model for renewals / replacements. A mechanism at a national level has to be explored. Public Sector to assist in identifying funding options (ERDF, LEADER, SRDP, and The Big Lottery).
Work as a sector to resolve VAT issue.	Make a justified case through Scottish Ministers to Westminster to get a final ruling on the issue of VAT and Scotland's un-competitiveness re: Europe.	Scottish Government to liaise with Department for Transport and hold high level discussions with Westminster.
Cableway authorisation system in the UK to comply with EU directive has stalled and is constraining development. Department for Transport needs to resolve.	Ensure ski centres receive timely approval from Department for Transport .	Scottish Government to maintain dialogue with Department for Transport .
Identify strategic diversification opportunities.	Prepare realistic option appraisals for diversification (see funding identification under skiing). Follow with independent market and financial assessment as required. Ensure diversification fits and complements the future core ski business.	Public Sector in partnership with ski centres to assist with diversification options appraisal. Ensure links with wider Destination Strategies.

- xvii. A growth model has been prepared based on the ten-year baseline economic model and realistic opportunities for the future, ie assuming that the mini resorts are created, the lift systems are rationalised and further sustainable diversification occurs.
- xviii. If nothing is done (no development scenario) in the snowsports sector to address the reduction in demand, it has been anticipated that annual average number of skier days over the next ten years would decline by 20%.
- xix. If the snowsports developments are addressed as outlined in this strategic review then future snowsports growth at the five snowsports centres has been assumed as 15%. The potential non-snowsports diversification opportunities have been assessed in the absence of detailed feasibility studies or business plans based, on the consultant's view of development in the tourism and recreation market. A high and low growth scenario has been prepared. High growth has been assumed over the next ten years as a 45% increase in each of the local ski centre areas in non-snowsports markets and a low growth scenario of around 30%.
- xx. These growth scenarios have then be translated into the future anticipated economic benefit for the sector.

The resultant economic value ranges from £26.7 million at a Scottish level to £41.1 million.

ECONOMIC VALUE (£ million) – TEN-YEAR SCENARIOS						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Current	£12.5	£17.0	£10.9	£13.0	£23.4	£30.0
No Development	£10.0	£13.7	£10.9	£13.0	£20.9	£26.7
Low Growth	£14.3	£19.5	£15.5	£18.5	£29.8	£38.0
High Growth	£14.3	£19.5	£18.0	£21.6	£32.4	£41.1

Source: EKOS

Analysis of the figures may suggest that the largest area for growth is in the non-snowsports sector. However a number of potential non-snowsports growth opportunities such as mountain biking, zip line and sightseeing are dependent on the snowsports uplift facilities and therefore their ongoing maintenance and operation. Indeed there are potential growth opportunities despite the fact that uplift facilities already exist; and also the larger growth only occurs under the high growth scenario where the development of non-snowsports activities may carry a higher risk.

- xxi. Although a detailed cost benefit analysis cannot be prepared at this stage an indication of the likely order of magnitude of the capital investment required to achieve the level of growth assumed is estimated at between £18 million and £22 million on snowsports facilities and between £5 million and £7 million on initial diversification priorities.
- xxii. Serious investment is required now from external sources in new equipment and ski centre rationalisation and growth strategies. In the current financial climate of budget cutbacks in the Public Sector it is unlikely that capital funding will be available from traditional economic development routes. The ski centres themselves cannot easily raise debt finance due to uncertainty / risk. Other forms of private sector inward investment are also very unlikely given the need for large amounts of capital and low rates of return. If the snowsports sector is to consolidate, prevent further decline and show modest amounts of growth other direct funding sources need to be secured for snowsports and diversification activities.

1 INTRODUCTION AND BACKGROUND

1.1 Overview

In September 2010, Highlands and Islands Enterprise (HIE) and Scottish Enterprise (SE) commissioned independent consultants to conduct a strategic review to identify the current scale of the snowsports sector in Scotland and to identify the key current issues and challenges, and those for the future, facing the sector. The study aimed to estimate the current economic value of the snowsports sector, based on Scotland's five key ski centres likely growth potential, development and diversification options for both the sector as a whole and each of the and individual sites.

In order to approach this project with a complete range of required skills, TRC teamed with EKOS (economic consultants) and Land Use Consultants (LUC – environmental consultants / landscape planners) each bringing their own specialist set of skills and expertise to the project.

In addition, the team also worked with What's Next Consulting (mountain resort development and operations, Canada) as specialist adviser, bringing an international perspective to the project. This study builds on an earlier brainstorm workshop held by representatives of the snowsports sector in 2010. The research for this study comprised: a site visit and a strategic review of each ski centre; detailed discussions / meetings with Snowsport Scotland (Governing Body); Ski Scotland (Marketing Group); VisitScotland; HIE; Sno!Zone; Huntly Nordic Centre; local businesses; regional destination management organisations (DMO); Cairngorms National Park (CGNP); and benchmarking in Japan, Sweden and New Zealand.

1.2 Background

Skiing in Scotland was first formalised in Glencoe in the early 1950s and the ski centre was established in 1956. Also in 1956, a group of local landowners and business people developed ski facilities under the Cairngorm Winter Sports Association. This was followed in 1961 with the construction of the White Lady Chairlift, which gave access to three long-lying snow areas.

The Glenshee ski area was first conceived in 1961, by five members of the Dundee ski club who set up a company, The Glenshee Chair Lift Company to develop skiing. Originally development centred around one area and one lift, the Tiger.

The Lecht Ski Company was formed in 1977 to develop a ski centre in the Grampian Mountains along the A939 between Cockbridge and Tomintoul.

The most recent ski centre addition was the opening in December 1989, of Nevis Range, a £13.3 million, 631 hectares development. The facility comprises the only mountain gondola system in the UK, constructed to transport skiers to the slopes. In the current Scottish market the six-seater, 2.3km (1.43 miles) gondola remains a unique asset.

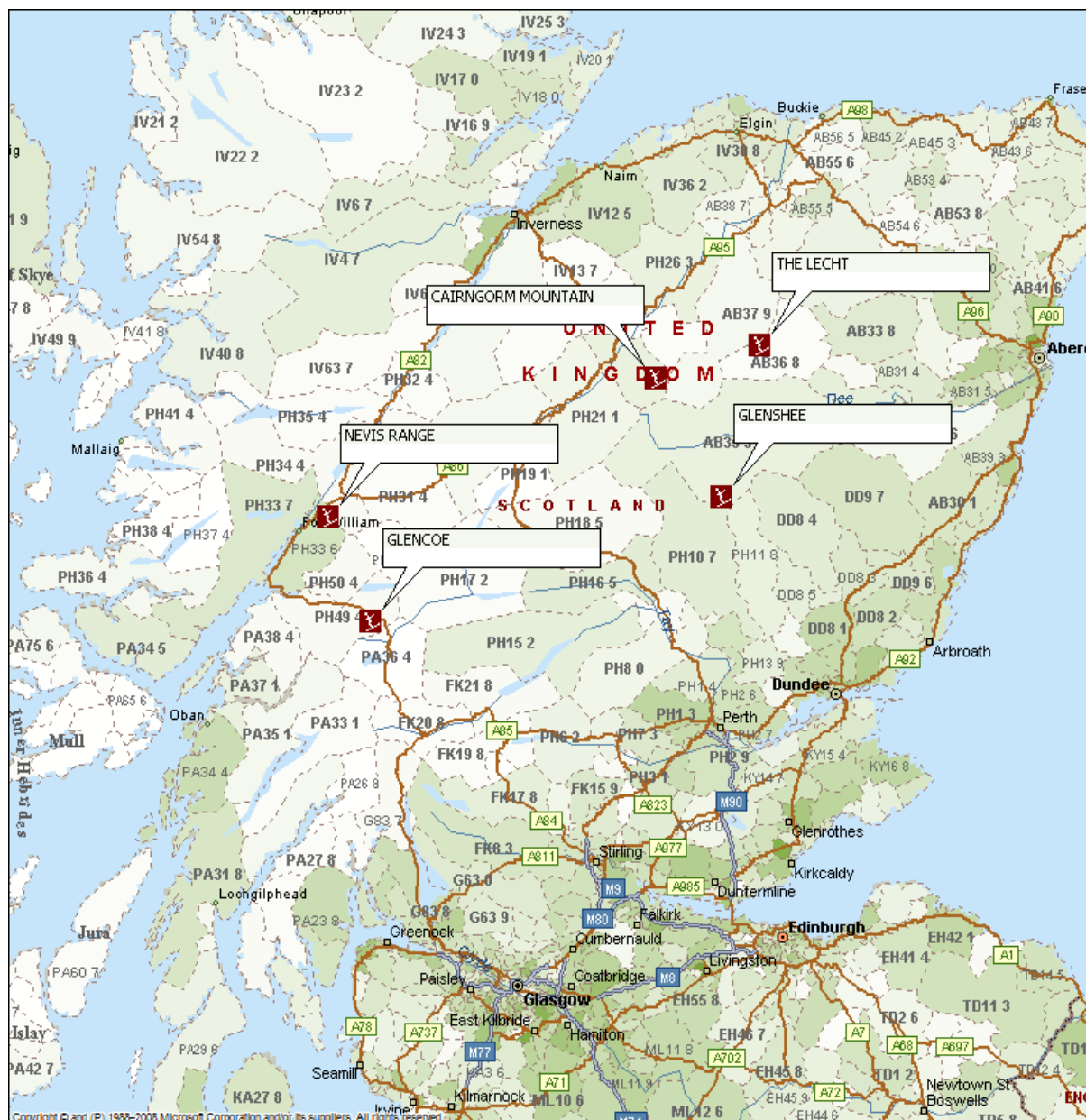
One of the most significant developments in the last 25 years was the funicular railway which opened at Cairngorm Mountain in 2001 at a final project cost of £19.5 million funded by the Public Sector, replacing the existing White Lady chairlift system. The funicular is 1.8km (1.1 miles) long and operates from 2,150ft (650 metres) to 3,600ft (1,097 metres).

This strategic review considers strengths and weaknesses and the issues faced by the five snowsports centres in Scotland. Whilst the Huntly Nordic Centre and Sno!Zone were consulted as a structural part of this review, they are not featured as part of the detailed analysis. The five snowsports centres under review are as follows:

- Cairngorm Mountain;
- Nevis Range;
- Glenshee;
- Glencoe Mountain Resort;
- The Lecht.

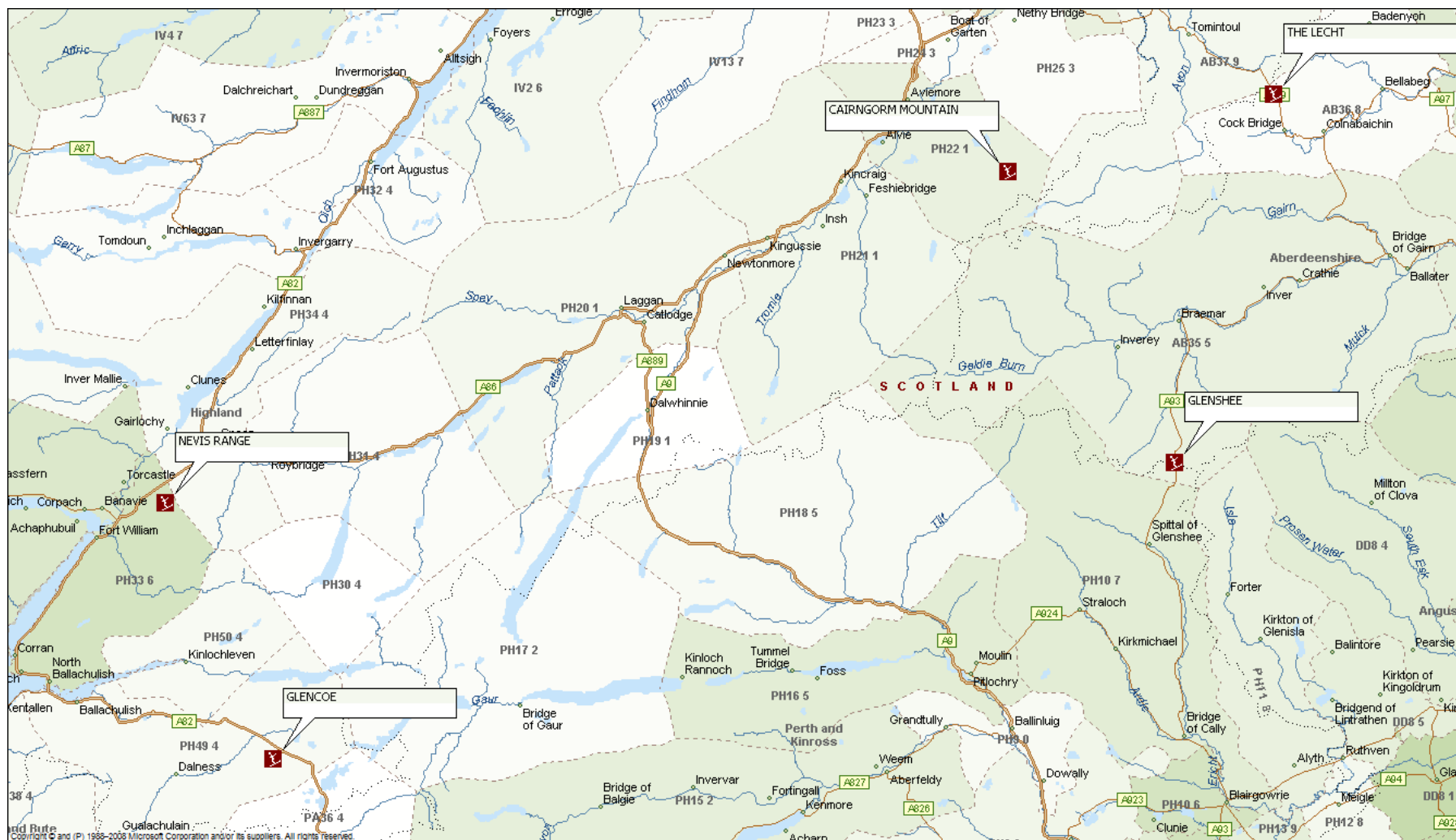
Maps illustrating the locations of the Scottish ski centres are provided overleaf.

LOCATION OF SCOTTISH SNOWSPORTS CENTRES IN RELATION TO CENTRAL BELT OF SCOTLAND



Map 1

LOCATION OF SCOTTISH SNOWSPORTS CENTRES (CLOSE UP)



Map 2

Each of the snowsports centres are privately owned businesses, with the exception of Cairngorm Mountain Ltd, which is fully owned by HIE (both the land and the operating company). Whilst privately owned, the ski centres lease land from local estate owners. Discussions with the operators revealed that landowners are unlikely to invest in the ski centres and some of the leases have restrictive clauses re summer activities. The landowners are very much hands-off performing the landlord role of collecting the rent. The annual land lease charges to landowners are generally structured on the basis of the number of skier days achieved, with a further allowance for non-skier uplifts. External funding sources for the ski industry are limited but the Scottish Rural Development Programme (SRDP) could be a possible source of capital as Newmilns Snow and Sports Complex Ltd, Ayrshire has recently secured £450,000 in initial funding for future developments. This project also received £150,000 from The Big Lottery in terms of technical assistance grants and additional sources of funding are now actively being sought for the remaining 50% of the phase one project. Accessing alternative funding sources may need greater dialogue with, and support from landowners.

All the snowsports centre businesses are structured very differently [for example Glencoe Mountain Resort is a community interest company (CIC), where private investors have opted for an asset lock³ approach, in order to access wider sources of capital funding in the future] and operate in slightly different visitor and geographic markets. In all the privately owned ski centres, the company directors work and manage the businesses on a day to day basis.

Each of the centres provides winter snowsports facilities aimed at skiers and snowboarders and they have a mix of beginner, intermediate and more advanced pistes. However, there is limited market information and no breakdown between the number of skiers and snowboarders is available. In all cases the centres comprise, ski hire, café and ski school facilities (in some instances the ski schools are operated independently of the ski centre). Glenshee, Nevis Range, Cairngorm and The Lecht also provide retail outlets to support the winter ski market. The Lecht retail outlet is unique in being operated through a lease agreement to a third party.

