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Revisiting the Multi-Use Pass

Smart planning can provide benefits for agencies and users alike

By John L. Crompton

The multi-use pass is a staple pricing option offered by almost all park and recreation agencies. Such passes are most commonly manifested in annual, seasonal or multi-use access to facilities such as swimming pools, golf courses and art complexes. However, when managers are asked why multi-use passes are offered, typical responses are, “I am not sure I know why we do it except that it has always been done here,” or “We do it because every other leisure agency does it and it is expected of us.” In short, their adoption often appears to be attributable to tradition and inertia.

The adoption of multi-use passes should be purposive and goal-directed, rather than arbitrary. Clearly, those who purchase a pass would not do so unless they believed it would save them money. However, an agency is the steward of resources entrusted to it by the citizenry, so before such passes are issued, it is mandated to identify the benefits that accrue to taxpayers and pay-per-visit users, in addition to those that the pass purchasers receive.

These passes are a form of differential pricing because they enable different users to pay different prices for the same service. Their use has long been part of the field’s conventional wisdom, but with many agencies experiencing their biggest budget cuts since the early days of the tax revolt three decades ago, questions regarding their equity and efficacy are emerging.

Differential pricing is the fulcrum responsible for balancing the weights assigned to each of the two principles that guide all public park and recreation service pricing decisions. The “Benefit Principle” states that those who benefit from a public service should pay a price that covers the cost of delivering a service. At the same time, providing tax-supported services is justified because they are part of a community’s mandate to “protect the health, safety and welfare” of its residents. This directs that, as far as possible, no residents should be excluded from participating because they lack the funds to do so. Thus, the “Ability to Pay Principle” directs that a lower price may be desirable for those who are economically disadvantaged so they are not excluded. Effective implementation of differential pricing depends on it not arousing resentment from a threshold number of stakeholders, which would create antipathy and loss of goodwill. Communities evaluate fairness
by whether or not a price that differs from the regular price is justifiable, reasonable and acceptable.

**Are Multi-Use Passes Regressive?**

A multi-use pass is a quantity discount because it offers a reduction from the regular price that is given in return for purchasing a large quantity. There are situations in which they are appropriate. However, they frequently abrogate the Ability to Pay and Benefit Principles because, contrary to those guidelines, their discounts often go to those who can most afford to pay and/or who receive the most benefits.

Those who purchase passes receive two increments of financial benefit that do not accrue to those who pay a per-visit price. First, if a per-visit subsidy is calculated by dividing costs by number of visits, then because they have more visits, frequent users receive a greater proportion of the aggregate subsidy. Second, pass holders pay a lower per-visit fee. These points are illustrated in the following scenario:

- Annual swimming pool revenues are $250,000 while operating costs are $650,000, so the net cost of operating the pool is $400,000. Annual attendance is 200,000 visits, so each visit is subsidized by $2. An adult annual pass holder pays $200 and uses it 100 times. The regular adult admission price is $5. In this instance, the pass holder receives an aggregate subsidy from the taxpayers of $200 (100 visits × $2 per-visit subsidy), while the user who visits the pool 10 times a year receives an aggregate subsidy of $20. Further, while the pass holder's per-visit cost is $2, the occasional user's cost per visit is $5.

The potential revenue that is forgone from pass holders means that either taxpayers have to provide a larger subsidy or, in the case of enterprise fund services, other users provide the subsidy by paying more. Both of these outcomes abuse the Benefit Principle, since pass holders are paying less than their equitable share of the costs. Further, these beneficiaries are likely to be relatively wealthy, because the economically disadvantaged are less likely to be able to afford the substantial up-front payment needed to purchase a pass. Thus, the Ability to Pay Principle also is abused.

There are two caveats to the conclusions drawn from this scenario. First, inequity sometimes works against multi-pass holders, since some of them are likely to make an incorrect decision. They use it less frequently than they anticipated and would have paid less if they had opted for the per-visit price. The second caveat recognizes that abrogation of the Benefit Principle is at least partially mitigated by the high fixed costs and relatively low variable costs associated with facilities like pools. This means that number of visits has relatively little impact on costs of operation. Thus, while conceptually the heavy user benefits most from the subsidy, pragmatically the number of visits may not influence the magnitude of the subsidy.

In the case of some facilities, such as swimming pools, public park and recreation agencies often are essentially monopolists in that they are the only provider of those services in the community. The purchasers of multi-use passes, by definition, are likely to be the most avid and committed users. Thus, given the lack of other suppliers, if a pass was not available, there is a high probability that most current multi-pass users would visit just as frequently and would pay the regular per-visit price.

From a financial perspective, the negative impact of multi-use passes is especially pernicious if they are contributing to creating congestion, which sometimes occurs on public golf courses. Clearly, it is disadvantageous to have them squeeze out those willing to pay the regular price at peak times.

