

# **The economic impact of theme parks on regions**

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## 1. Introduction

Amusement parks respectively theme parks can be met all across the United States of America and in the region of Greater Los Angeles respectively. Those theme parks are tourist attractions as well as recreation areas for the citizens of the Los Angeles Area - they enrich the recreational possibilities for the residents.

Theme parks look for adjacencies to agglomerations and represent an important “income generator” respectively an important economic motor for each single region. But theme parks are not homogeneous among themselves; there are different peculiarities in design, composition and in the hierarchy and different dimensions of economic impacts as well, so following questions are coming up:

- How does the establishment of a Resort park effect the surrounding region?
- Is it advantageous for a region to own a Resort park?
- How are parks linked to the rest of the region’s economy?
- How exactly does the park enrich the region economically?

Analyzing how parks effect their own and the surrounding regions is very interesting to me because the introduction of theme- and Resort parks into Austria's recreation industry is imminent.

### 1.1 Area of examination

A survey of the theme park industry in the United States of America shall be undertaken by analyzing the example the four theme parks in the Los Angeles Area, Southern California, gives.

The case study deals with the expansion of Disneyland, located in the City of Anaheim. The Disney Company was responsible for introducing a new era in the theme park

industry by erecting Disneyland in 1955. This was a milestone in the theme park history, and many other companies followed Disney's example and erected large scaled sized theme parks all over the U.S.

Further, the establishment of Disneyland leveraged an enormous economic growth to the City of Anaheim.

Due to these and due to the fact, that the expansion of Disney's Anaheim Resort is currently under construction, I thought it would give an perfect example to analyze the impacts which appear from constructing the park as well as to analyze the impacts, which occur from running a theme park.

Last but not least, the NEURUS-Program, which was set up by each 3 well known European and U.S. Universities, provided an excellent framework to this study.

The NEURUS program also provided an internship for my research at the Disney Corporation which gave me a lot of background knowledge about this kind of business and eased the data collections for my research.

## **2. The economic and social impacts of Tourism**

Theme parks of a size like Disneyland, Walt Disney World, Knott's Berry Farm, Universal Studios are visited by tourists frequently. The additional spending of tourist dollars in an area affects the economy, that cannot be questioned. However, the extend of its effect, its implications, and its repercussions are debatable.

Much of the research in tourism is concerned with the economic impact made by tourism on a state, nation, island or community. But since there are countervailing forces at play within an economy, the arising costs and benefits from tourism are not immediately quantifiable. The costs and benefits of tourism are not evenly distributed. What may be a benefit to one group may cost another group within the same community or area. For example, hotel and restaurant operators may benefit from tourism, but the permanent residents may suffer in terms of crowding, pollution, noise, and in some cases, a changed way of life. Sometimes, immigrants must be invited to serve the tourists, which constitutes a cost to the community through the increased use of schools, hospitals, roads, water systems etc.

Does tourism introduce costs in the form of reduced quality of life at a destination? The answer is “yes”, when the destination is not prepared for such a large number of visitors. Some of the negative effects are obvious: Traffic congestion, increased crime, noise, air pollution, vandalism, excessive demand on all public facilities, parks, water supplies, not to mention the overcrowding of beaches, mountains, forests, and their destruction.

### **2.1 *Two sides to tourism***

In well-developed areas, tourism may enrich the community by providing additional shops, theaters and restaurants, the permanent resident is offered options which were



previously unavailable. In less developed areas, tourism might lead to frustration and resentment when only the tourist areas are given good roads, adequate water supply, etc. It is important, that the native population can participate - their position vis-à-vis the tourist accentuates their poverty and may lead to violence (Lundberg, 1995, p144).

As dollars are brought into an economy by tourism the economy gets stimulated - costs of goods and services increase, the price of land may skyrocket. In some areas the economy gets "overheated", Landowners and developers may become rich, but the cost to the average citizen usually multiplies because of the increased cost of housing.

## **2.2 The Export basis - multiplier effect**

The Export-basis theory rests upon a multiplier effect as described under point 2.2. Generally spoken, the "export basis theory" supposes that the economic basis of a region is the sum of all companies, which export their products into another region. This is called the "basic sector". The part of the industry that does not export, depends in its development from the basic sector by a multiplier which is similar to the Keynesian multiplier, but derives from exports and not from government spending.

A positive as well as a negative interconnection can be observed: Extremely prospering exporting companies create additional demand and precipitate a demand boom in the whole region.

$$Y = \frac{1}{1 - c + q} Y_x$$

The term  $1 / (1 - c + q)$  is called the export basis multiplier. The larger the marginal propensity to consume  $c$  and the smaller the marginal propensity to import  $q$  is, the larger is the multiplier.  $Y$ , the income of the entire region depends on the multiplier and on the income of the basic sector  $Y_x$  (Smith, p.25).

### 2.2.1 The “Multiplier Effect” of Tourist Spending – A special case of the export basis model

In economic terms, the tourist dollar spent in an area or region is an export which brings in new money. When a “fresh” dollar enters an economy, it affects that economy in various ways. Some of the dollar immediately leaves the economy as profit and in various kinds of imports. Technically, these monetary streams can be lumped together as “leaks”. The part of the dollar that remains in the economy may be saved or loaned to another spender, invested, or used for purchases. Technically, this is the “first-round-spending”. Like the share of the tourist dollar that stays in the economy, this first round spending generates additional income for example for manufacturers and producers. Once again, a percentage of the dollar might be leaving the economy for necessary imports, so further “leaks” will occur in this round, but the rest of the dollar will be respent for a “second round spending”. The rounds go on and on, but it is plain to see that rounds of spending are kicked off by the injection of the initial spending, which in this case is the tourist dollar brought to the destination’s economy.

As the money that stays within the economy is spent and re-spent, it stimulates the economy, causing further spending. The various sectors of an economy are linked together, each part affecting the others. When the links increase in number and strength, the impact of the tourist dollar on the economy also increases and less money leaves the area. In other words: The more money that remains in the economy, the fewer the leaks and the higher the multiplier effect. Note that the result is a stimulation of income, employment in non-tourism related sectors of the local economy and increased tax receipts for governments.

“In economic terms, the tourist dollar is an export that brings in new money. The part that remains in the economy, being spent and respent, sets a “Tourist Income Multiplier”. The greater the percentage of the tourist dollar that remains in the economy and the faster it is respent, the greater its effect in accelerating the growth of the economy” (Lundberg, 1995, p148).

The Tourist Income Multiplier can therefore be calculated as follows:

$$\text{TIM} = \frac{1 - \text{TPI}}{\text{MPS} + \text{MPI}}$$

**TIM** – Tourism Income Multiplier, or factor by which tourist expenditure should be multiplied to determine the tourist income generated by these expenditures.

**TPI** – Tourist’s propensity to import, or buy imported goods and services that do not create income for the area

**MPS** – Marginal propensity to save, or the resident’s decision not to spend an extra dollar of income.

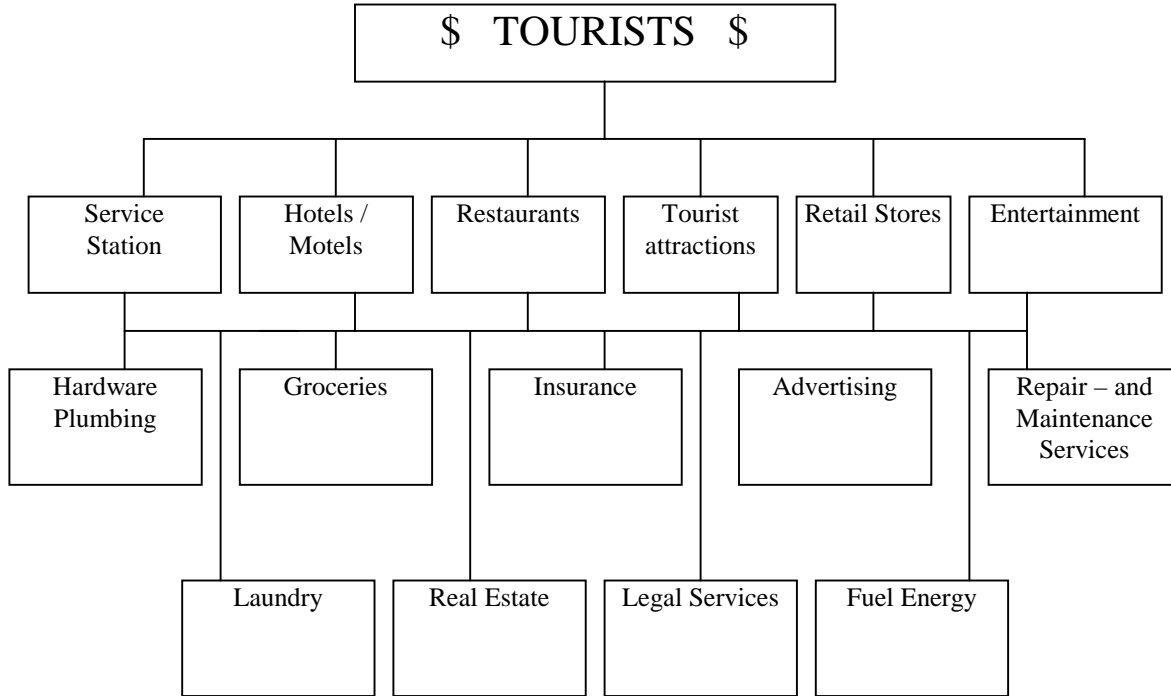
**MPI** – Marginal propensity to import, or the resident’s decision to buy imported goods or spend money abroad.

If the outcome is for example 1.7, it means that from every single tourist dollar spent 70 additional cents are spent within the regions economy.

Further it has to be noted, that the multiplier effect can decrease sharply when labor had to be imported into the regional economy. That is, when the economy asks immigrants to serve the tourists: Tourist dollars spent in a region might leave the region quickly, because the wages and salaries the immigrants earn are likely being sent out to the workers families.

Following figure shall show the importance of tourism to a region and which economic activities are being influenced:

*Figure 1:* Economic sectors influenced by the tourist dollars:



Source: U.S. Department of Commerce 1978

This figure shows the influenced economic sectors of a region that serves as a tourist destination. Furthermore, it illustrates the “rounds” of spending. It can be seen clearly, that the initial spending, which is undertaken by tourists, goes into typical services as food, lodging, entertainment, retail stores, etc. In the 2<sup>nd</sup> round of spending, many more sectors of the region’s economy participate – also economic sectors, whose typical core business is expected to lie elsewhere (e.g. legal services).

### 3. The impact of tourism on local government expenditures

Very often, local policy makers have assumed that economic activities associated with tourism improve the quality of life. As such, much of the analysis of this industry has focused on the positive impacts on employment, income, tax revenue, and local economic growth and development, generally.

It is reasoned that promotion of tourism will result in:

- Improved transportation facilities and other infrastructure which will benefit local residents,
- The generation of enhanced local government revenue which will result in improvement of community facilities and services, and
- The multiplier effect of tourism on development of other economic sectors.

It is also argued that, as a service industry, tourism is able to create a large number of jobs in a short period of time for little cost. It is within this context that the tourism industry has acquired the nickname of being a "smokeless industry."

The general logic behind local government initiatives to promote their region as a tourism center is lying on the assumption that local residents will benefit from the employment, income, and tax revenue generated from tourism. Tourist industry promoters argue that the impact on the local tax base is positive. First, the tourism industry will facilitate expansion of the property tax base through development, which will facilitate stable or declining tax rates. Second, a large portion of the tax burden may be exported through the use of sales and transient guest taxes paid by tourists. Thus, it would seem possible to import economic development at little or no expense, while at the same time exporting a significant share of the tax burden on local taxpayers (Wong, 1996, p314).

According to Young (1973) there is a saturation level for tourism, if that level is exceeded, the costs of tourism begin to outweigh the benefits. These saturation levels are

dictated primarily by constraints on land, labor supply, infrastructure capacity, entrepreneurship, and local citizen tolerance, which lead to negative externalities being imposed upon local residents.

Land related constraints include limits on the amount of developable land and the need to preserve natural resources such as climate, land-forms, terrain, flora, fauna, bodies of water, beaches, natural beauty, and water supply for drinking and sanitation which may form the basis of the attractiveness of the area to tourists. In addition, the use of land for tourist development prevents the use of that land for other purposes.

Labor shortages may also limit the potential for tourism development. Critics often point out that much of the demand for tourism related employment is seasonal and that low status and low pay characterize much tourist industry employment. As such, a disproportionate concentration of seasonal and low-paid employment needed to service the tourist industry can be a threat to the local employment structure.

“Infrastructure constraints involve heavy use resulting from increased tourism. As such, local benefits from tourism should be weighed against the costs incurred in developing the tourism industry“(Wong 1996, p318). In order for major tourism development to take place, adequate streets, highways, and parking facilities; air, water, bus, train, and taxi transportation networks; water and sewer systems; utilities; communications networks; parks and recreation; health care facilities; and public safety systems must be established. In addition, private lodging, eating and drinking, and retail facilities must be adequate. Thus, infrastructure planning and development must involve a coordinated and concerted effort on the part of both the public and private sectors. If a local airport does not have an adequate air terminal or air service, surrounding hotels and attractions may well stand empty. Likewise, adequate streets and highways are needed to allow people to get from the airport to their destination. Wong (1996, p.323) concludes that: "To the extent possible, infrastructure improvements should be planned to accrue maximum benefits to

local residents while justifying the resources and funding allocated through the economic benefits derived from tourism development."

There may also be limits to the tolerance of local residents to the negative externalities imposed by the tourism industry. Increased tourism may result in overcrowding and congestion on streets and highways, parking lots, public transit, shopping facilities, amusement, entertainment, and sports venues, and other attractions.

Overcommercialization of tourist attractions may result in the loss of uniqueness and authenticity of local customs and culture. Increased tourism may also lead to increased undesired vice activity (e.g. gambling)

In addition to the private costs imposed on developers and externalities imposed on individual citizens, there may be significant fiscal costs imposed on local governments. Although there have been studies documenting the overall impact of tourism on local government revenues, many of these studies have been conducted or commissioned by the local governments themselves as justification for specific public projects. While it is generally conceded that tourism development requires substantial public capital commitments for infrastructure, little attention has been paid to the impact of tourism on local government operating expenditures. To a large extent, it has been assumed that such expenditures would be minimal relative to the additional revenue, which would be generated from the development project. However, it must not be forgotten that tourism development has the potential to impose significant operating costs on local governments in such areas as public safety, transportation, parks and other public facilities, and general administrative overhead.

Tourism has a significant impact on capital outlays because of the large capital expenditures often necessary to construct and maintain the infrastructure needed to support tourism. Tourism has a large impact on non-highway transportation expenditures because of large expenditures needed to support and maintain airports, seaports, rail stations, and public transportation, which may be used disproportionately by tourists.

Tourism may necessitate increased police protection expenditures to contend with the increased need for security and crowd and traffic control at large gatherings, the need for additional officers to respond to drunk and disorderly conduct, and the increased incidence of vice offenses often associated with tourism. Accordingly, increased correction expenditures may be necessary to house individuals apprehended for drunk and disorderly conduct or vice offenses often associated with the tourism. Fire protection expenditures are affected by tourism because of the increased need for fire fighting and fire prevention services associated with convention, sports, and resort facilities and large hotels. Park and recreation expenditures are affected by tourism because in many jurisdictions park venues such as botanical or zoological parks may be secondary, if not primary, tourist venues. Finally, tourism may have a significant impact on both financial and general government administration expenditures because of the increased resources necessary to manage capital facilities and infrastructure as well as the government overhead necessary to deal with demands placed on local government by tourism.

The basic hypothesis of increased governmental costs induced by tourism cannot be rejected. Local governments should carefully consider both the benefits and costs of tourism development. This is especially critical for communities contemplating jumping on the legalized-gaming bandwagon assuming a quick fix, costless means of revenue enhancement or economic development (Wong, 1996, p.330).

Although it is generally assumed that tourism development will generate positive tax consequences, this is not necessarily the case. One of the possible negative effects is an increased tax burden on local taxpayers to finance tourism. To the extent that local governments are financed predominantly by property taxes, increased real estate values induced by the development of tourism related properties and other costs associated with tourism development will be borne, at least in part, by local residents.

Despite these costs it is still possible that positive economic benefits may still predominate over the increased local tax burden. However, as these results demonstrate,



it should not be assumed that the increased tax burden is insignificant (Wong, 1996, p.330).

Successful tourism development must focus on balancing the level of tourism activity, which produces the maximum revenue against the costs generated by the tourism effort. It should be indicated, that the share of tourism in the local economy can influence expenditures on a variety of local government services. While tourism may not result in the degree of direct environmental degradation as heavy manufacturing industries, the required investment in public infrastructure and commensurate expenditures to support so-called smokeless industries may be quite significant. As such, tourism should not be regarded as a instrument of economic development which is totally for free.

#### **4. Empirical Tourism Data**

According to Smith (1998), travel and tourism is the largest industry in the world in terms of employment, and ranks in the top two or three industries in almost every country in the world by nearly every measure.

For example:

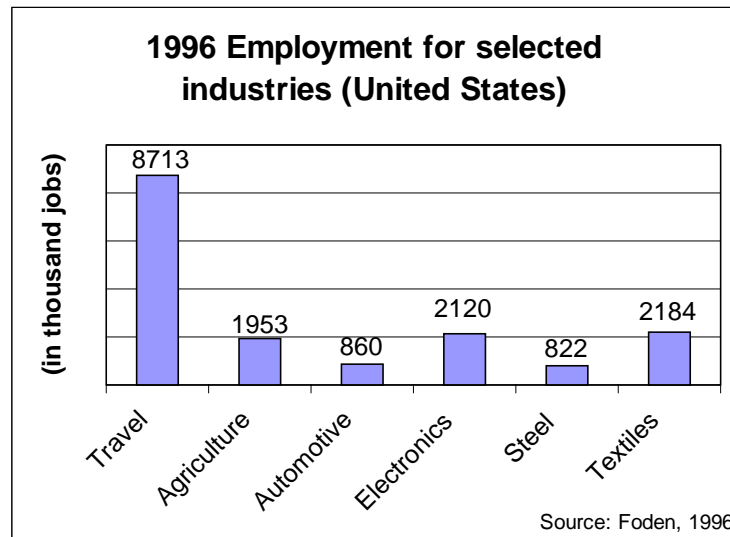
- Travel and tourism employs 101 million people around the globe - one of every 16 workers.
- Travel and tourism employment, investment and value-added exceed those of such major industries as steel, automobiles, textiles, and electronics in virtually every country.
- Consumers in developed countries spend as much on travel and tourism as on clothing or health care.
- Businesses spend at least as much on travel as they do on advertising.

