

Waterco, thirty years on

Over the past three decades, this Australian company has grown from a small PVC distributor to a key manufacturer with an increasing interest in the commercial and water treatment markets, both here and overseas.

In February this year, Waterco founder Soon Sinn Goh was inducted as a SPASA life member for his outstanding contribution to the Australian swimming pool and spa industry.

This is not an honour lightly given, and shows the respect with which he is held in the industry. On bestowing the award, Spiros Dassakis said that Goh had constantly demonstrated his loyalty and passion for the industry, and that despite international success, his commitment to the Australian market has not wavered over the years.

Certainly, the impact of the Sydney-based company has been felt nationally – where Waterco owns more than a quarter of the market – as well as internationally.

From its humble beginnings as a PVC pipe and fittings importer and distributor, the company has grown to cover the gamut of pool equipment manufacturing, both residential and commercial, as well as the Swimart retail chain.

It has an overseas presence in Malaysia, the United States, the United Kingdom, China, Canada and New Zealand.

Recently, SPLASH! spoke with Soon Sinn Goh, and asked him about the trials and successes of the company, and what he sees as the future – both for Waterco, and for the industry.

Goh says that for Waterco, now is a time to consolidate, especially for strengthening the Swimart business in both Australia and New Zealand, while in manufacturing they



Waterco's Head Office in Rydalmere, Sydney

are looking to make more and more powerful equipment for the commercial and water treatment markets. Currently, Waterco's commercial operations contribute approximately 14 per cent of the company's business.

"On the manufacturing end, we are developing extra large horizontal fibreglass filters 3.5m in diameter and 12m long," he says. "These are capable of handling at least 6-bar, preferably 8-bar. This is ideal for large desalination plants suitable for pre-filtration of seawater. We believe that no one has succeeded in such a filter of this size and pressure rating in fibreglass."

The development of fibreglass filter technology has been one of the big stories for Waterco over the past few years – and will continue to be the case well into the future.

"Developing large filters is hard work," says Goh. "There is a lot of R&D involved

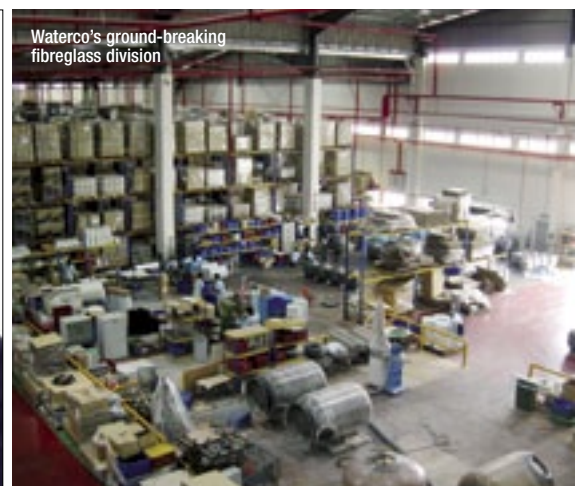
and we are aware of the shortcomings of our competitors' filters. We have tried various methods of making ports and manholes that were not made by other companies before, and subject these filters to high test pressures and cyclic pressures. In short, we could not copy others. Now we have some unique products. Hopefully, we get some recognition and some extra sales from now on. I am pleased with the progress."

Part of the challenge with large fibreglass filters is convincing some markets – such as the US – that the products are as good or better than what they are currently used to.

"The US market can be very conservative," he says. "These filters there are made from steel. In Europe they are more willing to venture into newer products – which is fibreglass for us of course. We are hoping to



Soon Sinn Goh, who started Waterco 30 years ago and still heads the company



Waterco's ground-breaking fibreglass division

convince the US market that fibreglass filters are quality products that have longevity.”

Plastic is the other new material with a strong future.

“Waterco has a good understanding of plastic technology to be able to design and manufacture plastic pumps, replacing stainless steel or bronze for use in corrosive water conditions. These pumps undergo high stress and need to be well designed for years of usage.”

Goh says that the Australian name behind Waterco has been a big help. Despite the fact that very little manufacturing is done in Australia now – most of the production is carried out in Malaysia – Australia is still the centre of the business, with very active R&D, marketing, some manufacturing and of course the retail chain.

