Looking at golf cars from the golf course operator's point of view

By Joe Much, NGF Regional Director

Probably no single source of revenue has increased so dramatically for golf facilities in the past decade as that from power golf cars. At many clubs and courses golf car income has become a vital part of the budget, often ranking as high as third behind membership dues or green fees and the food/beverage operation. Some facilities even list golf cars as the first or second best income producer.

Every bit as important as the financial return realized from the operation of golf cars is the fact that they have made golf possible for thousands of golfers whose physical infirmities ordinarily would prohibit their participation. For others, cars have made the game quicker and more enjoyable.

Ten years ago there were approximately 150,000 cars in use and manufacturers were shipping about 12,000 a year at a value of about $20 million. Today, there are over 500,000 in use, annual production approached 65,000 cars valued at nearly $100 million and golf car rentals bring in over $475 million a year to the operators of golf courses.

Golf car fleets ranging up to 100 or more units are fixtures at virtually every golf resort in the world and most private clubs. Operators of daily fee and municipal facilities have learned that an increasing percentage of public course golfers are riding.

A wide variety of cars, both electric and gasoline powered, enables clubs and course operators to secure models that meet their particular needs. Terrain, climate and membership or clientele characteristics should dictate choice. For instance, the ideal car for a sandy, flat seaside course in the Southeast may be unsuitable for a hilly, wet course in the Pacific Northwest. A hilly or mountainside course obviously demands a golf car with a durable power plant. The same type of course may require a wide wheelbase with a low center of gravity for additional stability.

Manufacturers' suggested prices for golf cars in 1980 ranged from $2,077 to nearly $4,000 according to a survey conducted by *Club Management* Magazine. Happily for golf clubs, the same competition that produced a diversity of product choices also produced a diversity of financing methods. Distributors offer a wide choice of options for either purchase or lease of golf cars.

Clubs or course operators considering the acquisition of a golf car fleet must consider several key factors:

1. Financing method — purchase or lease.
2. Product choice (electric or gasoline, three-wheel or four-wheel, steering wheel or tiller, options,

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etc).

3. Financial stability and reputation of manufacturer and servicing dealer.
4. Storage and repair facilities.
5. Who will administer the fleet operation?
6. Who will service the fleet?

Look over the chart above right. It's a very helpful guide to the economics of an electric golf car.

It should be noted that the labor cost of service and administration is not entered in this exercise. Most distributors suggest that a fleet as small as 20 cars does not require a full-time maintenance employee. They recommend that care and repair of the cars be added to the responsibility of the mechanic who functions in the golf course maintenance department, thus eliminating added labor expense. Administration of the rental procedure and the responsibility for making the cars customer-ready will normally be performed by the golf professional or his staff, who will receive a predetermined fee or percentage for that service. A fee of $1 per round or 10% of rental fee is an average.

In sum, a 20-car golf car fleet rolling through a total of 3,500 rounds of golf annually at $12 per rental should return at least $20,000 profit.

If this same fleet of 20 cars were leased, the net return to the club would depend upon the terms of the contract with the dealer. At 40% to the lessee, the gross profit could be as much as $850 per car and the net something less depending upon the arrangement with the professional or course manager who administers rentals.

In some cases of leased cars the club might also be required to share in the cost of maintenance.

(Next month in Part II of our article we will cover Financing Fleet Acquisition.)

Economics of an electric golf car

(Four-Year Cycle)

Purchase price: (including batteries)	$2,500
Depreciation per year*	$500
Maintenance/refurbishing per year	150
Battery replacement per year**	120
Insurance per year	35
Taxes per year	10
Electricity per year	90
Expenses***	$905
Gross income (based on 175 rounds per year and a charge of $12 a round)	$2,100
Less expenses	905
Net annual income	$1,195

*Based on a straight-line depreciation of $2,000 ($500 a year), with a $500 residual.

**Based on an average battery life of 16 months. This means a set of six batteries, at a total cost of $240, is replaced twice during the four-year cycle.

***Does not include interest payment on capital investment, if applicable, or general overhead for paperwork, drivers to and from shed, etc. Cost of storage area, recharging equipment, tools, etc., also not figured.

To Lease:

If you lease the cars, eliminate all of the above expenses except electricity ($90). This would result in a net income of $2,010 per car. Under a standard 50/50 lease arrangement, the club's net income would be $1,005 per car.