## 4.1 A Comparison: Tourism in Europe and the U.S.

### 4.1.1 United States of America

In the United States, travel and tourism is also the leading industry. As shown in the following two tables, the 8.7 million employees and \$191 billion value added are substantially greater than all other industries.

*Figure 2:* Employment for selected industries (U.S.)



Travel leads the statistics in terms of employment by far. This industry is more than 4 times bigger as the second and third largest employment sector of the U.S. economy (electronics and textiles), which are almost ranked equal.

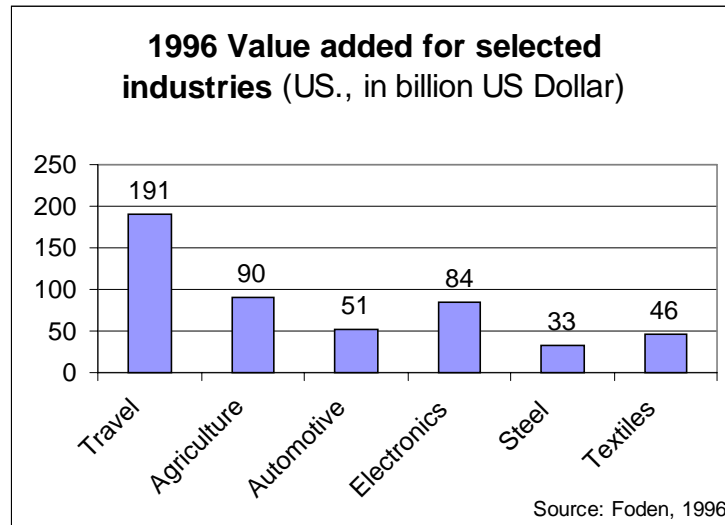
*Figure 3:* Value added for selected industries (U.S.)

Figure 3 shows the 1996's value added for selected U.S. industries. Like in figure 2, travel is ranked number 1 - the difference between gross-revenue and pre-revenue (or input) is the biggest in this sector of the U.S. economy.

#### 4.1.1.1 The Los Angeles tourism industry - close-up

The city's leading industry, tourism, is now booming again. Some 22.2m visitors flocked to Los Angeles in 1996, spending \$9.3 billion between them, more than in any of the past ten years. With four of America's top ten leisure attractions housed in the Los Angeles basin, tourism employs more than 200,000 people in the area. (The Economist 1997, p.25).

The city's other big employer, the film and television industry took on another 15,000 jobs last year, bringing the total to 110,000. Today, twice as many Angelenos work in entertainment as in aerospace.

The changes have not come without pain. The Los Angeles area bore the brunt of California's recession and, since it has the bulk of the state's aerospace jobs, felt the pain when defense cutbacks began to bite. As a result from that, three out of four job losses in the whole of California over the past five years have occurred in Los Angeles County.

But the Los Angeles Area managed this structural change. In a study David Friedman, an economic development specialist recently directed for the Los Angeles city authorities, he found that three of the region's fastest-growing business sectors (entertainment, textiles and environmental engineering) owed nothing to defense (Friedman, Vol. 1, p. 78).

"Even the naysayers have belatedly had to accept that the recovery of greater Los Angeles is well under way. Retail sales within the county rose 4% in 1994 after declining for three years in a row. Hotel-occupancy rates for the year were up more than 14% and industrial-building permits increased by 9%--the first such increase since 1989. The construction industry in Los Angeles is now expecting double-digit growth this year. If greater Los Angeles were a country, its \$380 billion of purchasing power would make it a bigger economy than South Korea" (The Economist 1997).

#### 4.1.2 Europe

Tourism in Europe is a huge industry boasting bright financial statistics. Last year, it generated revenues of \$1150 billions, or 14 percent of the total gross domestic product (GDP) of the fifteen-nation European Union, according to estimates by the World Travel and Tourism Council (WTC) in London. It employed 22.2 million people, or 14.6 percent of the EU work force, and invested more than \$245 billion. That makes the EU the world's biggest tourism market, pushing North America into second place (Barnard, 1999, p22.).

France is the world's most popular destination for foreign tourists, attracting 66.8 million visitors in 1997 compared with the US, in second place with 49 million. Spain, Italy, and the United Kingdom occupied the next three places. And despite economic difficulties, western Germans still lead in per capita tourism spending.

Europe has a head start on most of its competitors thanks to a combination of an unrivaled historical and cultural heritage and a modern service infrastructure.

American money is pouring into the European industry with some of the best-known names taking advantage of the current upturn.

Walt Disney is planning a second EuroDisney park following the success of its first venture near Paris. A group that is part-owned by Microsoft's Bill Gates bought Britain's Cliveden luxury hotel group, while London's landmark Savoy was snapped up by Blackstone Hotel Acquisitions, a company controlled by Blackstone and Colony, two US-based investment groups. Meanwhile, a new Playboy casino was scheduled to open on the Greek Island of Rhodes and if it proves successful, others will follow across Europe.

For some European countries, tourism is an economic lifeline. In Greece, tourism and travel contributed 19 percent to GDP in 1998 and provides 17 percent of jobs. It also accounts for 24 percent of all capital investments and 30 percent of foreign exchange earnings. In Central and East European countries, tourism provides an invaluable hard currency cushion to soften the painful transition to a market economy. In Croatia, it generates 10 percent of the country's GDP.

Mass tourism took off in Europe in the early 1970s with the arrival of the jet plane launching a brand-new industry based on the annual summer migration of north Europeans to the golden beaches of the Mediterranean. The exodus continues, but the destinations have become more exotic, forcing the southern European countries to repackage their attractions and sharpen their marketing - with some success. More than 40 percent of British package vacationers still go to Spain, which also remains the main non-German destination for German tourists. (Barnard, 1999, p.22).

EuroDisney has become Europe's most popular tourist attraction with 12.5 million visitors in 1998. European tourists are flocking to cruises, and European cruise lines have earned a sizable slice of the US market.

The industry suffered a setback last year with a sharp drop in high-spending visitors from Asia. The economic crisis on that continent was likely to cut income last year by some \$23 billion, according to the WTTC. But this is a hiccup compared with the impact of the Gulf War and the recession of the early 1990s.

Far from maturing, Europe's tourism industry is set for faster growth which is caused by the introduction of the single currency, the Euro, the ending of passport checks at many border crossings and airports, the spectacular growth of low-cost airlines, and the spread of high-speed rail links.

Equally important, Europeans have much more leisure time than Americans or Japanese do - most workers have on average five to six weeks annual vacation, excluding public holidays - and disposable income is rising steadily.

Eastern and Central Europe have become new favorite tourist destinations, although cash shortages have hindered development and the region retains an image of a developing country, although cities such as Prague and Budapest are in vogue with young high-spending travelers.

Cruises, until recently a mainly American pastime, have also become popular in Europe, although it remains a niche market. European firms like Britain's P&O and Norway's Royal Caribbean Cruise Line have a sizable slice of the US market and are well positioned to take advantage of burgeoning demand in their domestic waters. (Barnard, 1999, p24).

The arrival of the Euro will undoubtedly boost travel and tourism by removing the major irritant of changing money, not just for Americans and others, but for European travelers too. It will also make a difference in the tourist's pocket - it is estimated that someone traveling through all eleven Euroland countries and changing money at each border would lose 40 percent of the value in commission and exchange costs. Although Euro coins and notes will not enter circulation until 2002, Euros can be used for noncash transactions with a credit card or by check (OeNB, p.282).

## 5. Theme parks

### 5.1 Background

Let me begin with a little background on how people view the theme park industry in the U.S. As is commonly acknowledged, Disneyland in Anaheim, California, which opened in 1955, is considered the first real theme park. Since then, the theme park industry in the United States has grown dramatically. The theme park industry is now a \$ 4 billion per year business based on an annual attendance of about 130 million visitors at the 42 largest parks in the U.S. Moderate-sized parks, with attendance of half a million to a million visitors per year add another \$ 600 million in revenue. Total revenue for the U.S. park industry is estimated at \$ 4.5 billion, making this a major industry. (IAAPA, 1999)

#### 5.1.1 The U.S. Theme Park Industry

The U.S. theme park industry is by far the largest in the world, and it dominates the world in respects to scale, product innovation, marketing savvy, and operating knowledge.

The Theme park industry in the U.S. is mature. Growth has been at a compounded annual rate of about 3 percent over the last 10 years. About 1/2 of this growth has come from the addition of new parks and not from attendance increases in existing parks. Per capita expenditures have slightly exceeded the rate of inflation, reflecting admission price increases and strong growth in merchandise sales and games revenues. Both Europe and Asia are farther back on the growth curve (ERA 1998a, p5).

The majority of U.S. markets capable of supporting large-scale, outdoor theme parks already have them. It is unlikely that a significant number of major regional theme parks will be developed in the future. Growth in this industry has stabilized, and there should not be any huge fluctuations in attendance or development activity. However, there are opportunities for adjusting product to suit changing markets and to effectively compete

with other entertainment for consumers' leisure time and expenditures. Disney's Expansion in Anaheim stays abreast of these changes.

Typical for a maturing industry, there have been numerous changes in theme park ownership over the last several years. This indicates a strong consolidation trend. Now, major corporate owners in the industry consolidating control are found: Disney, Time Warner (Six Flags), Universal Studios, Anheuser-Busch (Sea World), Paramount (Kings Entertainment). These major corporations control the dominant share of attendance and revenues in the industry. Re-investment is, of course, a key factor in the operation of a park.

Several current trends can be seen:

- The "Arms Race" continues whereby parks must build the biggest, highest, fastest, steepest, most complicated roller coasters.
- Another factor is the aging of the population, which suggests the need for a more balanced entertainment offering, with emphasis on shows and lighter entertainment compared to hard rides.
- New technology will be a powerful force in the theme park industry. New products will include high-definition film, ride simulators, and virtual reality. Not all these techniques are fully developed yet, but we can expect them to be important in the near future (ERA 1998a, p7).

Three major corporations have left the industry (Taft Broadcasting, Marriott Corporation, and Harcourt Brace Jovanovich). In 1984, Taft's entertainment group, King's Entertainment Company (known as KECO) for a \$167.5 million in a leverage buyout transaction, KECO now owns five parks and manages a sixth in Australia. Paramount has recently acquired them.

The Marriott Corporation sold its two parks to divest themselves from the industry. One was in Santa Clara and is now owned by KECO, and the other was in the Chicago area and is now owned by Six Flags.



Harcourt Brace Jovanovich (HBJ), previous owners of the Sea World parks, sold all of their parks to Busch, which already owned two parks. Busch's theme park holdings now total seven with a planned attraction in Spain.

The seven Six Flags parks have been sold as a group several times and are now owned by Time/Warner. Four of the Six Flags parks started by independent operators.

Disney continues to increase their ownership in the industry by building more attractions. Within the last several years they have opened two attractions: Typhoon Lagoon and Pleasure Island.

Currently, it seems that the U.S. theme park industry is diversifying into new smaller-scale targeted products for "niche" markets, which may not be covered by the large-scale theme parks (ERA 1998a, p10).

The 80s witnessed a narrowing of market and product focus with the smaller investment waterparks. This was the first major diversification of the industry. Waterparks appealed to a more narrow market, usually teens and young families, and were suitable for smaller secondary markets.

The new entertainment attractions of the 90s represent a furthering diversification. These attractions narrow the niche appeal even more with smaller capital investment and an appeal usually to very specific market groups such as children, teens, young singles, etc (ERA 1998a, p10).

Examples of the new entertainment attractions include the family entertainment centers being developed in malls, the expansion of the outdoor family recreation and mini-golf attractions, entertainment centers combined with urban mixed use projects, sports bars, themed restaurants, children's attractions, mini-aquariums, and a host of others.

The final point is that many U.S. park developer/owner/operators are looking beyond the U.S. border for future growth markets, including looking at Europe and Asia. Certainly Disney has been most active, but other major park operators are also looking for opportunities throughout the world, as fewer new opportunities are available for major theme park development in the U.S.

### 5.1.2 The European Theme Park Industry

The growth of the theme park industry in the U.S. has been followed by development of the industry elsewhere, in particular in Asia and Europe. In terms of size, Europe's theme park industry has grown to approximately \$1.5 billion in current revenue coming from approximately 19 major parks. Of course, the biggest recent news in Europe was the opening of EuroDisneyland (= EDL) in Paris, which has entertained approximately 13 million visitors. Although results in the first years may have been a bit disappointing, it is expected that EuroDisneyland will be the catalyst to a substantial growth cycle for the theme park industry in Europe. This impact can be identified in three key areas (ERA 1998a, p13):

- EuroDisney expanded the overall European theme park industry and focused the industry in Paris by having created a multi-park destination attraction complex.
- In a long run, EuroDisney will improve management expertise in the European theme park business. EuroDisneyland will train and create a labor pool of experienced theme park managers, which will in the future help to enhance the performance of the European theme park business as a whole.
- Finally, EuroDisneyland will create the need for proper product positioning to complement Disney in the market area. A variety of target marketing and positioning strategies have proven successful elsewhere in markets shared with Disney parks.

Currently, the United States show 0.46 theme park visits per capita per year, while in the European Community only 0.08 visits per capita are experienced in one year (IAAPA, 1999).

The huge scale and broad appeal of the Euro-Disneyland project, is likely to create a mass-market awareness of the theme park product. This awareness is expected to catalyze further theme park development in Europe. This phenomenon has been demonstrated on

two continents, and in three locations. In Los Angeles and in Orlando, numerous other theme park projects have thrived around the massive Disney attractions. In Japan, development interest in theme park projects has been extremely high following the success of Tokyo Disneyland. The experience in France of numerous theme parks preceding a Disney attraction into a new market suggests it may be unwise to reverse the timing of this development process. They all suffer from lacking attendance and some of them were already shut down.

### 5.1.3 The North Asian Theme Park industry

The theme park industry in Asia is also in a growth mode. Estimates can be found which say that a total of approximately 35 large parks attract attendance of about 71 million visitors, generating a total of nearly \$ 1.5 billion in revenue (U.S. dollars). Additional 49 moderate-sized parks generate \$ 350 million in annual revenue. The total industry has roughly \$ 1.8 billion in annual revenue (IAAPA, 1999). Although parks in Japan (particularly the Cities of Tokyo, Kobe and Osaka) dominate these figures, there is high growth potential in other parts of the region, including Korea, Taiwan, Indonesia, and Malaysia. China does represent a substantial growth area for developing themed amusement parks as well.

## **5.2. Types of Theme Parks**

There are overlapping names which can be found throughout the literature for different types of parks and in addition to that, the fact that this branch of industry creates new innovations every year (and therefore is changing permanently) makes it even more difficult to categorize theme parks.

Nevertheless, it seems at least to be possible to name facilities that are not recreation parks:

Recreation parks (municipal parkways, botanical gardens), several spare-time and sport facilities (chair lifts, Tennis courts, Golf courses, etc.) as well as cultural sightseeing sites are tourist attractions as well as attractions for residents, but they cannot be regarded as ‘theme parks’ in this sense.

This delimitation is deducted by sequential criteria:

- In opposite to recreation and theme parks the mentioned facilities are not regionally closed and do not have a unitary business concept
- In opposite to recreation parks facilities like those mentioned above are mostly run by government or by the municipal administration, what means they are run within the local spare time- and recreation market.
- In opposite to recreation or theme parks, facilities like those mentioned above are just a single part of the whole local recreation infrastructure.

At this point, two different approaches of how to categorize theme parks shall be introduced: Categorization by

- Characteristics and
- Hierarchy with respects to economic importance of the parks to the region

### 5.2.1 Definitions by characteristics:

According to a study of the consulting company “Edinger Tourismusberatung” (1998, p.8), following types of recreation parks can be distinguished:

- Enjoyment parks
- Urban Entertainment Centers
- Sport- and Fun parks
- Theme parks
- Bath parks
- Experience parks

#### **5.2.1.1 Recreation Parks (collective term)**

Recreation parks are plants whose facilities are used for recreation purposes. The design of those facilities does not necessarily need to be the same, there is also no limitation in respects to activities in- and outdoors (it can also be mixed). Most important criteria is that these facilities stick together spatially and functionally close.

##### 5.2.1.1.1 ENJOYMENT PARKS

Enjoyment parks are all facilities and contribute actively or passively to the enjoyment of their visitors. These facilities do not have a certain topic in common, neither do they have a preternatural teaching, sportive or shopping character. In the empiricism, these facilities are built mostly outdoors. “The Prater” in Vienna is a good example of these kind of parks.

##### 5.2.1.1.2 URBAN ENTERTAINMENT CENTER

Urban Entertainment Centers (UECs) are mostly indoor built entertainment facilities with a concentration of experience shopping, a thematical gastronomy and entertainment area or a tethered spare-time and overnight stay facility. The “AEZ” (Vienna, 3<sup>rd</sup> district) and the “Mall of America”, Minneapolis (USA) are examples of UEC’s.

#### 5.2.1.1.3 SPORT- AND FUN PARKS

These are zoned areas (in- and outdoors) which contain a mixture of several sport or spare-time facilities. These facilities can be either a kind of main sports (tennis, squash, fitness, etc.), fun sports (skating, roller-blading, street hockey, etc.), extreme sports (free-climbing, bungee jumping, etc.) as well as game- and fun facilities. Example: “SäntisPark”, St. Gallen (Switzerland).