³ The company assets are locked into the CIC and cannot be transferred but the company can still operate commercially to make profits.

All the centres attract a non-ski market, but Cairngorm and Nevis Range with the funicular and the gondola transport systems have managed to attract a large sightseer visitor market of more than 100,000 visitors each year. Nevis Range attracts almost three or four times as many non-skiers as skiers. The Lecht introduced a summer diversification strategy in 1999, but visitor numbers have remained low due to the centre's rather remote location.

The industry as a whole is extremely fragile, with three of the five centres experiencing, sustainability, debt repayment, and change of ownership issues over the last ten years. The single biggest issue facing the industry is the unpredictability of the snow conditions, which drives visitor numbers, revenue and profitability. As a result, this unpredictability causes short-term planning issues and a significant cashflow dilemma.

While the most recent complete ski season (2009/10) saw a dramatic increase in visitor numbers, (due to favourable snow conditions), over the last ten years the volume of ski / snowboarding visitors has been at a relatively low level compared with the previous two decades (see Section 2.2). The lacklustre visitor number performance, and therefore the low profit levels, have led to a general under investment in facilities, due to the unavailability of capital for development either snowsports or non-snow diversification. This issue needs to be addressed. Driven by the overseas experience the sector needs to keep up with rising visitor expectations to help maintain any kind of competitive advantage that skiing in Scotland may have had in a short break markets. Further investment and diversification into summer activity products also needs to be investigated in order to improve real year-round resort sustainability. This review looks at these and other issues and considers a range of actions to help mitigate and address these weaknesses.

The aim and findings of this study are to inform and influence the strategic direction of the snowsports sector in Scotland. The study will also make recommendations as to the strategic positioning, possible diversification and differentiation for the future. This report aims to identify key actions for both the sector as a whole and for individual sites, with a view to attracting new and retaining existing visitors, both during the ski season and throughout the rest of the year, creating improved sustainability at ski centre operations.

1.3 Report Format

For the purposes of reporting, the findings and strategic recommendations are presented in two distinct parts. The first Part A covers the general findings common to all / most of the centres and the sector as a whole. This Strategic Review document details the key recommendations and future actions for the Scottish snowsports sector.

There are five **confidential** sub-sections in Part B, containing commercially sensitive information each relating to one of the five snowsports centres. Each includes the key findings for the specific centre and outlines any future development recommendations relating solely to that centre. The individual sub-sections remain **commercially confidential** and each only available to the centre involved. However SE & HIE have Part B complete, containing each of the Confidential Appendices.

2 SNOWSPORTS MARKET / STRATEGIC CONTEXT

2.1 Snowsports Market Trends

It is extremely difficult to extrapolate international snowsports market trends into a Scottish context as the overseas ski market is driven by week-long holidays and not short breaks or day visits. However, the consultants have used information provided by Crystal Holidays and Mintel (Snowsports Leisure Intelligence June 2010) on the UK outbound ski market. Some key trends are summarised in this section and further physical development and other issues are contained within the benchmarking section described later in this report.

- Between 2005 and 2009 there has been an increase in the participation of snowsports, from 3.5% of the population to 4.4%. However, the occasional participation increased at a faster rate than the regular participation (occasional / regular as defined by Mintel research);
- Mintel report that 25% or 9.9 million of the adult population have taken a snowsports holiday at any point in the past and 50% say that they may take one in the future;
- Potential snowsports customers, ie those that have never taken a snowsports holiday before but would consider taking one in the future, grew to 7.5 million;
- The greatest growth in population over the next five years in the UK will be in the 55+ age group. This group will have greater disposable income and be generally more active than previous generations;
- There is some growing evidence to suggest that this older market will be exploited by operators that offer packages, insurance, safety and a range of activities and not just skiing. In this older market there are often non-skiers as part of a group. They are increasingly looking for quality and comfort;
- There is a growing trend abroad for snowsports holidays that are combined with other activities – this is impart due to the fact that some visitors do not want to sacrifice their main holiday for a snowsports holiday;
- Snowsports holiday makers are dominated by socio-economic groups ABC1⁴ who will account for 60% of the UK population by 2015;

⁴ ABC₁ definition: Higher managerial, administrative and professional (A); Intermediate managerial, administrative and professional (B); Supervisory, clerical and junior managerial, administrative and professional (C₁) – National Readership Survey.

- The recent development of indoor snow centres through the UK is boosting year-round exposure of the sport,- and providing opportunities for entry into the sport;
- There are over 70 artificial ski slopes in the UK and Mintel report that there could be considerable market advantage if ski centre operators could link with these centres, taking local lessons before they go on holiday. Consumer research reveals that not being able to ski and worrying about wasting holiday time learning to ski are key barriers to taking a snowsports trip;
- The 16 to 24 age group is a key driver, travelling with friends in school or other groups. Furthermore, Mintel research has suggested that in the case of snowsports this age group are particularly influential in determining family holiday destinations;
- The five to nine years-old age group in the UK is set to grow by 12% to 2015, so there will be a growth in potential market for ski school, beginner, child care, kids clubs and family facilities;
- Snowsports consistently account for around 3% of the UK overseas holiday market; this grew in 2009 as overall overseas holidays fell;
- According to Mintel, the overseas holiday market, in terms of differing types of snowsports skiing is by far the most popular (80% of the market, an increase of 5% over the last ten years). Snowboarding participation has fallen slightly to 17% of the market in 2009/10, however the sport does appear to have a core following. The experience in Scotland however contradicts this. Anecdotally the Scottish ski centres estimate that snowboarding accounts for around 40% of visits to Scottish ski centres.

2.2 Scottish Snowsports Market – An Overview

While there have certainly been individual peaks / troughs depending on weather conditions (see analysis of snow depth Charts 3 and 4) the general trend in snowsports is that visitor numbers have fallen considerably over the last 25 years or so. The graph overleaf illustrates the overall trend in annual skier days from 1986 to the 2009/10 season.

Over the last 25 years the annual average number of skier days in all Scottish snowsports centres was reported to be 325,700 visitors. (There is caution expressed in some quarters as to the robustness of these figures given the various manual count systems in place in the earlier years of recording). If only the last ten years are considered then the annual average number of skier days is reported as 199,100.

Further analysis of the last ten years reveals two peaks of around 367,000 in 2000/01 and 2009/10. There is a significant trough in 2007 of less than 75,000 skier days (the lowest annual total recorded for the last 25 years). The consultants consider that the ten-year average represents a reasonable position to establish a baseline, on which to project forward and calculate the economic value of the snowsports sector.

The graphs below demonstrate the visitor patterns at each centre over the last 25 years and ten years, respectively.

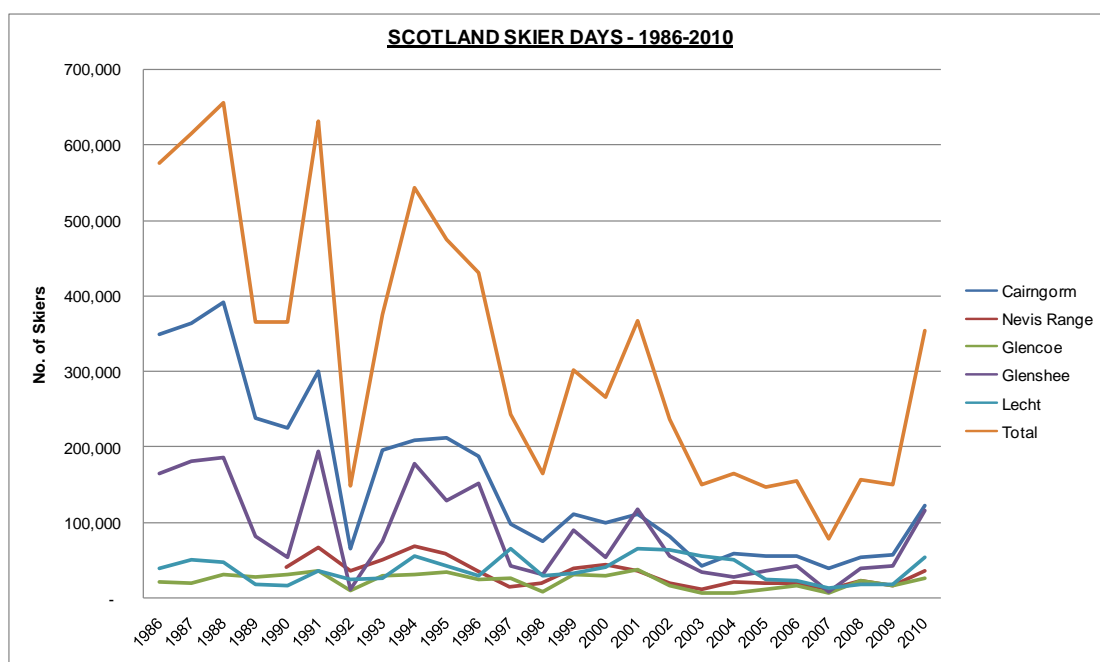


Chart 1

Source: TRC

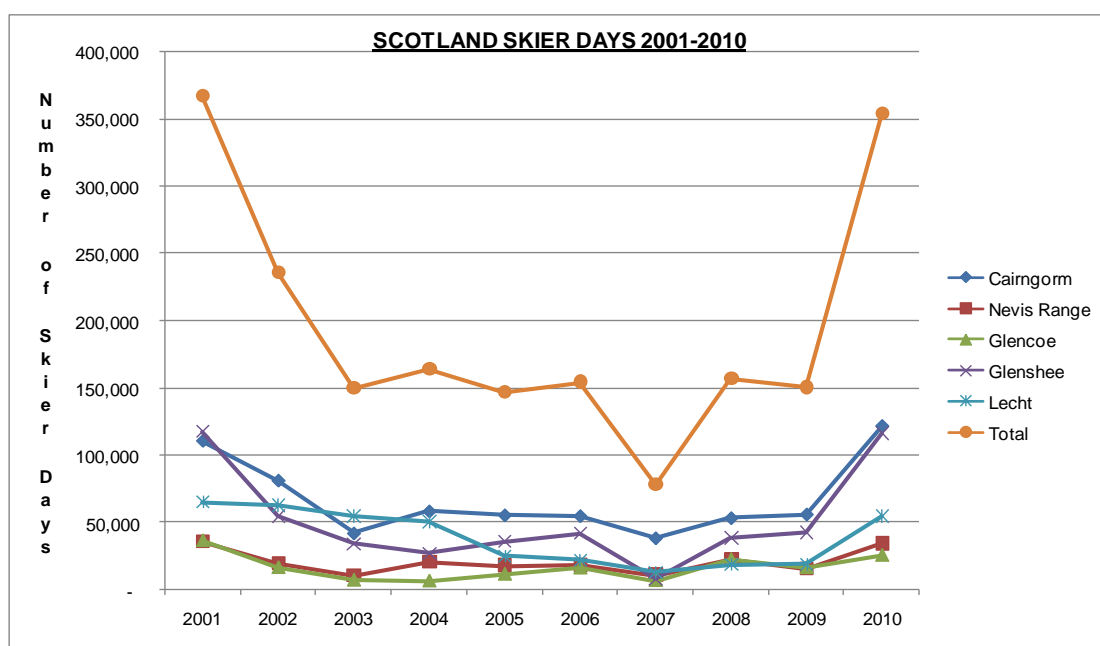


Chart 2

Source: TRC

As is seen, Cairngorm and Glenshee are the most successful centres in terms of visitor numbers alone; combined they attract around 62% of the skier market. Both west coast facilities (Glencoe and Nevis Range) combined attract on average only 19% of the skier day demand, which is less than The Lecht attracts alone.

The charts below and overleaf (confidential information supplied by the Ski Club of Great Britain) give a comparison of skier days against snow levels. The average snow depth (in cm) across all five centres, per week of operation. The snow depths are shown at both upper and lower piste levels, alongside the volume of skier days for Scotland as a whole.

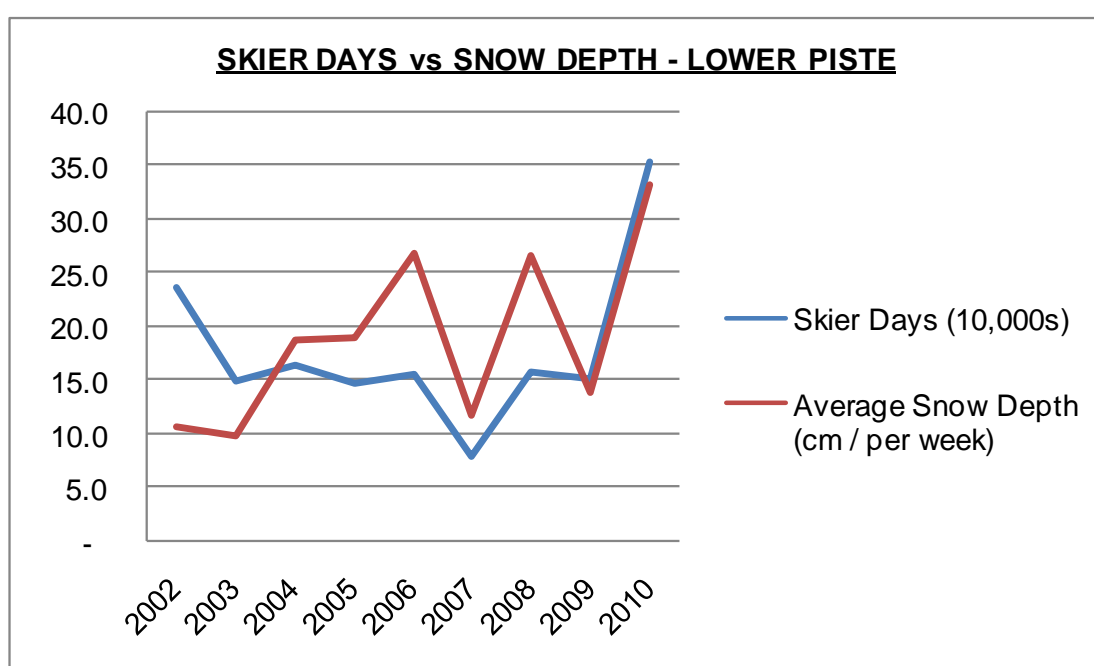


Chart 3

Source: TRC / Ski Club of Great Britain

As is shown, there is a clear correlation between snow depth at the lower piste level and skier days, particularly in terms of peaks and troughs. During snowsports seasons in which the snow levels were extreme at either end of the scale, the volume of skier days for that year also hit a high or low position. During years in which snow depth was less extreme ie 'average', the volume of skier days fluctuated, suggesting that other motivation factors came into play in those years. A similar pattern can be seen for the data available for upper piste level (see overleaf), however to a much lesser extent. This suggests that skiing at the higher piste levels is less weather dependant, likely because snow levels are greater throughout the season. If the ski centres can give better, regular access to this high snow then business levels may be less weather-dependent.

