

## Beyond Energy Action Strategies



### D.3.1.c – Business Plan of CMM - STEER local action

**Title of the project: Cycling lane connection with the Valtellina bike ring**  
**Location: Municipalities of Cosio Valtellino, Traona, Civo and Morbegno (IT)**



**Submission date: .....**



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## Contents

1. Summary of the Project/Project at a Glance.....	3
2. Details of the Proposed Project.....	3
3. Internal aspects .....	4
4. External environment.....	4
5. Market Potential.....	5
6. Risk analysis .....	7
7. Financial Analysis.....	7
8. Costs.....	8
9. Income .....	9
10. Feasibility assessment .....	9
11. Sensitivity analysis .....	9
12. Social benefits and Public support.....	9
13. Implementation roadmap .....	10
14. Conclusion .....	11

## 1 Summary of the Project/Project at a Glance

*(Nature of the business, the location, resource requirements, volume of business, a brief on market justifying the project, financial highlights)*

Following the recent touristic request on the mountain vacation, aiming to give a broader added value to the natural resources in the territory, the Fondovalle cycle lane is part of the cycle circuit of the Lombardy Region, which aim to ensure the sustainable tourism usability of the region through cycle paths allowing the enhancement of both natural and cultural resources located in the geographical area of (e.g. Adda River, natural reserve of Pian di Spagna and Bosca Park). Involving different municipalities and local authorities close to Morbegno (Cosio Valtellino, Traona e Civo), thanks to this new lane it will be possible to connect the reserve of Pian di Spagna and the Bosca Park, making attractive the path from the environmental point of view as a European interest site.

In particular, for a total amount of 900.000€, it has been realized bridges over the Adda River improving the context and removing presence of mixed routes (bicycle and vehicular) in favor of the nature and cyclists. Moreover, the intervention overcame the natural obstacles presented by waterways (river Adda and Bitto) through the implementation of catwalk crossing with artifacts made of laminated wood.

It has also been realized asphalted stretches of connection with the existing path, and the improvement of road sign. Indeed, the lane now is connected to the other existing circuits, making possible a new tourism offer through a real tour around the mountain area and on the river side (about 62.3 Km).

The future improvements of this project are significant not only for the tourism industry, which will be able to attract nature lovers and people interested in monuments and historical sites through a cycle circuit passing by nature and villages, but also for its implications on more efficient and cleaned transports/communications and the landscape/natural environment presents in the valley.

## 2 Details of the Proposed Project

*(Requirement of fixed capital and working capital, the cost of project and means of finance. Step-by-step description of the process, plant capacity, expansion plans and quality control procedures etc)*

The project works costed 900.000€ and were divided into two interventions with related actions:

- A) Connection Cosio - Traona

**ACTION A.1: Footbridge No. 1 on the Adda River (called Cosio)**

The walkway connect the existing bike path located on the left bank of the Adda River with the island inside the river.

**ACTION A.2: Pedestrian path Adda island**

The construction along the Adda river island (until the second bridge), is the continuation of the bike path.

**ACTION A.3: Footbridge over the Adda River No. 2 (called Traona)**

The second bridge connect the island situated on the river with the riparian area placed in the hydrographic right side of the Adda.

**ACTION A.4: Crossing the Civo stream**

In correspondence of the right side of the Adda it has been constructed a footbridge crossing the stream Civo, with structure in steel beams and wooden floorboards.

- B) Connection Traona - Ganda bridge

**ACTION B.1:** stretch from the Civo stream to the Forest Street bridge

After passing the crossing of the Civo River, there is a new stretch of cycle path, which runs along a partially wooded area upstream the right bank of the Adda. This intervention continues eastwards until the bridge and pass under the existing Forest Street and then connect with an existing farm road.

**ACTION B.2:** stretch from the Forest Street bridge to the Ganda Bridge

This intervention concerns the redevelopment of an existing farm road leading to the bridge of Ganda.

### **3 Internal aspects**

*(Describe the strengths and weaknesses)*

The presence of a proper cycle path, removing mixed and unsafe routes, allow now to bicycles to pass without vehicles around. This proper cycle lane enables all users to use their bicycles enjoying the pleasant landscape. Indeed, connecting circuits and villages in the area, it is an easy path suitable for daily use and tourism purposes. Moreover, the good intermodals infrastructures connections (e.g. railways) allow to the users the have the chance to use both the bicycles and the train, for example, to visit this landscape making outdoor sports. Differently from these strengths, the main weaknesses related to the project are related to the bureaucracy time in order to obtain new work permits and economic resources in time to deliver new project improvements for the valorization of the path. Indeed, the path maintenance, strictly linked to the economic resources, is slow or absent and as a consequence, nowadays, the path is start to be vandalized. Moreover, due to five years of waiting to construct the cycle path, no guideline were written at the disposal of neighbors villages interested in construct other cycle lanes to be connected to the Fondovalle one, and the municipalities involved in the project, due to internal issues, shown lack of interest in the built path.