“Australia has a good name for quality and reliability. We grew up in Australia, with the head office in Sydney and the shares are majority owned by Australians. We are proud to call ourselves Australians. The support from our local customers in Australia had held our business together during bad times when our entities in USA, UK and Canada were losing money. The only setback was that some of our overseas customers felt that Australia was so far away for after-sales service.

“We are the only company in Australia that has gone international riding on a volume from a relatively small Australian market, compared to the much larger markets in USA and Europe. I’d like to take the opportunity to thank our Australian customers for their support in making this possible. Without this support, we would not have achieved the growth expanding into Europe, the USA, Canada and China. We have yet to declare that we are successful in our venture abroad, but indicators are positive so far this year.”

There is one new market that many Australian manufacturers from all industries look to as a potential goldmine: China. Waterco has ventured there too, and Goh says that over the past few years he has seen some changes that make the market look more favourable.

“After the GFC, we have seen market changes in China where customers are now willing to pay more for quality products that are more durable. In the past, our presence had been mainly in the commercial sector where we were competing with locally made fibreglass filters and corrosion lined steel tanks. This is an area we have been more



Heat pump production is one of the latest additions to the Waterco line-up



Waterco's Lacron warehouse in the UK

successful than the residential sector. This year, on Hainan Island, a resort close to Hong Kong, holiday villas were built – each with a swimming pool – and they had a starting price \$USD1.5 million. The developers were willing to pay more for swimming pool equipment which they felt was more reliable. Our sales growth was a result of selling equipment into this market.”

As with many businesses, the GFC had an impact on the company. But as Australia fared reasonably well compared to most other markets, so did Waterco.

“As a group, we are past the GFC, although we can say that business could be better in the USA and Europe where the GFC was felt the most.”

As well as the many successes for the company, Waterco has also faced many challenges over the years. The decision to become a publically listed company in 1989 meant that it was possible to raise funds for expansion; but it also meant that the challenges were all in the open for the world to see. This was particularly the case with the small off-shore entities located in faraway Sittingbourne (UK), Augusta (US) and Montreal (Canada) which lost money over the past few years.

“We have learned to manage them better now and may end up with a satisfactory result at the end of this financial year,” says Goh. “As a listed company, we need to be transparent and the whole world could see our failure. On the other hand, if we are successful, we can announce that to the world too. But the biggest burden of being a listed company is the cost of compliance. Some say that the cost of being a public company is as much as \$500,000 per year. If we had \$300 million turnover, the \$500,000 would

be a small percentage of revenue. But with our current revenue of \$70 million, we have to work hard to cover this overhead.”

Waterco’s big drama over recent years was the fire in Malaysia, described by Goh as the most difficult period in the company’s history.

“Following the fire in Malaysia was the beginning of the GFC,” he says. “Banks were too busy worrying about themselves to help companies in trouble. We were over-gearred in debt, and the supply of products was in doubt to keep our sales at the level needed to break even. Amazingly, business in Australia held up well, particularly in the pool industry. We worked hard to keep supply lines open by shipping products from the

inventory in the USA back to Australia, as well as starting up quickly in a rented premises near our factory in Malaysia.

“Fortunately, the fire did not touch the office and most of the equipment was intact. We had good staff and most of them stayed on. Of course, we had good customers who put up with us for short supplying a few of the product lines. Then, there was insurance as well. As for money, Waterco was lucky to be able to raise some funds from loyal shareholders bringing the gearing back to a healthy level. Today, our gearing is less than 50 per cent and our profits are moving slowly ahead and may exceed the record profit in two or three years’ time.”

What does the future hold for the Australian pool industry? Goh believes the annual number of pools built has stayed flat over the past 10 years at about 20,000 per year.

“Having said that, the quality and the upmarket requirement for pool equipment seems to be the trend. The replacement market seems to be growing with more sophisticated equipment being demanded. Business is still there to be chased. The population of pools is growing, so the refit market will be there for a long time.”

In the longer term – even looking to what might happen in the next 30 years – he says that the use of water may change.

“Water will continue to be an issue globally, and there might be a new way to treat water. It might be treating greywater from the house to go back into the pool. Treating water is no rocket science. You can treat sewage to drinking water – but the question is, at what cost? So it is up to the industry to decide at what point it is economical to put it back into the pool.” 