

1. QEII PARK WATERSLIDE OPTIONS

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The purpose of this report is to ascertain the direction the Council wishes to take with regard to the provision of waterslides at QEII Park and is written in response to a Council request that the possibility of private funding and operation of new hydrosides at QEII be investigated.

BACKGROUND

QEII Park's two 100-metre hydrosides were dismantled as part of the QEII Park Pools redevelopment project. The slides had been in existence for approximately 20 years. Originally they were constructed and operated by private ownership under a lease agreement. The Council later purchased the slides from the leaseholders. For the last six years of their operation, the slides attracted an average of 74,703 patrons per annum, being 30.3% of paid admissions to the pools during that period.

The slides were operated as a profit centre, separate to the pools operation. Admission to the slides was by payment additional to the pools entry.

At a special meeting of the Council on 10 September 1999, the Council reconfirmed the scope of the redevelopment project, which included removal of the existing hydrosides. The cost of retaining the slides was presented to the Projects and Property Committee on 16 October 2000. In his QEII Park Pools redevelopment report on hydrosides and the dive pool concourse, City Solutions Major Projects Co-ordinator, Mark Noonan, reported that the QEII hydrosides were in poor condition and that there would be a cost of \$420,000 should the Council choose to retain the slides as part of the redevelopment project. At that time, access to the top of the hydroslide tower did not comply with the NZ Building Code, major architectural and HVAC mechanical work would be required, new pool water services plant would be necessary and extensive repair and maintenance would be needed to the slides themselves.

The Projects and Property Committee unanimously adopted the following recommendations:

1. That the existing hydrosides be removed.
2. That the QEII Manager and Leisure Manager investigate and report back to a meeting of the Projects and Property Committee on the possibility of a private operation funding and operating new hydrosides for QEII.

These recommendations were adopted by the full Council on 26 October 2000.

QEII Park's new leisure pool was opened to the public on 9 August 2002. Patronage since has been very encouraging. To the end of January 2003, 174 days open to the public, 336,653 swimmers have attended QEII Park, an average of 1,935 swimmers per day. This represents a 119% increase in the number of swimmers attending QEII Park per day (an additional 1,053 swimmers) compared to the six-year period prior to commencement of the pools redevelopment project. Taking seasonal factors into account, QEII Park pools patronage should comfortably exceed the budgeted target of 650,000 swimmers.

OPTIONS FOR WATERSLIDES

The Council has a number of options available to it. Consideration of aspects such as location, design, ownership, and operational and financial matters should occur prior to any decision being reached. The options exist across a broad spectrum of possibilities. The Council might decide to forego waterslides at all, may chose to install one or two slides or may look at a multi-slide installation.

Option One - Zero Waterslides

The Council might decide to **not have waterslides** at QEII Park at all. Some might consider that the themed leisure pool facility itself will act as attraction enough, thereby deeming the addition of waterslides as unnecessary.

This would disappoint a large number of patrons and members of the public. The QEII hydroslide proved to be an immensely popular attraction over the years. It was a highlight of many visits to Christchurch and to QEII Park. Public reaction to its demise was instantaneous and considerable. Opinion polls, media response, letters and personal approaches have given a strong message that the waterslides should be replaced.

In particular, QEII Park's new leisure pool is a wonderful asset for young families but the waterslides are sorely missed by teenagers and young adults.

This is therefore not a recommended option.

Option Two – One or Two Waterslides

Internal

One or two waterslides could be installed within the leisure pool hall. These would have internal run-outs and would be shorter than previous waterslides installed at QEII. They would cater for a younger age group and would most likely be accessed as part of pools admission. That is, they would be less suitable to operate as a stand alone business output as was previously the case at QEII Park.

External

One or two waterslides could be installed adjacent to the leisure pool hall in a manner similar to the previous slide installation at QEII Park. An external installation would allow longer, more exciting waterslides than would be the case with an internal installation. Accordingly, they could be operated as a profit centre though it seems likely that eventually, an installation of only one or two slides could see public interest dictate that slide access be included as part of the entry fee to the pools themselves. At that stage, waterslides would no longer operate as a profit centre.

An installation of just two slides would be nothing new for QEII Park or Christchurch. Whilst there would undoubtedly be a positive impact upon patronage and increased revenue for the Council, full advantage would not have been taken of the opportunity provided by the Council's investment in the "Atlantis" themed leisure pool at QEII.

The cost of either an internal or external addition of one or two slides would range between \$300,000 and \$800,000 depending upon the style and length of slides incorporated in the design. An all-inclusive entry fee would require an increase in admission fees for the cost of the waterslide addition to be recovered. This would not be easily achieved at QEII Park, given that QEII is not just a leisure pool and that entry fees necessarily reflect the competition, training and health and fitness nature of the facility.

