
Free Pools Make Business Sense

Most of the lead candidates for the current Newcastle council elections, as surveyed by the Save Mayfield Swimming Pool campaign over the past month, are supporting a three-year trial of free entry for inland pools.

Highly represented among these are existing councillors who know better than anyone that the council's current approach of charging for entry to inland pools is not working.

It's worth remembering that free entry is not a radical idea. In fact, it's a very common business model for council assets – the ocean baths and other public facilities are all free entry, precisely because the council knows most people would not be able to afford to visit them anywhere near as regularly if they tried to charge entry.

There is a strong business case to support free entry to Newcastle's inland pools. At first glance, this may seem surprising. After all, how can giving up a revenue stream make business sense?

The answer lies in two key concepts – price sensitivity and fixed costs.

First let's consider price sensitivity – we know the users of our pools are very sensitive to entry price barriers. The council proved this last season (2011-12) when it raised entry prices by 25 per cent, and then suffered a 36 per cent drop in attendance at most pools. With the loss in attendance outweighing the increase in entry price, the overall result was that these price increases actually cost an estimated \$87,000 in lost revenue.

But there is cause for optimism in these figures, if we go the other way. Imagine how much attendance might increase if, instead, we removed the price barriers entirely? It's easy to imagine we could see attendance doubling – or even more – as people start to incorporate quick swims into their daily routines, and our kids were able to access the safe, fun environments of the pools after school each day, regardless of their personal means.

The benefits to society would be profound, in terms of increased exercise levels for young and old, increased swimming competence and water safety and the building of attractive and open community hubs, where all of us could mingle and meet in a healthy, friendly environment.

The other key concept is that our pools are almost entirely fixed cost operations.

The major cost components are lifeguards and administration services, power, water, chemicals, and machinery and building maintenance. These costs are essentially unchanged whether we have only a single attendance at each pool for the whole season or 100,000 attendances.

And current revenue covers less than 25 per cent of these fixed operating costs. For Mayfield, Stockton, Wallsend and Beresfield pools in 2011-12, the council budgeted nearly \$2 million in expenses, but less than \$500,000 in revenue (which was not achieved due to the drop in attendance).

In other words, the council spent \$1.5 million to achieve approximately 100,000 attendances at these four pools, combined. If we could triple attendance with free entry, we would be achieving an additional 200,000 attendances for a cost of less than \$500,000 – this is one-sixth of the marginal cost of the first 100,000 attendances, and starting to look like a real bargain.

As you can see from the figures above, a hefty cost base is there regardless – the question is, how can we get more people to benefit from it, so that we can consider it well spent?

And it gets better. With the extra patronage, other streams of revenue would appear, such as the kiosks, which are currently subsidised to compensate for their narrow customer base.

With free entry providing many more customers, the kiosks would become independently profitable, and the subsidy could be removed, possibly even rental charged. And maybe people would like to hire banana chairs or floating toys to enhance their pool experience? The possibilities are limited only by our imagination.

Now is the time to make this change, and start getting a real dividend for the Newcastle community out of these wonderful, but underutilised public assets, that we are already paying for. Let's open them up.

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Save Mayfield Swimming Pool Campaign
A Community Group Supporting Community Resources
www.mayfieldpool.com