### **4 External environment**

*(Describe the threats and opportunities)*

The principal threats the project have to face are:

#### **1 Economic**

The project work was prepared in 2009 answering to a regional call for proposal. The project wasn't funded and it was decided to insert the project into the 2011 local regional development plan in order to apply for a loan. On this occasion, a regional funding of € 500,000 was granted while the remaining € 400,000 comes from internal funds of the CMM.

Taking into account this past situation the lack of economic resources for new improvements could affect the project in delivering maintenance actions to the entire cycle lane. Indeed, vandalism is now affecting

the path and new economical actions to prevent it having a nice environment for families and young people have to travel across villages are required.

## **2 Administrative**

The administrative procedure for the work acquisition could stop again the project if it is considered detrimental. For example, the Authority for the architectural heritage and landscape may prevent new implementations of the project if can be injurious for the environment. In addition, since the project is financed by a public entity, it is necessary to identify the company responsible for the conduct of work through a public tender, which is a process able to take more than six months. For example, the anti-mafia certificate issued by the prefectures, remains the main legislative instrument in the field of mafia infiltration that intend to contrast the establishment of relations between organized crime and the public administration, but for this reason is the most complicated document to obtain which required more than five months.

## **3 Technical**

New project implementations along the banks of the Adda River, required the complete compliance with the standards required by the river basin authority, ensuring that they will not damage the banks of the river.

## **4 Market**

After the first project implementation the biggest threats come from the lack of awareness on sustainable tourism and travel. Indeed, inhabitants didn't show interest in using bicycles for small travels across the villages involved in the path and tourists are constantly asking for other typologies of outdoor activities. The result is a lack of the foreseen economic benefit for the entire area.

Differently from this, the opportunities linked to the success of the project are:

### **1 New cycle circuits**

New cycle circuits from the example of the Fondovalle one could be built making new interconnected paths.

### **2 Positive trend for cycle tourism demand**

The connection of this cycle lane to the rest of cycle paths in the area will be able to attract more tourists answering to the user's needs, namely: outdoor activities which involve sport and link cultural with natural heritage.

### **3 Local inhabitants interested in solution of sustainable mobility**

Having a cycle lane able to connect Morbegno, Cosio Valtellino, Traona and Civo will be possible from inhabitants to reach these destinations by bicycles and without time consuming, instead to use cars facing traffic jam.

## 5 Market Potential

*(Introducing a new product to the market requires an analysis of the external factors that may affect a successful business case. The business model environment can be described by a number of forces that will influence the competitiveness of the business on the short and long haul –Key trends, industry forces, macroeconomic forces, and market forces-. Provide a note on marketing strategy, potential customers, competition, market size and future prospects)*

The Fondovalle cycle lane follows one of the main regional objectives (Regional Plan for Cycling Mobility): to contribute and promote the use of bicycles in combination with public transport for work/study/free time travelling, encouraging sustainable approaches in everyday and vacation moments, improving, moreover, air quality. The aim is to offer a unique signage for cyclists; defines the technical standards to be used by local authorities to implement the cycling network of regional interest reducing Co2 emissions and generating a competitive green economy.

Indeed, this point is strictly related to one of the five principle EU2020 strategy's objectives: the sustainable growth which aim to promote a more resource efficient, a green and more competitive economy as a part of one of seven EU2020 flagship initiatives, namely Efficient Europe. Indeed, the cycle lane supports the shift towards a low carbon economy, modernizing transport industry and promoting energy efficiency for the development of sustainable tourism with high environmental value.

During last years, mountain tourism around the area demonstrated to be characterized by users interested in nature, sports and the linked activities which can be done outdoor and without the use of vehicles.

As a part of the global project "Bike Trail Adda" (about 62.3 Km), Fondovalle cycle lane is an improvement of pedestrian and cycle paths in relation to the roads interchange nodes and it enhances the landscape and the natural environment of the valley floor making possible a multifunctional tourism combining nature, sport and culture.

The majority of valley residents have access to a bike in their household, but the majority of these bikes are unused giving a preference to cars for current trips. Differently from this, the tourism key trend shown an higher request of bikes for travelling purpose around villages with the aim to stay outdoor, making sport and visiting the area.

In order to meet both EU2020 strategy and Regional Plan for Cycling Mobility in mountain areas, CMM is focusing on cycling potentials through the Fondovalle cycle path and the recent initiatives (e.g. bike sharing services).

