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Financial support provided to mid-mountain resorts in the Pyrénées-Atlantiques

Executive summary

2022 Annual Public Report

The Pyrénées - Atlantiques department owns the ski areas of the Gourette and La Pierre-Saint-Martin winter sports resorts and the La Rhune tourist train infrastructure. It has chosen to delegate their operation, through a leasing contract, to the Establishment public des stations d'altitude (EPSA) public agency.

In a chapter of the 2015 annual public report entitled “The future of ski resorts in the Pyrenees: corrective action needed, decisions inevitable”, the Court of Accounts had drawn up a worrying picture of the financial position of these resorts. Even the strongly negative impact of the current health crisis cannot hide the fact that a large part of the findings reported at that time still remain unaddressed. Indeed, the significant subsidies paid to EPSA by central government and the Department in 2020 and 2021 to enable it to cope with the crisis present the risk of having delayed the treatment of long-term issues.

The Covid-19 pandemic: an unprecedented economic crisis for the mid-mountain resorts of the Pyrénées - Atlantiques

The health crisis has had significant consequences on EPSA's operations: the two ski resorts were forced to close from mid-March 2020, resulting in the loss of nearly €3.4 million in operating revenue over the year as a whole (-42%). EPSA thus recorded a deficit of around €2 million.

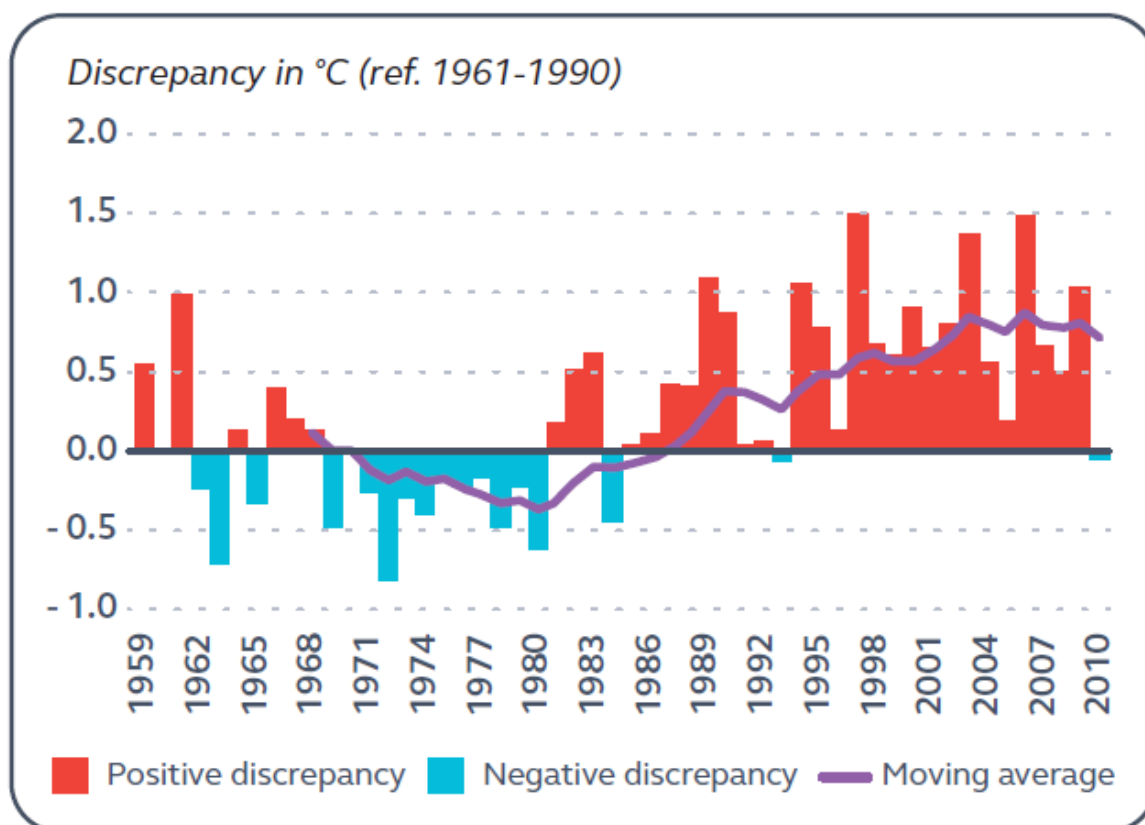
In 2020 and 2021, in response to this shock, the agency was granted just over €9.5 million in direct aid from central government and the department, as well as the central government guarantee on a loan of €3.5 million. The total figure (€13 million) represents almost one year of normal turnover for the agency.

Unstinting support, at the risk of delaying the transformations required to the mid-mountain resort model

The high-altitude resorts of the Pyrénées - Atlantiques attract a limited clientèle, and struggle to conquer new markets. Their prospects for business diversification are not sufficient to ensure the long-term sustainability of their economic model.

Climate change is a major challenge for mountain regions. It reduces the natural snow cover, especially at low altitude, making the ski area dependent on the use of artificial snow equipment. The equipment itself can only be operated in specific weather conditions, and there is also the question of its environmental impact.

Rising temperatures in the Pyrenees affecting snow cover



Source: Observatoire Pyrénéen du Changement Climatique (Pyrénées Climate Change Monitoring Centre)

Reading note: The annual discrepancy compared to the average value of the reference period 1961-1990 is shown (in red if it is positive, in blue if it is negative), along with changes in the moving average over a period of 10 years (purple line).

Available studies show that within 20 to 30 years, there is likely to be one Pyrenean resort left with acceptable natural snow cover. This would be located outside the Pyrénées - Atlantiques department.

The economic model of the two resorts managed by EPSA is thus compromised by a twofold fragility in commercial and environmental terms. These structural weaknesses are all the more worrying given that the costly modernisation investments by the department are also destabilising the financial position of the resorts. This is due to the fact a portion of the fee paid by EPSA to the department is linked to the level of investments made: the more they increase, the more the fee increases, compounding the deficit if the modernisation has no effect on visitor numbers at resorts.

In the short term, then, this raises the question of whether the fee compromises the financial equilibrium of the contract.

In the longer term, the general strategy for the two resorts will need to be redefined during the renegotiation of the public service concession that the department granted to EPSA in 2012 for 18 years. The contract includes a five-year review clause, which the department and the agency did not implement in 2017.

The transformation of the economic model of the Gourette and La Pierre-Saint-Martin resorts requires the active involvement of all relevant stakeholders, and especially central and regional government. In addition to improved monitoring of financial imbalances, it also presupposes greater sharing of resources between winter sports resorts in the Pyrenees.

Recommendations

Consequently, the Court of Accounts makes the following recommendations:

To central government:

1. implement a system for monitoring the financial position of the resorts, informing the necessary choices in terms of structural support, particularly with regard to the implementation of the “Avenir Montagnes” plan;

To the Nouvelle-Aquitaine region:

2. classify this as a “sustainable and resilient” regional project for the resorts of Pyrénées - Atlantiques, with the department and all the stakeholders, including those in other parts of the Pyrenees if necessary;
3. introduce a conditional support mechanism to strengthen the process of mutualisation between the operators of the resorts;

To the Pyrénées - Atlantiques department:

4. select investment projects for these resorts in line with the “sustainable and resilient” regional plan;
5. work with all stakeholders to design a future plan for these resorts and renew the EPSA affermage contract accordingly.