

Cairngorm Mountain resort

Notice of interest

Market leading tourism development offering year round activities in an outstanding Scottish National Park

Ernst & Young has been engaged by Highlands and Islands Enterprise (HIE) to undertake a market sounding exercise to gauge interest in operating the Cairngorm Mountain resort. This presents an opportunity to be part of one of the UK's premier all year round mountain adventure and recreational resorts.

Cairngorm Mountain resort is Scotland's busiest ski resort and accessed by the only funicular railway in the country. This leading tourism development is situated in an outstanding Scottish National Park.

HIE is seeking the views of interested parties to explore the options for operating and managing the asset to ensure it is contributing effectively to maximising economic impact.

Highlights

- ▶ **Strategically well placed:** The site is situated within an internationally recognised national park, 16km south of Aviemore. The town is a major outdoor leisure and holiday resort, serviced by good road and rail transport links. The surrounding Spey Valley attracts over one million visitors each year.
- ▶ **Internationally renowned area of scientific interest:** The park contains areas of unique natural habitats and wildlife protected by EU legislation. Some of these areas adjoin the ski area and consequently the facilities are operated within a Visitor Management Plan which governs the manner in which non-skiing visitors are managed.
- ▶ **Significant infrastructure to facilitate public access:** The site is accessed by a public road terminating at private car parking. Scotland's only funicular railway provides a high capacity uplift to the UK's highest restaurant with retail facilities. There are further food, retail and operational facilities at the bottom and midpoint of the railway.
- ▶ **Major ski resort:** Based on skier days, the site is the largest of Scotland's five ski centres with over 30km of ski runs and a snow park. Last year saw over 120,000 skiing and snowboarding visitors.
- ▶ **Year round attraction:** The development offers year round activities; from winter snow sports to popular summer mountain visitor experiences, with potential to cater for wider summer mountain sports.
- ▶ **Significant untapped potential:** There is potential to increase the current levels of demand and link up with local services and attractions to increase revenue.
- ▶ **Finances:** Good snow conditions over the last two years have seen a significant turnaround in turnover.



History and development

Opening in 1961, the Cairngorm Mountain resort was one of the first commercial ski operations in the UK. The funicular railway was completed in 2001, replacing two older chairlifts and complementing the existing range of ski tows. In the following year the exhibition area and restaurant at the top station were opened. Sitting at 1,097m above sea level, this is the highest altitude restaurant in the UK.

Current operations

The Cairngorm Estate is on the northern slopes of the Cairngorm Mountains and covers 1,418 hectares. The estate is owned by HIE with 598 hectares leased to CairnGorm Mountain Limited (CML), who operate the resort under a lease and operating agreement between HIE and CML.

Environment

Cairngorm Mountain forms part of Britain's highest plateau, a sub-arctic ecosystem providing habitat for tundra, flora and fauna, including rare and endangered species.

The resort's operations are sympathetic to this sensitive ecosystem and environmental impact must be a critical consideration in all future operational decisions. While presenting obvious challenges, this unique and spectacular environment also provides considerable opportunity for managed ecotourism.

Assets

The assets currently operated by CML include:

The funicular railway and ski tows

- ▶ Open all year, the main form of transportation to the top of the mountain is via the funicular railway. This is in good condition and properly inspected and maintained.
- ▶ The site includes nine fixed and one demountable ski tow, which are regularly inspected and maintained. There are also two chairlifts in Coire na Ciste which could be brought back into use.

