

Address:
110 George Street
Edinburgh
EH2 4LH

Telephone:
0845 146 1010
Fax:
0845 146 1009

Website:
www.audit-scotland.gov.uk



Press release

Strictly embargoed until 00:01, Thursday, 8 October 2009

Funicular railway still a challenge for HIE

An Audit Scotland report published today, *Review of Cairngorm funicular railway*, examines the involvement of Highlands and Islands Enterprise (HIE) with the project over a 17-year period. This covers the original project development and the decision to build the funicular, through to HIE's decision last year to take it into public ownership. The report also provides an update on HIE's progress in developing a new business model for the funicular.

The decision to invest in the Cairngorm funicular was taken over a decade ago in 1997. The process complied with guidance and procedures at the time, but HIE did not take account of new risks that emerged before construction started. It has cost much more to build the funicular than expected but consultants' reports indicate it has delivered the anticipated employment and wider benefits.

The Auditor General for Scotland, Robert Black, said: "When the Cairngorm funicular was first considered it was seen as key to regeneration of the area, and was expected to contribute to increased tourism and job creation. Many of the expected benefits have been realised. However, Highlands and Islands Enterprise did not fully take account of new risks that emerged early on in the project, and the construction of the funicular cost about one-third more than expected."

"HIE has taken over the funicular and operator and is now developing a new business model. In doing this, the agency must learn from its experiences to date. It must fully assess the risks, review the current performance and develop clear objectives."

The Cairngorms were, and remain, the main location for skiing in Scotland but in the early 1990s the area was in decline as a tourism site. At the time the funicular project was first developed, HIE saw it as key to the regeneration of Aviemore and the wider Strathspey area. Today's report says the decision to build the funicular was taken after a process which met the requirements of the time. HIE was aware of a number of risks, such as limited private sector investment and declining skiing numbers, but believed the funicular would bring economic benefits to the area.

However, additional risks emerged after the project was approved and HIE did not review the business case before the building work began in 1999. It cost £19.5 million to build the funicular, almost £5 million more than expected. Consultants report the project has delivered the anticipated employment and wider benefits to the Strathspey area.

Another £7 million was provided to support the operator and develop the attraction, mainly by HIE, the Highland Council and the Bank of Scotland. The operating company has struggled financially since the funicular's opening. In May 2008, HIE took over the operator to protect the public's investment and to keep the funicular open. It is working with consultants to develop a new business model for the funicular.

For further information please contact Simon Ebbett on 0131 625 1652 or Fiona Deans on 0131 625 1651

Notes to editors

1. The operator of the funicular, Cairngorm Mountain Limited (CML), has struggled financially since the funicular opened and, in May 2008, HIE announced its decision to take CML into public ownership.
2. To date the construction and operation of the funicular has cost £26.75 million. This funding has come from the following sources: HIE, £19.42m; Bank of Scotland, £3.62m; European Union, £2.61m; Highland Council, £1m; and Cairngorm Trust, £0.1m.

3. Audit Scotland's review covers a period of almost 20 years. The time scale and the unique and complex nature of the project should be accounted for when considering this report.
4. All Audit Scotland reports published since 2000 can be found on Audit Scotland's website www.audit-scotland.gov.uk
5. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. Audit Scotland has prepared this report for the Auditor General for Scotland.
6. The Auditor General is responsible for securing the audit of the Scottish Government and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament.