

**FEATURE** Golf courses adjust to challenging times as fewer players, competition lead to discounted rates

# In the rough

PETER MITHAM

WESTERN INVESTOR

Residents of Prince George consider **Pine Valley Golf Centre**, a par-three course with a 2,446-yard fairway, a public amenity. Owned by the city since the 1960s but overseen by a private contractor, it doesn't return much to municipal coffers. The driving range was sold for development in the late 1990s, delivering a significant hit to revenues, but the course continues to provide an in-town option for golfers. Its relatively flat fairway is especially attractive to senior players.

"We work closely with the contractor to keep the rates as low as possible," **Brad Beckett**, manager, recreation and cultural services for Prince George, said. "It's pretty close to breaking even."

The other major course in town is the **Prince George Golf and Curling Club** property, which will be sold under plans to relocate the course to a new site north of the Nechako River in Harper Valley. The club's old course will be redeveloped, including a portion of the adjacent Pine Valley course.

But the paths the two golf courses are taking highlight the challenges facing the overbuilt, tax-hit golf industry in B.C. While municipal courses offer a cheap alternative to clubs and private courses, market forces are requiring golf centres of all stripes to be business-savvy.

## Profit pressure

The pressures facing course owners and operators are many, according to **Kris Jonasson**, executive director of the provincial sport association **British Columbia Golf**.

"Owning a golf course is a very difficult business to make a profit in," Jonasson said.

Golf courses now have to charge HST on green fees, as well as food and beverage ser-

vices, neither of which bore the old provincial sales tax. Meanwhile, the number of golfers in the province has declined, boosting competition for market share.

"The HST is just one part of a very complex puzzle," Jonasson said.

The proliferation of golf courses in the province and ensuing competition is the top reason he identifies for the challenges operators face.

**Wildstone Golf Course** near Cranbrook opened June 1, the latest in a string of course that have opened across the province in recent years, most notably on Vancouver Island and in the Okanagan where golf-oriented real estate developments have fuelled course construction. The ambitious construction plans could be the biggest risk Jonasson sees to the industry.

"The fact that we may be overbuilt now in terms of the number of golf courses that we have given the number of golfers probably has a bigger impact than the HST does," he said.

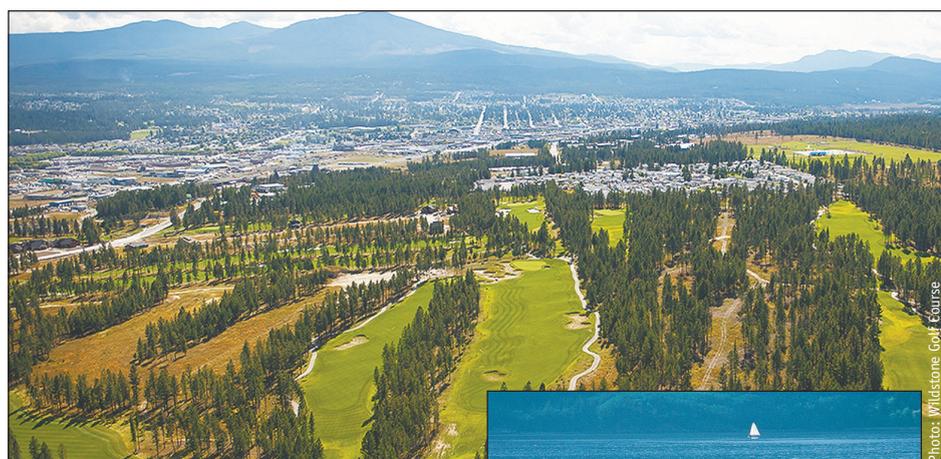
The one area of the province where competition is limited is the land-tight Lower Mainland. Here, private clubs grab the top end of the market, while municipal courses fill a similar niche to Pine Valley in Prince George.

Yet the operating philosophy is significantly different in Metro Vancouver compared with Prince George. Rather than being satisfied to charge rates low enough to break even, courses run by Vancouver, North Vancouver and Burnaby have adopted an entrepreneurial approach to the business. Vancouver, for example, spent \$10.5 million repositioning its courses; Burnaby also adjusted its management approach.

This is sharp contrast to some Canadian cities, which are selling off their golf course, citing low income.

A recent audit in Winnipeg, for example, found that its three city-owned courses are more than \$8 million in debt and losing about \$1 million per year.

Winnipeg Mayor **Sam Katz** said the time



(TOP) The Gary Player-designed **Wildstone Golf Course** near Cranbrook opened June 1, the latest in a string of courses recently opened across B.C. (RIGHT) **Furry Creek golf course** has cut peak season rates from \$109 to \$99 per round, a trend seen at many top courses.

has come for the city to decide whether to sell the courses. "It is happening right across North America – there's just more courses than are required," the mayor said.