Indeed, with the right incentives and a commitment by the local authorities a change direct to cycling can be seen having a look on the results of the other linked cycle lanes in the area.

The general trend show the new intend to cycle more in the coming years, having a significant potential on the patterns of cycleable trips. Working in partnership with local authorities and new improving measures need to be applied. This approach will include promoting campaigns, travel awareness activities, cycling events and area-cycling improvements. Moreover, cycling programmes must be tailored to the different users. The required approach will address the variety of complex journeys made for education, leisure and travelling, providing a support for tourists and the new cyclists located in the area.

## 6 Risk analysis

*(Emphasis on those elements that are threats to the project with an important impact)*

The cycle lane project foresees maintenance and implementation of works along the banks of the Adda river, so it is necessary to assure that works are in compliance with standards required by the river basin authority and that the banks of the river will not be damaged. To do this, it is necessary to obtain the agreement of the territorial headquarters, accountable for the management of inner waters. Without this permit, works will be blocked.

Furthermore, since the project is financed by a public entity, it is necessary to identify the company responsible for the conduct of work through a public tender. Indeed, between the publication of the tender and the start of work have passed 6 months. Thus, considerable bureaucratic load will be able to prolonger the implementation time of the project.

In addition, between the preparation of the project and the start of work companies are forced to make an economic offer based on estimated costs of the work that refers to dating prices. This leads to a higher risk for the companies winning work, which are forced to optimize all aspects in order to carry out the work according to these prices.

Besides this aspect, the administrative procedure for the acquisition of the necessary permits for the implementation of new actions involve many entities, which have to approve the works and have the right to request changes to the project, if necessary. In some cases, project can be locked if it is considered detrimental to the interests of the institution.

Once the project was financed, the next risk to face is related to the maintenance of the finished work. Indeed, even if works of conservation are foreseen, often lack of organization and funding could cause the deterioration of the infrastructure, which become decay until the moment in which it will be demolished because it is not more attractive for people.

Finally, the risk linked to the lack of awareness from local tourism operator about sustainable tourism product offer, loosing by this way a great economic opportunity for the valley. In order to improve attractiveness of the valley for sustainable cycle tourism it is necessary to make available dedicated services, such as: cycle-garage, suitable equipped public transport, clear road signs and connection with close itineraries.

## 7 Financial Analysis

*(This section should provide a basic financial assessment of the project including the expected IRR and payback period as well as data on expected capital costs, depreciation, operation and maintenance costs and expected revenues. Full financial spread sheets showing IRR calculations and cash flow can be included in the annexes.*

The cycle path, if properly exploited by local tourism operators, could bring to an increase of tourists of at least 10%. Furthermore, it has been stated that cycle tourists are more disposed to spend on local services as respect mass tourist, in medium 40% more. Services benefiting in larger part of major expense are related to services along the cycle path, such as restaurant, cafés, hotel and artisan shops.

In addition to that, it should be included in the calculation the benefit for the environment and health, which are difficultly computable.

Considering that above, it is hard to define the IRR of a cycle path because it involves several aspects which are difficult to estimate.

In addition to that, they are not foreseen any direct cash flow for the public entities, the only revenues connected to the project are the major taxes paid by local businesses dealing with cycle tourism.

Finally, besides costs for the project implementation, CMM and local municipalities will have to pay cost for maintenance.

## 8 Cost

*(Capital cost, Cost for studies and other initial promotional costs, Cost of raw materials, utilities, manpower, repairs and maintenance, selling and distribution expenses, administrative expenses, interest on loans availed, depreciation and other expenses – fixed cost and variable cost)*

<b>Cost item</b>	<b>Amount</b>
<i>Manpower</i>	€ 158.046,15
<i>Cost of raw materials</i>	€ 515.953,85
<i>Safety costs</i>	€ 17.000,00
<b>Total capital cost</b>	<b>€ 690.000,00</b>
<i>Cost for feasibility studies</i>	€ 14.181,00
<i>Land purchase</i>	€ 17.089,00
<i>Cost for project design and work coordination, testing</i>	€ 73.360,00
<i>Road signals</i>	€ 16.000,00
<i>administrative expenses</i>	€ 7.450,00
<i>VAT, Taxes and approximation</i>	€ 81.920,00
<b>Total administration costs</b>	<b>€ 210.000,00</b>
<b>Total cost of the project</b>	<b>€ 900.000,00</b>

## 9 Income

*(Sales, cost of manufacturing, contribution, tax liabilities, repayments, retained profit/loss)*

The project presents no income even if as it is shown, using cycle lane present benefits in terms of tourism and saving money and fuels.

## 10 Feasibility assessment

*(IRR, NPV, payback period, benefits of the project)*

The project cannot be considered only from the financial point, because it doesn't present any cash flow for the public entities investing in the work implementation.