This is not a recommended option.

Option Three – Waterslide Park

Waterslide additions at QEII Park should take advantage of the opportunity provided by the recently completed pools redevelopment project. A waterslide park **incorporating up to five or six slides of various lengths, styles and innovations** would act as an additional destination and tourist attraction appropriate to the importance of the total complex and would have the effect of assisting QEII Pools to cater for larger numbers of patrons.

The cost of adding five or six slides to the leisure pool would fall somewhere between \$1.5m and \$3m, again depending upon complexity, length and style. Naturally the installation costs would increase further as more elaborate designs are considered.

Evidence to date has indicated that the Council would not need to install waterslides itself. If the Council were to invite proposals from the commercial sector, it is expected that the successful third party would meet the full cost of construction. Christchurch and QEII would benefit from having a significant waterslide complex, providing tourist and entertainment options for patrons. Such an attraction would be operated as a separate profit centre, built and operated at no cost to the Council and providing significant additional rental revenue to QEII Park.

Third party provision would also minimise both financial and health and safety risk of operation for Council.

Alternatively, the Council could build the multi-slide complex itself. Funding the project through the Annual Plan would mean competing for resources against other projects, which may result in either the waterslides not proceeding or being delayed significantly. If instead, the project were to be funded by borrowed capital, waterslides would become operational at an earlier stage. Financial returns may well be greater if the Council were to fund and operate the project but so too would the risk of operation be greater.

Third party provision of a waterslide park adjacent to QEII Park's "Atlantis" themed leisure pool is the preferred option.

FINANCIAL AND OPERATIONAL CONSIDERATIONS OF WORKING WITH A PRIVATE OPERATOR

In the past, both QEII Park and Dunedin's Moana Pool have successfully offered privately provided hydroslides as part of the attraction to their respective facilities.

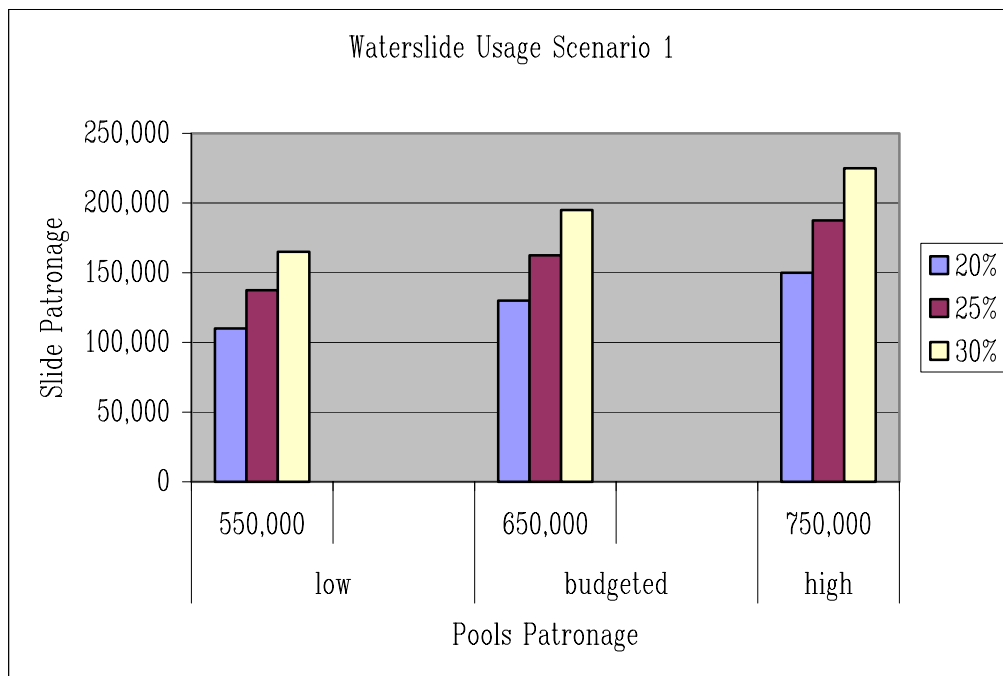
Included here are a series of scenarios covering a range of usage, revenue and income possibilities for a modern, multi slide complex operating adjacent to New Zealand's foremost leisure pool facility, "Atlantis at QEII".