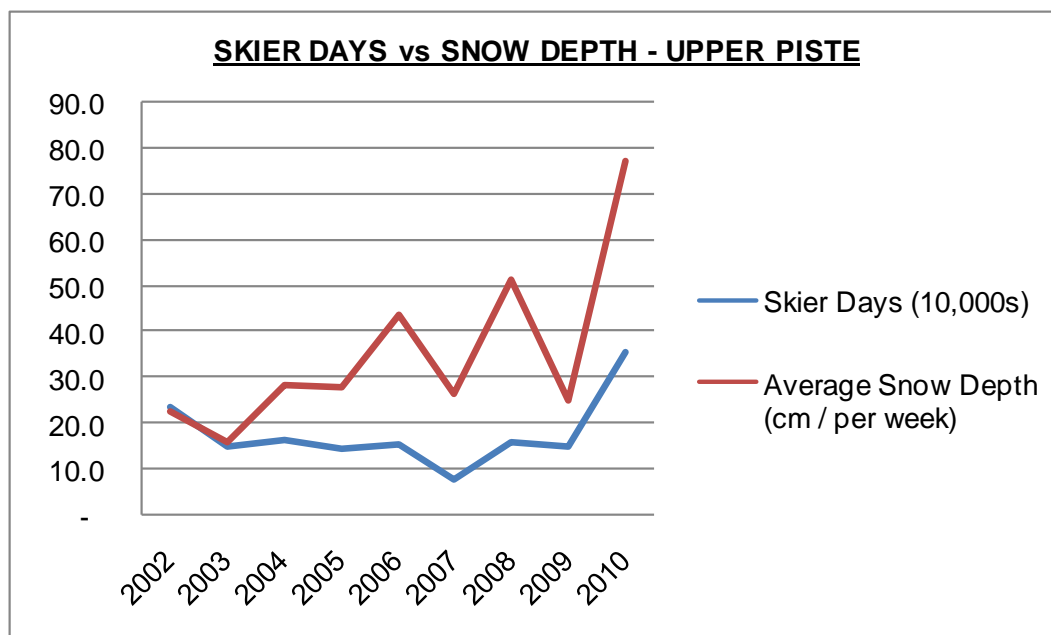


Chart 4

Source: TRC / Ski Club of Great Britain

As a comparison to the Scottish skier days data, the volume of overseas skiing trips (from the UK market) taken over the last ten years are shown in the chart below. As can be seen, from 2000 to 2003 the overseas trips increased fairly quickly as the number of Scottish skiers days fell. This is likely due to budget airlines making European resorts more accessible. However, since then overseas have slowly begun to decline and Scottish skiers days have increased since 2006 (slowly at first then more rapidly since 2008). This increase can likely be attributed to the improved snow conditions in more recent years in Scotland and also to the economic recession encouraging people to remain in the UK for holidays.

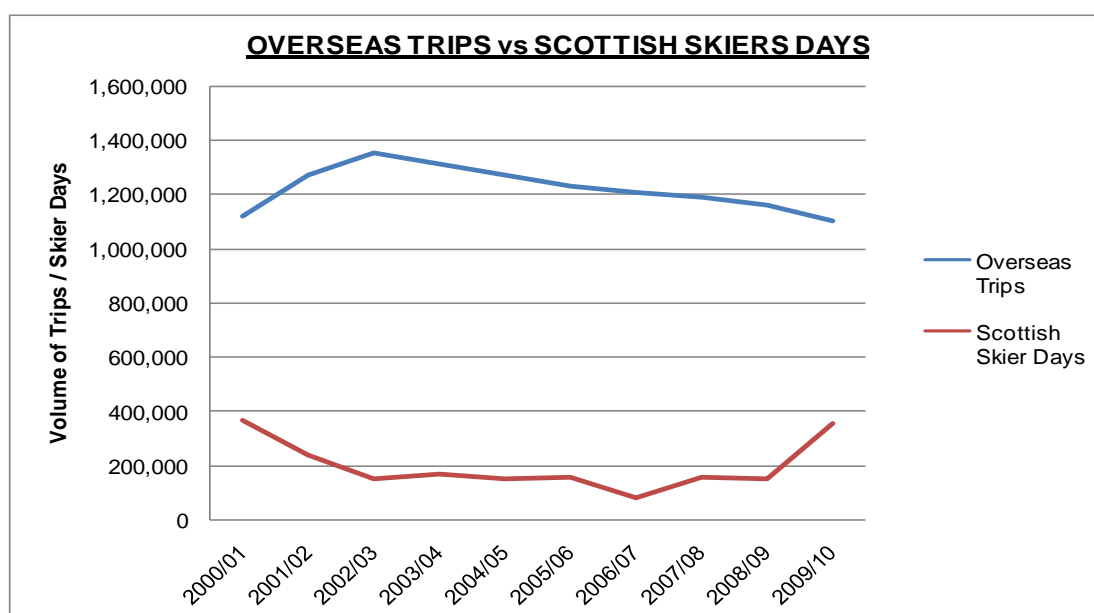


Chart 5

Source: TRC / Ski Club of Great Britain

Further market analysis demonstrates that Cairngorm and Nevis Range have a similar visitor mix attracting a higher proportion of overnight visitors than the other centres:

VISITOR MIX ANALYSIS			
	Cairngorm and Nevis Range	Glencoe / Glenshee / The Lecht	Total
Ten-Year Average	91,600	107,500	199,100
Day Visitors	55%	86%	72%
Overnight Visitors	45%	14%	28%
Total	100%	100%	100%
Local	30%	24%	26%
Rest of Scotland	47%	71%	60%
Rest of UK	23%	5%	14%
Overseas	1%	0%	0.5%

Table 1

Source: TRC / EKOS

Information from the above table was derived through discussion with the ski centres and previous visitor surveys (see below) however, it should be borne in mind that most of the information received on visitor mix was anecdotal rather than through visitor surveys of any depth or statistical significance. Formal visitor surveys that have been carried out were of sample sizes either too small or may not have represented a truly random sample. These visitor market information issues should be addressed in the future with better record keeping and visitor surveys.

The consultants, however, have pieced together the market mix analysis from a number of sources in order to give a reasonable representation of the current market dynamics of each centre.

Glenshee, The Lecht and Glencoe attract mainly a day visitor ski market, derived from the Central Belt of Scotland and Aberdeenshire. Those centres that are located close to the resort locations of the Outdoor Capital (Lochaber and Fort William) and Aviemore, with significant accommodation stock provision are able to attract an economically more important overnight market. Nevis Range and Cairngorm attract a greater proportion of snowsports visitors from outside Scotland. The Scottish snowsports sector is not able to compete on an international stage and as a result does not attract an overseas market apart from those overseas visitors, who are in Scotland to visit friends and relatives.

Ski Scotland and VisitScotland, recently carried out two separate visitor surveys into the snowsports market. The first piece of research, in 2007, canvassed almost 2,000 participants through an online questionnaire. The second, in 2008, involved almost 300 face-to-face interviews with skiers at the five Scottish snowsports centres.

The table below displays a number of the key findings of these research processes.

VISITOR SURVEY KEY FINDINGS		
	Online (2007)	Face-To-Face (2008)
Sample Size	1,959	287
Male	70%	68%
Aged 25-44	60%	56%
Non-Scottish	31%	-
Overnight	34% (28%)	23%

Table 2

Source: TRC / EKOS

The face-to-face interviews at the five Scottish ski centres revealed a high proportion of repeat visitors (85%). The average skier skis seven times a season and the average overnight stay is for three nights.

2.3 Snowsport Scotland

Formerly the Scottish National Ski Council (formed in 1963), Snowsport Scotland (renamed in 1998) is the National Governing Body for all snowsports (snowboarding, alpine, freestyle and Nordic skiing) in Scotland, on snow and artificial slopes.

The five key aims of Snowsport Scotland are outlined below:

- To foster a vibrant network of quality clubs;
- To strengthen the economic base of the governing body;
- To foster a coach education structure and effective deployment of coaches;
- To foster the development of performance and excellence among Scottish skiers and snowboarder;
- To foster a competitions structure that will be attractive and accessible to both skiers and snowboarders.

Snowsport Scotland is a limited company. Its key activities include: promotion of clubs; safety campaigns; members insurance; coaching courses; managing national teams; co-ordinating races. The organisation receives income from a range of sources including: revenue from membership fees; specialist services; activities and development grant funding from Sportscotland.

According to the organisation's Strategic Plan 2010-2018, the key strategy which activities are working towards is: *"To promote and develop participation in snowsports, in the broadest sense, to all. To sustain involvement and nurture participants cultivating an environment of long-term commitment to produce a fit and healthy member population as well as a larger pool of elite athletes with Olympic podium potential."*

Snowsport Scotland is currently working on a development action plan with a key focus on entry and accessibility to the sport. The organisation has a key focus on working with schools and clubs to achieve these goals.

For the 2010/11 season, Snowsport Scotland had 35 paying member clubs, which has been fairly steady over the last few years (there was a slight drop in 2008/09 with 27 clubs). Through these clubs the organisation has access to almost 5,000 individual members. It is an aim of Snowsport Scotland to try to boost membership further.

It is strategically important that Snowsport Scotland work with Scotland's 15 dry ski slope centres and Sno!Zone at Xscape to continually promote entry into the sport.

The future of a number of dry ski slopes is being questioned given the current round of Local Authority cutbacks. These facilities are important in helping to drive entry into the sport. The Midlothian Snowsports Centre at Hillend is extremely important in providing beginner tuition and encouraging take up of the sport. (It is the largest artificial ski slope in the UK with two main slopes, two nursery slopes, jump and freestyle features). Whilst the dry ski slopes see Scotland's ski centres as competition, the transition between dry ski and outdoor skiing needs promotion and there are opportunities here for both the dry ski slopes and the Scottish ski centres to work together to develop packages and price advantage discounting, promotion tuition and greater entry into the sport.

A third party such as Snowsport Scotland needs to bring the dry Slopes and the ski centres together. Discussions have also revealed that in general a much closer relationship with Snowsport Scotland would be beneficial for the whole sector. Snowsport Scotland has the opportunity to present a unified voice for the sector and already has developed channels for lobbying. The future role – greater representation for Scotland’s ski centres is explored in further sections of this report.

2.4 **Ski Scotland**

The Scottish Snowsports Marketing Group (Ski Scotland), formally constituted in 1996 (and had been working informally for years before that), aims to promote Scottish snowsports to identified target markets.

The group was formed after research indicated that customers view the sector as an aggregated product and that a national marketing body would likely be more efficient than a fragmented approach with each Centre acting individually. This is particularly true in today’s global marketplace.

The group is a working partnership between several major players in the Scottish snowsports sector:

- The five mountain ski centres
- VisitScotland
- Snowsport Scotland
- Sno!Zone Scotland

The Ski Scotland application to VisitScotland’s Growth Fund for activity 2010-11 states that the principal objective of the group is: *“to collaborate in marketing Scottish snowsports on real snow to ensure the maximum possible number of skier days at the mountain resorts and customers on indoor real snow”*.

Previously, Ski Scotland was part-funded by VisitScotland, through the involvement of individual Area Tourism Partnerships. However, since the recent reorganisation of Public Sector agencies this core funding has been withdrawn. Public funding available to Ski Scotland is now limited to applications to specific funds (such as the VisitScotland Growth Fund) which support only new initiatives, rather than existing activities. There is currently no dedicated Public Sector support for ski marketing and no support for marketing staff. The project support is provided through Nevis Range with assistance in-kind from VisitScotland.

The greatest portion of Ski Scotland's current funding comes from sales of all-Scotland season passes allowing access to facilities at all five ski centres for the season. A total of 70 of these passes were sold in 2009/10 at £450 each. The volume of passes sold each year can vary greatly and therefore the income available to Ski Scotland's marketing activities is often unknown. As such the organisation does not have a set marketing plan for future years.

The current core activities of Ski Scotland include regular e-newsletters to a database of 37,000 subscribers and regular news releases. A system has also been developed in which real time webcam feeds on each centre website and on Ski-Scotland.com, allowing potential visitors access to accurate and up-to-date weather conditions. Previous activity has also included: brochure and leaflet production / distribution and website development, both in partnership with VisitScotland; radio advertising; advertising in specialist ski / snowboard print; and attendance at ski shows.

The Growth Fund application has a marketing budget of £36,000 to be spent in 2011/12.

The main activities to include:

- VisitScotland Winter White Campaign;
- Ski Show attendance;
- Warren Miller film commercial;
- Sno!Zone package (transition from artificial to snow);
- Youth / Schools initiatives;
- Car stickers;
- 'Raring to Go' advert and editorial Scotland and North of England;
- Leaflet Drops.

It is anticipated that this menu of marketing activities will increase visitor numbers by 11,000 across all ski centres.

2.5 Disability Snowsport UK

In addition to economic impact, it is important to consider the additional benefits that can be generated by investment in improving the snowsports sector. Health benefits and social inclusion must be considered in developing the future of the sector.

Disability Snowsport UK (DSUK) is a charitable organisation which aims to “*promote equality and opportunity for people with disabilities to take part in snowsports*”. The organisation also works to help individuals with disabilities improve their level and standard of performance in their sport and also increase their enjoyment in participation.

Championed by a board of trustees and with the support of over 400 volunteers, the vision statement of DSUK states that: “*Skiers & snowboarders with a disability should be able to ski alongside the able-bodied as equals at all ski facilities and resorts.*”

For 30 years, the work of DSUK focused on helping individuals or groups to improve their quality of life and transfer the benefits gained from taking part in snowsports into their everyday life. These benefits can include improved fitness, mobility, sense of freedom, social interaction, independence, confidence and coordination. It is also considered important that through snowsports, individuals with disabilities can realise their full potential both in daily life and as athletes. The organisation works with the British Disabled Ski Team to help develop skills to a competitive level.

Programmes and initiatives run by DSUK include:

- Dedicated adaptive snowsports schools;
- Schools and youth programmes;
- A network of thirteen local groups;
- Overseas activity weeks;
- Support for the British Disabled Ski Team;
- Support for the Youth Development Squad – bringing talent from grassroots to racing standard;
- Support for the development of adaptive facilities in continental Europe;
- Training for instructors, volunteers and snowsports centre staff; and
- Advice, information and encouragement for members and the wider community.

There are perhaps opportunities for the Scottish snowsports sector to work more closely with DSUK to enhance opportunities for people with disabilities.

2.6 **British Association of Snowsports Instructors (BASI)**

Training, instruction and involving more beginners in snowsports are also issues which will be discussed throughout this report. The British Association of Snowsport Instructors (BASI) is the UK national training and grading provider for professional snowsport instructing and coaching qualifications. BASI is run by an executive with day-to-day operations managed by a full time team of staff based in Grantown-on-Spey. Represented on the board of the International Ski Instructors' Association (ISIA), the running of the organisation is overseen by board of Directors who are elected by the membership.

The principle aim of the organisation is to “create a national and international reputation for excellence through the provision of the highest quality of training and support services for snowsport instructors and to ensure the credibility and employability of the BASI members around the World”.

The principle function of BASI is to progress advanced Snowsport enthusiasts through an award system which meets the market place needs and national and international requirements. Courses are offered in the five key snowsports disciplines:

- Alpine Skiing;
- Snowboard;
- Telemark;
- Nordic; and
- Adaptive (teaching individuals with disabilities).

Through taking part in this system instructors become qualified members of the organisation, which also gives the instructors cover of Public Liability and Professional Indemnity Insurance through BASI. BASI linked with Snowsport Scotland and Ski Scotland will play a key role in the future, promoting the sport and providing tuition to beginners and more advanced skiers.

3 PERFORMANCE IN NON-SNOWSPORTS MARKETS

Each of the Scottish ski centres attracts a non-snowsports market, the majority of which occurs during the summer months. However, at Cairngorm and Nevis Range there is also a market for winter sightseers. Nevis Range, due to the forested area around the base station, at present has most successfully diversified into year-round activities, sightseeing, downhill mountain biking, international and local events, winter climbing and high wire assault course type facilities. In addition the wider site also provides a venue for horse-riding walkers and cross-country mountain bikers, [although these visitors are not monitored by Nevis Range and as a result not included as part of this review. The All Forests Survey undertaken by FCS from 2004-2007 indicates that Lochaber forest district experiences high repeat visitation (73% repeat visitors, average visitor makes 77 visits per year) and a high proportion of dog walkers (53%) which may be the cause of the higher visitors numbers.].

Cairngorm Mountain attracts a large number of sightseers each year – 130,000 in (2010) for a trip on the funicular railway. Visitor numbers in recent years have declined due to a number of factors including poor summer and winter weather and a lack of appeal for repeat visitors due to short experience time – the funicular trip only lasts 15 minutes; and lack of other facilities on site to encourage visitors to stay longer and spend money, walks, mountain biking, children's activities.

The Lecht diversified into summer activities in 1999 adding a mix of gravity-fed and petrol-driven karting, quadbikes and in 2008 mountain biking was added. However, visitor numbers have been low, mainly due to location and the lack of other facilities in the immediate area, on which the visitor can build a day excursion or overnight experience.

Glencoe attracts a summer sightseer market, visitors using the A82 trunk road. They have also added a downhill mountain bike track that has been used for Scottish Downhill Association events, but is severely challenging for the general public and as a result gets very little usage.