#### 5.2.1.1.4. THEME PARKS

A theme park contains facilities of a unitary theme which either spreads around the whole park or only parts (areas, facilities) of the park.

Thus, a theme park is a “closed world” which aims at achieving the encounterance of an illusionary world at the one hand and the visitor’s desire to leave the banal things in life behind on the other. Examples: Walt Disney World, EuroDisney, Universal Studios, etc.

#### 5.2.1.1.5 BATH PARKS

Out- and indoor bath facilities, which feature additional entertainment elements and are of a certain size or offer wide spread possibilities to the visitor are called Bath parks. They derive from traditional baths and are at a higher stage of development, but they are an attraction on their own and therefore have become tourist attractions. Typical example: “Rogner Dorint Resort Blumau”, Austria.

#### 5.2.1.1.6 EXPERIENCE RESORTS

Experience resorts are Hotel- and Bungalow-facilities with a large size of spare time- and experience facilities, which are created for the stay of the visitor only.

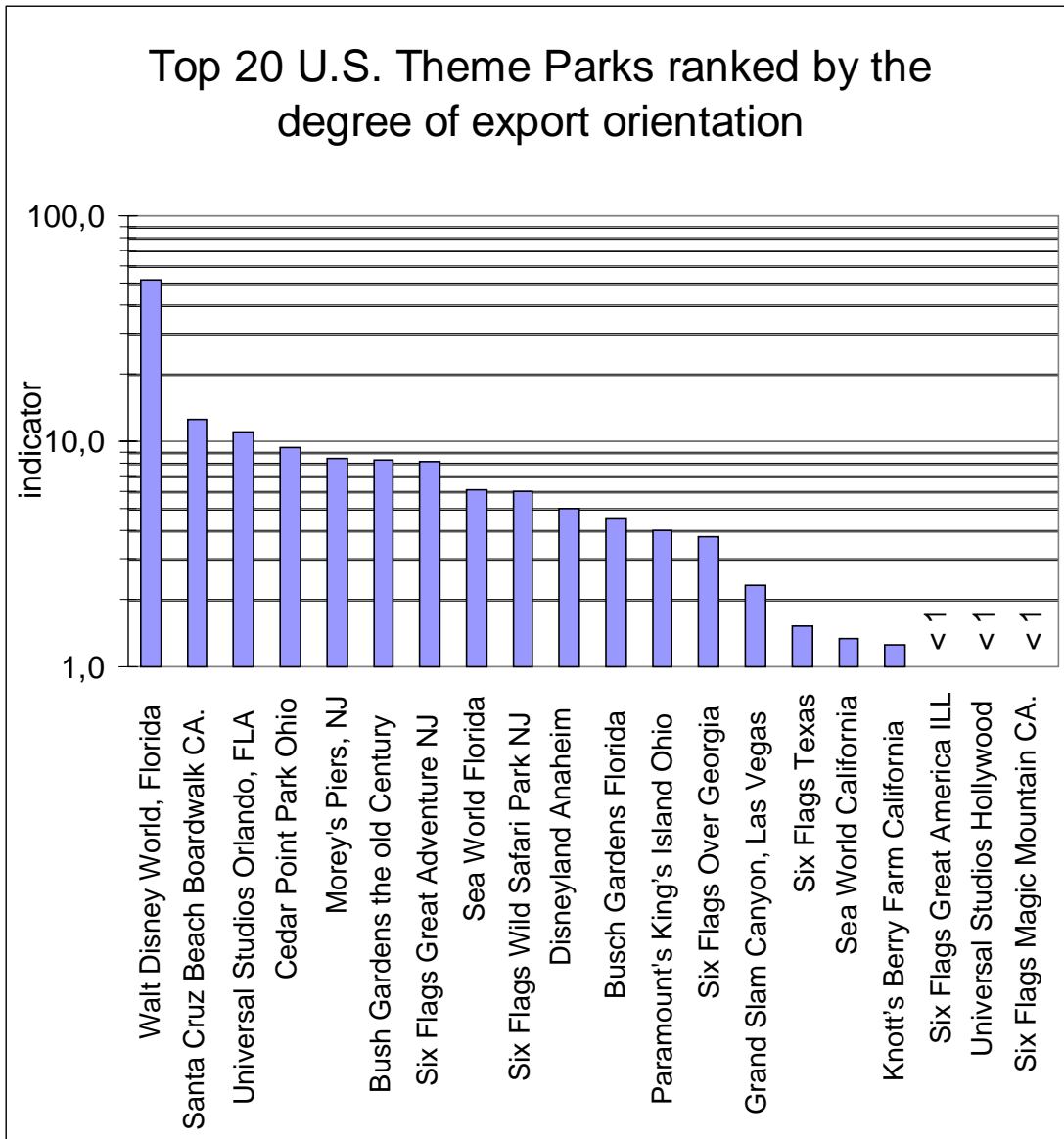
Problems in this categorization arise because most of the parks which can be met in empiricism are mixtures of two or more “types” of recreation parks. The example the “SäntisPark” in Switzerland gives, reveals the difficulties in applying the mentioned criteria on parks to categorize them. On the one hand, this park is characterized by it

Sports- and Fun orientation, but it is a Theme park and features also characteristics of an typical UEC (big shopping and entertainment opportunities) on the other.

### 5.2.2 Hierarchy

To show the hidden hierarchy, the 20 biggest theme parks in the U.S. shall be related to the number of the local population – the result is a measure of the economic importance of a park to the respective region. It could also be used as an information device for the degree of the dependence of the region on the job- and tax revenue-creating characteristic of a theme park. Thereby it has to be considered that the listing only deals with the current status and does not show any development trends. For example, the government could try to ease the dependence of the region by supporting the other part of the local economy.

Figure 4: Top 20 U.S. Theme Parks ranked by the degree of export orientation



Talking about the regional economic importance of the top 20 US Theme Parks, it is not surprising to find a complete different ranking of the parks compared to a table where theme parks are ranked strictly by their visitor numbers.

Apart from Disney's first place (Walt Disney World), which derives from its outstanding number of visitors, we find Parks ranked top which are considered to be "small parks". And they are small, when considered the visitor number. Still, compared to the regional workforce or regional potential employment capacity, it can be seen which parks rule



their region as an employer and wage-payer. The higher the park is ranked in the chart above, the bigger its importance as the “economic backbone” of the region.

For the City of Santa Cruz, CA, owning a big park as the “Santa Cruz Boardwalk”, can be beneficial as well as sacrificial. These two sides of the medal arise, when arguments pro or con such parks shall be found: On the one hand, the “Boardwalk” is beneficial to the region because it is a big employer (and there would be no big employer otherwise) – the other side is, that this fact also shows a dependency of the region on the park. In the worst case, employees perhaps have no other chance than to accept any working conditions, wages, etc., the park provides, how good or bad they ever might be.

### ***5.3. U.S. - Theme park facts in general***

#### 5.3.1 General impacts of major parks

Traditionally, destination attractions - and other types of tourist activities - have not been subjects of big attention for economic developers. However, times are changing and meanwhile, economic developers by all means seek job-creating opportunities in the service sector of the industry. A major destination attraction can have a significant impact on the region where it is located.

The investment in facilities, for example, can range from \$ 150 to \$ 300 million and up, depending on the size and quality of the attraction itself and on the related investment, such as resort hotels, conference centers and the like. The construction of the attraction and the refurbishment required from time to time provide employment for the local construction industry (all: Foden, 1996).

#### 5.3.2 Customer catchment area

In the U.S., the locations of theme park sites are no longer demand-oriented (as in former times) but are chosen by the best accessibility. It is a rule-of-thumb, that the maximum

distance to the theme park must not exceed 150 miles for day-trippers. Note that the propensity for going there declines proportionally with the distance (Benesch, p.54).

For a major theme park in the U.S., following rules are accepted:

Table 1: Customer catchment area:

Catchment area	Range (up to)	Isochrone (hours to drive)	Percentage of citizens attracted to the park
Primary	50 miles	1 to 1,5 hours	20 – 45 %
Secondary	100 miles	Up to 2 hours	10 – 15 %
Tertiary / Tourist	150 miles +	-	1 – 11 %

(Source: Benesch, 1989.p 55)

This rule-of-thumb which holds true for all theme parks in the U.S. generally but must not be applied to the theme parks in Orlando (Florida) and Southern California (Los Angeles Area) because these parks are visited most commonly by “oversea-tourists”. For example: Walt Disney World (Orlando, Florida) quoted the share of foreign visitors compared to domestic travelers to its parks with 90 per cent (Benesch, p.55).

With exception of these two regions, it is estimated that “day trippers” contribute 75 per cent of the visits to theme parks.

### 5.3.3 Attendance 1998

Theme park attendance alone is in the millions, as can be seen from following table:

Table 2: US- Theme Park attendance numbers

<b>Rank</b>	<b>Park</b>	<b>Operator/Owner</b>	<b>Location</b>	<b>Attendance 1998 (millions)</b>
1.	Walt Disney World, Orlando	Walt Disney Company	Florida	41.7
2.	Disneyland Anaheim	Walt Disney Company	California	13.7
3.	Universal Studios Orlando	Universal Studios Inc.	Florida	8.9
4.	Universal Studios Hollywood	Universal Studios Inc.	California	5.1
5.	Sea World Orlando	Anheuser-Busch Corp.	Florida	4.9
6.	Busch Gardens Tampa	Anheuser-Busch Corp.	Florida	4.2
7.	Sea World San Diego	Anheuser-Busch Corp.	California	3.7
8.	Six Flags Great Adventure NJ	Premier Parks / Time Warner	New Jersey	3.4
9.	Knott's Berry Farm California	Cedar Fair Management Ltd.	California	3.4
10.	Cedar Point Park Ohio	Cedar Fair Management Ltd.	Ohio	3.4
11.	Paramount's King's Island Ohio	Paramount Parks	Ohio	3.4
12.	Six Flags Magic Mountain, Valencia	Premier Parks / Time Warner	California	3.1
13.	Santa Cruz Beach Boardwalk California	Sta. Cruz Seaside Comp.	California	3.0
14.	Six Flags Great America	Premier Parks / Time Warner	Illinois	2.9
15.	Six Flags Texas	Premier Parks / Time Warner	Texas	2.8

Source: Source: Amusement Business Magazine 1998, p.78

This table shows the attendance at the 15 leading theme parks in the United States. The most important and interesting fact of this specific market structure is that only 7

Companies run the 15 largest theme parks. In this table, I considered Walt Disney World as a single theme park. To be more precise, If Walt Disney World is split up into its 4 independent theme parks, following important fact has to be mentioned: One single Company, the Walt Disney Corporation, runs the 4 biggest parks in the U.S.!

#### 5.3.4. US – Theme park market structure

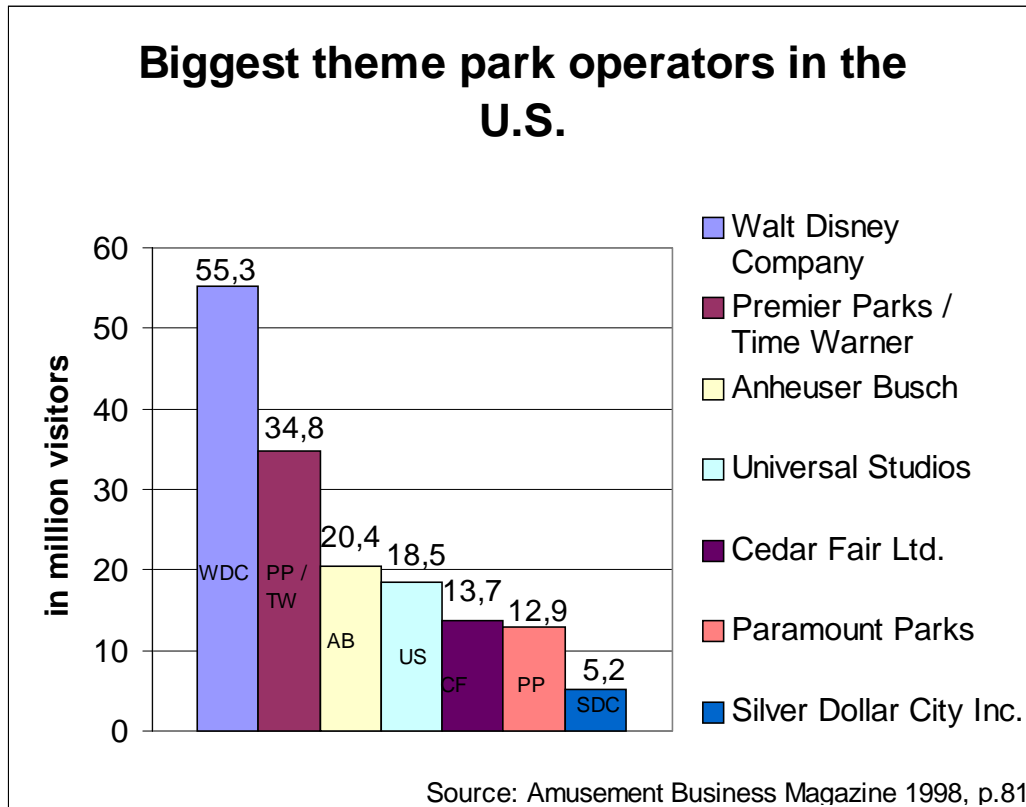
The market structure of major theme parks in the U.S. can be called an oligopoly. Participating players are several Companies like Banks, Oil Companies, Insurance Companies and Companies of the entertainment (movie and broadcasting) industry. The U.S. theme park market is highly concentrated, which can be seen from the figure below:

Table 3: US – Theme Park industry market structure

<b>Owner / Carrier</b>	<b>Number of parks run by owner</b>	<b>Attendance 1998</b>
Walt Disney Company	5 (WDW are 4 separate parks)	55.3 millions
Premier parks / Time Warner	25	34.8 millions
Anheuser – Busch	9	20.4 millions
Universal Studios Inc.	5	18.5 millions
Cedar Fair Ltd.	8	13.7 millions
Paramount Parks	6	12.9 millions
Silver Dollar City Inc.	5	5.2 millions

Source: Amusement Business Magazine 1998, p.81

Figure 5: Biggest Theme Park operators in the US

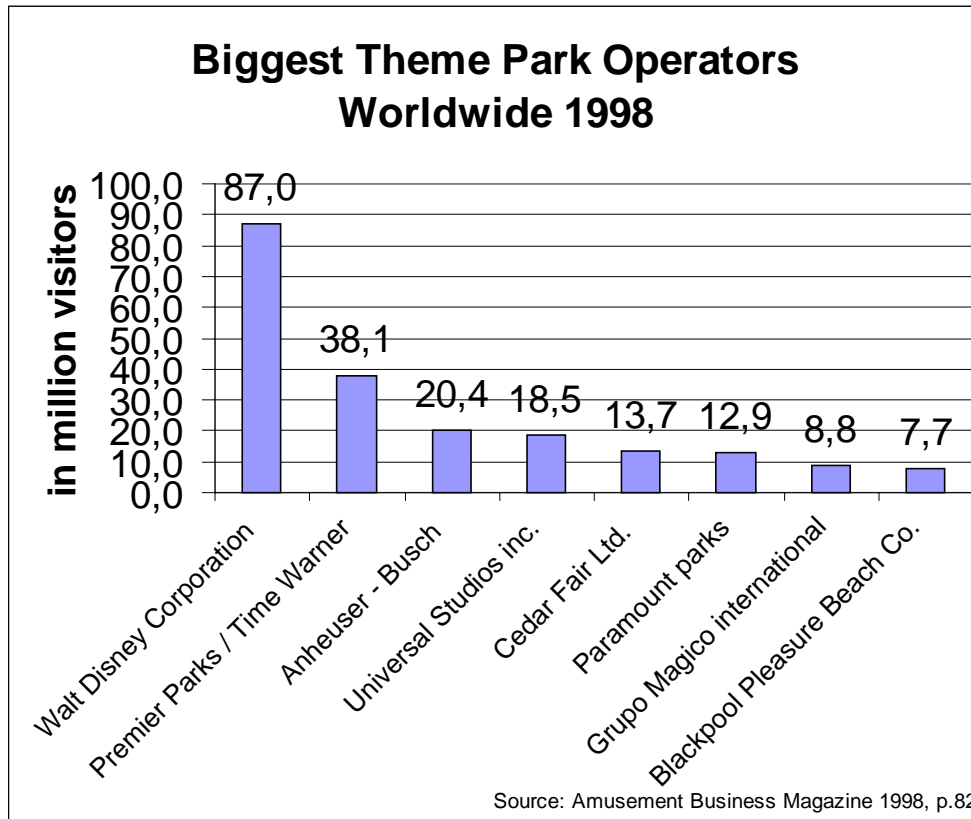


Though disposing over 5 theme parks only, the Walt Disney Company exceeds the attendance numbers of the second largest competitor by almost 60 %.