Scenario 1:

Waterslide Usage

This table shows waterslide usage variations linked to pools patronage

Pools		Slides		
		20%	25%	30%
low	550,000	110,000	137,500	165,000
budgeted	650,000	130,000	162,500	195,000
high	750,000	150,000	187,500	225,000



Notes:

Slide patronage is based on the following:

Old QEII

2 slides, traditional pool

Slide patronage ranged from 21.6% to 25.1% of pools patronage

Last 6 years of old hydroslide operation:

slides averaged	74,870 pa
pools averaged	320,909 pa
average slides % of pools	23.30%

New QEII Waterslides scenario

If five slides are attached to Atlantis

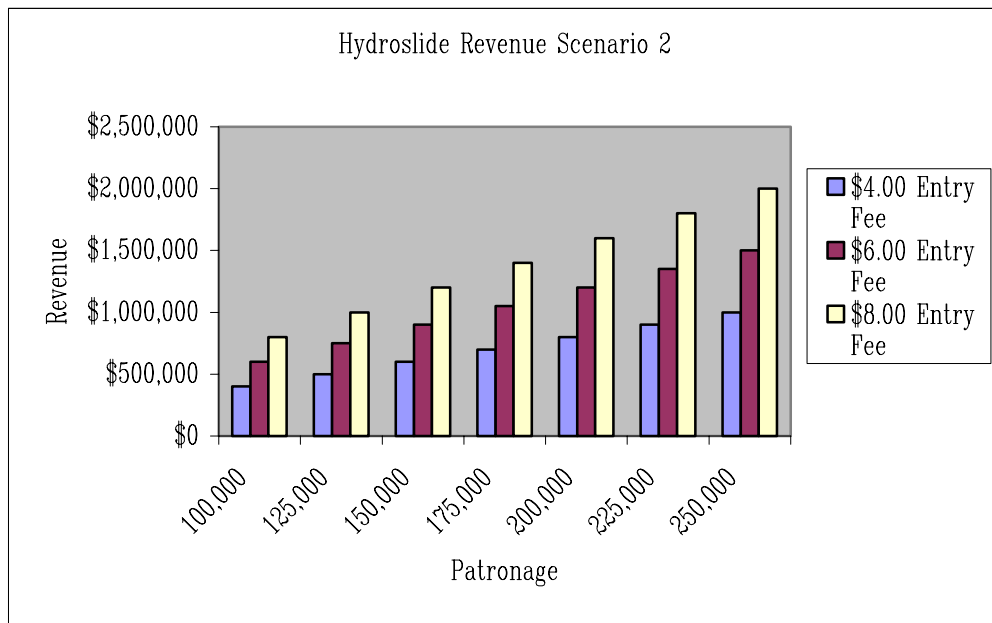
low patronage	20% of pools
medium patronage	25% of pools
high patronage	30% of pools

Scenario 2:

Hydroslide Revenue

This table shows revenues from various waterslide entry fee variations linked to waterslide patronage.

Patronage	Entry fee \$4	\$6.00	\$8
100,000	\$400,000	\$600,000	\$800,000
125,000	\$500,000	\$750,000	\$1,000,000
150,000	\$600,000	\$900,000	\$1,200,000
175,000	\$700,000	\$1,050,000	\$1,400,000
200,000	\$800,000	\$1,200,000	\$1,600,000
225,000	\$900,000	\$1,350,000	\$1,800,000
250,000	\$1,000,000	\$1,500,000	\$2,000,000