The facilities at Glenshee stay open all summer and the staff carry out essential maintenance / repairs. The restaurant, chairlift and mountain bike track attract only a small number of summer visitors.

In all instances the terrain, the weather and the access and shelter are they key constraints to non-snowsports diversification at each centre. In addition the ski centres are located in environmentally sensitive areas and areas of outstanding natural beauty. Summer activities in particular appear to have a greater impact on the environment and care needs to be exercised. There is little doubt that opportunities exist at each ski centre for some form of diversification, maximising each centre's strengths and locational advantages. Future opportunities have been explored later in this document.

Below is summarised the baseline market for non-snowsports activities. It has been assumed that the 2009/10 level; is a reasonable baseline going forward, as visitor numbers to Scotland as a whole have fallen back from a peak in 2009. The summer and non-snowsports sector visitors to the ski centres in the main reflect the wider day and overnight visitor market regionally in Scotland.

NON-SNOWSPORTS VISITOR NUMBERS – THREE YEARS AVERAGE			
	Cairngorm and Nevis Range	Glencoe / Glenshee / The Lecht	Total
	282,000	22,000	304,000
Day Visitors Over Three Hours	7%	5%	7%
Day Visitors Less Than Two Hours	2%	1%	2%
Overnight Visitors	91%	94%	91%
Total	100%	100%	100%

Table 3

Source: TRC / EKOS

The number of non-snowsports visitors for the three-year average was around 304,000. At Cairngorm and Nevis Range this accounted for 93% of overall non-snowsports demand, whilst Glencoe accounted for a further 6%. At each centre the visitor numbers are only recorded from uplift tickets. No visitor information is available at any of the sites where visitors only visit: the café or retail outlets, cycle or walk or attend events and do not use the uplift facilities, or visit the site and spend nothing. General car park counter information is not available. Discussions with centre management reveal that overall site footfall could be significantly higher than the reported level and this perhaps does offer opportunities for the future. The consultants consider that improved data collection particularly visitor market information and additional management information would be beneficial.

4 FINANCIAL PERFORMANCE AND ESTIMATED ECONOMIC VALUE

4.1 Financial Overview – Review of Operating Performance / Industry Norm

The consultants have analysed the financial operating performance of each of the ski centres over the last three years (information made available to us by the ski centre operators). This financial information has been extrapolated into a uniform format and we have created an 'Industry Average / Norm' for the sector. The consultants have apportioned various revenues and expenditures in order to present a uniform profit and loss model. However it must be understood that this tool should only be used as a guide for comparison purposes. The industry norm has been compiled as a benchmark for the sector as a whole and no reference to any individual operation has been given. Averages for the trading year 2009/10 and three-year averages 2007/08 and 2008/09 and 2009/10 have been presented. Due to operations having different financial trading years, more precise accounting periods cannot be given.

The full commentary on the three-year average for the industry norm is presented in the separate Appendices. The revenue mix, average spend and operating costs have been analysed and are presented as a uniform profit and loss statement for the sector. The industry norm has then been used for comparison against the performance of the individual operations outlined in the Confidential Appendices. The following section discusses and presents the industry averages for the recent best year 2009/10 in line with the comparison for the economic base line. It has not been possible to calculate a ten-year industry norm, incorporating a full revenue and cost breakdown.

In this section the consultants have provided a brief commentary on the financial results for the 2009/10 season. This was the best ski season for a number of years and as a result should be viewed as a short-term performance peak. The three-year industry average in the separate Appendices is more representative of average industry performance.

- The overall direct revenue net of VAT generated by the sector in 2009/10 was £11.75 million compared with £9.0 million for the three-year average;
- In 2009/10, due to good snow conditions, the number of skier days were recorded at 353,945, 55% of the total visitor volumes and 57% above the three-year average;

- The number of sightseeing and activity visitors fell in 2009/10 and were 3% below the three-year average. This was due to poor weather, rain and mist, preventing sightseers visiting the centres.

INDUSTRY NORM ANALYSIS			
Criteria	Average For Season – 2009/10		
Total Skier Days	353,945		
Total Sightseers	294,068		
Total Visitors	648,013		
Revenue Totals	£000s	Revenue Mix %	Av Spend £
Ski and Sightseer Lifts	7,291.9	62%	£11.25 per visitor
Kit Hire	1,057.9	9%	£2.99 per skier
Catering	2,332.2	20%	£3.60 per visitor
Retail	562.0	5%	£0.87 per visitor
Ski Lessons	119.7	1%	£0.34 per skier
Rides and Activities	41.3		n/a
Other	347.7	3%	£0.54 per visitor
Total Revenue	11,752.7	100%	£18.14 per visitor

Table 4 **Note:** This is total onsite revenue generated by the snowsports centres. *Source: TRC*

- In 2009/10 the revenue generated by the sale of lift tickets increased to £7.3 million compared with the three-year average of £5.4 million. The average spend on lift tickets increased from £10.28 to £11.25 over the same period. This was due to the higher mix of ski visitors, who are higher yielding visitors than sightseers;
- In 2009/10 the catering average spend was maintained at the three-year average, but in real terms, if inflation was taken into account, the catering revenue fell. All other average spends in 2009/10 fell as the volume of visitors increased. This in part is due to the issue of queuing at peak times. Long time spent in queues appears to reduce visitors' propensity to spend. Also in a season which has a higher than average number of repeat visitors (in the same season) the average spend (at recreation attractions) tends to be lower per visit than for single visit customers. The selling of a high number of season tickets tends to reduce onsite, ancillary spends;
- With the increase in visitor volume, in 2009/10, the average food cost for the sector was around 36% of food revenue;
- In a good snow season payroll costs as a percentage of turnover reduce, due to economies of scale and a proportionally lower fixed cost element for management this occurred across the sector in 2009/10;

- Marketing costs remained the same as the three-year average, but in 2009/10 insurance costs have reduced both per head and as a percentage of revenue;
- The cost of energy as a raw material has continued to rise year on year. In 2009/10 energy expressed as a cost per visitor did not increase due to the increase in skier volumes. However, in the short term, there is a need to build a renewables and a low carbon strategy, and the centres are looking at opportunities in this area;
- It is usual practice in the Scottish ski industry to increase the maintenance expenditure in good seasons, rather than profit take. This has happened in 2009/10, with maintenance rising to £1.40 a visitor compared with the three-year average of £1.28;

INDUSTRY OPERATING COSTS		
Key Operating Costs	Average For Season – 2009/10	
	% of Revenue	Average Cost per Visit
Food Cost	35.8%	£1.29
Retail Cost	50.7%	£0.44
Equipment Hire Replacement	8.8%	£0.17
Payroll, Directors' & Related	38.4%	£6.97
Marketing	1.9%	£0.34
Insurance	3.6%	£0.65
Electricity, Energy	4.6%	£0.83
Maintenance	7.7%	£1.40
Administration & General	6.9%	£1.25
Rent, Rates & Royalties	4.5%	£1.02
Operating Profit	18.7%	£3.40

Table 5

Source: TRC

- The overall level of profit per lift visitor in 2009/10 rose by £1.00 (42%) to £3.40 per visitor;
- Profit levels from good seasons are taken to help smooth out cashflow in poor times. Evidence has shown that the sector has built-up resilience to poor seasons. Whilst few centres have formal forward business plans, the management are well aware of seasonal cashflow needs and as a result replacement and maintenance is only carried out as cashflow allows;
- Due to the need to survive, the industry is rather conservative and growth planning for the future is difficult. Discussions amongst many of the operators have revealed that they can survive two poor seasons 'back to back', but a third poor season would seriously question the sustainability of every ski centre.

4.2 Estimated Economic Baseline

In this section the consultants have calculated the economic baseline of the snowsports sector broken down into snowsports and non-snowsports activity. An economic baseline range (economic value in terms of expenditure and jobs) has been prepared based on a ten-year skier day average and the most recent best year (2009/10) to give an optimistic value. (The detailed methodology is given in the separate Appendices).

4.2.1 Visitor Numbers

The number of visitors both snowsports and non-snowsports was approximately 500,000 for the ten-year average and 648,000 for the best year.

VISITOR NUMBERS		
	Ten-Year Average	Best Recent Year
Snowsports	196,101	353,945
Non-Snowsports	303,558	294,068
Total	499,659	648,013

Table 6

Source : EKOS

The number of snowsports visitors by centre is set out below.

SNOWSPORTS VISITOR NUMBERS BY CENTRE		
	Ten-Year Average	Best Recent Year
Cairngorm	67,391	122,022
Nevis Range	20,889	34,652
Glencoe	17,061	26,135
Glenshee	52,177	116,614
Locht	38,582	54,522
Total	196,101	353,945

Table 7

Source: EKOS

4.2.2 Onsite Employment

The ski centres have provided information to allow the consultants to calculate FTE onsite employment levels for the best snow year and an employment levels for the ten-year average. These are summarised in the table overleaf.

ONSITE EMPLOYMENT		
	Best Year	Ten-Year Average
Cairngorms	96.3	86.4
Nevis Range	70.0	66.2
Glencoe	26.2	23.1
Glenshee	N/A	
Lecht	22.8	18.7
Total	215.3	194.4

Table 8 **Note:** In a typical year Glenshee employs 11 fulltime staff and 63 seasonal part timers. *Source: EKOS*

4.2.3 Average Spend

The average daily expenditures for snowsports and non-snowsports visitors are given in the table below. These have been sourced from UKTS, IPS, Steam, Cairngorms National Park Visitor Survey (2009/10) and onsite spends reported by the individual centres, each inflated as appropriate.

AVERAGE DAILY SPENDS ¹		
	Day Visitors	Overnight Visitors
Snowsports	£35-45	£80-85
Non-Snowsports	£18-20	£26-30

Table 9 **Note:** ¹ Non-snowsports spend equates to three quarters of the average daily visitor spend and half for overnight visitors as not all of their expenditure would be attributed to the ski centre. *Source: EKOS*

4.2.4 Direct Expenditure

Direct expenditure is calculated as follows:

$$DE = dv.ndv + ov.l.nov$$

Where:

- DE direct expenditure
- dv average daily expenditure of day visitors
- ndv number of day visitors
- ov average daily expenditure of overnight visitors
- l average length of stay
- nov number of overnight visitors

There is also an element of turnover that is not related to the expenditure of snowsports and non-snowsports visitors of £331,741 and has been included as part of the expenditure related to the centres.

DIRECT EXPENDITURE – TEN-YEAR AVERAGE (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Cairngorm	£3.8	£4.1	£3.6	£3.7	£7.4	£7.8
Nevis Range	£1.1	£1.2	£3.9	£3.9	£5.0	£5.1
Glencoe	£0.7	£0.8	£0.5	£0.5	£1.2	£1.4
Glenshee	£2.2	£2.5	£0.1	£0.1	£2.3	£2.7
Lecht	£1.6	£1.8	£0.1	£0.1	£1.6	£1.9
Total	£9.3	£10.5	£8.2	£8.3	£17.6	£18.8

Table 10

Note: Includes all onsite and off site expenditure.

Source: EKOS

The ten-year average for direct expenditure was £17.6 million at the local level and £18.8 million at the Scottish level.

DIRECT EXPENDITURE – BEST RECENT YEAR (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Cairngorm	£6.8	£7.4	£3.5	£3.5	£10.3	£11.0
Nevis Range	£1.9	£2.0	£3.8	£3.8	£5.6	£5.8
Glencoe	£1.0	£1.3	£0.5	£0.5	£1.6	£1.8
Glenshee	£4.9	£5.7	£0.1	£0.1	£5.1	£5.8
Lecht	£2.2	£2.6	£0.1	£0.1	£2.3	£2.6
Total	£16.9	£19.0	£8.0	£8.0	£24.9	£27.0

Table 11

Note: Includes all onsite and off site expenditure.

Source: EKOS

Direct expenditure for the best recent year was £24.9 million at the local level and £27 million at the Scottish level.

4.2.5 Multipliers

The economic activity as a result of the ski centres will also have had two types of wider impact on the economy:

- supplier effect: an increase in sales in a business will require it to purchase more supplies than it would have otherwise. A proportion of this 'knock-on' effect will benefit suppliers in the local economy; and
- income effect: an increase in sales in a business will usually lead to either an increase in employment or an increase in incomes for those already employed. A proportion of these increased incomes will be re-spent in the local economy.

4.2.6 Total Economic Value

Applying the Scottish Economic Multipliers from the Scottish Tourism Multipliers Study of 1992 gives a total expenditure of £23.4 million at the local level and £30 million at the Scottish level.

TOTAL EXPENDITURE – TEN-YEAR AVERAGE (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Cairngorm	£5.0	£6.6	£4.8	£5.8	£9.8	£12.3
Nevis Range	£1.5	£1.9	£5.1	£6.1	£6.6	£8.1
Glencoe	£0.9	£1.4	£0.7	£0.8	£1.6	£2.2
Glenshee	£3.0	£4.1	£0.17	£0.20	£3.1	£4.3
Lecht	£2.1	£3.0	£0.07	£0.08	£2.2	£3.1
Total	£12.5	£17.0	£10.9	£13.0	£23.4	£30.0

Table 12

Note: Includes all onsite and off site expenditure.

Source: EKOS

For the best recent year the total economic value was £33.1 million at the local level and £43.3 million at the Scottish level.

TOTAL EXPENDITURE – BEST RECENT YEAR (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Cairngorm	£9.1	£11.9	£4.6	£5.6	£13.7	£17.4
Nevis Range	£2.5	£3.2	£5.0	£5.9	£7.5	£9.2
Glencoe	£1.4	£2.1	£0.7	£0.8	£2.1	£2.9
Glenshee	£6.6	£9.2	£0.18	£0.21	£6.8	£9.5
Lecht	£3.0	£4.2	£0.08	£0.09	£3.1	£4.3
Total	£22.5	£30.6	£10.6	£12.6	£33.1	£43.3

Table 13

Note: Includes all onsite and off site expenditure.

Source: EKOS

4.2.7 Employment

The ski centres and their associated expenditure and employment are helping to support regional equity. Snowsports is location-specific ie they are not transferrable 'mobile' businesses so any investment will remain within that specific location. Also the destinations are in rural areas where development opportunities in other sectors may be more limited.

The employment impact has involved estimation of the onsite and offsite impacts, based on:

- onsite employment: data from each of the ski centres on employment levels; and
- offsite employment: expenditure offsite and application of relevant expenditure:employment factors.

EMPLOYMENT IMPACTS – TEN-YEAR AVERAGE (FTEs)		
	Local	Scottish
Cairngorm	184	239
Nevis Range	140	177
Glencoe	43	56
Glenshee	54	100
Lecht	45	62
Total	466	634

Table 14

Source: EKOS

The number of FTE jobs supported by the sector for the ten-year average was 466 at the local level and 634 at the Scottish level.

EMPLOYMENT IMPACTS – BEST RECENT YEAR (FTEs)		
	Local	Scottish
Cairngorm	226	301
Nevis Range	151	192
Glencoe	49	67
Glenshee	118	166
Lecht	59	82
Total	603	807

Table 15

Source: EKOS

The number of FTE jobs supported by the sector in the best recent year was 603 at the local level and 807 at the Scottish level.

5 RESEARCH FINDINGS

5.1 Business Research

Interviews were also held with representatives from key relevant tourism businesses. A total of 60 businesses were consulted in order to better understand current market and business levels, constraints, growth potential, any future planned developments and potential linking / packaging opportunities. The businesses involved included activity providers, accommodation providers and outdoor equipment retailers. The geographic spread of businesses was chosen to reflect the scale of the market and business community surrounding each centre.

A short summary of the key findings of the business research is presented below and **a more detailed appraisal for each snowsports centre area has been included in the separate Appendices.**

The key issues facing the snowsports sector were identified by tourism businesses as follows:

- The unpredictable weather conditions (summer and winter) were noted as a constraint to growth of the snowsports market. The instability of the market makes it extremely difficult for any third party businesses relying on the sector to become sustainable. Several businesses view the ski market as an undesirable target segment due to cancellations. To ensure a secure future for the sector the Centres must find a way to decrease their dependency on the weather. There are perhaps opportunities for collaboration here – businesses working together to provide alternative activities and create a more flexible ‘destination’;
- The instability of the market also causes problems in investment funding. The Centres do not have the funds required to replace equipment or develop new facilities and there is a general difficulty in attracting investment from elsewhere;
- The Scottish snowsports market is at present predominantly a day visitor market. The current level of demand for overnight accommodation generated by the ski centres is not sufficient to sustain more than a limited level of bed stock.