5.3.5. Top 10 Amusement / Theme Park Chains Worldwide

The unchallenged role of the Walt Disney Corporation as a leader of this branch of industry can be seen much more clearly when considering the biggest Amusement or theme park chains worldwide:

Figure 6: Biggest Theme Park operators worldwide

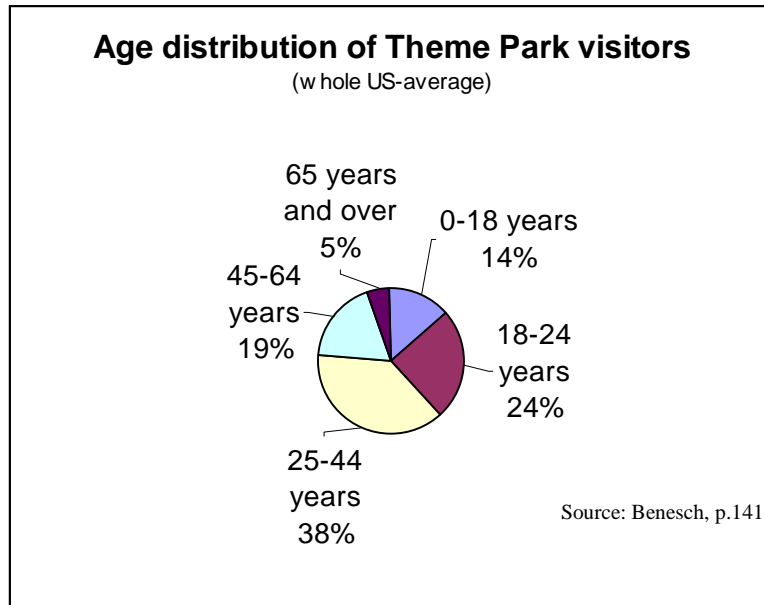


With just 9 theme parks worldwide, the Disney Company puts the Premier Parks/Time Warner Company with 31 parks in second place. On third, Anheuser-Busch is to be found with 9 parks (like Disney), Universal Studios is ranked fourth with 5 parks. Knott’s Berry Farm is the most popular park the Cedar Fair Ltd. owns – the company owns 8 parks in total. Paramount count 6, the “Grupo Magico international” owns 7, which are all located in Central and South America. All of Pleasure Beach Co.’s parks (3) are resided in England.

5.3.6 Age distribution of U.S. theme park visitors

Most theme parks have young families as their target group - that could be a reason, why the share of 25-44 year old visitors in relation to the total number of visitors is the highest in the statistics (if considered a family consisting of two adults with only one child):

Figure 7: Age distribution of Theme park visitors



## **6. THE AMUSEMENT PARK INDUSTRY**

### **6.1. A BRIEF HISTORY**

The roots of the amusement park industry go back to medieval Europe when pleasure gardens began to spring up on the outskirts of major European cities. These gardens were a forerunner of today's amusement parks, featuring live entertainment, fireworks, dancing, games, and even primitive amusement rides. Pleasure gardens remained extremely popular until the 1700's, when political unrest caused many of these parks to close. However, one of these parks remains: Bakken, north of Copenhagen, which opened in 1583 and now enjoys the status of the world's oldest operating amusement park (Kyriazi, p.14). The second oldest amusement park is to be found in Vienna, Austria. The "Prater", as it is called, was erected in 1766.

In the late 1800's, the growth of the industry shifted to America. Following the American Civil War increased urbanization gave rise to electric traction (trolley) companies. At that time, utility companies charged the trolley companies a flat fee for the use of their electricity. As a result, the transportation companies looked for a way to stimulate weekend use, or weekend ridership. This resulted in the amusement park. Typically built at the end of the trolley line, amusement parks initially were simple operations consisting of picnic facilities, dance halls, restaurants, games, and a few amusement rides often located on the shores of a lake or river. These parks were immediately successful and soon opened across America (Kyriazi, textual).

The amusement park entered its golden era with the 1893 World's Colombian Exposition in Chicago. This World's Fair introduced the Ferris Wheel and the amusement midway to the world. The midway, with its wide array of rides and concessions, was a huge success and dictated amusement park design for the next sixty years. The following year, Capt. Paul Boynton borrowed the midway concept and opened the world's first modern



amusement park - Paul Boyton's Water Chutes on Chicago's South side. Unlike the primitive trolley parks, the Water Chutes was the first amusement park to charge admission and use rides as its main draw rather than picnic facilities or a lake. The success of his Chicago park inspired him to open a similar facility at the fledgling Coney Island resort in New York in 1895 (Kyriazi, textual).

The amusement park industry grew tremendously over the next three decades. The center of the industry was Coney Island in New York, which at its peak was home to three of America's most elaborate amusement parks along with dozens of smaller attractions. Around the world, hundreds of new amusement parks opened, while many early trolley parks expanded by adding new rides and attractions. New innovations provided greater and more intense thrills to the growing crowds. By 1919, over 1,500 amusement parks were in operation in the United States. Unfortunately, this development did not last for long (Kyriazi, textual)

In 1929, America entered the economic depression, and by 1935 only 400 amusement parks remained; many struggling to survive. World War II further hurt the industry, when many parks closed and others refrained from adding new attractions due to rationing.

With the end of World War II, America and the amusement park industry enjoyed post war prosperity. Attendance and revenues grew to new records as new parks opened across America. A new concept, the Kiddieland, took advantage of the post-war baby boom, introducing a new generation to the joys of the amusement park in the rapidly growing suburbs. Unfortunately, this resurgence was short lived (Kyriazi, textual).

As the 1950's dawned, television, urban decay, segregation, and suburban growth began to take a heavy toll on the aging urban amusement park. The industry was again in distress as the public turned elsewhere for entertainment. What was needed was a new concept and that new concept was Disneyland.

When Disneyland first opened in 1955, many people were skeptical that an amusement park without any of the traditional attractions would succeed. But Disneyland was different. Instead of a midway, Disneyland offered five distinct themed areas, providing "guests" with the fantasy of travel to different lands and times. Disneyland was an

immediate success, and as a result, the theme park era was born. Built at a cost of USD 17 million, Disneyland represented the largest investment for building an amusement park that had been made up to that time. During the first season, a crowd of 3.8 million visitors was registrated.

Over the next several years, there were many unsuccessful attempts to copy Disneyland's success. It wasn't until 1961, when Six Flags Over Texas opened, that another theme park was successful. Throughout the 1960's and 1970's, theme parks were built in many major cities across America. Unfortunately, while theme parks were opening across the country, many of the grand old traditional amusement parks continued to close in the face of increased competition and urban decay. However, some of the traditional parks were able to thrive during the theme park era because the renewed interest in amusement parks brought people back to their local park. In addition, many older traditional parks were able to borrow ideas from theme parks and introduce new rides and attractions to their long-time patrons.

As the 1980's dawned, the theme park boom began spreading around the world. Meanwhile, theme park growth slowed considerably in the United States due to escalating costs and a lack of markets large enough to support a theme park (Kyriazi, textual).

During the 1990's, the amusement park remains an international favorite. Many developing nations are experiencing the joys of the amusement park for the first time, while the older, more established amusement parks continue to search for new and different ways to keep their customers happy. Rides are taking advantage of technology to reach heights and speeds that thrill seekers only dreamt about not too long ago.

## 6.2 Where and when did the Theme-Park development start ?

To answer this question, a survey of the world's oldest Amusement parks which are still operating at the same site are quoted here chronologically (Kyriazi, 1997, p.27-64).

Table 4 : The world's oldest Theme Parks

Name of Park		Location	Founded
1.	Bakken	Klampenborg	Denmark 1583
2.	The Prater	Vienna	Austria 1766
3.	Blackgang	Chine Cliff Top, Ventnor	UK 1842
4.	Tivoli	Copenhagen	Denmark 1843
5.	Lake Compounce Amusement Park	Bristol, CT	USA 1846
6.	Hanayashiki	Tokyo	Japan 1853
7.	Grand Pier	Teignmouth	UK 1865
8.	Blackpool Central Pier	Blackpool	UK 1868
9.	Cedar Point	Sandusky, OH	USA 1870
10.	Clacton Pier	Clacton	UK 1871
11.	Idlewild Park	Ligonier, PA	USA 1878
12.	Sea Breeze Amusement Park	Rochester, NY	USA 1879
13.	Skegness Pier	Skegness	UK 1881
14.	Grona Lund Tivoli	Stockholm	Sweden 1883
15.	Dorney Park	Allentown, PA	USA 1884
16.	Coney Island	Cincinnati, OH	USA 1886
17.	Pullen Park	Raleigh, NC	USA 1887
18.	Beech Bend Park	Bowling Green, KY	USA 1888
	Geauga Lake	Aurora, OH	USA 1888
20.	Arnold's Park	Arnold's Park, IA	USA 1889
21.	Carousel Gardens - City Park	New Orleans, LA	USA 1891
22.	Conneaut Lake Park	Conneaut Lake Park, PA	USA 1892
	Columbian Park	Lafayette, IN	USA 1892
24.	Trimper's Rides and Amusements	Ocean City, MD	USA 1893

	<b>Name of Park</b>	<b>Location</b>	<b>Country</b>	<b>Founded</b>
	Whalom Park	Fitchburg, MA	USA	1893
26.	Lakemont Park	Altoona, PA	USA	1894
27.	New Walton Pier	Walton-on-Naze	UK	1895
28.	Widam Park	Budapest	Hungary	1896
	Blackpool Pleasure Beach	Blackpool	UK	1896
	Waldameer Park	Erie, PA	USA	1896
	Lagoon Park	Farmington, UT	USA	1896
32.	Takarazuka Familyland	Takarazuka	Japan	1898
	Mumbles Pier	Mumbles	UK	1898
	Village Park	Old Orchard Beach, ME	USA	1898
	Midway Park	Maple Springs, NY	USA	1898
	Kennywood	West Mifflin, PA	USA	1898
37.	Tibidabo	Barcelona	Spain	1899
	Toledo Zoo	Toledo, OH	USA	1899
39.	Vollmar's Park	Bowling Green, OH	USA	1900
40.	Brighton Palace Pier	Brighton	UK	1901
41.	Brittania Pier	Great Yarmouth	UK	1902
	Canobie Lake Park	Salem, NH	USA	1902
	Camden Park	Huntington, WV	USA	1902
44.	Bushkill Park	Easton, PA	USA	1903
45.	Grand Pier	Weston Super Mare	UK	1904
	Keansburg Amusement Park	Keansburg, NJ	USA	1904
47.	Oaks Amusement Park	Portland, OR	USA	1905
	Carousel Village- Williams Park	Providence, RI	USA	1905
49.	Frontierland	Morcambe	UK	1906
50.	Toshimaen Park	Koyama	Japan	1907
	Santa Cruz Beach Boardwalk	Santa Cruz, CA	USA	1907
	Clementon Amusement Park	Clementon, NJ	USA	1907
	Lenape Park	Mays Landing, NJ	USA	1907

### **6.3 Milestones in U.S. – Themepark History**

#### **1955**

Disneyland opens. Generally, Disneyland is considered the nation's first theme park. Built at a cost of \$17 million, Disneyland represented the largest investment for building an amusement park that had been made up to that time. In spite of skepticism over such a new concept, the park was an instant success, drawing 3.8 million visitors to its five themed areas during its first season.

#### **1959**

The Matterhorn - ride premieres at Disneyland. The first major tubular steel roller coaster, it forever changes the face of roller coaster development.

#### **1961**

The first Six Flags park opens in Texas. This was the first successful, regional theme park. In its first full season of operation, 1.3 million visitors pass through the turnstiles.

#### **1963**

Arrow Development introduces the Log Flume ride at Six Flags over Texas. The ride quickly became the most popular ride at the park and soon the Log Flume was being built at theme and traditional parks around the world.

#### **Late 1960's to Early 1970's**

Large inner city parks begin closing, reflecting changing times. As turmoil increases throughout large cities, parks feel similar pressures.

#### **1970's**

Large corporate backed theme parks begin growing in numbers with such major corporations at Marriott Corp., Penn Central, Anheuser-Busch, Taft Broadcasting, Mattel, and Harcourt, Brace, Jovanovich investing in theme parks.

Many small family owned traditional parks succumb to competitive pressures and go the way of the mom and pop grocery store. Still other traditional parks renovate and expand to compete with the new wave of theme parks. Examples include Kennywood, Pittsburgh,

PA; Cedar Point, Sandusky, OH; Dorney Park, Allentown, PA; Geauga Lake, Aurora, OH; Lagoon, Farmington, UT; and Hersheypark, Hershey, PA.

### **1971**

The opening of Walt Disney World on 27,500 acres of central Florida. Disney makes the biggest investment ever for an amusement resort, amounting USD 250 million.

### **1972**

Kings Island theme park near Cincinnati, OH, opens and is credited with the revival of the classic wooden roller coaster by building the Racer. Wooden coasters once numbering near 2000, had now dwindled to less than 100.

### **1981**

Opening of Canada's Wonderland in Toronto, Canada. It was widely considered to be the last theme park to be constructed in North America for several years. With costs up and all major markets apparently taken, experts considered the American theme park market saturated.

### **1982**

EPCOT Center opens at Walt Disney World in Florida. Considered a permanent World's Fair, EPCOT is the first theme park to surpass \$1 billion in cost.

### **1983**

The opening of Disneyland in Tokyo. Other corporations in the amusement business are now looking to the Far East and Europe to expand their operations.

### **1988**

Sea World of Texas opens in San Antonio. Another major theme park to open in North America since 1981, it reinvigorates a slumbering industry. Soon several other new parks are under development, although not at the frenzied pace of the 1970's. Other new parks include:

- Fiesta Texas, San Antonio (1992)

- Knott's Camp Snoopy, Bloomington, MN (1992)
- MGM Grand Adventures, Las Vegas, NV (1993)
- Disney's Animal Kingdom, Walt Disney World, FL (1998)
- Lego World, Carlsbad, CA (1999)
- Heartland America, Indianapolis, IN (1999)
- Universal's Islands of Adventure, Orlando, FL (1999)
- Jazzland, New Orleans, LA (to be opened in 2000)

### **1987**

Kennywood and Playland in Rye, NY are listed on the National Register of Historic Places, the first operating amusement parks to be honored. This is symbolic of the renewed appreciation of the heritage of the amusement park industry.

### **1990**

“Boardwalk and Baseball” in Florida closes. Opened in 1974 as Circus World, “Boardwalk and Baseball” was the first corporate theme park to close. Facing stiff competition from Walt Disney World, Busch Gardens, Cypress Gardens and Sea World of Florida, the park never made a profit during its existence.

### **1992**

Batman, the Ride opens at Six Flags Great America in Gurnee, IL. The first inverted roller coaster, in which the cars travel underneath the structure, is an immediate hit and soon parks around the world are building them.

### **1997**

“Superman - The Ride” opens at Six Flags Magic Mountain, Valencia, CA. This roller coaster breaks previously untaught records for height (415 feet tall) and speed (100 miles per hour).

## **6.4 Development of the theme park industry in the coming future - Outlook**

This shall only be an excerpt and an incomplete listing. The reason why this listing is posted here is to give an idea about the ongoing competition in this industrial sector as well as to show new radical ways in making business, theme park carriers and developers think of:

### 6.4.1 Disney's California Adventure

This new development in what was once Disneyland's parking lot will be a complex of shops, restaurants, a Hotel and some amusement rides, which are all themed to California and its cultural icons.

Status	Location	Company/Carrier	Opens	Size
Under Construction	Anaheim	Walt Disney Co.	2002	546 acres

Source: Own survey

### 6.4.2. Tokyo Disney Sea

The oriental Land Company Ltd., partners with the Walt Disney Company in the development of Tokyo Disneyland, is once again building a state of the art theme park with Disney's help. DisneySea will be a futuristic ocean themed park near Tokyo Disneyland. Disney wanted to build a similar park in Long Beach, California, but ran into too much local opposition. Construction costs of the park are up to USD 2.7 billion.

Status	Location	Company/Carrier	Opens	Size
Under Construction	Tokyo	Walt Disney Co.	2001	220 acres

Source: Interview 1



### 6.4.3. Universal Studios Japan

Universal, having noticed Disney's success in Tokyo, is aiming at the lucrative Japanese market with this new park, which will no doubt include many of the familiar rides that are popular at Universal's Hollywood and Orlando parks.

Universal's Osaka project is 25% owned by the City of Osaka, with Universal holding 17%, Rank Holdings controlling 10% and the balance divided up among several other companies in minority shares. Construction of the park costs USD 1.6 billion, and its estimated attendance is 8 millions.

Status	Location	Company/Carrier	Opens	Size
Preliminary site preparation	Osaka	Universal Studios et. al.	2001	140 acres

Source: Internet: <http://www.universalstudios.com/usj>, Nov. 5, 1999

### 6.4.4. Disneyland Hong Kong

The deal Walt Disney Co. struck with Hong Kong to build a major Disney theme park relies on a nearly \$ 3 billion, tax-payer funded investment by the territory, and just a \$ 314 million infusion from Disney. Investing far less than Hong Kong's taxpayers, Disney will own 43 % of the park – a smaller share than its 49 percent of Disneyland Paris – while Hong Kong will own 57 %. Critics say, that the cost might outweigh the benefits. They say, that the project initially will provide plenty of construction jobs, but ultimately will offer mainly low-skilled, low-wage employment.

Hong Kong's leader, Chief Executive Tung Chee-Hwa promised 16,000 jobs will be created for construction and related infrastructure projects, with Disneyland employing 18,400 people when it opens. Tung defended the taxpayer's investment and predicted it will boost the economy by \$ 18.980 billion over the next 40 years. It will be designed for an attendance of 5 million per year and will be expanded only if more people are visiting the park.

Status	Location	Company/Carrier	Opens	Size
Under Construction	Hong Kong	Walt Disney Co. / City of Hong Kong	2005	200 acres

Source: The Orange County Register, Nov 3, 1999, B3

#### 6.4.5. Universal Studios Port Aventura, Spain

Universal acquired a stake and management of the park in June 1998 for around \$66 million from Pearsons Plc., and marks the company' first up and running international theme park. It is located in Port Aventura, 60 miles south of Barcelona, Spain. Owned by Universal Studios Recreation Group (37%), La Caixa (37%), Anheuser-Busch (20%) and Fecsa (6%). Universal controls the park, and will license its branded content to the park.

The 3-year-old, 117-acre park attracts around 3 million patrons a year. As part of the purchase, Universal gets 750 acres associated with Port Aventura, as well as the option to buy another 2,000 acres adjacent to the theme park. Already, Universal officials say they want to expand the current facility, and are considering building a second gate in an attempt to create an Orlando-style park in Spain.

Status	Location	Company/Carrier	Opens	Size
Under Construction (expansion)	Port Aventura, Spain	Universal Studios et. al.	2003	867 acres

Source: Internet: <http://www.universalstudios.com/usj>, Nov. 5, 1999

#### 6.4.6. The Wonderful World of Oz

This park was scheduled to open in 1996. But, so far matters of site selection and government sponsorship have held up the park. Like Visionland in Alabama, this park is a cooperative effort between local governments trying to lure tourist dollars to their region.

