

# The social benefits make business sense

Free entry doesn't affect the bottom line, writes **Stephen Clarke.**

MOST of the lead candidates for the 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 common business model for council assets.

The ocean baths and other public facilities are all free entry, 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 when it raised entry prices by 25 per cent 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. The benefits to society would be profound.

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 about 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.

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

With the extra patronage, other streams of revenue would appear, such as the kiosks.

Let's open the pools up.

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**Stephen Clarke is a spokesman for the Save the Mayfield Swimming Pool campaign.**

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## Save Mayfield Swimming Pool Campaign

A Community Group Supporting Community Resources

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