



Railways: Cairngorm Funicular Railway

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This Note briefly describes the problems surrounding the replacement of the Cairngorm chair lift with a funicular railway. The funicular opened to paying passengers on Christmas Eve 2001 and cost about £15 million. It replaced the ageing and obsolete chairlifts which had been in operation since the early 1960s.

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1 Building the railway, 1994-2001

By the 1990s the pylon-borne chairlift system on the Cairngorms was old and needed to be replaced. It was expensive to operate and maintain, and half its operating days were lost because of high winds. The Cairngorm Chairlift Company first looked at ways to replace it in 1989. A number of experts were consulted and they all concluded that it was not viable to replace the existing system with a new chairlift and that a funicular railway was a better option. The proposed replacement, decided after a review of the options carried out by Arthur Anderson, was for a funicular railway with a new visitor centre near the top of Cairngorm. In 1993 the company invited various interested parties, including organisations such as the RSPB, to review their development plan. No reactions were received, and so the company submitted its official application for planning permission in August 1994. At this point the objections began to be made.

The cost of the funicular railway was estimated to be about £15 million (£10 million for the railway and £5 million for buildings associated with the scheme). The [Highlands and Islands Enterprise \(HIE\)](#) was closely involved with the project, not only because it is the economic

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development agency for the area but also because it owns the estate where the chairlift was situated. As the Cairngorm Chairlift Company was a non-profit making company, HIE is involved in funding issues and applications to the European Union. In November 1997, the Government approved a HIE network package of £9.5 million towards the total cost, largely to pay for the railway¹ (on 22 August 2001 they announced an additional contribution of £3.5 million for the purchase of "associated buildings"). The railway would then be leased to the Cairngorm Chairlift Company, who would also provide the buildings, at commercial rates. £2.7 million of European Regional Development Fund Objective 1 funds were also approved.² The remaining finance was to be provided by the Cairngorm Chairlift Company from the private sector.

Between 1994 and 1997, the company worked closely with the Highlands Council (the planning body in the area) and Scottish National Heritage (the environmental body), especially on the Visitor Management Plan. A new railway would attract more visitors so the company agreed to operate a closed system during the non-skiing period. The funicular was expected to attract 165,000 summer visitors each year, compared to the previous 50,000 who used the chairlift. It would be able to carry 1,000 skiers an hour from the car park to the restaurant at 3,600ft, 400ft below the summit, in five minutes compared with 650 skiers an hour who made the 25 minute trip by chairlift. Visitors would not, however, be permitted to disperse onto the summit and the plateau beyond but must remain within a new viewing and restaurant centre. It was estimated that a funicular railway would only lose five operating days because of the winds in the area.

Planning permission was agreed on 27 March 1997, although the company had to agree to various conditions. The conditions attached to the HIE's contribution were as follows:

that the project succeeded in securing the remaining capital funding needed to carry it out;

that there should be no further financial contribution to the project from Highlands and Islands Enterprise or from any other source funded by the Secretary of State; and

that Moray, Badenoch and Strathspey Enterprise, the local enterprise company for the area, should exercise its right to appoint a director to the Board of the Cairngorm Chairlift Company.³

Certain conditions were also placed on the HIE in the planning agreement as follows:

There are a number of references to Highland and Islands Enterprise in the Agreement relative to the funicular railway on Cairngorm entered into under section 50 of the *Town and Country Planning (Scotland) Act 1972* and section 49A of the *Countryside (Scotland) Act 1967*. The majority of the references concern the need for HIE to be consulted or notified in certain circumstances, or for that body to have discussions with the other parties to the Agreement in certain circumstances. The Agreement also provides for HIE to be given a period in which to seek an alternative operator for the funicular railway in the event of the Cairngorm Chairlift Company Limited discontinuing its operation. If an alternative operator cannot be found, there is a duty placed on that Company to dismantle the railway and reinstate the site. Should the Company fail to fulfil that obligation, the Agreement requires HIE to fulfil it.