Status	Location	Company/Carrier	Opens	Size
Pending site selection	Kansas City, Kansas	Warner Bros.	2002	536 acres

Source: Internet: [www.worldfoz.com](http://www.worldfoz.com), Nov 5, 1999

#### 6.4.7. Atwater Theme Park Project

A water and ride park featuring hotels, RV campground, Strip Mall, Ice Arena and an Amphitheater is planned for Atwater, California. Ernie Wilkins regards this site as ideal for a theme park.

Status	Location	Company/Carrier	Opens	Size
Under Construction	Atwater, California	Ernie Wilkins Corp.	2001	62.3 acres

Source: Internet: <http://www.elite.net/~themepk/index.html>, Nov. 5, 1999

#### 6.4.8. Seapark

This park features a fascinating new idea is brought up by the SeaParks Entertainment & Attractions Group: A theme park on a float. Seapark, a Canadian Company, is attempting to realize that idea.

Status	Location	Company/Carrier	Opens	Size
Under Construction	India, Florida	SeaParks Entertainment & Attractions Corp.	2002/3	-

Source: Internet: [www.seapark.com](http://www.seapark.com), Nov. 5, 1999

#### 6.4.9. Veda Land

This park is also coming up with a completely new idea: Education in methods of mental training shall be used as well as some rides. Yogi Mahrishi Makesh and developer Doug Henning are the carriers of that new idea.

Status	Location	Company/Carrier	Opens	Size
Pending site selection	Buffalo, New York State	Doug Henning Corp.	-	1400 acres

Source: Internet: <http://www.theatrics.com/doughenning/vedalandpromo.html>, Nov. 5, 1999

#### 6.4.10. Neverland East and West

Pop star Michael Jackson has been in negotiation with the governments of both Poland and South Korea over two possible theme parks. Since the Polish interior ministry did not approve the original site at an abandoned airport, Mayor of Warsaw Marcin Swiecicki presented four other potential locations.

Also, the development of the South Korean park does not proceed as fast as planned.

Status	Location	Company/Carrier	Opens	Size
Pending site selection	North Cholla Province, South Korea	Michael Jackson	2004	150 acres
Pending site selection	Warszaw, Poland	Michael Jackson	2004	222 acres

Source: Los Angeles Times 1999b

## 7. Major theme parks requirements and problems

### 7.1 Major theme parks requirements

The basic requirements that must be satisfied for a major theme park are summarized in the following table:

Table 5: Destination attraction basic requirements

<b>Destination attraction basic requirements</b>
• Adequate market within 100 –200 miles with sufficient disposable income
• Large site (100 – 400 acres and more)
• Excellent access to site (traffic)
• Appropriate zoning
• Available supply of part-time workers
• Acceptable weather (must be able to operate at least 140 days a year)

Source: Foden, 1996

Key to a successful theme park is an adequate market within 100 to 200 miles, consisting of a population with adequate disposable income to afford the required expenditures. The bulk of the attendees at theme parks are day-trippers and, in fact, successful theme parks require repeat business, which is most likely to come from day-trippers. Disneyland and Disneyworld are exceptions to this distance requirement in that each has either broad regional or national and in the case of Disneyworld, international--appeal.

An adequate site is critical. A site of 100 acres or more is necessary to provide not only the attraction itself, but also parking, buffer zones and expansion. (If a resort is planned, of course, more land is required.) The land should be rolling to permit attractive

landscaping and changes in elevation to mask exhibits and rides, although level sites, with proper inward-looking design, can work as well.

Access to the site is important because of the need to tap markets from which attendees can arrive by express highways, with minimum delay to arrive at the site. Some attractions (e.g., Busch Gardens, Williamsburg, Six Flags over Georgia in Atlanta and Opryland, U.S.A.) have been able to acquire direct access from the highway, thus alleviating traffic congestion.

Appropriate zoning of the site is critical. A long drawn-out battle to change zoning classification is highly undesirable. The theme park developer has no interest in becoming involved in a battle for zoning change.

The availability of a large pool of part-time labor is a real asset for a locality hoping to land a destination attraction. College students, spouses of military personnel, and housewives seeking temporary or part-time employment are key sources. Location near a college or a military base is particularly desirable.

Weather has a direct bearing on the number of days a theme park can operate and, hence, on its potential profitability. Initially theme parks were designed to operate year round, but now many can be successful with 140-150 days of operation. Warm, rain-free weather is most desirable, particularly during the period April 1 to November 1.

## ***7.2. Major theme parks problems***

There are, of course, several problems that must be addressed, if a destination attraction is to be developed successfully in an area (See next Table).

Table 6: Theme parks as destination attractions- Problems to be addressed:

<b>Theme parks as destination attractions – Problems to be addressed</b>
• Need for larger site (100 –400 acres depending on concept)
• Traffic
• Large amounts of water required
• Seasonability in employment in most areas
• Lower wages

Successful destination attractions and their ancillary development require large sites with top-notch access. A site of at least 100 to 200 acres, and possibly up to 300-400 acres may be required. Obviously, unless such a site can be found, and at reasonable cost, a destination attraction cannot be developed in a given area.

The availability of large amounts of water is another potential problem for some areas. theme park rides, as well as overall ambience, often require large volumes of fresh water, which may be difficult to ensure at a particular location.

The seasonality of employment, an asset in some areas with large college or military establishment personnel, may be a detriment to some areas, which are seeking permanent, year-round employment. Similarly, the lower wages associated with the part-time/temporary employment at most facilities may be undesirable, although in other areas the employment opportunities may represent a real opportunity to meet a need.

### **7.3 Theme parks – Requirements to impact destination tourism**

Having a theme park does not automatically insure an influx of tourism. To impact destination tourism, a theme park must (ERA 1998a, p.9):

- **Be unique, a "must see" destination.**

This can be accomplished through character development (Mickey and his friends), architectural form, natural features, special events and programming (Opryland) or a combination thereof.

- **Have large scale and a critical mass of attractions.**

Investment levels to impact international tourism generally must exceed U.S. \$150 million.

- **Combine high technology with human scale and quality service.**

Investments in the thrill hardware must be combined with a high level of service from the "hosts and hostesses" so that a unique local culture and friendly human contact is balanced to the high technology.

- **Encourage overnight stays.**

The principal economic benefits of tourism come when overnight stays are generated. Day visitors or tourists who stay with friends and relatives generate only 20 percent of the economic impact of tourists staying in hotels and motels (\$50 versus \$250 per day). Thus, in designing a theme park for tourism, a multiple attraction destination (with experiences that can occupy two or three days) is more likely to have the desired impact.

- **Have complementary destination activities.**

Tourist-oriented theme parks should be part of a mix of recreation and leisure activities. A true tourist destination would also have supporting



recreation uses such as high quality hotels, convention and conference facilities, resorts, recreational shopping and dining experiences, and sports activities including golf, tennis, and water-related activities, and excursions into nearby local tourism areas.

- **Support media (TV) coverage and exposure.**

Like most other things in life, future theme parks must be designed for television. The use of theme parks and resorts as backdrops for variety programs, celebrity games, sports competition, and convention/conference broadcasting is increasing rapidly and the resultant TV exposure is very important in creating awareness in tourism markets.

Given that these criteria are part of the theme park/tourist destination program, the results can be dramatic and provide a sustaining economic base. For example, at Walt Disney World, tourism increased from 2.8 million visitors in 1970 to over 35 million by 1992. The increase in the number of air visitors alone was 20 million. This increase in visitation (particularly overnight visitation) spurred the development of over 50,000 hotel rooms and resulted in the direct employment of over 250,000 persons (Benesch, 1989, summarized).

This is quite a success story for what was once only a mosquito infested swamp bought for an average price of \$200 per acre.

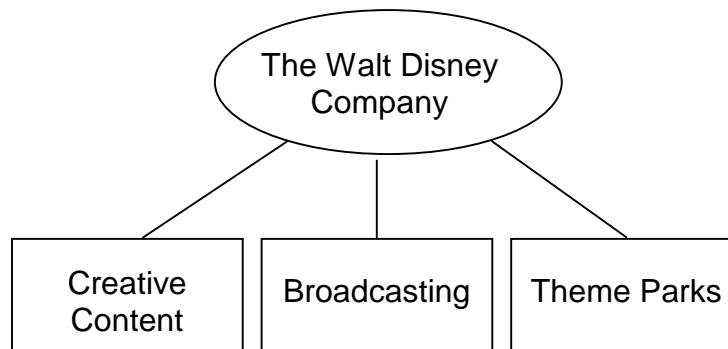
## 8. Case Study: The Disneyland Expansion

To analyze the impacts theme parks have on regions in detail, a case study shall be done. While analyzing the Disney Company's attempt to expand the existing Theme Parks in Anaheim, CA, and the impacts from running and expanding the Theme Park closely, it shall also be shown that the Disney Corp. is not only a world leader in Theme Parks but a leader in the entertainment industry in general.

### 8.1. The Walt Disney Company - A brief introduction

The Walt Disney Company was founded in 1922, and has become a world leader in family Entertainment. Today, the company is operating on a multinational level, has over 65,000 employees worldwide and over 189,000 shareholders. It is organized and divided into 3 sections of businesses:

Figure 8: Business Units of the Walt Disney Company



#### 8.1.1 Description of Business Units (BU)

##### **8.1.1.1 Business Unit Creative Content:**

The Creative Content BU consists of following business fields: “The Buena Vista Internet Group” (Infoseek), “The Fairchild Publications”, the Television Production / Distribution. It has to be noted, that the most important sections of

this BU are the “Walt Disney Studios” (Miramax, Home Entertainment, Theatrical Films, Buena Vista Music Group, Network TV Production) and the “Consumer Products” (Merchandise Licensing, The Disney Store, Disney Publishing, Disney Direct Marketing, Disney Interactive, etc.) (Source: The Walt Disney Company: “1998 Fact Book”, p.4).

#### **8.1.1.2 Business Unit Broadcasting**

As the name speaks for itself, this business unit covers “ABC Radio Networks”, “ABC Television Network” and “Cable Networks & international” (ESPN, Disney Channel, Toon Disney). (Source: The Walt Disney Company: “1998 Fact Book”, p.12)

#### **8.1.1.3 Business Unit Theme Parks and Resorts**

The “Walt Disney Imagineering” and the “Disney Regional Entertainment” (Club Disney, DisneyQuest, ESPN Zone) belong to this unit as well as the “Anaheim Sports” unit (The Mighty Ducks of Anaheim, The Anaheim Angels). Major component of this business field are – of course – the “Walt Disney Attractions” containing “The Disneyland Resort”, “Walt Disney World Resort”, “Disney Vacation Club”, “Disney Cruise Line” and “Tokyo Disney” (Source: The Walt Disney Company: “1998 Fact Book”, p.15)

While U.S. theme parks are always owned by the Disney Corporation, the way how parks abroad the U.S. are operated differs from that:

- The Oriental Land Co. owns Tokyo Disneyland (opened in 1983) and licenses Disney content for the park. Oriental Land is 59% owned by several Japanese companies, including real estate giant Mitsui Fudosan Co., construction Company Keisei Toshi Kaihatsu Co. and Rail Company Keisei Electric Railway Co. The park’s visitor number is approximately 16.7 millions.

- The 1992 opened Disneyland Paris is 39% controlled by a Disney unit, 24% by the Saudi-Arabian Prince Al-Waleed Bin Talal and 37% controlled by shareholders. It drew 12.6 million visitors in 1998.

### 8.1.2. Financial Key Numbers and Ratios

Table 7: Financial key numbers and ratios:

<b>Business Segments</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<b>Revenues (in million USD)</b>			
Creative Content	\$ 10,159	\$ 10,937	\$ 10,302
Broadcasting	\$ 4,078	\$ 6,522	\$ 7,142
Theme Parks and Resorts	\$ 4,502	\$ 5,014	\$ 5,532
<b>Total Revenue</b>	<b>\$ 18,739</b>	<b>\$ 22,473</b>	<b>\$ 22,976</b>
<b>Operating Income (in million USD)</b>			
Creative Content	\$ 1,561	\$ 1,882	\$ 1,403
Broadcasting	\$ 782	\$ 1,294	\$ 1,325
Theme Parks and Resorts	\$ 990	\$ 1,136	\$ 1,287
KCAL Gain	-	\$ 135	-
Accounting Change	(\$ 300)	-	-
<b>Total Operating Income</b>	<b>\$ 3,033</b>	<b>\$ 4,447</b>	<b>\$ 4,015</b>

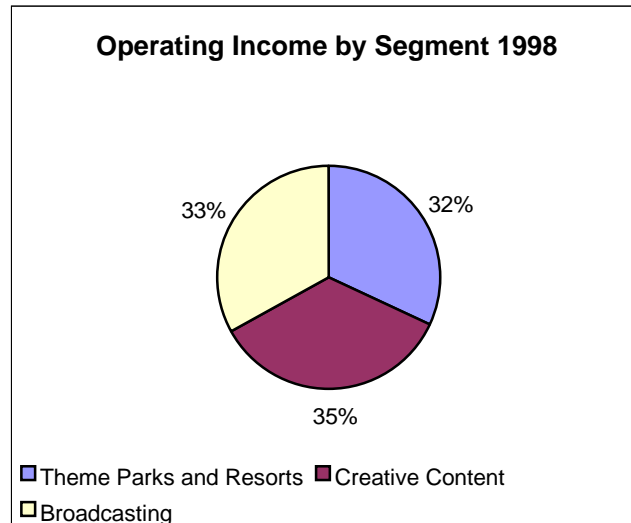
Source: Annual Report of the Walt Disney Company, 1998, p.70

During the second quarter of 1996, the company implemented SFAS 121 (different method of accounting), which resulted in the company recognizing a \$ 300 million non-cash charge related principally to certain assets included in the theme parks and Resorts segment.

The KCAL Gain derives from the acquisition of ABC networks – Disney sold its independent Los Angeles television station during the first quarter of 1997 afterwards.

It is interesting that the operating income by segment is distributed almost evenly in 1998:

Figure 9: Operating income by segment



Annual Report of the Walt Disney Company, 1998, p.10

As can be seen clearly, the company's operating income was contributed by the 3 individual business segments in nearly equal measure. With the exception of the theme park – business unit, growth rated in operating income lagged behind historical trends, which is reasoned with increased cost pressures (such as higher key sports programming rights and increased action film production costs), and, of course, the difficult economic conditions in 1998.

Table 8: Characteristic data:

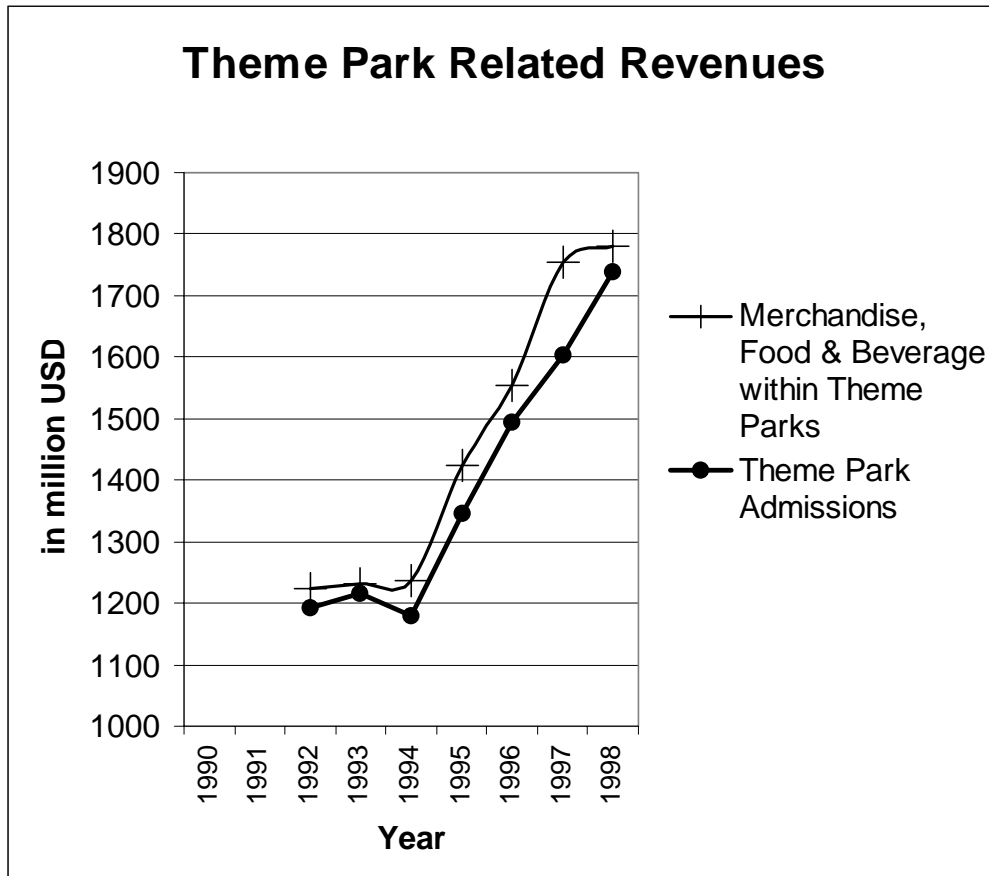
Characteristic data	1996	1997	1998
<b>Operating Performance</b>			
Operating Income/ Total Revenue	17.5 %	19.0 %	17.5 %
Income before Income taxes/Total Revenues	12.8 %	14.1 %	13.7 %
Net income / total revenues	7.3 %	8.2 %	8.1 %
<b>Return on Investment</b>			
Net income / Avg. Stockholder's equity	9.2 %	10.6 %	10.1 %
Net income / Average Total Assets	4.0 %	4.7 %	4.6 %
<b>Capital structure</b>			
Borrowings / Avg. Stockholder's equity	78.2 %	66.3 %	63.7 %
Borrowings / Avg. Total Book Capitalization	33.5 %	29.2 %	29.3 %
Borrowings / Total market Capitalization	29.0 %	20.5 %	22.5 %
<b>Debt Service Coverage</b>			
Income before Net Interest and Taxes / Total Interest Cost	4.7 x	5.4 x	6.1 x
Income before net interest, depreciation and Amortization / Total Interest cost	6.1 x	7.1 x	8.1 x

(Source: The Walt Disney Company: "1998 Fact Book", p17)

These figures illustrates the financial status of the Disney Company. The capital structure shows high ratios of liquidity and considered all the numbers, Disney Corp. can be considered as an extremely wealthy corporation.