Car park and external areas

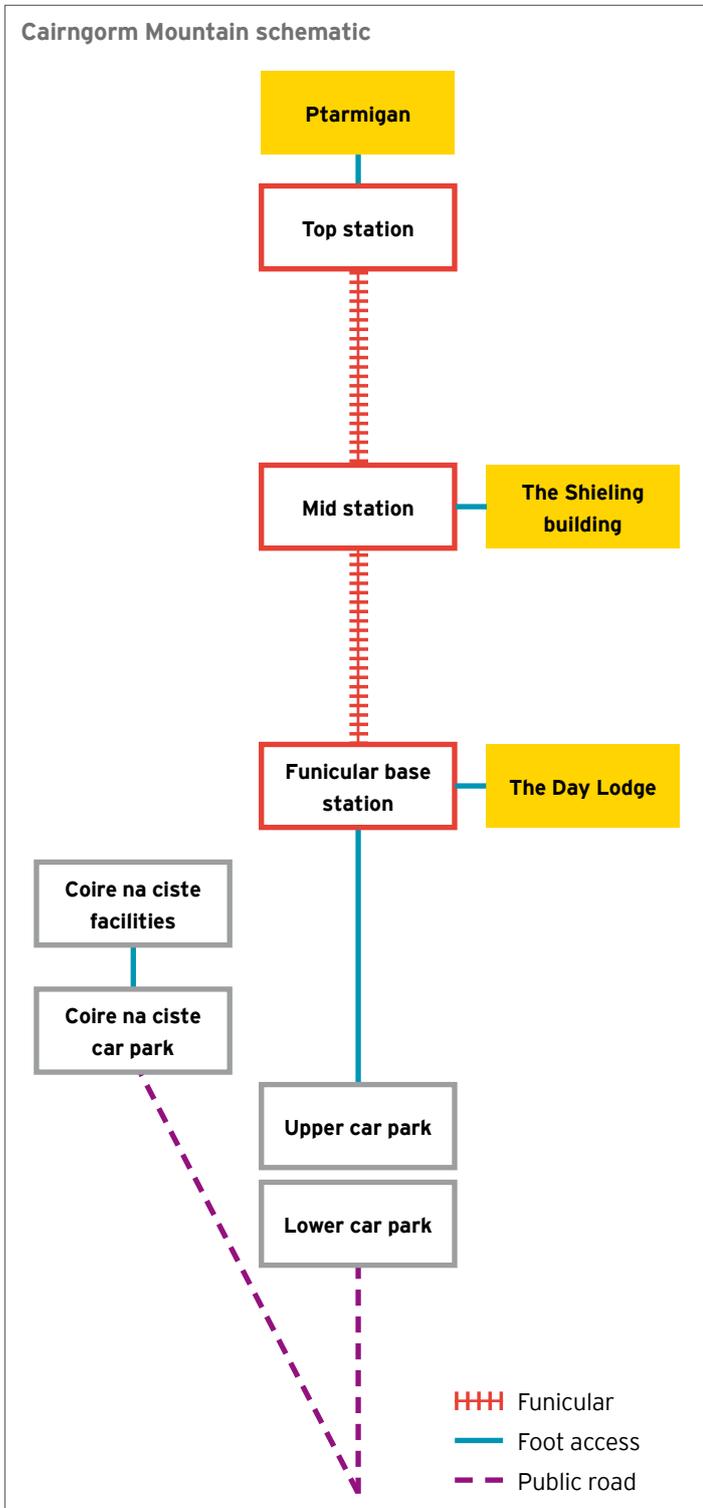
- ▶ The site is accessed by a public road terminating at the private car parks. There is an upper and lower high capacity car park at the base station with a separate high capacity car park at Coire na Ciste. This is used as an overflow car park on the busiest days with a shuttle bus operating between Coire na Ciste and the funicular base station.
- ▶ Heavily utilised by a variety of mountain users, the car parks are currently free to use. However, a voluntary payment scheme is presently being trialled with a view to the introduction of a more formal payment regime, subject to approval of statutory bodies.

Funicular base station - ticket office and access to the funicular railway

- ▶ Located adjacent to the main car park and day lodge at the foot of the ski area.
- ▶ Provides access to the funicular railway and ticket office.
- ▶ Provides public toilets, office, ranger station and staff areas.
- ▶ Large workshop is located at the rear of the premises.
- ▶ The premises are in good condition.

The day lodge - ticket office, café, retail and equipment hire

- ▶ Situated adjacent to the foot of the ski area, this building extends over four levels.
- ▶ Provides two additional cafés, large seating area with further space for retail and ski equipment hire.
- ▶ Additional offices, staff areas and a large workshop.
- ▶ The lodge is in fair condition but there is scope to refurbish and improve the offering.



Sheiling building

- ▶ Adjacent to the mid station on the funicular railway line, it originally housed an additional restaurant and currently provides welfare facilities for skiers and a separate toilet block.
- ▶ Potential to reconfigure and restate to its former use.

Top station (Ptarmigan) - restaurant, retail, exhibition area, access to the funicular railway

- ▶ Located near the highest point of the ski area, the termination point for the funicular railway with access to balcony viewing areas.
- ▶ Extends over several levels. Level one contains a shop facility and exhibition area, level two contains the restaurant.
- ▶ The site includes a piste machine garage and storage area and has emergency service road access from the car park.
- ▶ The premises are in good condition and present flexible and adaptable accommodation with potential for significant refurbishment and reconfiguration.

Facilities at Coire na Ciste

- ▶ Located adjacent to the lower overflow car park, this former restaurant building is not currently used and would require a complete refurbishment.
- ▶ The Coire na Ciste site has particular potential for summer mountain sports.

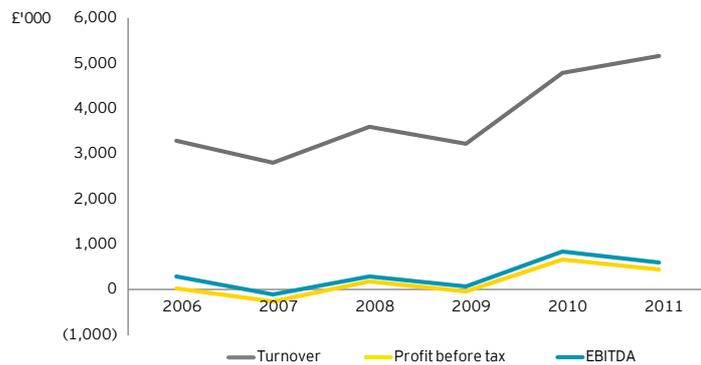
Other

- ▶ Additional workshops and garage facilities are included within the assets.
- ▶ CML operate a number of specialised snow vehicles, including piste-grooming machines and snow scooters.
- ▶ HIE is committed to investing in the upkeep of the facilities.

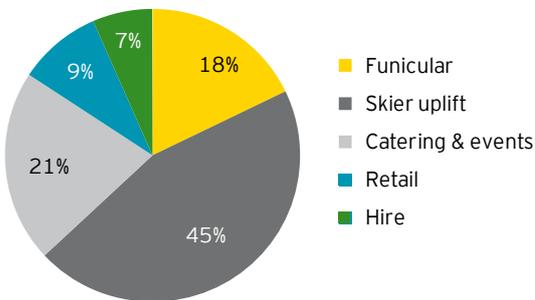
Financial summary

- ▶ Increase in turnover over the last two years and potential untapped demand in visitor numbers.
- ▶ CML operates with a 31 March reporting year end.
- ▶ Profit of £439,000 and £663,000 in 2011 and 2010.
- ▶ EBITDA* of £595,000 and £837,000 in 2011 and 2010.