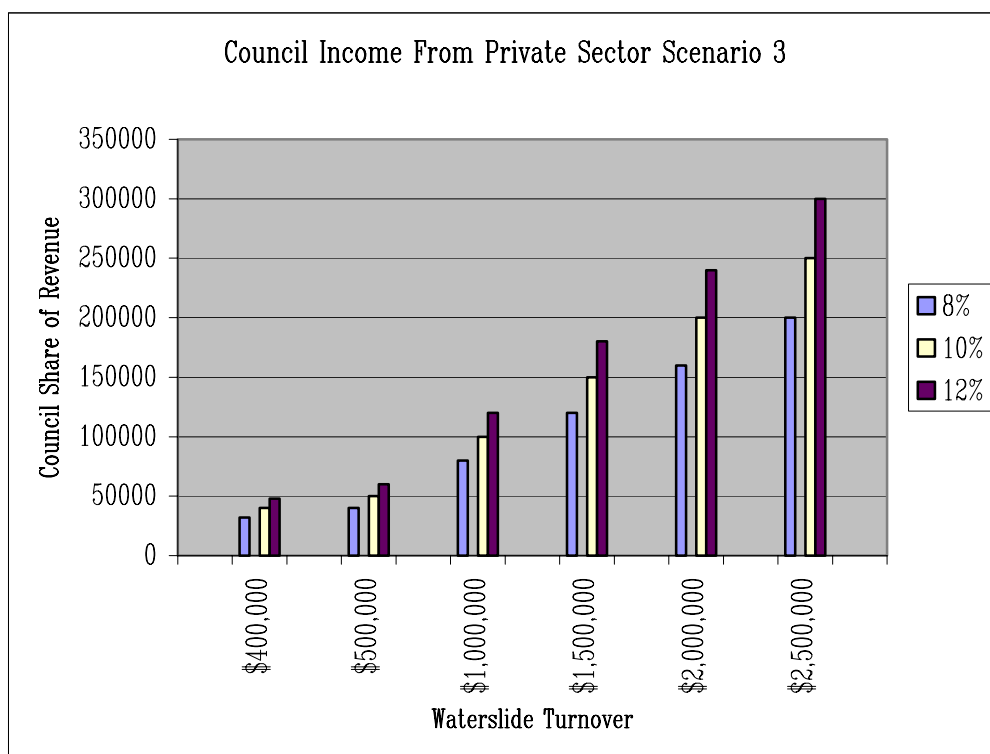


Scenario 3:

Council Income

This table shows the expected Council revenue from various rental variations linked to waterslide turnover.

Slide Turnover	Council Share of Revenue		
	8%	10%	12%
\$400,000	\$32,000	\$40,000	\$48,000
\$500,000	\$40,000	\$50,000	\$60,000
\$1,000,000	\$80,000	\$100,000	\$120,000
\$1,500,000	\$120,000	\$150,000	\$180,000
\$2,000,000	\$160,000	\$200,000	\$240,000
\$2,500,000	\$200,000	\$250,000	\$300,000



The estimated range of hydroslide patronage as a percentage of pools patronage (20% to 30%) is based on the actual figures returned for the two slides previously attached to the traditionally styled swimming pools at QEII Park prior to the redevelopment. There is good reason to anticipate that modern slides attached to the new leisure pools at QEII could well exceed that percentage of usage, particularly so if more than two slides are installed.

The most likely form of operation would see customers purchasing a hydroslide combo from Council staff at reception, be fitted with a hydroslide wristband or similar and proceed to the pools area in the normal manner. Hydroslide staff employed by the contractor would monitor slide usage accordingly.

As an alternative, the contractor might contract the provision of staffing to the Council.

With the provision of waterslides, QEII Park would be better enabled to cater for larger crowds of patrons at peak times and importantly, would have an attraction particularly suited to the teenage and young adult market. There is very clear evidence provided by customers and the wider public that, since the demolition of the previous slides, QEII Park really does need a hydroslide complex. That awareness has only been heightened since the opening of "Atlantis at QEII".

DISCUSSION

It is recommended that the Council pursue opportunities to seek an external provider for the addition of a waterslide park at QEII.

It is important that waterslides should be added as soon as possible in order that the momentum provided by the completion of the QEII Park Pools Redevelopment Project, and in particular the "Atlantis" themed leisure pool, be capitalised upon.

It is envisaged that all staffing costs, energy and maintenance would be provided by the private operator at no cost to the Council. In addition to staffing, the Council would be well placed to negotiate the provision of asset maintenance, marketing, signage, health and safety and water quality monitoring.

In the event that a four to six slide complex is developed, the Council should take care that associated facilities are provided for. Resource planning may identify additional car parking or additional changing facilities may be required. Items such as these should be at the cost of the developer.

Aside from questions of ownership, funding and operation, opportunities for innovation in style, concept and layout are virtually limitless. Just as "Atlantis" at QEII sets new standards of expectation for leisure pools, the opportunity exists here to expand expectations with respect to waterslides. They are a proven aquatic attraction. It is important that the design, size and number of slides are given careful consideration. QEII Park provides real opportunity to incorporate a waterslide complex, which will add significantly to health, fitness, enjoyment and quality of life of the citizens of Christchurch for many years to come.

RECOMMENDED OPTION

Realistic assumptions and sensitivity testing conservatively estimate positive dollar returns to the Council ranging from \$180,000 to \$280,000 per annum (see Scenario 3) from a private sector provided waterslide complex at Queen Elizabeth II Park. Seeking proposals from the private sector would enable the Council to provide a new attraction at limited risk, requiring no capital expenditure on the Council's part.

The recommended option is that Council invite registrations of interest from the private sector for the provision of these facilities at Queen Elizabeth II Park.

- Recommendation:**
1. That the Council invite registrations of interest for the provision of a waterslide facility at Queen Elizabeth II Park.
 2. That the Leisure Manager assisted by the Property Manager draw up terms of reference and publicly advertise for registrations of interest.
 3. That the registrations of interest received be subject to review by the Community and Leisure Committee with subsequent recommendations to the Council.