It is likely this issue may not be easily remedied at some of the centres – particularly those closer to the Central Belt – however those centres in an already established tourism destination may be able to increase visitor length of stay by offering accommodation which meets market demands (see next point re onsite accommodation);

- Research suggested that the snowsports market look for on-site accommodation as is available at many European resorts. The ski market are beginning to expect the convenience of being able to ski almost to their door, however this is not currently available in Scotland. Supporting food and beverage facilities are also required onsite such as bars / restaurants that are open late to provide evening entertainment;
- There is a limited amount of official packaging of accommodation with lift passes, equipment hire, etc, occurring in the snowsports market – increase use of this marketing tool may also assist in boosting overnight stays. However, the European Union's Package Travel Directive and UK's Package Travel Regulations that ensure companies offering formal packages are officially bonded have limited the package product throughout Scotland;
- Many businesses interviewed commented that there are opportunities for the ski centres to diversify away from snowsports in the summer months in order to create a more sustainable year-round resort offering, however few were able to provide specific ideas;
- It is difficult to accurately quantify the 'importance' of the snowsports centres to their local business environment. Business operators were asked to estimate what proportion of their demand / turnover could be attributed to the snowsports market, however many interviewees noted that the figure changed dramatically year on year depending on weather and ski conditions. Answers to this question varied dramatically from less than 10% to 100%. The centres have clearly impacted on the local economy in cases where specific snowsports businesses (such as ski schools) have emerged, however for support businesses such as accommodation the ski market often generated a much smaller percentage of demand (see separate Appendices for more details).

5.2 **Benchmarking**

As part of the research process, the consultants conducted a detailed benchmarking exercise. Through a combination of internet research and telephone interviews the team aimed to gain a better understanding of how the snowsports sector operates in other countries / resorts across the World.

As part of this process, benchmarks were selected, that had a relevance to the Scottish snowsports sector either in the type of market they attracted, the lack of snow and how they have put remedial measures in place, the height of the snow facilities. A short bullet point summary of the benchmark has been prepared together with the key lessons learnt. The benchmarks included: Japan – a country profile; Åre in Sweden, a large ski resort operated by SkiStar a private company that operates a number of resorts; and Cardrona New Zealand, a small resort. At the end of the Japan benchmark in the separate Appendices the consultants have included general information on the well-known Canadian resort of Whistler / Blackcomb.

5.2.1 Japan

A full overview of the Japanese snowsports sector, prepared by Gord Ahrens of What's Next Consulting is provided in the separate Appendices to this document. The following section outlines the key themes and lessons learned as they apply to the Scottish snowsports sector:

- Over the last 14 years, snowsports demand fell in Japan from 98 million skier days (1994) to 37 million (2010), a 62% fall in demand. In Scotland the fall in demand over the same period was 32% (as 2010 in Scotland was a good snow year; however the five-year average fall over the same period in Scotland was 55%). This is in part due to changing snow conditions but also due to economic recession an aging population and the 'in crowd' no longer viewing skiing as a 'trendy' activity;
- The ski industry in Japan is now oversupplied with too many facilities and the market penetration rates needed for profitability are not achievable. As a result there are an increasing number of facilities that are no longer economically sustainable and a growing number of facilities that are going out of business;
- The snowsports market in Japan is driven by day visits, and a small number of short breaks, like Scotland it is largely a domestic market;
- There has been very little investment in the sector since the 1980s – the levels of customer service are cited as poor, there is a poor amenity quality and generally a poor visitor experience, due to under investment;
- The maintenance costs continue to rise, as the equipment is old and in need of replacement. Other operating costs due to inefficiencies are also rising, reducing profitability and increasing the spiral of decline;
- Japan does not operate with a government safety net, no public funding is available and the ski centres cannot raise bank debt due to the very high level of business failure. It is recognised that many of the marginal centres must close down as this is the only option.

Lessons Learnt

- A variable operating model is now operating successfully in many Japanese ski centres, with midweek closure, reducing overheads. Initially this made it extremely difficult for the centres to communicate their opening hours to the public but communication through good use of websites has helped address this. Businesses are calculating non-contributing days, ie those days that each of the centres are operating at a loss and not open for business;
- There is an element of joint sector working, ski centre rationalisation and pooling of resources – administrative / financial functions reducing the central overhead costs, etc;
- Critical success factors are widely recognised – access proximity to market, reliable and accessible snow, good number of lifts and runs to attract a good range of markets, accommodation close by increases viability and packaging opportunities;
- summer visitor attraction diversification is required and this is increasing viability – see Sea of Clouds visitor attraction;
- In Japan it was recognised that there are just too many ski centres, the stronger centres will survive and the weaker centres should be actively encouraged to shut. The higher altitude resorts with a diverse range of market and summer activities should be backed. If there is snow, Scotland's ski centres can meet the present level of demand (there are still queues at peak times) and the centres complement each other in terms of location and markets they attract. For this reason it is not recommended that the Japanese pattern of closures is considered in Scotland.

5.2.2 Åre, Sweden

Located in the West of Sweden, close to the country's border with Norway, Åre first developed as a visitor resort in 1880, based mostly around a railway to take summer sightseers up the mountain. This railway still exists today, smaller in capacity than the Funicular Railway at Cairngorm. Snowsports activities were first developed at Åre in the 1970s, however despite this history, today the volume of winter visitors far exceeds that of summer visitors. Åre attracts around 500,000-600,000 visitors per year, only 100,000 of which are summer visitors. The remaining 400,000-500,000 visitors are skiers / snowboarders. The resort is open for 190 snow activity days per year.

Visitors to Åre are predominantly a 70% domestic market (70%), 30% from elsewhere. The Norwegian market is particularly strong as the resort is within a short drive of the border, however the overseas market has grown steadily over the last 6-7 years and there is a growing market from the UK using budget airline links.

Where Sweden differs from the Scottish snowsports sector is the average length of stay. Åre is situated in a relatively remote location, making it difficult to visit as a day trip, and the average visitor will stay in the local area to ski for 2-3 days at a time.

All facilities at Åre are owned and operated by a private company called SkiStar, who also own and operate several other snowsports resorts throughout Sweden. SkiStar also work with a large number (over 200) other private companies in providing onsite support facilities such as accommodation, retail, food and beverage. The mountain is under private ownership and leased to the SkiStar Company on a long-term basis. The Public Sector also plays a role in the development of the resort. All ski lift developments in Sweden, new or replacement, receive some level of public funding. Operators can apply for funds of up to 50% of the development costs; however private companies must prove that the development will benefit the area as a whole. Funding is granted based on wider economic development justification.

Lessons Learnt

- With 500,000 visitors per season Åre are established as a successful snowsports resort. Over the last 15 years the resort has been working on decreasing their dependency on the weather and has been making use of snow-making facilities for 15 years. The company invested €25 million in developing these facilities and can now guarantee ski conditions from 1st December to end of April each year. With snow-making facilities the skiing can be guaranteed, but the weather conditions have to be correct and the cost benefit in balance;
- The resorts are currently working on developing the summer offering in order to build a year-round visitor market. A wide range of summer activities are now offered;

- All ski lifts in Sweden are considered transport infrastructure and therefore subject to a reduced GST rate of 6% tax rather than standard 12% GST. This is a key issue for Scotland where VAT on ski lifts and tows is charged at the full VAT rate of 20%. It took the Swedish ski industry ten years of intensive government lobbying on the uncompetitiveness of Swedish skiing to achieve this.
- A reduced VAT rate could make the Scottish ski industry more competitive the additional money saved could be used for replacement and help to modernise the sector, meeting customer quality expectations;
- The Swedish resorts have plans to increase the quantity of on-site accommodation to compete with ski-in / ski-out resorts in Europe. Onsite accommodation helps with packaging, increasing the proportion of overnight visitors and creating a better integrated resort feel;
- Are hosts a range of events throughout the season, not all at peak times from competitions to themed weeks such as 'Family Week'. There are perhaps opportunities in Scotland to offer family orientated fun events rather than just a focus on serious competition;
- In some Municipalities of Sweden, all children of school age can ski for free to encourage uptake and build a skiing community. This encourages entry into the sport increasing participation levels;
- SkiStar also own small, indoor ski facilities within city centres where people can first try the sport. There is therefore a good link-up between artificial and snow centres. This helps to breakdown the entry barriers and helps to drive grassroots beginner demand.

5.2.3 Cardrona – New Zealand

Cardrona is a privately owned, small ski resort in New Zealand's South Island. The resort is closed during the summer months and therefore survives only on income generated during the winter season. Cardrona receives 185,000 visitors per year all of which are snowsports-related. The snowsports season at Cardrona is from June until October and on average they receive roughly 105 snow days during that time.

As New Zealand is a relatively isolated country, geographically, the snowsports market is a predominantly domestic market. Cardrona's market is made up mostly of local, day trip visitors as is common throughout the sector in New Zealand.

A number of the issues surrounding New Zealand's snowsports sector are similar to those currently facing the Centre's in Scotland (such as weather dependency, peaks and troughs in demand). However, as both countries are also at similar stages in tackling these issues there are perhaps fewer lessons to be learned from the New Zealand benchmark than from a resort or national sector that is further ahead in developing for the future. At present, there is no public funding for development of snowsports facilities in New Zealand.

Lessons Learnt

- As mentioned above, the New Zealand snowsports market tends to be made up of day visitors. The majority of ski centres in New Zealand are situated on land owned by the department of conservation and therefore development is restricted. Cardrona is freehold and therefore have been able to develop a limited amount of onsite accommodation in order to encourage / boost overnight stays;
- The resort stages a large number of events, particularly competitive events and athlete training to help boost participative and spectator demand. The events are also used as a method of marketing and promotion the wider resort and the ski industry in New Zealand. Success at competitive events on the World stage also help to boost and maintain snowsports interest and participation amongst the population and raising the profile of the sport;
- The resort, like Scotland, is highly weather dependent and have therefore begun to use both snowmaking and a wind-fencing in order to reduce this weather dependency;
- They have a contemporary and modern catering offer which helps meet market demand and is a well balanced to ensure a high level of throughput yet maintain a quality of catering experience;
- Cardrona's visitor demand is subject to significant peaks and troughs, in particular the midweek / weekend split is highly uneven. The resort has attempted to tackle this issue through offering heavily discounted deals locally to encourage higher usage at off-peak times. The operators also offer discounted package deals through tour operators in order to attract visitors from further afield;

- The resort offers heavily discounted package deals to first time skiers / snowboarders in order to encourage uptake and drive entry into the sport. Cardrona also work with organisations such as Disabled Sports NZ in order to again increase the accessibility of the sport;
- There are over ten key ski centres in New Zealand (all bar one are located on the South Island, in relatively close proximity to each other). While there is certainly a level of competition between Centres, it is also understood that there is a need to differentiate between resorts and each try to position differently / offer something unique. However, there is also some level of collaboration between resorts, offering reciprocal arrangements on lift passes and links in order to create critical mass.

5.3 Implications for Scotland

The implications for Scotland from the lessons learnt are as follows:

- Improve access to higher level snow and create better visitor experiences at the highest altitude possible;
- Continue to diversify into a range of sustainable summer activities;
- Improve sector joint working, pooling of resources where possible;
- Clearly identify marginal skiing and summer activities and reduce non-profit making areas;
- Review pricing policies and discounting regimes;
- Intensive lobbying of Government to reduce the VAT rate on chairlifts;
- Continue to invest in snow fencing and investigate changing viability of snowmaking as technology advances.

6 SUMMARY OF KEY ISSUES

6.1 Introduction

In this section, the consultants present and discuss a list of the key issues facing the Scottish snowsports industry. The key issues have been based on the consultant's discussions with the management of the individual ski centres, together with discussions with Snowsport Scotland, VisitScotland, Ski Scotland, local businesses, ski clubs, DMOs and Stakeholders: These issues have also been raised and discussed as part of a workshop with representatives of the Scottish ski centres, Snowsport Scotland, HIE, SE and the Scottish Government. At the end of this report we present a summary of the issues and the key strategic actions needed to address these issues in the future, their priority and which organisation may lead in the championing.

6.2 Market Demand and Changing Demographics

- The Scottish ski market participants are opportunists and ski when the snow conditions are correct. Most skiing occurs at weekends and during the Christmas and half term holidays (demand over these periods in some Scottish ski resorts can be as much as third of total annual demand) These large peaks and troughs in demand cause significant business operational and planning difficulties;
- There is an aging population with a greater percentage of the population forecast over 65 in the future, Scottish demographics is working against skiing as an activity. Products and packages need to be developed to attract this older ski market;
- It is reported there are fewer younger people taking up the sport, fewer schools involved in skiing as an activity, due to costs, risk assessments and lack of staff volunteers;
- The ski market in Scotland has contracted from a peak of 631,000 skier days in 1991 to 367,000 in 2010 (best recent year) (the ten-year annual average is only 199,100 skier days); It is unlikely that snowsports in Scotland will ever come back to the levels of the late 1980s / early 1990s, unless there is year on year, improved access to good snow and measures are put in to attract an older population and drive entry into the sport The ski centres need to become more focussed on year-round outdoor activity;

- The Scottish ski market is a fixed size – a finite number of people ski. The consultants estimate based on Mintel adult participation rates of between 3.5% and 4.4% that the potential adult market for Scottish skiing amongst Scottish residents is between 150,000 and 190,000 people. The average number of Scottish resident skier days over the last ten years was 171,000, a penetration rate equivalent to around 100% of the Scottish adult population that potentially ski (The skier day figures from Scottish ski resorts however include children and in reality snowsports enthusiasts visit more than once during the season);
- There is still the perception amongst the market that Scotland only offers pioneering and outback type skiing, for a very short season. The facilities lack comfort, quality and any frills and the conditions are either icy, windy or there is not enough snow. More Scots should be encouraged to ski in Scotland as first time skiers and repeat visitors. The north of England markets should be better targeted for short breaks that augment overseas holidays;
- Scottish ski resorts rely on a day visit market, mainly from a central belt population base. In Europe there are still 7-day ski holidays. In Scotland short breaks one or two nights stay have increased, but overnight demand only represents an estimated 28% of the total demand; the high cost of the Euro and recession has encouraged some visitors to again holiday in Scotland, however even so, the demand seems mainly to be for day visitors or one or two nights short stay, rather than a weeks holiday, which still seems to be the domain of European resorts;
- In Scotland ski visitors are very focussed and tend only to ski, and they will not tend to participate in other activities at the time of their ski visit. This is because the market is mainly day visitor and short break focussed. Changing market dynamics with an aging population, less time constrained and less active may change this in the future;
- More people are now hiring skis than before (there is less ski ownership, partly as hire prices have fallen and budget airlines charges to carry skis abroad have risen),. There a fewer support suppliers in Scotland as the poor snow over a number of seasons has put them out of business. There needs to be a greater level of hire kit available at the Scottish Centres. This requires greater storage space and a greater level of investment, more money is tied up in equipment stock;

- The Scottish ski industry is really broken down into two types of facility – (i) The ski and activity resorts of Nevis Range and Cairngorm which have received significant levels of public funding in their development and attract a greater proportion of overnight visitors and (ii) the more commercially-managed ski centres – The Lecht, Glenshee and Glencoe, which attract mainly day visitors. The support Nevis Range and Cairngorms have received has allowed more rounded / viable businesses to be developed. Both are now able to attract summer visitors, sightseers and activity participants through diversification;
- Scottish resorts need to work with Snowsport Scotland to attract a schools, family and a beginner market with greater average spend potential;
- Scotland is at a competitive disadvantage as the visitor market has expectations of a 'product' driven by overseas skiing experiences. The Scottish ski product is poor by comparison hampered by a lack of funding / investment. The lack of public money available for replacement and refurbishment and the lack of debt funding possibilities are exacerbating the situation. There is not a level playing field across Europe, each European Government views the importance of their snowsports sector differently and have different sets of priorities. The ski industry believe that Scottish skiing is not taken seriously. It needs a stronger unified voice to help promote, lobby and represent the industry.
- The centres need to attract a greater proportion of overnight and visitors from outside Scotland, by developing destination credentials, packaging and links to other activity businesses. Working more in partnership with destination management and marketing organisations, Ski Scotland, VisitScotland and creating initiatives targeting the North of England source markets is necessary.