In effect, it should be considered many positive effects which the project offer to local inhabitants and to tourists, such as the possibility to enjoy wonderful panorama, to practice healthy habits based on sustainable daily mobility, to decrease emissions. Besides, it could be considered indirect benefits for the local economy which nevertheless are difficult to esteem, connected with the possibility to have new businesses related to cycle tourism such as: bike rent, e-bike sharing, food and drink services along the cycle path, tourism offers dedicated to cycle tourists.

That said, the project could be considered as an investment for the public entities interested in improving quality of life of their citizens, beyond the only financial and economic analysis.

## 11 Sensitivity analysis

*(Sensitivity analysis on important parameters with a great impact to the project financial feasibility)*

The project financial feasibility could be affected by the lack of funding available for implementing works but also for the maintenance.

In fact, the work have just been implemented and finalized last June, but it is now essential to provide a constant maintenance in order to guarantee a real usability of the path.

Initially, CMM agreed with municipalities of Cosio Valtellino, Traona, Civo and Morbegno to share maintenance costs, also involving local volunteering associations. Notwithstanding, the lack of funding available for local entities bring municipalities to give up to this expense and to ask for the intervention of CMM which for the moment carry on the maintenance works with its own resources.

## 12 Social benefits and Public support

*(Please identify and rate the positive impacts of the project and provide an alternative scenario of feasibility analysis including public support if needed to achieve a reasonable Return on investment)*

The project implies several social benefits for both local inhabitants and tourists.

In effect, the cycle lane enable citizens to practice healthy habits based on low impact daily mobility and to attract tourists interested in sustainable tourism experience.

The cycle path has a good support from stakeholder and it is perceived as a good opportunity to enjoy territory.

Actually, locals promote the implementation of new cycle section connecting to existing ones in order to extend benefits to other municipalities and to make available more cycle ways also for tourism purpose. Indeed, in the area, about 10% of the tourism is considered sustainable tourism. People not only from Italy but also from the neighborhood countries used to travel in the area by bike.

Moreover, in terms of saving fuels the entire population using the cycle lane could have a strong benefit. In Morbegno area, which has around 24.000 inhabitants, the average price of the fuels is around € 1,50 per liter. The estimated benefits in terms of costs that could have a person (inhabitant or tourist in the area), using at least for 10 km per day the built cycle lane, are the following.

Replace car with bike in a year	
Daily traveling by bike instead of the car	10 Km
Number of weeks in a year that the bike could replaces car	20 weeks
End power car replaced the bike	Up to 100 kW
Type of fuel used the car replaced the bike	Petrol

Savings/€	
Savings in one year	About 210.0 Euro
Savings on each trip	About 1.5 Euro

In addition, supposing to save each day about 1 liter of fuel, if the estimated 1% of population located in the area will use each day the now ended cycle lane, 33600 liter of fuel will be saved in a year, benefiting from the cycle lane just per 20 weeks.

### 13 Implementation roadmap

*(Use a Gantt chart to show the timeline for key activities and milestones throughout the project implementation phase.)*

	m1	m2	m3	m4	m5	m6	m7	m8	m9	m10	m11	m12
construction and disposal building site		■	■									■
green works (wood cut, seeding, reclamation...)	■	■	■									
digging		■	■	■	■							
riverbed works			■	■	■	■	■	■	■			
bridges positioning, basement								■	■	■	■	

The project implementation has a timeline 12 months long. Works begun on May last year and terminated on June this year, 2015.

Firstly was implemented works connected with green environment, such as wood cut, seeding and reclamation of work site. After that, started the preparation of the construction site, paying particular attention to comply safety rules.

Digging works lasted about 4 months, followed by works on the riverbed which were stopped for some weeks due to winter season and abundant rain.

Finally, it were positioned prebuilt bridges, extended the basement and disposed the construction site.

## 14 Conclusion

*(Is it a good or bad idea? Why should investors put their money in this project?)*

Connecting the common infrastructures (e.g. railways and routes) with this new cycle paths a new suitable form of tourism can be enhanced, making also easy for inhabitants to reach the closed villages just using bicycles.

To travel will be more comfortable enjoying the landscape.

In compliance with regional and European target, CO<sub>2</sub> will be reduced and energy will be saved, even if the negative impact of the cars cannot be removed, traffic in the area should be considerably reduced and the touristic offer will be rise (e.g. bike sharing on the itinerary) in favor of a green sustainable tourism able to combine nature with cultural aspects.

Investor should pay for this project because it will increase the attractiveness of the area and the well being for inhabitants.

Furthermore, the project could incentive new businesses connected with cycle tourism, benefiting by this way local economy and improving sustainability of the investment.