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Public Money for Private Water Park not a Good Deal for Winnipeggers

On July 16th, Winnipeg City Council passed a resolution that will see $7 million of public money go to subsidize a private water park, which is part of a larger redevelopment of the Canad Inns Hotel at Polo Park. The total cost of the water park project is estimated to cost $43.6 million, with the subsidy coming out of the City's Recreation and Leisure Facilities fund. The Fund was originally set up with money from the three levels of government secured for Rapid Transit infrastructure for Winnipeg (Mayor Katz cancelled the rapid transit initiative when he first took office). The $7 million in question was originally assigned to the Kildonan Park Urban Oasis, a proposed expansion of the public water recreation facility. The recent reallocation leaves only $2 million budgeted for the Kildonan Park project. The fact that dedicated public dollars for Rapid Transit, a project shown to have strong economic and environmental benefits for Winnipeg, managed to be shuffled to the private coffers of Canad Inns, is a tragic comedy at best; at worst it is a flagrant misallocation of public funds to the benefit of well-to-do families and a well-connected Winnipeg businessman.

In return for the subsidy, the City will get a series of discounted admissions for 25 years amounting to $700,000 per year. Sources have pegged admission to the water park between $20 and $35 dollars, with the vouchers being worth between $10 or $20. This works out to approximately 200 ten dollar or 100 twenty dollar discounts per day. Mayor Katz has stated that the "$700,000 in free admissions over 25 years, which is $17.5 million" and the $1 million in incremental taxes the project will generate is a good deal for the City.

Katz's claim that the City is receiving $17.5 million in free admissions is misleading and needs to be critically evaluated. For one thing, it is not clear that free admissions are actually being offered; it seems much more probable that the $700,000 will be provided as reduced admission vouchers. These coupons will allow Canad Inns to attract lower income customers who previously would not have gone to the facility. While this may seem like a benevolent move on behalf of Canad Inns, in reality this is in the company's self-interest.

Businesses that can charge different prices to people with differing willingness to pay generally do so to increase their profits (economists call this "price discrimination"). The most straight-forward case of this is when people are charged different prices based on their age. Children and seniors for example often receive discounts at movies or restaurants because seniors and families

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with children are more easily deterred by higher prices.

The plan for the water park coupons is for the City to distribute the coupons to families through community centres, schools and daycares that service low-income families. This distribution network will help Canad Inns price discriminate and do so in a more precise way than they could at the admission booth, all at the expense of city resources. These vouchers are no more a concession from Canad Inns than discount admissions at the movie theatre or free coupons in the Yellow Pages are selfless gifts to consumers.

A second problem with Katz's statement that the City is receiving $17.5 million in benefits is the fact that these benefits are spread out over 25 years and won't start until the park opens. Anyone who has ever tried to borrow money knows that a dollar today is worth more than a dollar two or three years from now. This is for two reasons: first, inflation (increasing prices) erodes the value of money over time; secondly, people generally want to be compensated for not having access to their money. It is for these two reasons that people pay and receive interest on loans.

Accountants and economists have a method for calculating the current value of money receivable in the future, which takes into account the interest effect. When this is done, the $17.5 million of discounts turn out to only be worth $9.7 million (similar things happen to the $1 million in incremental tax revenues). The City's $7 million subsidy on the other hand, is paid out upfront, having a direct and immediate impact on the city budget, with the City having to pay the financing charges on the money from day one.

Another issue with the coupon program is that it is unlikely that it will bring admission within the price range of low-income families in Winnipeg. Poverty remains a significant problem for the City, with 20 percent of its residents falling below the poverty line and 22 percent of its children living in poverty. A $10 discount on even a $20 admission price leaves parents of two with a total family admission price in the range of $40 to $80 for one day of activity, which is four to eight times more than the $10 family rate at public pool facilities. This is well out of the price range of low income Winnipeggers, and the problem will only get worse over time as admission prices go up and the discount remains the same. Even for middle class families, this high price will make trips to the water park a luxury rather than a regular recreation activity. The fact that this $7 million subsidy is coming directly at the expense of improvements to an accessible public pool facility should raise alarms amongst Winnipeggers who care about fairness and access to city recreation services.

The benefits of recreation services are well documented, particularly for low-income communities. In addition to the health benefits, accessible recreation alternatives provide options to youth in tough situations and help to keep young people out of trouble. Winnipeg's public recreation facilities are also well used and appreciated by Winnipeggers from all walks of life. The transfer of funds from upgrades to an affordable public facility to a private water park that will primarily service well-off families is a step in the wrong direction for a city that should be focusing on reducing youth crime, encouraging physical activity for all Winnipeggers, and promoting inclusion. Given the latest service cuts and community centre closures, crumbling infrastructure and stagnant transit service, and the projected $38 million operating deficit for 2009, Winnipeggers need to ask whether a $7 million dollar corporate handout is really the best use of our City's scarce resources.

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