Considered all Disney's theme parks together, the following development of theme park related revenues can be quoted:

Figure 10: Theme park related revenues

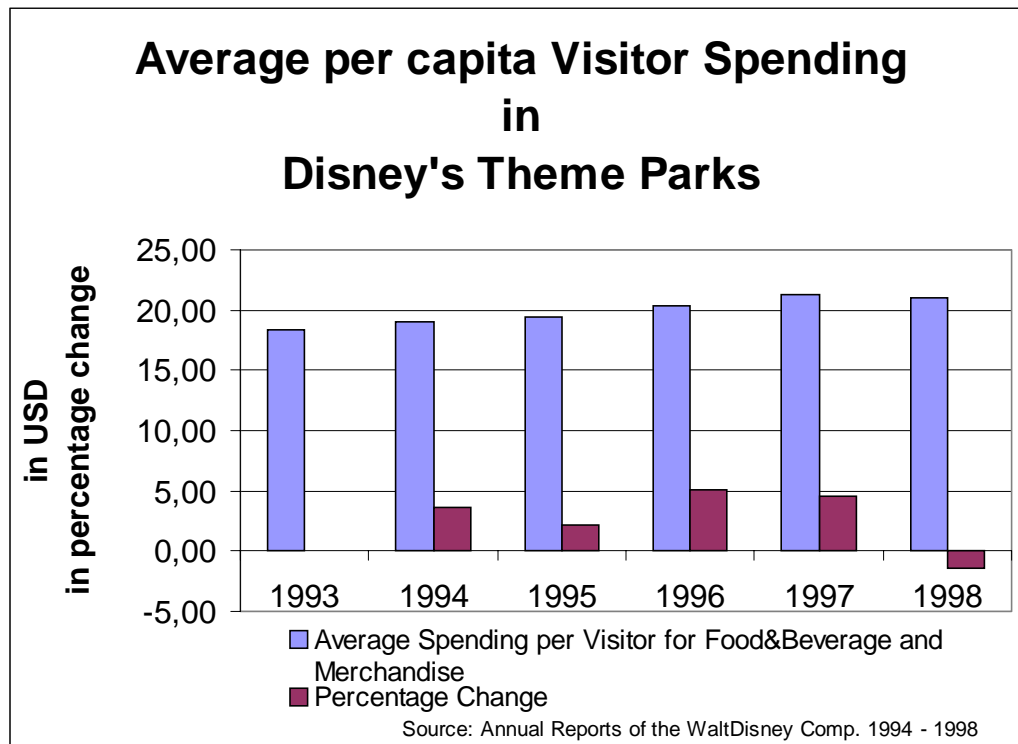


Source: Annual Reports of the Walt Disney Company, 1994-1998

It can be seen clearly, that Disney gains a higher profit from its “Merchandise, Food & Beverages sales” than the company does from admission fees.

The following graph depicts the average visitor spending trend for all Disney parks.

Figure 11: Development of average per capita visitor spending



Current expenditures per person at Disneyland are USD 21.04. Expenditures at Disney's California Adventure (which will be subject of a detailed analysis later in this paper), which has a substantial number of retailing and dining opportunities at a slightly higher level than the current park, are estimated at USD 23.6 per person, which is 12 percent above those at Disneyland (PKF Consulting, p29).

### 8.1.3 An Analysis of the company's status

What are the factors that contributed to the company's successes on its way towards becoming the World's largest family entertaining company?

The first force to be discussed is the threat of new entrants. Since the Disney company has been able to find a very distinctive niche in the industry, the entrance barriers are relatively high.



The company has been able to grow over a long period of time, and has developed from within the departments of Research and development, marketing, and finance. By relying on past experience, company officials know to a large extent what the target customer wants. As Disney pretty much dominates the family entertainment market, it will be very difficult for a new organization to develop brand recognition, brand identification and product differentiation. Disney has focused on market diversification for years and the company covers a wide array of products and services. Being a market leader has made it possible for the company to practice effective economies of scale in production. For example, over 500,000 copies of the Videocassette "Pinocchio" were sold in only two months, and the Company has 40-50 million visitors to its theme parks every year. In addition, an extremely large amount of capital investment is required for new entrants into the industry if they want to compete with the Disney Corporation. For instance, Disney spent USD3.6 billion in its European theme park (Euro Disneyland). Only very large companies can meet such large capital requirement. Lastly, the government policy towards the industry appears to be very favorable. The French government invested USD 1.2 billion (40%) in Euro Disneyland, provided public transportation facilities and a large tax relief (from 18.6% to 7%) on the cost of goods sold.

The bargaining power of customers is high in the service and in the entertainment industry. Since a large number of customers are needed to make Disney's operations run smoothly, the customers have certain powers. For instance, if the price on a particular home video is too high, customers may be reluctant to spend the money needed to purchase the product. Another example is the entrance fee charged at Disney's theme parks. It is stated in the case that the maximum amount of money that customers are willing to pay is USD 39. Accepting this fact, the entertainment industry is designed in a way that it will make the buyer spend more but the initial admission fee. A majority of Disney's product mix focuses on intangible returns on the buyer's money. The case that some customers may not realize that they are getting such a return may increase the bargaining power of the customers.

The bargaining power of suppliers is moderate. As the Disney Company is operating in a highly differentiated and unique industry with high switching costs associated with operations, the suppliers are dominated by a few companies and are most probably very concentrated. However, Disney is a unique and important customer of many of the suppliers and the company's size may certainly be a great advantage for them. By being able to order large volumes of unique products from unique suppliers, a dependency relationship in the industry will be created.

The threat to Disney that customers substitute their products or services is moderate to low. Obviously, other cartoon figures, theme parks, and movies can penetrate the market in which Disney is operating in, but this is not necessarily representing a significant threat. The Disney Company has already placed price ceilings on many of its product lines and should be able to compete with new competitors. However, the threat alone of new entrants into the market requires Disney to hedge against such risk by concurrently upgrading products and services.

Jockeying among current contestants does not play a very important role in Disney's external operational environment. It is true that the company's exit barriers are extremely high (who would buy a huge theme/amusement park?). Furthermore, capacity is augmented by extremely large investments. However, there are no close direct competitors to Disney's operations. Competitors such as "Lonely Tunes" (Time Warner Bros.) retail stores do not appear to commit themselves to expensive advertising campaigns to obtain market shares. Moreover, Disney's products are highly differentiated. The switching costs are therefore quite significant.

A multinational corporation such as the Disney Company faces internal weaknesses and strengths, which can, to a certain extent, be controlled. The external forces such as opportunity and threats are more difficult to control, and Disney has to adopt and take advantage to those forces. I would like to start-up focusing on the internal capabilities of the company.

Disney's main strength is in its resources and in the experience in the business. The company clearly has developed a very strong and well-known "brand-name" over many years. Disney has also been able to diversify its operations and products to hedge against decreasing sales in product lines. In recent years it has diverted into Home Video, Film, merchandise, Radio broadcasting, Network television and of course in theme parks. It has also effectively globally diversified its operations from USA to Japan and Europe. The main strengths in internal resources refer to human resources and financial stability. Employees in the Disney studios appear to be extremely innovative and in recent years they have produced several box-office productions. A Company without new ideas is doomed in today's competitive business environment.

Corporations always have internal weaknesses, and in Disney's case they are:

- A very large work force,
- frequent change in top-management, and
- High overhead expenses. (Source: Interview 1)

In 1991, the company had 58,000 employees. This fact represents possible communications problems, and a high level of bureaucracy within the corporation. By diversifying into more businesses and niches, the company's work force will grow even larger, and the organizational structure has to be able to support an expansion of the work force. The fact that the company very frequently changes its corporate officers makes the corporate structure even more complicated. There are many positive things that accompany changes, but change is also associated with resistance, and large expenses.

Large overhead costs are usually direct effects of a large work force and a large number of fixed assets. For instance, ticket prices should not be able to exceed USD 39 for entrance to Disneyland. Customers are not prepared to spend more money than that. Therefore, we can conclude that overhead costs should be closely monitored to match the price that customers are willing to pay for the goods and services offered.

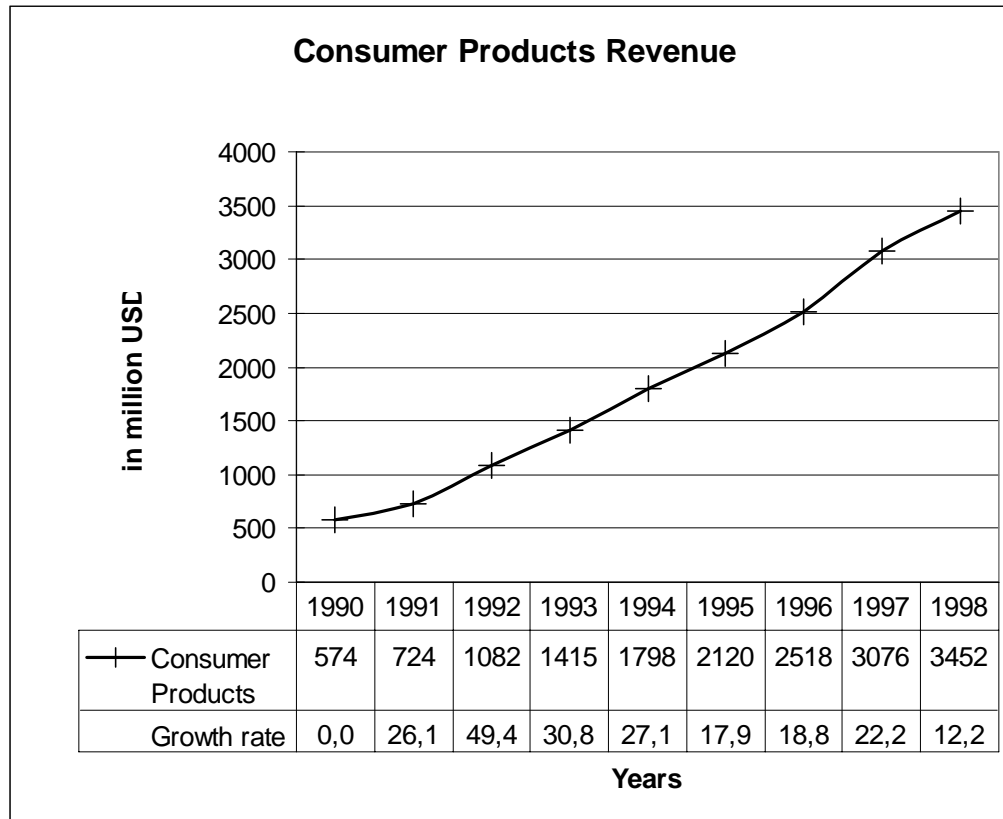
Legal and legislative forces are usually identified as being negative external factors to a company. Ironically, in Disney's case, the French government contributed greatly in the Euro Disneyworld project. The French government invested over USD 1.2 billion in the project, built communication facilities, and gave Disney tax relieves on cost of goods sold accounts as already mentioned. In addition, since the barriers of entry into the highly specialized industry in which Disney is operating, competition will find it difficult to penetrate the company's highly diversified product/service mix. Furthermore, large initial capital investments are required to enter the industry.

Major threats to the Disney Company include the following:

- Over saturated markets
- politics and economic aspects from a global perspective, and
- Foreign competition. (Source: Interview 1)

As the supply of services and products in the entertainment industry is starting to saturate the markets, competition will be more intense, and only the most powerful companies will be able to survive. Disney has leveraged this risk to a certain extent as it has diversified and globalized its operations, but still, the company is in the service/entertainment business. Some of its operations, such as the Network-television division may not be able to handle the pressure from the Cable-giants such as Turner Broadcasting Systems (TBS).

Figure 12: Development of consumer products revenue



Source: Annual Reports of the Walt Disney Company, 1994-1998

The surpassing growth rate in consumer product sales in the years 1992 until 1994 can probably be justified by the opening of Euro Disneyland. As more visitors from an under-supplied market (Europe) visit the new theme park, they tend to buy gradually more Disney-related souvenirs and consumer products.

After the first visitor-boom and the additional spending for consumer products in Euro Disney eased up in the year 1994, the “normal” growth rate of almost 20 % a year on average could be kept.

The effects of an economic depression could make it too expensive for people to utilize the services and the products offered. Once again, I have to point out that the company has hedged itself to the macroeconomics forces, as it has diversified its business worldwide. If there is a depression in Europe, Euro Disneyland may operate on a loss, meanwhile, the operations in Japan would be able to cover-up the losses by boosting

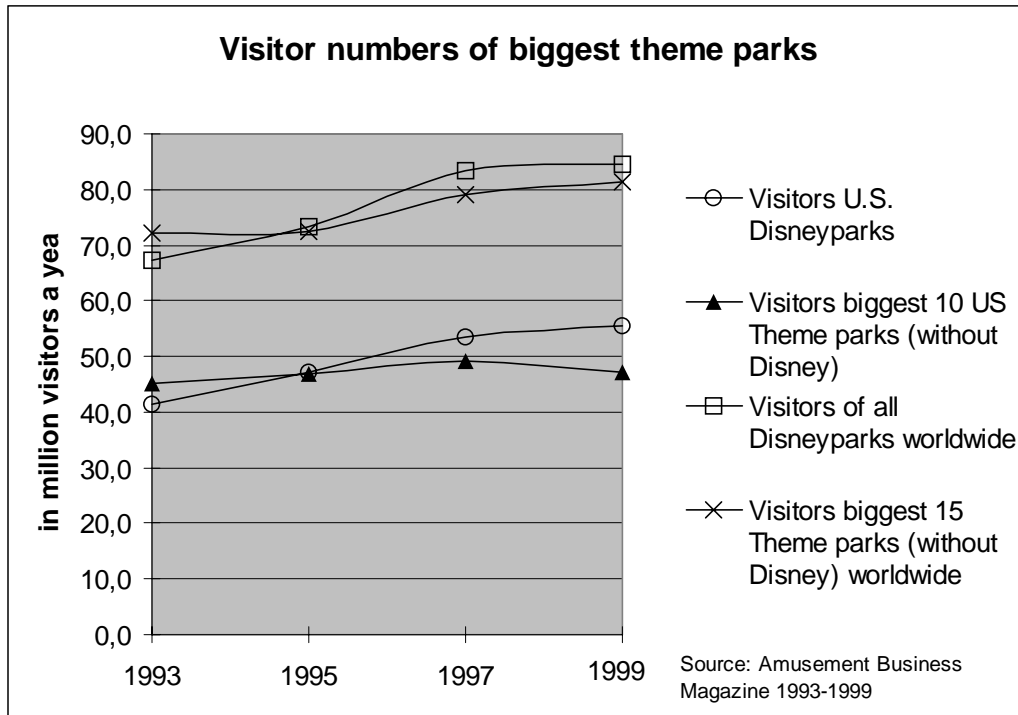
operating revenues. It is known that economic depressions very seldom strike the whole world economy at once.

Competition is always a threat to a company. Even though that the entrance barriers are relatively high in the niche in which the company is operating in, the threat of new competition cannot be excluded. The movie business and the Network-television departments are extremely risky. In those two areas of operation, Disney is the intruder, and there are several very powerful rivals. A less significant threat comes from new cartoon characters. New cartoon figures appears every-day in television shows, and in movie theaters overseas. Will "Mickey and the Gang" be able to beat the war of the limited market shares internationally and domestically? Only the future generation cartoon lovers can answer that question, but tendencies in the market should be very carefully monitored.

The corporate strategy is clearly focusing on diversifying its products and services. Rapid expansion overseas and an increase in the product and service mix have created an umbrella effect. Thus, risks have been minimized. If one product line fails, other product lines will cover-up for its losses.

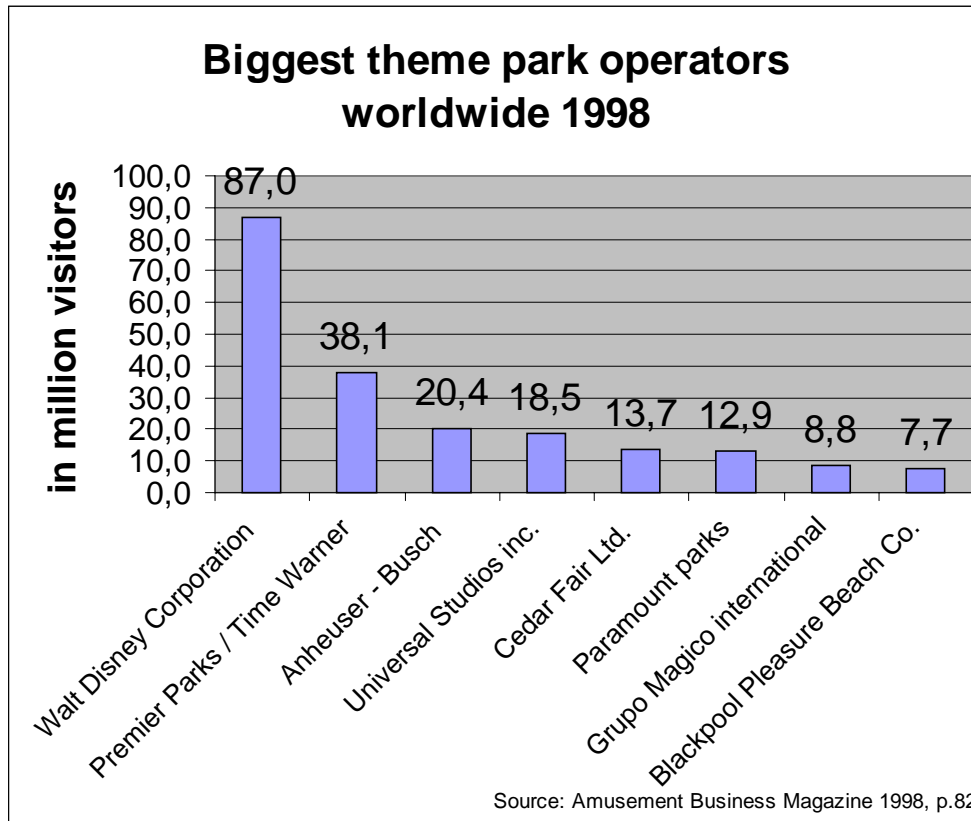
The following figure shall depict the quasi-monopoly status of Disney's theme parks in the United States and worldwide:

Figure 13: Visitor numbers biggest theme parks



Regarding the chart above, it should not cause any astonishment that the Walt Disney Corporation is by far the biggest theme park operator in the world. Note that they count more than the double visitor number than the second largest operator in the world does in figure 14.

Figure 14: Visitor numbers biggest theme park operators



Source: Amusement Business Magazine 1998, p.80

### 8.2 Introduction of the Case-study project

The USD 1.4 billion Disneyland Resort expansion will include a new theme park (Disney’s California Adventure), a new 750-room deluxe resort hotel (Disney’s Grand Californian Hotel), and the “Disneyland Center”, a new retail dining and entertainment esplanade, which is supposed to accelerate new economic growth for Anaheim, Orange County and Southern California (Disney Corp., 1996a) .



As planned, Disney's California Adventure will offer the following themed districts:

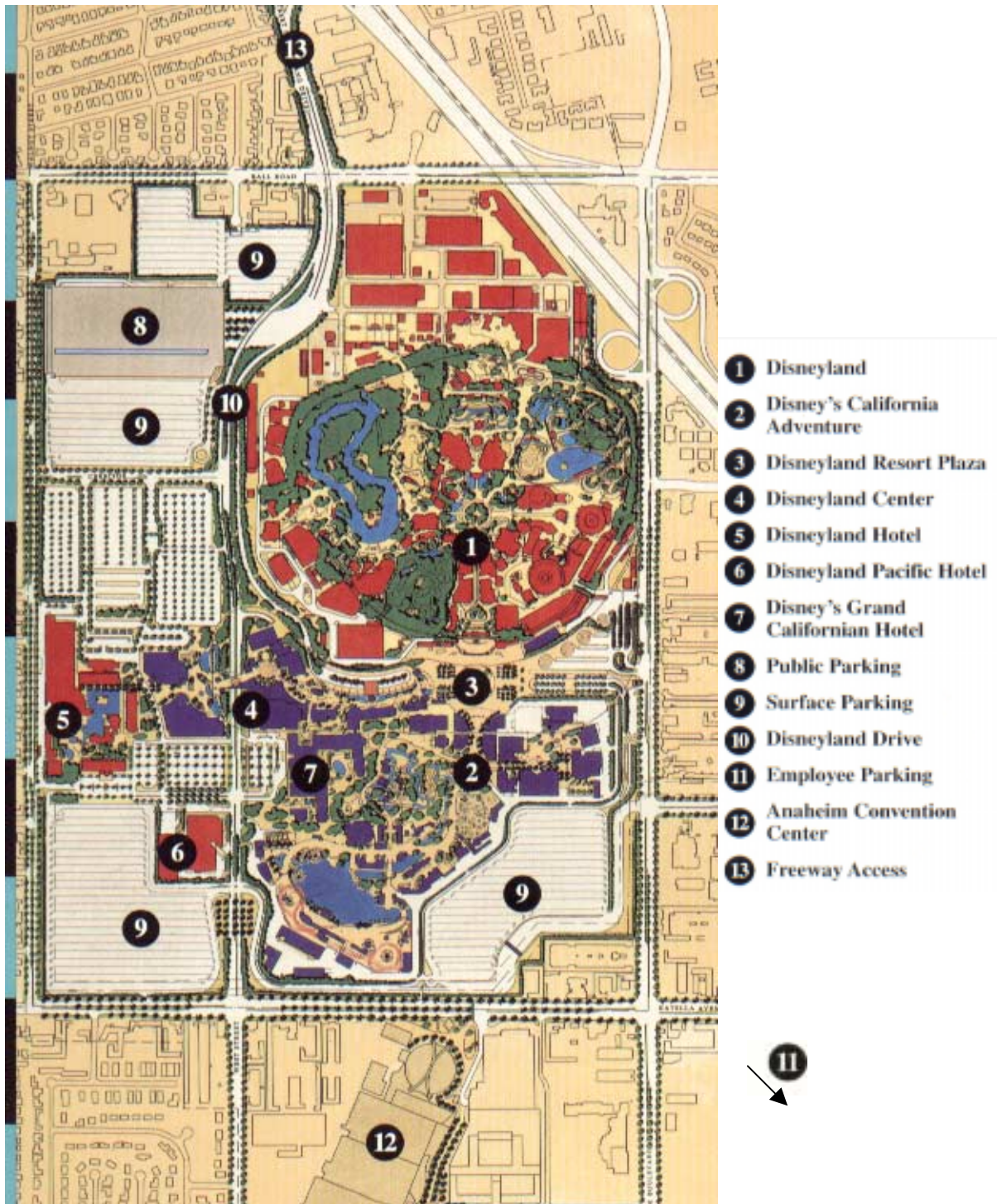
- The Hollywood / Beverly Hills area
- A beachfront boardwalk area
- A wilderness area
- A working farm and a farmer' Market / manufacturing area showcasing California's products.

Based on their experience with EPCOT Center in addition to Walt Disney World in Orlando, Florida, the Walt Disney Company estimates that as a result of the park's expansion, the numbers of visitors and the average length of stay will increase.

Attendance is expected from a stabilized baseline of 13.7 million people currently at Disneyland to an expected stabilized level of 20.2 million people for Disneyland and Disney's California Adventure combined (PKF Consulting, p8).

To me, this appears to be a conservative estimate, since the park area will be doubled in size, but the attendance will only increase by 40 percent relative to the 1996 attendance (when construction began).

8.2.1. Map of project site



**8.2.1.1 Theme park district:**

The theme park district is the largest of the land use areas and includes approximately 292 acres. The theme park District will include the existing Disneyland theme park (136 acres), a new theme park called “Disney’s California Adventure” and associated ticketing areas and pedestrian circulation areas (147 acres), and the new Disneyland administration building (9 acres). (EIR #311, V.1, p 4-34)

**8.2.1.2 Hotel district**

The hotel district is the second largest area within the Disneyland Resort and covers approximately 97 acres. The Hotel District is intended for hotels, meeting room space, accessory retail, recreational uses (e.g. pools, tennis, courts), landscaped areas and parking facilities (EIR #311, V.1, p 4-34).

**8.2.1.3 Parking District**

The 76 acres Parking district consists primarily of two major parking lots, which have easy access to the Interstate 5. Together, the parking lots contain 34,400 spaces (EIR #311, V.1, p 4-34).

**8.2.1.4 Future Expansion District**

The 81 acres future expansion district will accommodate a possible future expansion of the Disneyland Resort.

Table 9: Land use at WestCot

Land use	Districts (acres)			
	Hotel	Theme Park	Parking	Future Expansion
Hotels	97	-	-	-
Public Parking	-	-	76	-
Disneyland Theme Park	-	136	-	-
D’s California Adv. Park	-	147	-	-
Administration Bldg.	-	9	-	-
Future Expansion	-	-	-	81
<b>Total (= 546 )</b>	<b>97</b>	<b>292</b>	<b>76</b>	<b>81</b>

### 8.2.2 Construction activities and phasing

The construction activities for the Disneyland Resort will involve many stages within each construction phase. Not all types of construction activities will occur at the same time: Many will occur sequentially.

Table 10: Phases of construction

<b>Construction Phase</b>	<b>Estimated duration</b>	<b>Typical activity</b>
1	1993-1995	Adoption of existing Theme Park to future needs ticket booths, people movers, etc.
2	1996-2002	Disney's California Adventure – Begin of construction & Park will be finished
3	2000-2010	Construction of 3 <sup>rd</sup> Theme park in "Future Expansion District" (81 acres)

### 8.2.3 Project objectives

The purpose of the expansion is to create an international, multi-day vacation destination, which integrates existing and future theme parks, hotels, and other visitor-serving facilities in proximity to each other. The 546 acre- Disneyland Resort will include a number of opportunities for shopping, dining, amusement, and recreational activities that will change the site from a single-day visit destination to a multi-day attraction. Since many guests will extend their length of stay, incremental vehicle trips to and from the area are expected to be reduced.

The objectives of the Disneyland Resort include (EIR #311, V.1, p 6-21):

- To reconfirm and enhance Southern California as one of the world's greatest tourist destinations.
- To transform the existing Disneyland Resort from a primarily day-use activity into a multi-day destination resort for use by the Southern California metropolitan area residents as well as visitors from around the world.
- To maintain and enhance the economic vitality of the City of Anaheim and Orange County by providing business and job opportunities associated with the construction and operation of the Disneyland Resort.
- To lay a foundation for future economic expansion.
- To minimize environmental impacts through comprehensive site development guidelines.

### **8.3. Current theme park market structure of the L.A. Area**

What are the environmental conditions to the project ? Which framework is already existing in the case-study's region ?

#### 8.3.1. Admission fees

Table 10: Current admission fees:

<b>Park</b>	<b>Admission Adults</b>	<b>Admission Children</b>	<b>Admission Seniors</b>
Disneyland Anaheim	38 USD	28 USD	36 USD (over 60 years)
Knott's Berry Farm	36 USD	26 USD	26 USD (over 60 years)
Six Flags Magic Mountain	39 USD	19.50 USD (smaller than 48 ")	19.50 USD (over 55 years)
Universal Studios Hollywood	29 USD	29 USD	-

\*) by Oct. 11<sup>th</sup>, 1999: own survey.

The quoted prices are on a daily admission ticket basis. Note that the big parks like Disney offer 3-, 4-, 5-, and 6-day passes as well (on a cheaper per-day basis). It attracts attention, that all parks have nearly the same admission prices. As Foden (1996) already mentioned, visitors are not willing to pay more than 39 USD admission fee, so there is no more room for maneuver for the competing companies.

### 8.3.2 Visitor numbers

Table 12: Visitor numbers of the L.A.-Area parks

<b>Theme Park</b>	<b>Visitors 1998</b>
Disneyland Anaheim	13,680 millions
Knott's Berry Farm	3,400 millions
Six Flags Magic Mountain	3,070 millions
Universal Studios Hollywood	5,100 millions

Source: Amusement Business Magazine 1998, p.76

In the L.A area, as well as worldwide, the Park run by Disney leads the ranking by attendance numbers by far. Ranked on second place is Universal's park in Hollywood, which counts only 37 % of Disney's visitor number, almost equal on third respectively fourth place Knott's Berry's Farm and Six Flags can be found with a visitor number of approximately 25 % of Disney's.

### 8.3.3 Origin of Visitors

#### **8.3.3.1. Disneyland Anaheim**

Table 13: Derivation of Disneyland's visitors

<b>Derivation of Visitors</b>	<b>Share</b>
Local (Southern California)	47 %
North California	22 %
U.S. Domestic travelers	16 %
International (mainly: Japan, Canada, UK, Germany)	15 %

Source: Study of the Projected Future Tax Collections, p.5

### 8.3.3.2. Knott's Berry Farm

Table 14: Derivation of Knott's Berry's visitors

Derivation of Visitors	Share
Local (Southern California)	59 %
U.S. Domestic (Nevada, North Calif., Arizona, etc)	30 %
International (mainly: Japan, Canada, UK, Germany)	11 %

Source: Knott's Berry's Public Relations Dept.

### 8.3.3.3. Six Flags Magic Mountain

Table 15: Derivation of Six Flags' visitors:

Derivation of Visitors	Share
Local (Southern California)	80 %
U.S. Domestic (Nevada, North Calif., Arizona, etc)	15 %
International (mainly: Japan, Canada, UK, Germany)	5 %

Source: Amusement Business Magazine 1998, p.77

### 8.3.3.4. Universal Studios Hollywood

Table 16: Derivation of Universal's visitors

Derivation of Visitors	Share
Local (Southern California)	52 %
U.S. Domestic (Nevada, North Calif., Arizona, etc)	34 %
International (mainly: Japan, Canada, Mexico, UK, Germany)	14 %

Source: Amusement Business Magazine 1998, p.76

Regarding the market area, interesting differences can be found. Disneyland, for example, has the lowest ratio of local customers, but the largest share of international visitors.

Also, the general composition of the visitors origins is most equal at Disney's park – the only park with a comparable composition of the visitors origins are Universal's Studios in Hollywood.

The biggest dependency onto the regional market shows Six Flags Magic Mountain, which is not only the park with the biggest share of local visitors, but also the park with the smallest ratios of U.S. domestic (= other than Southern California) and international visitors ever.

As we learned earlier, that does not necessary mean that this park has the smallest impact on the regions economy compared to the others. Here, Six Flags Magic Mountain is the

smallest park in terms of visitor numbers and also the least “export-orientated” park in the region (compare figure 4, p.28).

#### **8.4. Impacts of the project**

##### 8.4.1. Impacts from construction / expanding the existing theme park

###### **8.4.1.1 Employment**

Construction of the WESTCOT Center (see glossary) will result in 51,200 direct and indirect person-years (equivalent to the hours worked by one employee 8 hours a day, five days a week) of construction jobs in Southern California.

Of this total, construction will require 23,800 person-years to build the WESTCOT Center. Indirect construction jobs within Anaheim will result in additional 1,500 person-years of employment. Additionally, approximately 25,900 indirect person-years of construction jobs will be located in the region, but outside of the City of Anaheim (EIR#311, V.1, p. 3-252). The provision of these employment opportunities is a beneficial impact to the economy.

###### **8.4.1.2 Housing**

Construction employees do not typically relocate for a project. Although the construction phase one and two will take place over 7 years, most of the required trades will only be working for specific segments of the construction period. In addition, unemployment in the construction field is currently high. There are many unemployed or underemployed construction workers in the region who do not have to relocate for project employment. Construction employees are not expected to have a significant impact on housing (EIR#311, V.1, p 3-252).



## 8.4.2. Final impacts of the project

### **8.4.2.1 Employment**

#### 8.4.2.1.1 DIRECT EMPLOYMENT

The project will directly add new jobs as a result of its construction and operation. It will also induce new jobs as a result of income spent by workers filling these direct jobs, and may, in addition, result in indirect employment, to that extend that direct employment leads to local purchases of materials and services. The additional employment generated by the proposed project is a beneficial impact for job growth in Anaheim and the region.

The following table presents an estimate of the number of direct, new jobs which will be created as a result of the project. The estimates presented in the table were derived based on human resource requirements of the existing Disneyland theme park and retail and hotel operations in California.

Table 17: Employment projections

<b>Jobs by Category</b>	<b>WESTCOT and Associated Uses Employment in 2002</b>	<b>Future Expansion District Employment in 2010</b>	<b>Total Project Employment by 2010</b>
Theme Park (based on attendance)	6,630	3,315	9,945
The Disney Resort Hotels (based on rooms)	5,600	0	5,600
Retail (in Theme Parks, based on gross square feet)	2,100	0	2,100
<b>Subtotal Future jobs</b>	<b>14,330</b>	<b>3,315</b>	<b>17,645</b>
Existing site jobs (subtracted) <sup>a)</sup>	2,482	0	2,482
<b>Net direct jobs</b>	<b>11,848</b>	<b>3,315</b>	<b>15,163</b>
<b>Full-time</b>	5,198	1,034	6,232
Part-time	3,809	1,429	2,238
Casual/Temporary	2,841	852	3,693
FTE primary wage earners	4,258	1,010	5,268
<sup>a)</sup> Existing jobs that will be replaced by the Disneyland Resort are subtracted from the estimates shown above for the Disneyland Resort			

Source: EIR#311, V.1, p3-273

The development of the theme park, Hotel, and Parking Districts will result in 5,198 direct, new permanent full-time cast member jobs, 3,809 permanent part-time cast jobs, and 2,841 casual/temporary cast jobs in the year 2002. WESTCOT represents 4,258 jobs likely to be filled by full-time equivalents (FTE) primary wage earners who are workers most likely to influence the residential location decision of their respective households, as is discussed further below.

Assuming a third park in the Future Expansion District will be operational by 2010, it will add 1,034 more full-time, 1,429 more part-time, and 852 more casual/temporary jobs. Full-time equivalent earner jobs will number 5,268.

Since the proportion of the theme-park area to the Hotel-Retail area is changing (disproportionately more Hotels and Retail-shops areas are added) the employment structure also changes:

Table 18: Changes in cast characteristics

<b>CHANGES IN CAST CHARACTERISTICS</b> (deriving from expansion of the park)		
Characteristic	Current Cast	Project Cast
<b>Work site</b>		
Theme Park	85.0 %	77.3 %
Hotel	15.0 %	22.7 %
<b>Job Status</b>		
Full-time	37.8 %	41.1 %
Part-time	37.5 %	34.6 %
Casual/Temporary	24.8 %	24.4 %
<b>Median Age</b>	27 years	28 years
<b>Median Time Employed</b>	36 months	36 months
<b>Median Household size</b>	3 persons	3 persons
<b>Wage Earner Status</b>		
Primary	39.9 %	41.7 %
Secondary / Other	60.1 %	58.3 %
<b>Housing Tenure</b>		
Owners	68.4 %	67.2 %
Renters	30.3 %	31.6 %
Other	1.3 %	1.2 %
Median months at current address	48 months	48 months

Source: EIR#311, V.4, Appendix H, p.51

As can be seen from the table, the future Cast will consist of a larger portion of full-time workers than the cast today. On average, future cast members will be slightly older than the current cast and to a higher percentage of primary wage earners.