* Earnings before interest, Taxation, Depreciation and Amortisation



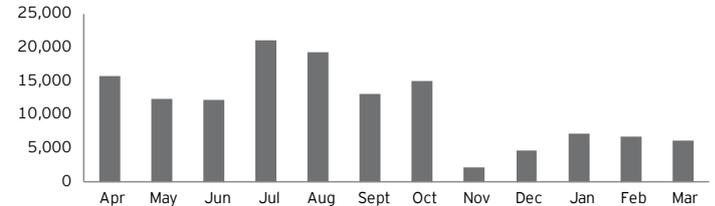
Analysis of turnover 2010 - 2011



Source: CML management accounts

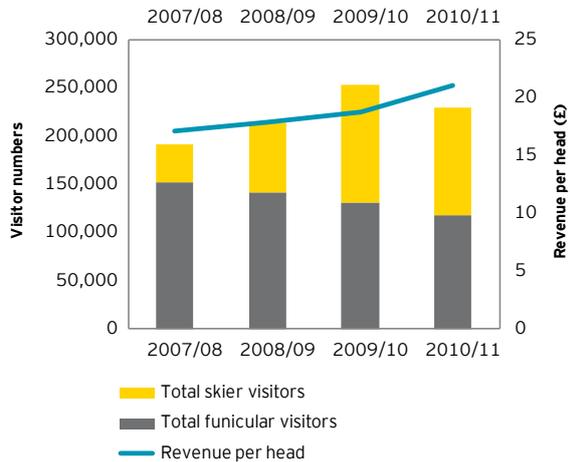
- ▶ Over 70% of visitors are non snow sports related with usage peaking in the summer months.
- ▶ 135,398 seasonal average funicular visitors 2007/08-2010/11 dropping from 152,358 visitors in 2007/08 to 117,313 visitors in 2010/11
- ▶ Peak visitor numbers in July and August with an average of 21,005 in July and 19,256 in August.

Seasonal average funicular visitor numbers 2007/08 - 2010/11



Source: CML visitor numbers

Total visitor numbers between 2007/08 and 2010/11 compared with revenue per head



Source: CML management accounts and visitor numbers

- ▶ Over the last four years total visitor numbers have increased, however non skiing visitors have declined proportionally and in real terms
- ▶ Revenue per head increased from £17 to £21 in the period 2007/08-2010/11, largely as a result of the more lucrative ski market which has a relatively larger spend per head.
- ▶ Primary cash inflows are during the snow sports season but great potential to exploit high summer footfalls through enhanced visitor experiences.
- ▶ Previous three years have seen an increase in turnover with profit generation.
- ▶ The funicular railway currently operates daily from 10am to 4pm, with adjusted hours during the ski season.
- ▶ The resort employed an average of 115 staff in 2011.

Improving profitability Market analysis

This consultation welcomes written expressions of interest with potential operators regarding alternative business models which may provide operational efficiencies or enhance the commercial offering through reinvesting in the assets and services:

- ▶ Opportunities to improve both summer and winter revenues
- ▶ Largely untapped midweek snow sports market
- ▶ Increasing conversion of visitors to the wider geographic area
- ▶ Potential to commercialise the car park facilities
- ▶ Encourage greater entry to the sport. Potential to attract schools, family and beginner market with greater average spend potential; linkages with artificial ski centres
- ▶ Potential to develop the restaurant, drawing on the unique position as the UK highest, as well as developing the retail and food offerings throughout the ski area
- ▶ Potential to create attractions that enhance and widen the overall visitor experience, potentially linking with the unique ecological habitat of the Cairngorm plateau.

- ▶ 11th most popular visitor attraction in Scotland, with the wider national park attracting one million visitors per annum, with 50% of the area's tourists being repeat visitors.
- ▶ Largest UK ski centre serving a wide geographic market, with 45% of users visiting overnight and 24% coming from outside Scotland.
- ▶ Within the Spey Valley, which boasts over 75 visitor attractions and a major hub for outdoor sports.
- ▶ Close proximity to Aviemore with major international hotel chains close by.
- ▶ Growing market focus on non snow sports activity, including visitor amenities and non snow related adventure activities.
- ▶ Cairn Gorm is some 16km by road south-east of Aviemore, which has a train station on the Inverness/Edinburgh/Glasgow main line. Cairn Gorm is 75km by trunk road from Inverness Airport. The main cities of Edinburgh and Glasgow are, respectively, some 217km and 239km by road from Cairn Gorm on the trunk road network.



Next steps

- ▶ This document is intended to stimulate feedback that may inform any subsequent strategic options appraisal exercise and procurement.
- ▶ HIE will not respond to any interest expressed as part of the initial market testing.
- ▶ Ernst & Young is keen to hear the views of potential operators as to what form of operation they would be interested in undertaking. Responses should be submitted by **16 March 2012**.
- ▶ To receive additional information, please contact:

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Further information

<http://www.hie.co.uk/>

<http://www.cairngormmountain.com/>





About HIE

Highlands and Islands Enterprise (HIE) is the Scottish Government's development agency for a diverse region which covers more than half of Scotland. Established in 1991, HIE is an ambitious organisation with a unique remit which integrates economic and community development.

Up to date news and information is available on our website www.hie.co.uk

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