In the private sector, quantity discounts are intended to reduce costs and to stimulate demand. The cost savings to businesses may include:

- Savings in production costs. Larger orders may result in larger production runs, hence a lower per-unit cost.
- Improved cash flow, because a relatively large up-front payment is made.
- Reduced costs associated with transportation, since there will be fewer orders to process, ship and invoice.
- Reduced inventory and storage costs because cost of storage, financing inventory and carrying stock are transferred from seller to buyer.
- Reduced selling expenses. Many expenses such as billing, order filling and the salaries of sales-
people are about the same whether the seller receives an order totaling $10 or $500.
None of these cost savings are likely to apply to park and recreation agencies.

In the context of parks that have an admission price and are accessed primarily by automobile, the volume discount often applies not only to number of visits, but also to the number of individuals in an automobile. Designating the automobile as the unit to be priced rather than individuals may be administratively convenient, but it abuses the Benefit Principle and reduces potential revenues.

Per-person pricing is consistent with the Benefit Principle and fairer than per-vehicle admission. If the per-vehicle admission price is $5 and there are five people in the car, then the cost is $1 per person. However, if there are two people in the car, the cost to them is $2.50 per person. All else equal, it is likely that the five people will adversely impact the resource more than the two people, but they pay a lower price. This is inequitable.

It is individuals who cause damage, wear and deterioration of the resource, and who create the need for more staffing, more regulation and more services in a park. A vehicle coming to a site is not an indication of damage or use. Further, when the price is tied to a vehicle, efforts to avoid paying it sometimes result in vehicles being parked outside the park on the shoulders of highways. This creates not only a traffic hazard, but also a potential danger to vehicle occupants traversing roads when going to and from the park.

Positive Rationales
It was argued earlier that the lack of alternative options made it likely that most pass holders would participate just as frequently if they have to pay the per-visit price. However, the lower cost per visit may result in passes generating additional demand from some participants. There are two potential positive outcomes for park and recreation agencies if this scenario occurs. First, for better or worse, number of visits is the accountability criterion most frequently
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for a multi-use pass. First, it may be used as a "loss leader" that commits a purchaser to using the agency's service for an extended time, rather than that of an alternative supplier. These situations arise where there are likely to be additional expenditures beyond the admission price. For example, at a golf course the multi-pass holder is likely to rent a golf cart and make purchases in the golf shop, concessions and food areas. The agency's profits from these purchases should more than offset the loss from per-visit revenues.

The second instance is in contexts where bundled quantity discounts are appropriate. Bundled quantity discounts occur when a price is charged for a quantity of related services that is lower than the combined prices of the services when they are priced separately. This strategy is often adopted by agencies that have active performance programs in the arts. People are likely to vary in their preferences. Some may enjoy classical music rather than ballet, or Shakespeare rather than Miller or Pinter. The price they are willing to pay for individual tickets for each of the (say) five performances that comprise a season is likely to vary according to these preferences.

The principle can be illustrated by considering the price sensitivity of two prospective audience members for two different performances. Member A is prepared to pay $40 to watch the ballet, but only $20 to listen to the symphony. Person B is prepared to pay $30 for each show. If all tickets are priced at $30, then the revenues generated will be $90 ($30 from person A and $60 from person B). If a combined ticket is available for $55 for both shows, then person A, who was prepared to pay $60 for both shows, would buy it, and so would person B, who would save $5. Thus, the revenues from the combined pass would be $110, i.e., $20 more than if the tickets were sold individually.

Conclusion
Whenever additional costs are imposed or benefits are removed from a clientele group, protest is likely as users seek to protect their privileged position. They are especially probable in this context, because multi-use passes have such a long heritage and are enshrined in a community's conventional wisdom. Many professionals who understand their limitations profess a desire to abolish them, but find they lack the political support necessary to do it.

There are four strategies that might be helpful in mitigating this difficult political environment. First, suggest replacing the multi-use pass with a frequent purchase card. For example, after five visits, the sixth is free. Second, an alternative version is to count single visits toward the cost of a multi-use pass. For example, if an annual pass is $100 and the per-visit price is $5, then the pass would be issued to users who record 20 annual visits. Both of these approaches mitigate abuse of the Ability to Pay Principle by ensuring that lower income users who cannot afford the upfront fee are not discriminated against by the pass option.

Third, offer a nondiscounted convenience pass. This would accommodate those frequent users who buy a pass not for the monetary savings, but for the convenience of not having to carry cash or credit cards when they engage in a leisure activity.

Fourth, use data to derive the price of a pass and so remove the arbitrariness of the pricing decision. This can be done expeditiously. It merely requires sampling pass holders to identify their average number of visits, and then negotiating a desired discount with elected officials. For example, if the per visit price is $5, the average number of visits is 40 and the desired discount is 25 percent, then the pass would be priced at $150 ($5 x 40 x .75).

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