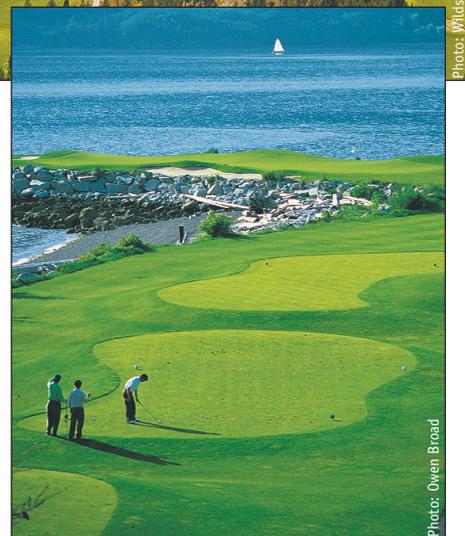
According to the independent auditors who examined the finances of **Winnipeg Golf Services**, more than 70 U.S. municipalities and at least five in Canada were attempting to sell their golf courses in 2010.

## City-owned courses

**David O'Connor**, assistant director of golf operations for Burnaby, believes that municipal courses can be profitable. Burnaby has realized it couldn't be subsidizing its courses; they would have to become user-pay and take an entrepreneurial approach to their operations, he explained.

As O'Connor explained, "We're competing against every other public golf course, and we have to be as good or better than our competition."

The city recently opened a \$6 million clubhouse at Riverway, one of two regulation-length courses Burnaby operates as well as



two short courses and two driving ranges. The culmination of a decade of planning, the clubhouse adheres to a strict business plan that reflects the municipality's commitment to operating the course – and its other properties – as a business.

While the Riverway course typically sees 55,000 to 60,000 rounds played a year, more than 1.5 times the Canadian average of 35,000 rounds a year, O'Connor knows that the clubhouse can't depend on player traffic alone – especially with the tax hit the HST has delivered golf courses. Rather, he's counting on half the revenues coming from walk-in traffic making the clubhouse a destination in the evolving Big Bend area.

Riverway also boasts a pro shop with 10 Please see *Resorts* page A22

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- **STRATA UNIT IN INDUSTRIAL PARK - NANAIMO** Approx. 1,300 Sq. Ft. Light Industrial, 2 overhead doors, 2 man doors, office, 18' ceilings, Strata Fee is \$56.50 per month. **\$259,000**
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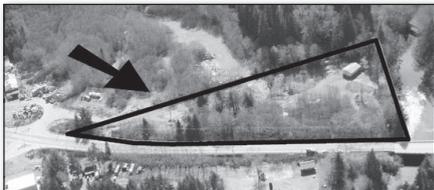
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**RESORTS** from A21

golf pros, rental cars and retail operations. The operations are kept in-house, allowing Burnaby – unlike smaller municipalities with just one course – to take advantage of economies of scale. One superintendent oversees turf at all courses, for example, and powerful software allows it to track maintenance and operations costs to keep expenses in line with budgets.

The close tabs Burnaby keeps on course expenses supported the decision to install 120 kilometres of drainage pipes on its fairways.

"We spent \$800,000 or \$900,000 per golf course, but we recover from heavy rains in two to three hours. We used to recover two to three weeks," O'Connor said. "We're the driest golf courses in the Lower Mainland."

**Prices falling**

Still, declining demand means golf courses risk getting soaked by downward pressure on fees. Courses across the Lower Mainland have been dropping prices to attract players in the face of declining demand.

While some peg the drop at as much as 25 per cent, others are more conservative. The picture is complex, a reflection of the variety of influences discouraging players from teeing off.

Rita Rennie, corporate marketing manager for Golf BC, which operates courses across B.C. and in Hawaii, said the weather, exchange rates, passport requirements for U.S. travellers and other factors influencing the tourist trade

have all hit the game. Courses at resorts have been hit particularly hard.

Golf BC's courses in the Okanagan, including the Okanagan Golf Club and Gallagher's Canyon properties in Kelowna, saw prices drop because more courses are competing for fewer tourist dollars. Meanwhile, its courses in Whistler have seen fees decline and adjustments to the value proposition players enjoy.

While some courses in Whistler have seen green fees drop by as much as \$50 a round, GolfBC's Nicklaus North course dropped its rack rates from \$175 to \$149 – but the requirement to use a motorized golf cart was also removed.

"There's a lot more people wanting to walk," Rennie said.

Furry Creek, in contrast, saw peak-season rates cut from \$109 to \$99. The course is becoming established once again after taking a hit during construction of the Sea-to-Sky Highway, Rennie explained. Players realize they can get from downtown Vancouver to Furry Creek in about 25 minutes – faster than a drive to UBC after work.

Courses that are offering lower fees are also responding to the market, introducing more rate options than in the past to be more competitive and responsive to player demand.

"There's definitely, for the value-conscious golfer, a lot of options at many of the courses," Rennie said. "Some courses that in the past have not offered variable rates throughout the day or the season are maybe looking at that now."♦

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