¹ Scottish Office press notice, "[Donald Dewar approves Cairngorm Funicular](#)", 13 November 1997

² Scottish Office press notice, "[Cairngorm Funicular gets £2.7 million euro funds](#)", 17 December 1997

³ [HC Deb 12 March 1998, cc291-292W](#)

Any future expenditure on the funicular railway incurred by Highland and Islands Enterprise as a result of the application of these conditions would be subject to the usual approval arrangements which apply to the annual grant in aid to that body and to any specific approval arrangements which apply to projects involving expenditure beyond the budgetary limits delegated to that body.⁴

The EU grant of £2.7m which helped build the railway is repayable by the UK Government if any of the grant conditions are broken, and the closed system for visitors is a condition that has to be kept for 25 years.

The company was required to undertake a detailed monitoring of the site, both of the visitors and the environment. Because of this, work could not start before May 1999. It was completed in December 2001. The company felt it had delivered a plan that gave greater safeguards to the environment than existed before. The company may be non-profit making but it has to be viable. It earns 80 per cent of its income in the winter, depending on the snow, but to be economically viable, it must operate in the summer as well as the winter. The project had the support of local enterprise company Moray Badenoch and Strathspey Enterprise, the Highland Council, the Scottish Tourist Board and the local business community.

Some organisations were, however, opposed to the scheme, in particular the RSPB and the World Wide Fund for Nature. They called for a judicial review of the planning process and challenged the legality of the development approval in the High Court in Edinburgh. They maintained that the Secretary of State for Scotland, the Highlands Council and Scottish Natural Heritage acted illegally in the way they decided three issues concerning the boundaries, the environmental assessment and the visitor management plan. The chairlift company was not directly involved in the case. Generally, the charities were concerned about the environmental effects of the development. In the longer term they were concerned about certain ski developments and about access to the mountain. The judge dismissed the petition in October 1998.

2 The railway today

The operator, Cairngorm Mountain Limited (CML) struggled financially since the funicular opened and, in May 2008, HIE took CML over. In October 2009 Audit Scotland undertook a review of the Cairngorm scheme. It concluded that:

Key messages

The business case was subject to appraisal by HIE, the Scottish Office and the EU, and met requirements at the time.

A number of changes took place in the early stages of the project. HIE did not review and adjust the business case before construction started to take account of the increased risks.

Although HIE provided ongoing support, CML [Cairngorm Mountain Limited] continued to struggle and HIE took CML into public ownership in May 2008.

The funicular cost much more than originally anticipated, but consultants report that it has delivered the anticipated employment and wider benefits to the Strathspey area.

HIE is working with CML to develop a new business model for the funicular.

⁴ [HC Deb 16 March 1998, c451W](#)

Recommendations

In developing a new business model for the funicular, HIE must ensure that it:

- fully assesses and manages all the risks and constraints facing the facility
- reviews current performance against capacity
- considers likely demand from different user groups
- develops a clear set of objectives for the business, with measurable outcomes
- provides prospective operators with a detailed analysis of the challenges faced, drawing on experience to date
- considers changes in market, environmental and financial conditions
- creates a sustainable and attractive business opportunity for any new operator.

When assessing bids for the business, HIE should ensure that prospective operators:

- are aware of the current risks and make adequate provision for them
- will offer activities that have a positive impact on the surrounding area, taking account of possible displacement
- will observe any requirements in place to protect the fragile and unique environment of the area
- have developed a financially sustainable model for the business.

If HIE cannot find a suitable operator for the funicular, or is unable to develop a sustainable business model, it will need to decide on an appropriate course of action.

HIE should continue to review and update its project appraisal processes to ensure it is adopting good practice.⁵

In March 2010 the Scottish Parliament Public Audit Committee published a report on the railway, based on the Audit Scotland report outlined above. The Committee concluded that HIE failed to properly evaluate a number of significant risks - such as the viability of CML and the possibility of a decline in skier numbers - at the outset of the project. The Committee also found that the decision to proceed with the project even after its contingency was all but exhausted was “symptomatic of the momentum which such projects gather and the inability to call them to a halt when costs begin to exceed expectations” and that, given HIE’s open-ended commitment to the project, the new business model for the funicular must be founded on ‘a realistic assessment’ the future viability of the facility.⁶

⁵ Audit Scotland, *Review of Cairngorm funicular railway*, October 2009, p6; this also contains a more detailed background to the project and assessment of its costs, successes and failures

⁶ SP Public Audit Committee, *Review of Cairngorm funicular railway* (second report of 2010, session 3), SP Paper 393, 3 March 2010, paras 81-83