6.3 Weather and Environment

- Scotland has an average of around 100 to 120 skier days per annum and each centre loses between five to 30 days per season due to wind. In very snowy seasons the centres tend to lose more days to high wind, surface lifts can operate, but chairlifts, gondolas and the funicular cannot;

- The perception that there is no snow in Scotland needs to be overcome, the centres need to educate visitors to look at web cams and to view snow conditions online. Very often there is snow late in the season and skiing is possible in late April and well into May, but the market just does not visit;
- Some Scottish ski resorts do benefit from well-targeted snow making, particularly on beginners slopes to protect a schools market. Snow-making needs plenty of water and electricity, the correct atmospheric conditions and there is a cost. The damp warmer conditions and the wind in Scotland do hamper snow making and make it only marginal at best. There are only a few nights each season that snow can actually be made. It is likely that mass snow-making in Scotland would have a limited return on investment, particularly in the West Coast centres. There is a good level of information and snow making experience in Scotland that needs to be shared and pooled, to benefit all resorts;
- Not only the skiing, but the mountain resort visitor attraction model in Scotland in general is very weather dependent (snow, wind, mist, rain in the summer months) – The mountain resort business model is reliant on good weather conditions at all times of the year. There is a need to secure a sustainable business model in ski resorts that is not as weather dependent, both during the summer and the winter;
- Compared with Europe and North America, Scotland's ski resorts are above the tree-line. The lack of tree cover in Scottish ski resorts increases the weather dependency. Trees create shelter to help promote a year-round resort (In Sweden they are planting trees, but little can be done about this in Scotland). Lack of shelter and the extreme terrain, also inhibits summer activity markets, ie comfort for family markets ,etc;
- Most sites have good natural, wildlife and green credentials and are located within areas of outstanding natural beauty and are adjacent to areas with environment and planning designations. In the main this does not restrict the ski centres too much, the exception being perhaps at Cairngorm with the restriction of the closed system on summer visitors (however visitors can now go on guided walks on Cairngorm in the summer). The strength of the natural environment asset does present some opportunities for the future;

- Snow cover for skiing in Scotland is not reliable at 2,000ft (610 metres) – all of the ski centre base stations are at this level. It is difficult to predict with any certainty the position going forward. Skiing in Scotland between 2,000ft to 2,500ft (610-760 metres), it is still considered intermittent. Resorts in the future may have to develop the ski experience at higher altitudes (see Japan / Switzerland) and improve access to higher snow fields, by replacing surface lifts with chairlifts, etc. However, the replacement of surface lifts with appropriate chairlifts will be costly and the Public Sector will need to work in partnership with the sector to help identify funding sources.

6.4 Seasonality

- Scottish ski centre business models have large peaks and troughs in demand on a daily basis in both summer and winter. This creates queues and bottlenecks at many of Scotland's ski resorts (car parks, lifts, ski hire, catering). A rationalisation of each centre its ski area and central facility offer, may help to mitigate this issue;
- It is extremely difficult for the ski sector to staff-up for the peaks and troughs of business. Seasonality needs to be smoothed out by attracting a wider range of markets and using techniques such as packaging, events, promotions to help drive demand outside peak periods.

6.5 Investment

- Every ski business in Scotland is financially very marginal and fragile and really struggles to survive, particularly if they have two or three successively poor seasons. Any profit made from a good snow season, is put back into essential maintenance and replacement. As good seasons get further apart, the availability of money from cashflow is increasingly difficult;
- It is extremely difficult to raise bank debt not only due to the current recessionary climate but also due to uncertainty of the climatic conditions and the long-term fragile nature of the ski businesses in Scotland;
- Cashflow drives the ski centres and as a result planning is short-term, with replacement and renewals rather sporadic;

- Much of the lift equipment is now very outdated (35 to 50 years old) and needs replacing, Scotland has had a lack of consistent investment in its ski infrastructure over the years. The cost of replacement will be very high and there are no budgets or funding to replace this essential equipment. Innovative funding solutions will be needed including accessing external funds, reducing VAT to EU levels to help stimulate investment. Otherwise this will seriously impact on the sector over the next five or ten years (see action plan recommendations);
- Due to old equipment, maintenance costs are rising and breakdowns are occurring more often and as a result additional staff time and money is spent, reducing profitability. Capital investment is required in modern equipment to reduce annual operating costs;
- Public Sector money has been made available for new facilities development (and all the ski centres over the last 15 years have received some public money for new developments – apart from Glenshee, which is outside the HIE area). The issue going forward is that capital money will be required for refurbishment, renewal and a rationalisation of existing facilities and not necessarily needed for the provision of new. Capital is not available from either the public or private sectors for this type of expenditure, however it is becoming essential to protect the existing businesses, their economic expenditure and jobs.

6.6 Marketing

- Packaging of skiing in Scotland no longer happens which is in part due to EU directive on bonding and also due to the Internet and the availability of information, but the experience in Europe is that the visitor is beginning to go full circle. More packages are being bought abroad and there may be an opportunity to package short breaks in Scotland. Accommodation operators are reluctant to package facilities as skiers often cancel if there is no snow. Packaging and special offers should be considered in discussion with destination management organisations. There is perhaps an opportunity once again get a tour operator interested in Scottish skiing or perhaps Ski Scotland could help to fill this role;
- In 2009/10, the Scottish ski industry had significant PR; there is a feeling that this has not been repeated in 2010/11. However the good snow and ski conditions has meant that the ski industry this season has also had mainstream TV coverage;

- Marketing skiing in Scotland is difficult as the snow cannot be guaranteed. Skiers buy on impulse when there is snow – they are reactive and make a visit. It is therefore not really realistic or cost effective to put forward a sophisticated marketing campaign for skiing in Scotland;
- VisitScotland are no longer paying for core marketing campaigns for the sector, in the past they used to contribute £30,000-£40,000 per annum in direct marketing of Scottish snowsports. VisitScotland now gives assistance, knowledge and know how. Now the sector needs to apply each year to the growth fund for marketing assistance – an application has been lodged for the 2011/12 season for £36,000 (see Ski Scotland). The growth fund supports new marketing initiatives and not necessarily the continuation of existing campaigns. A reinventing of new and additional marketing initiatives each year is not practical and this needs further discussions with VisitScotland;
- The Scottish ski industry offers multi-centre season passes and around 70 were sold in 2009/10 at £450 each. The money raised from the sale of these 'all area' season tickets is then used for sector marketing through Ski Scotland (administered by the Nevis Range management team) This is an extremely good industry model and is well supported by the snowsports industry. In addition to Scotland's five outdoor ski centres, Sno!Zone at Xscape in Glasgow is also part of the Ski Scotland marketing consortia. It is important to ensure that Ski Scotland is well resourced through industry and Public Sector support in the future;
- VisitScotland should support marketing initiatives to promote summer activity diversification, targeting key VisitScotland markets. They should also continue to support Ski Scotland and local DMOs. VisitScotland could also assist in helping to develop specific campaigns, ie for the more active 55-plus market promoted together with the facilities of the local area;
- There needs to be better coverage and more update ski and road closure information provided throughout Scotland using various media, BBC, local radio, traffic signs. The web cam project through the Ski Scotland and each centre's web site has also been beneficial and a good source of information for the public to help assess local ski conditions. This facility together with improved BBC ski reports on a Friday is helping to secure and promote weekend skiing and prominence of winter sports on its website. However more needs to be put in place to change consumer perception and give more up to date accurate and consistent information;

- Each ski centre contributes directly to Ski Scotland, which is an extremely good vehicle for the sector, not only for marketing but also joint working. However, as a result most of the individual centres do very little direct marketing apart for web design. The centres apart from Cairngorm do not have formal marketing action plans, identifying target markets, key activities, budgets, etc.

6.7 Competition

- When there is snow the current supply of ski centres in Scotland satisfies the market demand – they complement each other (different weather and climatic conditions) and they attract slightly different markets. Anecdotally the easterly resorts have earlier snow than the westerly resorts. Glenshee attracts an east coast Edinburgh-centric market mainly day visitors. Cairngorm has a greater percentage of overnight and family visitors, The Lecht attracts an Aberdeenshire market, and Glencoe attracts the outback skier. Nevis Range is Glasgow and West Coast-centric and attracts a higher proportion of beginners than Glencoe. The resorts do work together and they are synergistic. There have been discussions over a number of years to develop a sixth ski centre at Ben Wyves. This would predominantly attract day visitor demand from an Inverness and north of Scotland. Sustainability and economic cost / benefit is questionable. The sector is already extremely fragile and at times of too little snow there are already too many ski centres. It is likely that a sixth ski centre in Scotland would displace demand away from the existing centres particularly Cairngorm and The Lecht increasing fragility and future sustainability. The findings of this report is that a sixth ski centre is not recommend for development;
- The overseas resorts have a big advantage, as they are ‘Ski in – Ski out’ directly from overnight visitor accommodation. Consideration perhaps should be given to the development of some strategic accommodation at Scotland’s ski resorts, increasing the opportunity for summer activities and improving the resort credentials in those good snow years;
- There needs to perhaps be a two-tier approach to ski centre development and sustainability – (i) the full destination approach for Nevis Range and Cairngorm developing future products linked to wider visitor aspirations and benefiting from overnight tourism to the wider area and (ii) more of an individual business, community interest or club approach for the other centres.

- Facilities will be developed with emphasis on the future sustainability and viability of the individual businesses rather than economic benefit of the wider area. Glencoe is a recognised visitor address but it needs to strengthen its visitor destination credentials – links to activity providers, accommodation and other forms of visitor entertainment in the wider area. A clear differentiation and positioning of each ski centre would help to better meet customer expectations;
- Low cost airlines have encouraged more UK outbound skiers to Europe (Sweden view the UK as a growth source ski market). Whilst Scotland may find it difficult to compete with European destinations for week-long holidays, there are opportunities in marketing Scottish skiing to attract beginners (learn to ski at home and save time abroad); pre-holiday ski refresher courses; and post overseas holiday enthusiasts for shorter day trips / short breaks. Opportunities could be explored through existing and future budget airline links into Scotland from the rest of the UK.

6.8 Future Developments and Planning

- Scotland should take more of a destination approach to both summer and winter activities;
- Due to environmental and planning issues it takes about three years to get permission for any new developments, ski resorts need to improve their forward planning and business development skills;
- A clear strategic future direction is required at Scottish ski resorts at present all the centres have a number of similar development ideas: Mountain biking, zip lines, etc which do not seem to fit with the ageing population demographic. If care is not taken there will be duplication and poor investment decisions will be made. Diversification ideas must meet market needs and investment appraisals and feasibility studies (independent) need to be prepared to help justify future development;
- Most diversification ideas presented by the ski centres are weather dependent and will attract low volume niche markets rather than mass visitor appeal, this approach could increase the level of risk if not carefully assessed with the development potential clearly meeting the market need;

- In a marginal year each Scottish ski resort tend to sweat their assets, planning horizons are very short term. In good snow year money is reinvested in essential maintenance. Longer term business and development plans and scenarios need to be developed;
- Ski centres must create a safety net. They need to develop a good range of resort facilities as high as possible say above the 3,000ft (914 metres) level – see climate change and continental Europe. A strategic solution would be to create a high level, self-contained, mini ski resort, within each ski centre, which could appeal to a wide range of markets;
- Mountain biking events suppress normal types of business. The centres would benefit from future event planning and an events strategy to ensure diversification and non-duplication.

6.9 **Structural Issues**

- Compared to their European counterparts the Scottish ski industry, and in fact a large proportion of the Scottish tourism industry, is at a competitive disadvantage. There is a VAT interpretation issue at a general UK level. The funicular is zero-rated as a transportation system, but, all the lifts and tows are subject to the current 20% VAT rate, other European countries interpret their VAT (GSA⁵/TVA⁶ rules differently. The ski industry have had a number of test cases, and this issue has been raised a ministerial level both in Holyrood and Westminster. GST levied on skiing in Sweden are 6% rather than the standard 12%, TVA in France in Ski resorts is 5.5%. Further discussion needs to be held through well-structured industry representation, further information gathered and a test case presented;
- At a national level (UK wide) it appears that the Government does not have a clear methodology or the system in place to authorise aerial rope and cableways;
- Scotland needs to make clear Public Sector investment decisions (new project and / or refurbishment and replacement: Japan only backed the higher and more compete resorts and Switzerland has taken the strategic decision not to invest in resorts under a certain altitude due to climate change. The ski sector as a whole need to investigate the potential funding sources, rules of engagement and general conditions. This is a piece of work that could be led by the Public Sector;

⁵ Goods and Services Tax

⁶ Taxe sur la Valeur Ajoutée

- Planning and other permission seem to be taking increasingly longer to achieve. It used to be possible with a good winter season to commence developments in the summer of the same year and for new facilities to be open ready for the following Season. This allowed the ski companies to reduce their tax liability. The current planning environment has slowed things up that this is no longer possible. The ski centres need to have better forward planning for maintenance, replacement, refurbishment and new development. At present the sector is extremely reactionary, ad hoc and rather unplanned.

6.10 Labour and Skills

- There are not enough time served engineers, electricians and maintenance personnel, through lack of apprentice schemes, the SVQ system is not producing the correct type of workforce for the needs of the Scottish ski industry;
- The ski business would benefit from service skills and quality training and business development and planning for the future. It would be beneficial if some this could be done on a sector wide basis to help increase flexibility of delivery, particularly for seasonal staff;
- The ski industry in Scotland has a wealth of skills and knowledge. They need to work / collaborate together more, pool knowledge and put aside competitive differences.

7 STRATEGIC FRAMEWORK / RECOMMENDATIONS

7.1 Introduction

Whilst this document is not a strategy for the snowsports sector, key realistic aims and objectives to help guide the future direction of the industry have been suggested and discussed with the five snowsports centres, and representatives from HIE, SE and Snowsport Scotland, these are presented below as follows:

7.2 Strategic Direction

Skiing

- ***Sustain, maintain and protect demand for Scottish Skiing:*** – Safeguard existing economic expenditure and jobs, by increasing the competitiveness of the sector, improved communication and better access to high level snow;
- ***Increase average spends on / off site:*** – by improving the range and quality of the overall onsite visitor experience and maximising links to the local area where possible;
- ***Increase the proportion of overnight demand:*** – particularly from central Scotland and the north of England residents, through well targeted marketing and promotion;
- ***Attract more repeat ski visitors:*** – in part due to improved experiences, but also by using emerging social media techniques, promotional campaigns, etc;
- ***Encourage greater entry to sport:*** – through close working with Snowsport Scotland, maintain tuition and beginners areas, promotion and links to artificial ski centres, maximise promotion opportunities through competitive success.

Non-Skiing

- ***Develop wider destination approach:*** – complement existing visitor facilities, work with destination management organisation and local tourist industry to maximise overnight appeal;

- **Increase average onsite spends:** – through an improved range of non-ski activities, increased contemporary product offers, targeting current non spending markets;
- **Grow sightseeing and activity markets, sustainably and synergistically:** – increase the range of activities offered on site, carry out careful appraisal of cost benefit;
- **Take advantage of location opportunities:** – target niche markets and develop product to maximise position from passing traffic, overnight short break tourists.

7.3 Future Market Opportunities

In the table below the consultants have summarised the market opportunities for each of the snowsports centres. The future market opportunities are based on each centre's existing strengths and future potential as a result of this strategic review. The Younger Domestic Explorer and the Older Active Devotee designations reflect VisitScotland Target Markets.

EXISTING MARKETS AND FUTURE OPPORTUNITIES – SNOWSPORTS					
	Nevis Range	Cairngorm	Lecht	Glencoe	Glenshee
Day Visitors	West Central Scotland / Lochaber	All Central Scotland Highland / Clubs	Aberdeenshire North East Scotland	West Central Scotland	East Central Scotland / Schools
Short Breaks	West Central Scotland North England	Central Scotland North England Northern Ireland	Scotland – see Cairngorm re: Spey Valley	North England	North England Eastern Scotland
Younger Domestic Explorers	✓✓✓	✓✓✓	✓✓	✓✓	✓✓✓
Affluent Active Devotees	✓✓	✓✓✓	✓	✓	✓
Families	✓✓	✓✓✓	✓✓✓	✓	✓✓
Weekend Warriors	✓✓✓	✓✓✓	✓✓	✓✓✓	✓✓✓
Younger Couples	✓✓✓	✓✓✓	✓✓	✓✓	✓✓
Older Couples	✓	✓✓	✓	✓	✓
Clubs and Groups	✓	✓✓	✓	✓	✓✓

Table 16

Source: TRC

Each centre has some appeal in each market sector however the ski resorts of Cairngorm and Nevis Range have a wider appeal in a greater number of markets, given stronger resort credentials boosted by Aviemore and Fort William (outdoor capital). The Lecht is particularly strong in the beginner and family market and Glenshee in the “weekend warrior” and schools and club scene. Glencoe has good more extreme skiing and appeals to weekend warriors and expert skiers.

Future opportunities for non-snowsports reflect the relative strength of the wider area as an overnight visitor or day visitor destination. The strength of the sightseer market at Nevis Range and Cairngorm is reflected in the older and younger couple market as well as the VisitScotland targets. These centres are also strong in events (see Mountain Bike World Cup). Cairngorm in particular has opportunities to target a family market that is visiting Aviemore during the summer months by providing additional facilities to complement those already in the wider area. Glencoe and Glenshee have future opportunities in targeting passing tourists on the A82 trunk road and the A93 route to Royal Deeside. Future opportunities at the Lecht remain with the family activity market and its links to the Spey Valley.

EXISTING MARKETS AND FUTURE OPPORTUNITIES – NON-SNOWSPORTS					
	Nevis Range	Cairngorm	Lecht	Glencoe	Glenshee
Day Visitors	Central Scotland / Outdoor Capital	Spey Valley / CGNP / Inverness	Aberdeenshire / Spey Valley	Central Scotland / Passing Traffic / Outdoor Capital	Central Scotland / Passing Traffic / Royal Deeside
Short Breaks	Outdoor Capital, Central Scotland	Spey Valley / CGNP / Central Scotland	Spey Valley, CGNP / Royal Deeside	Passing Traffic / Outdoor Capital	Passing Traffic / Royal Deeside
Younger Domestic Explorers	✓✓✓	✓✓✓	✓✓	✓✓	✓
Affluent Active Devotees	✓✓✓	✓✓✓	✓	✓✓✓	✓✓
Families	✓✓✓	✓✓✓	✓✓	✓	✓
Weekend Warriors	✓✓✓	✓✓	✓✓	✓✓✓	✓
Younger Couples	✓✓	✓✓	✓	✓	✓
Older Couples	✓✓	✓✓✓		✓✓	✓✓
Clubs and Groups	✓	✓	✓	✓	

Table 17

Source: TRC

7.4 Strategic Positioning

In order to help with differentiation and give a better understanding to the ski centre's future opportunities a positioning statement has been suggested as follows:

SKI CENTRES' POSITIONING STATEMENTS		
Ski Centre	Skiing	Non-Skiing
Nevis Range	Ski Resort	Activity Resort – Outdoor Capital, Sightseeing and a View to Adventure
Cairngorm	Ski Resort	Activity Resort – Aviemore and Spey Valley, CNP, Sightseeing and 'Family Adventure Zone'
The Lecht	Family and Beginners – (Cairngorm Safety Valve)	Family Fun
Glencoe	Ski in the Extreme	Passing Traffic / Sightseeing, Extreme Niche Activities
Glenshee	Scotland's Nearest, and Largest – An All-Round Scottish Ski Centre	Passing Traffic, Local Quality Retail

Table 18

Source: TRC

8 STRATEGIC DEVELOPMENT OPPORTUNITIES

Each of the snowsports centres has a wish list of development opportunities (apart from The Lecht as these have been already been largely completed over the last 12 years) that require market justification, financial feasibility, business rationale and cost benefit analysis.

These development plan wish lists have been detailed and prioritised for each centre in the confidential appendices. They have been summarised overleaf but have not been attributed to individual snowsports centres due to the confidential nature of the future development proposals. The consultants however, given the positioning, market opportunity, strategic aims and objectives, have suggested the most likely location for viable strategic development.

This does not preclude other ski centres not mentioned in the tables to work up a viable business case. The consultants however, suggest caution is necessary and an integrated approach is required to prevent duplication and help to increase the viability of the diversification proposals. Some facilities, if developed, may only attract a small niche market, so the cost benefit analysis will be key. In the separate Appendices the consultants have also provided the reader with environmental issues and consideration of future development.

STRATEGIC PHYSICAL DEVELOPMENTS – SNOWSPORTS			
Product	Key Market Appeal	Comments	Potential Locations
Rationalisation of ski lifts and runs to better access higher snow	Strategically important for all market sectors.	Need to remove surface lifts and replace with chairlifts to access areas of higher snow. This is a defensive strategy to help protect and extend the longevity of skiing in Scotland.	This applies to all Scottish ski resorts apart from the Lecht, where rationalisation would have little impact.
Develop mini ski resorts at highest altitude possible	Strategically important for all market sectors.	This strategy has been adopted in Sweden and Switzerland. In years of poor snow this ensures that skiing is maximised and all markets can still be attracted, albeit in reduced volumes. This product also helps to extend the ski season. This project needs to be planned in relation to resort rationalisation.	This applies to all Scottish ski resorts apart from the Lecht, as developments are already maximised at the highest altitude possible, given the topography of the location.
Ski Terrain Park	Younger skier and snowboard market.	There is a market expectation driven by the view that Scotland must be competitive with overseas destinations, that ski resorts need contemporary snowsports facilities. These facilities must be well planned and located as maintenance and snow moving can be time consuming and hungry on resources.	All Scottish ski centres. These facilities have already been developed at the Lecht (review as part of resorts rationalisation).
Tubing	Family and Younger .	Increases the range of snowsports facilities, attractive to families and small groups. A safer option than sledging / tobogganing.	All centres apart from The Lecht as these facilities are already in place.
Dry Ski Slope	Beginners, Family, Schools.	Helps to improve access into the sport and protects tuition facilities in times of little snow. These facilities however have a high infrastructure and operating cost, and need good access to beginners markets.	All centres apart from the Lecht, as dry skiing was not viable and removed. This facility has greater opportunity of success at Nevis Range (NR) and Cairngorm (CG).

Table 19

Source: TRC

STRATEGIC PHYSICAL DEVELOPMENTS – NON-SNOWSPORTS – DIVERSIFICATION			
Product	Key Market Appeal	Comments	Key Potential Locations
Zip Lines	Family, Couples Groups.	Capital cost may be prohibitive in some locations, needs large catchment population, local residents or visitors- family and group market. Extreme Zip lines may not appeal to younger families (see Whistler Zip trek Product). Feasibility, viability and sustainability on case by case basis is needed.	Potential in all locations, Better in Resort Locations re viability and levels of demand.
Summer Toboggan Run (Fixed)	Family, younger and older couples.	High capital cost may be prohibitive in some locations, needs good catchment of family market. Feasibility, viability and sustainability on case by case basis is needed. Could have higher environmental impact if not carefully planned.	All, Better in Resort Locations particularly CG and NR.
Hi-Wire	Group, Adult.	Needs sheltered location, and resort infrastructure, works better in trees. Capital cost increases if artificial supports are needed.	Extension to NR “High Wire” facilities only.
Mountain Biking Downhill – one / three trails	Niche (High End), Small number of participants / Competitive Events.	Small number of users a niche specialist market. Access to downhill mountain biking difficult. Limited appeal for families, beginners and intermediates, expert riders only. Limited cross-over from cross-country disciplines, Concern over investment return – market saturation / competition.	All, but needs viability, sustainability checked. This product has only niche appeal.
Mountain Biking Bike Park – multi-short trails	Potential high mass market usage (see Ski resorts Whistler and Lets Gets), beginners to expert, Family, Weekend Warrior use, high visitor spend.	Market Gap in Scottish mountain biking product. Works better in variable terrain, there is concern over weather, wind and the need for shelter. Must be aimed at families and intermediates to succeed. Must be accessible and positioned as entry level to downhill mountain biking. (good trail hierarchy required) Needs feasibility and sustainability assessment.	Needs accommodation close by. Better in resort locations. Terrain assessment and accessibility critical.
Cycle Pump Track, Jump Park and Skills Area	Mainly local use or overnight resort users, Families Weekend Warriors.	Unlikely to be sufficient visitor draw on its own, it needs to be part of wider offer. As a standalone facility it needs a high local population base.	Ideally the facility needs to be linked to wider resort – essentially an urban product.
Bunkhouse Accommodation	Ski and Activity Markets, Backpacker, Budget Conscious Tourists, Passing Travellers.	Must be located in an area with year-round accommodation visitor demand, to boost viability.	NR, Glenshee(GS), Glencoe(GC).
Chalet – Self Catering Type Developments	Family Markets, Couple Short Breaks, Skiing, General Activity Focus.	More remote locations, will need critical mass of activities on site to be able to sell wider resort destination credentials and boost demand. Consideration given to seasonality and good links to wider communities. Feasibility study needed.	NR – possible development in Leanachan Forest (see FCS / SDI project). Assess all projects on wider destination credentials.

STRATEGIC PHYSICAL DEVELOPMENTS – NON-SNOWSPORTS – DIVERSIFICATION			
Product	Key Market Appeal	Comments	Key Potential Locations
Food and Beverage	All Activity Markets, Sightseers, Passing Traffic.	Improvements to catering could be made at most centres, introducing more contemporary food products, particularly for the summer visitor markets. Some product repositioning is required to capture new / passing trade. New catering offers must still be able to cope with high volumes (peaks and troughs in snowsports traffic).	This applies to all Scottish snowsports resorts apart from The Lecht, as physical developments here have already happened. However menus and offerings should be reviewed continually.
Tourist Retail	Sightseers, Passing Traffic, Visitors to the Area.	Ideally needs a highly visible / accessible site. These developments either need a high level of local population nearby, a large volume of passing visitor and local traffic and / or the ability to create a retail destination. A high footfall is needed for viability and sustainability.	Resort and trunk road locations offer best opportunities – NR, GC, GS.
Children's Adventure Play	Family, Weekend and School Holiday Demand.	Needs good level of passing traffic, family holiday or resident market. Unlikely to create destination credentials in its own right, but will add to the overall reason to visit.	CG, NR, GC.

Table 20

Source: TRC

9 ACTION PLAN

Based on the identification of the key issues the consultants have developed an action plan. This action plan has been prepared through a workshop with representatives of the snowsports sector, a champion, the priority and the next steps have been identified and are presented in the tables overleaf:

KEY ISSUES AND ACTION PLAN – SNOWSPORTS					
Key Issues	Key Action	Next Steps	Priority	Ski Centre Champion	Public Sector Role
Status of Snowsports	Collective working on strategic Issues.	Hold regular meetings of Snowsports Sector Working Group. Create sub groups to address specific issues as required. – SE/HIE will ensure consistency and a collective approach to all five ski centres	High	Snowsports Sector Working Group (SWG) Snowsport Scotland.	Attend meetings, integral part of working group.
	Raise awareness of importance of snowsports to Scottish rural economy.	Communicate the contents of the strategic review. Develop on going communications plan.	High	SWG, Snowsport Scotland.	Communication / Lobbying.
	(Improved co-ordination and action plan delivery).	Investigate possibility of secretariat and development resource for the snowsports sector.	High	Snowsport Scotland.	No role.
Snow and Ski Conditions	Investigate snow making facilities.	Share existing knowledge at Glenshee and The Lecht with others. Carry out individual centre option appraisals and feasibility studies as required.	High	The Lecht, Individual Resorts – NR, GC.	Prior to Public Sector investment consider part-funding independent feasibility studies.
	Create mini resorts at the highest level and rationalise lift access to higher snow fields.	Carry out strategic ski centre rationalisation and mini resort option appraisals and financial feasibility study of all ski centres. (See need for investment funding). Consider operational review.	High	SWG, Individual resorts	Give consideration to helping part fund strategic studies into rationalisation, operational reviews / mini-resorts, operational review.
	Continue to change public perception through improved information.	Investigate reintroduction of BBC ski report, liaise with police and Traffic Scotland re road closures and Citrac Signs.	High	Ski Centres.	SE -BBC SG Transport Police
		Improve information and positive PR in newspaper media and links to tourist offices / publications.	Medium	Ski Scotland (Marketing).	VisitScotland / Growth Fund.
		Develop and implement iphone and other apps	Low	Ski Scotland.	Innovation project funding to be considered.
Demographic Aging	Improve entry into the sport.	Work with Snowsport Scotland to deliver their action plan – schools, club and beginner initiatives, Ensure there are sufficient coaches and beginner facilities.	High Ongoing	Snowsport Scotland British Association of Snowsport Instructors.	Local Council support (see dry ski slope funding / operation)
		Ensure that there are links and packages set-up with artificial ski slopes.	Medium	Snowsport Scotland. Individual ski centres	Local Council dry ski slopes.
	Create snowsports packages and opportunities for 55-plus market.	Investigate package opportunities through Destination Management Organisations, individual accommodation operators, etc.	Low Longer Term	Ski Scotland, Snowsport Scotland.	Continued Public Sector support for DMOs (consideration given to long-term marketing support)
		Investigate opportunity why there are no larger tour operators in Scottish snowsports market. Assess potential for Ski Scotland to become a snowsports package provider. (Possible operational review and development plan).	Low Longer Term	Ski Scotland, Snowsport Scotland.	Consideration given to assist with operational review and mini-resort development plan.
		Introduce snowsports as part of VisitScotland Winter White campaign	Medium	Ski Scotland.	VisitScotland marketing campaign (see Growth Fund application).

KEY ISSUES AND ACTION PLAN – SNOWSPORTS (Cont)					
Key Issues	Key Action	Next Steps	Priority	Ski Centre Champion	Public Sector Role
Quality of Experience	Improve visitor flow and queue management.	Part of overall ski centre operational review, (see off site ticketing).	Medium	All Centres Individually.	See operational reviews.
	Increased customer service.	Investigate flexible service training model, engage trainer to go round individual centres.	Medium	Snowsport Scotland.	Support business development and Training Needs Analysis through business advisers
Seasonality and Overnight Visitors	Improve offsite ticketing and web booking.	Improve broadband connections at all snowsports resorts.	Medium	All Centres	Public Sector to investigate possibility of linking into Scotland-wide broadband access project.
	Increase off-peak season demand.	Work with Snowsport Scotland on school event programme.	Medium	Snowsport Scotland with SWG.	Local Council / School liaison.
		Investigate flexible, yield pricing model, promote winter range of winter activities.	Low	All Resorts Individually, DMOs.	None – see operational reviews.
Access	Reduce travel times to source markets.	Lobby government over improvement to key routes A82 and A93 in particular.	Medium	SWG Snowsport Scotland.	Ongoing planning and improvements as Scottish Government funds permit.
	Improved public transport links.	Investigate at a local level and nationally how to improve and integrate public transport connection to each ski centres.	Low Longer Term	SWG, Snowsport Scotland.	Public Sector lobby.
Business Development Planning	Prepare future business and strategic development plans for each centre.	As HIE / SE key companies work with independent business advisers to evolve plans.	Medium	All Centres Individually.	With individual centres help fund business and development plans.
	Prepare options appraisals and feasibility studies as a result of mini resort and rationalisation review and for any new developments.	As HIE / SE key companies work with independent business advisers to evolve plans.	Medium	All Centres Individually.	Provide advice as appropriate.
	Formalise long-term maintenance plans and introduce capital reserve system if possible.	As HIE / SE key companies work with independent business advisers to evolve plans.	High	All Centres Individually.	Provide advice through business advisers.

Table 21

Source: TRC

KEY ISSUES AND ACTION PLAN – SNOWSPORTS (Cont)					
Key Issues	Key Action	Next Steps	Priority	Ski Centre Champion	Public Sector Role
Investment Funding	Identify and assess sources of external funding.	Consider case of funding for renewal, replacement and reconstruction and not just new development – protect existing jobs.	High	HIE, SE, Scottish Government	Possible capital funding requirements – may have to devise specific assistance model for renewals / replacements. A mechanism at a national level has to be explored.
		Fully identify external funding sources, availability, conditions, eligibility. Development projects to be justified on own merit, economic development, social, rural diversification, etc.	High	HIE, SE, Snowsport Scotland All Centres Individually.	Public Sector to assist in identifying funding options (ERDF, LEADER, SRDP, and Big Lottery).
VAT	Work as a sector to resolve VAT issue.	Make a justified case through Scottish Ministers to Westminster to get a final ruling on the issue of VAT and Scotland's un-competitiveness re: Europe.	High	Scottish Government, SWG, Snowsport Scotland, HIE, SE.	Scottish Government to liaise with Department for Transport and hold high level discussions with Westminster.
Cableway Authorisation	Cableway authorisation system in the UK to comply with EU directive has stalled and is constraining development. Department for Transport needs to resolve.	Ensure ski centres receive timely approval from Department for Transport .	High	Scottish Government, SWG, Snowsport Scotland HIE, SE.	Scottish Government to maintain dialogue with Department for Transport .

KEY ISSUES AND ACTION PLAN – NON-SNOWSPORTS – DIVERSIFICATION					
Key Issues	Key Action	Next Steps	Priority	Ski Centre Champion	Public Sector Role
Maximise Existing Assets	Sweat the existing asset and boost appeal to passing non-revenue generating visitors.	Consider ways to cost effectively boost appeal to non revenue generating markets, boost average spend through promotion and merchandising. (See operational reviews).	High	All Centres.	Public Sector to advise on production of operational reviews and detailed development plans for individual centres.
Quality of Experience and enriched visitor experience	Meet hospitality and growing customer expectations.	Investigate the introduction of more contemporary food experience for summer markets. See service training / operational reviews.	High	All Centres.	Public Sector to advise on independent diversification options appraisals and feasibility studies.
	Increase experience and dwell time through providing an enriched experience.	Introduce wider range of non-ski activities on site, (see diversification), identify ways to enrich sightseeing experience and attract more repeat visitors.	Medium	All Centres, particularly NR and CG.	See development plans, business development and Training Needs Analysis.
Destination Approach	Fully integrate the facilities with the wider area.	Investigate through regional Destination Management Organisations, ways of better resort integration and promotion with the wider visitor economy.	Medium	All Centres, particularly NR and CG.	Public Sector to support DMO network and marketing initiatives through VisitScotland Growth Fund.
Diversification Potential	Identify strategic diversification opportunities.	Prepare realistic option appraisals for diversification (see funding identification under skiing). Follow with independent market and financial assessment as required. Ensure diversification fits and complements the future core ski business.	High	All Centres particularly NR and CG.	Public Sector in partnership with ski centres to assist with diversification options appraisal. Ensure links with wider Destination Strategies.
		Assess diversification impact; ensure that there is limited displacement and duplication with the wider area.	Medium	All Centres, particularly NR and CG.	Public Sector to ensure economic impact and wider benefit is prepared and monitored.
		Prepare business case for diversification future prioritisation, business development and training plan.	Medium	All Centres, particularly NR and CG.	Through business advisers network help centres translate feasibility studies into business plans.

Table 22

Source: TRC

10 ECONOMIC GROWTH POTENTIAL

10.1 Introduction

In the following section the consultants have prepared scenarios for anticipated future growth. These growth scenarios have been based on an illustration of:

- No Development: where it is anticipated that demand for snowsports would decline;
- High Growth: a major rationalisation assuming: the creation of mini resorts, improved food and beverage offers, and measures to maximise average spend, links to the local area and providing a wider range of non-snowsports facilities on site; and
- Low Growth: where fewer of the potential development opportunities are taken forward.

Developing growth scenarios is very difficult, not least here, due to the uncertainties of both the summer and winter weather. As has been demonstrated earlier by comparison of the Ten-Year Average and Best Recent Year the number of skier days can vary significantly. For the purposes of the growth forecasts we have used the Ten-Year Average as the baseline position. The scenarios are based on a change over the next ten-year period.

We have also made some allowance for an increase in average daily expenditure levels (day spend up from £18-20 to £20-22 and overnight spend from £26-30 to £30-33⁷). The reason for this is that some of the activities will attract a higher onsite expenditure than the current activities.

The current economic value is provided and the economic value if the sector grows to the levels set out in the scenarios. It is the economic value of the sector rather than the net additional economic impact (the latter cannot be calculated at this time as we do not know where the Public Sector may or may not invest).

⁷ This is on basis of three quarters of day spend and half of overnight for comparative purposes.

10.2 The Scenarios

Growth Scenarios

Growth scenarios have been developed based on the confidential development plans given to the consultants by each of the centres. The development plan wish lists are included in Part B, the Confidential Appendices, and they have been prioritised into short, medium and long-term priorities.

In terms of skiing a do nothing, a low and a high growth scenario has been prepared. The snowsports growth scenarios assume the ski centres are rationalised, old equipment is replaced, access to high level snow is improved, mini-resorts are created, marketing is effective and training and business development is carried out.

In terms of diversification the following developments across all five ski centres have been assumed.

NON-SNOWSPORTS GROWTH SCENARIOS				
Increase in Visits by Main Motivation to Visit	Low	%	High	%
Mountain Biking	30,000	33%	40,000	30%
Adventure Activities	25,500	28%	42,500	32%
Food & Beverage and Retail	32,000	36%	44,000	33%
Accommodation	2,500	3%	6,500	5%
Total	90,000	100%	133,000	100%
Growth %		30%		45%

Table 23 **Note:** Gondola and funicular visitor numbers fluctuate year-on-year. The consultants have assumed that there is little underlying growth potential for these activities in isolation. However, those motivated to visit by other onsite activities may also use the gondola / funicular. In this case the increase in gondola / funicular visits have been allocated to other activities to avoid double counting.

Source: EKOS

No Development

The No Development scenario is on the basis of a 20% decline in snowsports visitor numbers whilst the non-snowsports activity is maintained at the current level.

NO DEVELOPMENT SCENARIO			
	Current Visitors	Future	% Change
Snowsports	196,101	157,740	-20%
Non-Snowsports	294,068	294,068	0%
Total	490,169	451,808	-8%

Table 24

Source: EKOS

Low Growth

The Low Growth scenario is on the basis of a 15% growth in snowsports (from the Ten-Year Average) and an increase in non-snowsports of 31%.

LOW GROWTH SCENARIO			
	Current Visitors	Future	% Change
Snowsports	196,101	225,285	15%
Non-Snowsports	294,068	384,068	31%
Total	490,169	609,353	24%

Table 25

Source: EKOS

High Growth

The High Growth scenario is on the basis of a 15% growth in snowsports (from the ten-year average) and an increase in non-snowsports of 45%.

HIGH GROWTH SCENARIO			
	Current Visitors	Future	% Change
Snowsports	196,101	225,285	15%
Non-Snowsports	294,068	427,068	45%
Total	490,169	652,353	33%

Table 26

Source: EKOS

10.3 Economic Value

The economic value under each of the scenarios is set out overleaf.

ECONOMIC VALUE (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Current	£12.5	£17.0	£10.9	£13.0	£23.4	£30.0
No Development	£10.0	£13.7	£10.9	£13.0	£20.9	£26.7
Low Growth	£14.3	£19.5	£15.5	£18.5	£29.8	£38.0
High Growth	£14.3	£19.5	£18.0	£21.6	£32.4	£41.1

Table 27

Source: EKOS

The current annual value based on the Ten-Year Average is £30 million under a No Development scenario this is forecast to decrease to £26.7 million.

Under the Low Growth scenario the value would increase to £38 million and under the High Growth scenario to £41.1 million per annum.

The table below shows the difference between the current value and the three scenarios.

ECONOMIC VALUE DIFFERENCE (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Current and No Development	-£2.4	-£3.3	£0.0	£0.0	-£2.4	-£3.3
Current and Low Growth	£1.9	£2.5	£4.6	£5.5	£6.4	£8.0
Current and High Growth	£1.9	£2.5	£7.2	£8.6	£9.0	£11.1
No Development and Low Growth	£4.3	£5.8	£4.6	£5.5	£8.9	£11.3
No Development and High Growth	£4.3	£5.8	£7.2	£8.6	£11.5	£14.4

Table 28

Source: EKOS

The difference between the current and No Development scenario shows a negative value as over time there would be a decline. Therefore taking action would not only increase the value of the market but also safeguard part of the existing market.

We have also shown the difference between the No Development and low / high growth scenarios to demonstrate the aspect of the market that would be safeguarded and that which would be new expenditure in the market.

Analysis of the figures in isolation may suggest that the largest area for growth is in the non-snowsports sector. However:

- a number of potential non-snowsports growth opportunities such as mountain biking, zip line and sightseeing are dependent on the snowsports uplift facilities and therefore their ongoing maintenance and operation. Indeed there are potential growth opportunities because of the fact that uplift facilities already exist; and
- also the larger growth only occurs under the high growth scenario where the development of non-snowsports activities may carry a higher risk.

10.4 Return on Investment

The consultants have prepared an indicative return on investment analysis based on the confidential development plans of the individual centres and an independent judgement of what may actually proceed in terms of refreshment, renewal and diversification for both snowsports and non-snowsports.

Priorities for development have been explored with each of the ski centres, but only first and second level priorities have been included in the return on investment analysis.

At this stage this analysis is high level and only an indication of cost magnitude. Detailed costs and returns need to be confirmed through future feasibility studies. In order to prepare the growth scenarios for the economic case the consultants have broken down future developments into snowsports and non-snowsports and various skiing activities as follows.

INDICATIVE DEVELOPMENT COSTS vs VISITOR GROWTH				
	Development Cost		Benefit – Visitor Growth	
Snowsports	£18-£22 million		15%	30,000
	Do Nothing		-20%	40,000
	Variance		35%	70,000
Non-Snowsports	Low	High	Low	High
	Cost (£ million)	Cost (£ million)	Visitor Growth	Visitor Growth
Mountain Biking	1.6	2.0	30,000	40,000
Other Activities	1.2	2.6	25,500	42,500
F&B and Retail	1.3	1.3	32,000	44,000
Accommodation	0.3	0.7	25,000	6,500
Total	£4.4 m	£6.6 m	90,000	133,000

Table 29

Source: TRC

The visitor expenditure benefit in the economy from spending between £18 million and £22 million in helping to secure the snowsports sector for the future prevents an economic loss of between £2.4 million and £3.3 million per annum and creates an estimated economic expenditure growth of between £1.9 million (local level) and £2.5 million (Scottish level) per annum. The economic expenditure difference between doing nothing (a decline) and creating a small growth gives an economic return on the capital investment equivalent to between 20% and 33%.

The anticipated future investment in non-snowsports activities is between £4.4 and £6.6 million creating a low growth economic value of an additional £5.5 million in expenditure and a high growth additional value of £8.6 million at a Scottish level.

The economic expenditure difference between doing nothing and creating new non-snowsports products gives an economic return on capital investment equivalent to between 1.8 times the annual investment to 3.5 times.

The economic return on investment of non-snowsports activities is significantly higher than for snowsports. However, it must be born in mind that a significant proportion of the non-snowsports diversification shares the infrastructure of the snowsports activities. If investment is not made in a centre's snowsports facilities for example the food and beverage and lift infrastructure are not maintained then this will have a negative impact on the overall facility and the growth in non-snowsports activities.

11 **CONCLUSION**

The snowsports sector is very important for Scotland's rural economy. The current economic benefit is estimated as the ten-year average at £30 million per annum at the Scottish level and the sector creates employment for 634 people at the Scottish level. Over the last 25 years the snowsports sector in Scotland has gone into decline, although in the last five years this decline has slowed somewhat. This decline has been due to a number of factors including inconsistent snow conditions, less young people entering the sport, fewer schools taking part, cheap deals overseas and an uncompetitive Scottish snowsports product with old equipment and outdated support facilities. Mintel report that participation in snowsports activities over the last five years has actually increased from 3.5% to 4.4% of the UK population. However, this increase has been driven by UK residents travelling overseas for skiing holidays rather than skiing in Scotland, however even here, there is evidence due to recession of fewer holidays actually being taken.

The snowsports sector in Scotland is extremely fragile and business sustainability in the past has been very weak. As a result, the sector is extremely reactive to availability of cashflow and does not plan ahead for the future. The centres only carry out essential maintenance and renewal as cashflow permits. To date the sector has suffered from a lack of investment as centres cannot easily raise debt funding and Public Sector money in the past has been for new facilities, not the replacement of existing.

The sector feel that the treatment of VAT by UK Government on ski centres in Scotland is making the industry uncompetitive. The money made available from a lower VAT rate could be reinvested in what is now essential maintenance and replacement. However that said, the funds available from a VAT restructuring are unlikely be sufficient to halt an anticipated long-term decline.

Serious investment is required now from external sources in new equipment and ski centre growth strategies. In the current financial climate of budget cutbacks in the Public Sector it is unlikely that capital funding will be available from traditional economic development routes. Private sector inward investment is also very unlikely given the need for large amounts of capital and low rates of return. If the snowsports sector is to consolidate, prevent further decline and show modest amounts of growth other direct funding sources need to be secured for snowsports and diversification activities.

The sector also needs to work more closely together, through an industry working group and through Snowsport Scotland, to address issues such as: tackling the cable way directive; entry into the sport; and improved public information awareness and communication. Strategies should be worked up to create mini resorts and to rationalise each centre's lift system in order to help improve access to the higher snowfields – a defensive strategy for the future. Ski Scotland is an important joint marketing vehicle and its position should continue to be strengthened and supported through private and Public Sector sources. In the future, closer association with regional destination management organisations on promotion and packaging would be beneficial.

The centres have opportunities for diversification but maximising the opportunities of the existing assets and targeting passing traffic, etc must be the first priority. Individual cases for activity diversification require detailed market and financial feasibility studies and cost benefit analysis to be prepared. The key resorts of Cairngorm and Nevis Range are likely to be able to diversify more successfully than the other ski centres given their physical location close to overnight visitor destinations, Aviemore and the Outdoor Capital, Fort William.

Developing growth scenarios is very difficult, not least here due to the uncertainties of the weather. As has been demonstrated earlier by comparison of the Ten-Year Average and Best Recent Year the number of skier days can vary significantly. For the purposes of the growth forecasts we have used the Ten-Year Average as the baseline position. The scenarios are based on a change over the next ten-year period.

The scenarios modelled were:

- No Development: where it is anticipated that demand for snowsports would decline;
- Low Growth: where fewer of the potential development opportunities are taken forward; and
- High Growth: a major rationalisation assuming: the creation of mini resorts, improved food and beverage offers, and measures to maximise average spend, links to the local area and providing a wider range of non-snowsports facilities on site.

The resultant economic value per annum ranges from £26.7 million at a Scottish level to £41.1 million.

ECONOMIC VALUE (£ million)						
	Snowsports		Non-Snowsports		Total	
	Local	Scotland	Local	Scotland	Local	Scotland
Current	£12.5	£17.0	£10.9	£13.0	£23.4	£30.0
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High Growth	£14.3	£19.5	£18.0	£21.6	£32.4	£41.1

Table 30

Source: EKOS

Analysis of the figures in isolation may suggest that the largest area for growth is in the non-snowsports sector. However:

- a number of potential non-snowsports growth opportunities such as mountain biking, zip line and sightseeing are dependent on the snowsports uplift facilities and therefore their ongoing maintenance and operation. Indeed they are only potential growth opportunities due to the fact that uplift facilities already exist; and
- also the larger growth only occurs under the high growth scenario where the development of non-snowsports activities may carry a higher risk.

The overall indicative costs to achieve the ten-year levels of growth assumed and prevent decline, are in the order of £18 million to £22 million for snowsports and £5 million to £7 million for diversification priorities.