8.4.2.1.2 WORKFORCE DEMANDED BY THE PROJECT

Table 19: Direct employment 2002 and 2010 forecast

<b>DIRECT EMPLOYMENT 2002 AND 2010 FORECAST</b>			
<b>Employment</b>	<b>WESTCOT Jobs</b> (as percent of 2002 forecast)	<b>Total direct Jobs</b> (as percent of 2010 forecast)	<b>Total direct Jobs</b> as percent of projected Job Growth (1990-2010)
Share in the City of Anaheim			
Net jobs	6.2 %	7.0 %	32.4 %
FTE Primary wage earner jobs	2.2 %	2.4 %	11.3 %
Share in the Northwest Orange County Subregion			
Net Jobs	1.4 %	1.6 %	8.2 %
FTE Primary wage earner jobs	0.5 %	0.6 %	2.8 %

Source: EIR #311, V.1, p.3-274

WESTCOT’s cast is equal to 8 % of the number of Anaheim resident labor force. At buildout in 2010, the project’s cast will be equal to 9 percent of the City’s resident labor force.

Based on existing cast characteristics (taken from the existing Disneyland Resort), the project labor force will most likely be drawn from an area larger than the City of Anaheim (EIR #311, V.1, p.3-275).

The nature of many of the employment opportunities at the project (e.g. entry-level skill requirements, part-time and temporary work with commensurate pay) and the characteristics of the jobs suggests that the potential labor supply in the region will far exceed the likely demand for additional labor generated by the project. Given the

characteristics of the jobs and the employees, it is likely that the project will find its employees in the regional resident labor force. The project is not expected to induce significant migration into Southern California or substantially increase intra-urban mobility. The final project's direct employment would not result in significant employment impacts and would benefit the City with expanded employment opportunities (EIR #311, V.1, p.3-275).

#### 8.4.2.1.3 POTENTIAL AND INDUCED EMPLOYMENT

The only reliable way to estimate indirect jobs and where such jobs are likely to occur is through the operation of an econometric model of the region. It traces the flow of dollars associated with construction and operation of the project as this spending filters through the various sectors of the regional economy. Based on the WESTCOT Center, a fiscal analysis of the project (Kotin, Regan Mouchly, Inc. 1991) included such an analysis. The City of Anaheim has independently reviewed and evaluated this study which can be summarized as follows:

The fiscal impact analysis indicates that each direct job associated with operation of the WESTCOT Center in Anaheim will result in 0.777 indirect jobs. About 15 percent (1,800) of these indirect jobs will be located in Anaheim (EIR #311, V.1, p.3-276). Applying these factors to the estimate of 15,163 total net direct project employees and 3,211 induced jobs suggests that the project could result in 14,277 indirect jobs, of which 2,142 would occur in Anaheim. Some unknown portion of these jobs will be part-time and temporary, and some will represent jobs for primary wage earners.

### **8.4.2.2 Housing**

The project does not include any dwelling units, and therefore will not result in any direct increase in population in either Anaheim or the subregion of Orange County. To the extent that project employees and indirect or induced employment associated with the project result in net new households in either area, the project will cause an indirect increase in population. It is not expected that any such indirect population growth will result in significant impacts.

For the Disneyland Resort as a whole, it is estimated that 553 cast households will seek housing in Anaheim, or 1,659 people, which represents 5 percent of the 1990 – 2010 population growth forecasted by SCAG for Anaheim. The proposed project’s direct employment would not result in a significant indirect population impact, because the estimated population increase associated with the project is well within growth projections for the City (EIR #311, V.1, p.3-277).

The construction of the Disneyland Resort does not include the construction of any new residential units. Thus, it will not have any significant direct impact on housing in Anaheim or the subregion. As discussed in the EIR #311, the propensity of households to move from one location to another is a result of being a cast member or keeping a status of a “normal” theme park worker. Casual and temporary theme park workers are largely students living at home, and therefore their decision to take a job at the project is unlikely to influence their household’s decision about where to live.

Considered these factors, it is estimated that the WESTCOT Center will generate the “need” for approximately 460 units while the future expansion district will generate the “need” for 63 housing units. Total estimated need for housing units in Anaheim to accommodate cast households is 523 (EIR #311, V.1, p.3-278).

### **8.4.2.3 Impacts on the Hotel industry**

#### **8.4.2.3.1 PROJECTED SUPPLY AND DEMAND FOR HOTEL ROOMS IN ANAHEIM**

There are more than 80 motels and hotels within a two-mile radius of Disneyland, which contain approximately 16,000 rooms (Source: PKF Consulting, p. 19). Within Anaheim’s

hotel inventory, the highest rated properties are the Disney branded, followed by the relatively new Convention Center headquarters hotels. Because of their very large size, the mentioned properties account for approximately one quarter of the City of Anaheim rooms inventory.

As would be expected, there is an inverse correlation between property age and quality (the younger the property the higher the quality). With a few notable exceptions, the average daily rates for the aggregate market of mid-level properties ranges from USD 40 to USD 60, depending on proximity to Disneyland, age, condition, and brand. The by far cheapest possibility to stay in the Anaheim Area is by using the Recreation Vehicle park, which prices range from USD 20 to USD 30 (Source: own survey, Nov. 5<sup>th</sup>, 1999).

Table 20: Projected Supply and Demand for Lodging

Projected Supply and Demand for Lodging						
Fiscal year	Supply			Demand		
	Addition	Room Nights	Percent Change	Room Nights	Percent Change	Occupancy
1998	0	6,214,125	-	4,289,079	-	69.0
1999	-146	6,160,835	-0.9	4,323,155	0.8	70.2
2000	0	6,160,835	0	4,146,641	-4.1	67.3
2001	750	6,434,585	4.4	4,143,243	-0.1	64.4
2002	2000	7,164,585	11.3	5,102,810	23.2	71.2
2003	1000	7,529,585	5.1	5,406,278	5.9	71.8
2004	1000	7,894,585	4.8	5,657,982	4.7	71.7
2005	750	8,168,335	3.5	5,844,132	3.3	71.5
2006	500	8,350,825	2.2	5,968,232	2.1	71.5
2007	250	8,442,085	1.1	6,030,282	1.0	71.4
Compound annual growth rate			3.5	4.1		

Source: PKF Consulting, p20.

At the start of the financial year (FY) 1996, approximately 146 older villa units at the Disneyland Hotel will be demolished to make way for the retail, dining and entertainment complex.

In FY 2001, it is expected that the first new private suppliers enter the market while the estimation expects 2000 more rooms to be supplied in the FY 2002 (with the 750-rooms of Disney's Grand Californian Hotel).

Another 2000 rooms will appear by other private suppliers in the years 2003-2004 (PKF Consulting, p.18).

Beyond 2005, the estimation expects the demand to stabilize and that the market will reach a plateau with regard to demand.

To talk about the demand side, it has to be mentioned that in the FY 1999, the new "Tomorrowland" was opened and demand is expected to rise modestly from prior year levels. In FY 2000, Disneyland will not offer any new attractions and the Convention Center will be undergoing its last phase of renovation. Some visitor groups could postpone their bookings to a time when the Convention Center is finished and since there is no new ride at Disneyland, the demand is to decline by 4.1 %.

In FY 2002, Disney's California Adventure and the Grand Californian will open and the Convention Center will be in its second year of operation. Given the new attractions, the demand will rise sharply.

After that, an abrupt decline in demand growth rate will occur, reflecting the maturity of Anaheim's revival.

#### 8.4.2.3.2 PROJECTED GROWTH IN AVERAGE DAILY ROOM RATE

In the 1980s, the increase in the rooms supply depressed rates, then the economy caused demand to decline, and most recently Anaheim's hotel operators underestimated the strength of the market and contracted long-term-agreements with wholesalers or other groups for large room commitments at what are now currently below market rates.



Table 21: Projected growth in average daily room rate

<b>Fiscal Year</b>	<b>Average Daily Room Rate</b>	<b>Growth</b>	<b>Revenue (USD)</b>	<b>Growth</b>
1998	72.97	6.0	312,191,003	4.3
1999	75.09	3.2	324,615,174	4.0
2000	78.22	4.2	324,355,429	-0.1
2001	82.02	4.9	339,813,126	4.8
2002	88.08	7.4	449,470,935	32.3
2003	90.65	2.9	490,101,563	9.0
2004	93.23	2.8	527,488,386	7.6
2005	95.97	2.9	560,867,656	6.3
2006	98.86	3.0	590,036,946	5.2
2007	101.91	3.1	614,541,792	4.2
Compound annual growth		4.2 %		6.4 %

Source: PKF Consulting, p22.

In FY 2002, the year the California Adventure opens, the study forecasts an increase in the daily room rate, at 7.4 percent. A significant portion of this is attributable to the opening of the 750-room Grand Californian, which is envisioned to be the biggest hotel in Anaheim.

Beyond the financial year 2007, the study forecasts the daily room rate and room revenues to grow at the rate of inflation, which is assumed to be 3.0 percent annually.

To see an analysis of the impact of the additional hotel revenues see table 29, page 100.

### 8.4.2.4 Public Costs and Benefits

#### 8.4.2.4.1 COSTS

##### 8.4.2.4.1.1 Infrastructure costs

The expanded Disneyland is expected to draw 20 million and more visitors annually when finished. Currently, Disneyland attracts estimated 14 million visitors per year – this growth in visitor numbers makes clear, that a huge infrastructure investment programme has to take place.

Areawide improvements for WESTCOT costs are paid through issuance of revenue bonds, Federal, State, and Regional funding, and by bed tax collections and interest earnings. Disney and bond insurers have agreed to cover any bond payment shortfalls, meaning that there is no risk to Anaheim’s taxpayers and the City’s general fund. No new taxes have to be introduced on Anaheim’s taxpayers to construct this project (all: Protocol of the “Special Meeting of the Anaheim City Planning Commission”,p.59). Following table illustrates the summary of the infrastructure investment costs:

Table 22: Absorption of costs

<b>COMMUNITY DEVELOPMENT</b>	<b>Amount (in million USD)</b>
West Lincoln Ave. Widening / Beautification	\$ 3.0
Miscellaneous Community Development Improvements	\$ 1.2
<b>POLICE AND FIRE BRIGADE</b>	
Anaheim Canyon Substation	\$ 6.9
Fire Station Katella Street Relocation	\$ 1.4
Fire Station Clinton Street Modification	\$ 1.4
<b>PUBLIC WORKS</b>	
Anaheim Resort Area	\$ 450.0
Citywide Street Construction	\$ 26.0
Citywide Street Reconstruction	\$ 21.5
Sewer and Storm Drain improvements	\$ 8.3
Rail Improvements	\$ 1.5

Traffic Systems and Signals	\$ 5.5
Katella Ave Improvement	\$ 41.3
Imperial Highway Project	\$ 10.0
<b>PUBLIC UTILITIES - ELECTRIC</b>	
System Undergrounding	\$ 43.7
Overhead Line Extensions	\$ 15.0
Residential Expansion	\$ 11.0
Energy Efficiency program	\$ 6.9
Substation Improvements	\$ 5.7
Transformers and Capacitors	\$ 4.0
Control System Improvements	\$ 2.4
Telecommunications	\$ 2.1
System Protection Improvements	\$ 2.0
Communication System Improvements	\$ 2.0
Remote Customer Services Location	\$ 0.1
<b>PUBLIC UTILITIES - WATER</b>	
Water Main Replacements	\$ 16.8
New Water Transmission Mains	\$ 12.0
Water Production System	\$ 10.3
<b>OTHER PUBLIC AGENCIES</b>	
Interstate Highway 5 Improvement	\$ 1,100
<b>TOTAL PUBLIC PROJECTS</b>	<b>\$ 1,812</b>
<b>PRIVATE DEVELOPMENT</b>	
Disneyland Resort Expansion	\$ 1,400
New Commercial, Retail	\$ 690
<b>TOTAL PRIVATE PROJECTS</b>	<b>\$ 2,090</b>

Source: Addendum to "The Disneyland Resort Final EIR No.#311", p. 85

We see, that the public carries the costs of 1,812 million USD, while the private carrier of the project, the Walt Disney Company, invests over 2,000 million USD.

#### 8.4.2.4.1.2 Environmental costs of the project

The following significant cumulative impacts are identified (EIR #311, V.1, p 5-30):

- Loss of prime agricultural land
- Land use incompatibilities inherent in the juxtaposition of commercial and residential uses.
- Cumulative air quality impacts related to emissions of ROG, NO<sub>x</sub>, CO and PM<sub>10</sub> which will exceed SCAQMD significance thresholds, significant cumulative SO<sub>x</sub> emissions may also occur but are required to be offset.
- Construction impacts such as transportation disruption, air emissions, and visual disruptions.
- Solid waste impacts due to limited landfill capacity
- Potential impacts related to cumulative consumption of electricity and natural gas.

#### ***a) Traffic***

In the environmental impact report (EIR #311, V.1, p 5-33), the development of the traffic density is forecasted until the year 2010 for the Interstate 5 which is the only highway access to the site and an important North-South connection as well. Nearly 2/3 of project traffic arrives by the I-5.

Table 23: P.M. peak hour vehicle trip generation

Types of traffic	P.M. Peak hour vehicle trip generation		
	Year 1990	Year 2002	Year 2010
Theme park related	48.377	52.639	59.054
Trough-Traffic	46.386	52.503	58.618
Total	94.763	105.142	117.672
<b>Total growth rate</b>	<b>= 0</b>	<b>10.95 %</b>	<b>24.17 %</b>

Source: EIR #311, V.5, p1-23

To host the additional arising traffic, following improvements of the Interstate Highway Number 5 are being undertaken (in the amount of \$ 1.1 billion, funded by tax dollars) and can be indicated as mitigation measures. The I-5 improvement will be completed in 2001 and features mainly a widening of the already existing I-5 by 3 lanes each direction and one additional lane which will be reserved for car-pooling (The I-5 Improvement Project, p.2) for the length of 9.5 miles (between I-91 and I-22). Besides, additional ramps for better and convenient access to the Anaheim Resort area and to the connecting Interstate Highways will be constructed.

**b) Water**

Table 24: Projected wastewater flow

<b>PROJECTED WASTEWATER FLOW</b>		
<b>Component</b>	<b>Existing Wastewater Generation (thousands gallons per day)</b>	<b>Proposed Wastewater Generation (thousands gallons per day)</b>
<b><i>Existing</i></b>		
Disneyland Theme Park	1190	
Disneyland Hotel	490	
<b><u>TOTAL</u></b>	<b>1680</b>	
<b>Proposed Uses (WESTCOT Center)</b>		
WESTCOT Theme Park		1900
Hotels		1160
Disneyland Park Additions		320
<b><u>New Facilities Subtotal</u></b>		<b>3380</b>
Existing uses to be credited		490
Future Expansion District		320
<b><u>Subtotal</u></b>		<b>3210</b>
<b>TOTAL NET PROJECT GENERATION</b>		<b>3210 + 1680 = 4890</b>

Source: EIR #311, V.5, Section 4, p.55

“Existing uses to be credited” in the table above means that the elimination of wastewater flows due to the replacement or removal of existing uses is referred to as a credit and is subtracted from the projected wastewater generated by the Disneyland Resort when finished.

The expanded Disneyland Resort will use an amount of water, which exceeds the current amount by approximately 2.9 times.

In order to minimize water consumption, it is required by the City that water conserving practices are adopted, such as (Source: EIR #311, V.5, Section 4, p.62):

- Use of reclaimed water for irrigation and washdown when it becomes available
- Use of vacuums and other equipment to reduce the use of water for washdown of exterior areas.
- Installation of flow-fittings and equipment such as low-flush-toilets and urinals
- Include self-closing valves for faucets and drinking fountains.
- Use of efficient irrigation systems such as drip irrigation and automatic systems, which use moisture sensors.
- Public information / awareness on water conservation via bathroom stickers, table tents, etc.
- Maximize the use of water efficient technologies and practices in any new Disney facility.

The use of low flow-fittings, fixtures and equipment will decrease the project’s water consumption by 25 to 50 percent, according to the City of Los Angeles (Source: EIR #311, V.5, Section 4, p.62).

***c) Electricity***

Table 25: Projected electrical consumption

<b>PROJECTED ELECTRICAL CONSUMPTION</b>		
Component	Existing annual Consumption (kWh)	Proposed Annual Consumption (kWh)
Existing use to remain		
Disneyland Theme Park	90,975,000	
Disneyland Hotel	46,380,000	
<b>Subtotal</b>	<b>137,355,000</b>	
Proposed uses (WESTCOT Center)		
WESTCOT Theme Park		206,885,000
Hotels		49,790,000
Public Parking facilities		34,059,000
Disneyland Theme Park Additions		18,865,000
<b>Subtotal</b>		<b>309,599,000</b>
Existing uses to be credited		19,412,000
<b>Subtotal</b>		<b>290,187,000</b>
Future Expansion District		88,000,000
<b>Total net Project Consumption</b>		<b>378,187,000</b>

Source: EIR#311, V.1, p.3-345

The expanded theme park as a whole will consume 378 million kWh annually with average daily estimated consumption of approximately 1,05 million kWh.

Compared to the levels of electricity consumption in the already existing theme park and in the park, when finally constructed, the development of the WESTCOT theme park denotes a rise in electricity demand by a factor of 2.75.

Again, “Existing uses to be credited” in the table above means that the elimination of electrical consumption due to the replacement or removal of existing uses is referred to as a credit and is subtracted from the projected waste water generated by the Disneyland Resort when finished.

As mitigation measures, the City of Anaheim requires the Disney Corporation to incorporate energy efficient technologies and practices to reduce on-site consumption of electricity, such as (Source: EIR #311, V.5, Section 4, p.76):

- Time-controlled interior and exterior public area lightning. Aesthetics lightning should be considered.
- The use of day lightning and photo cell controls for parking structures and other common area lightning
- The use of reflectors in ceiling lights
- Thermal insulation of walls to exceed state and local standards.
- The use of high-efficiency motors and motor controls (i.e. variable speed controls)
- The uses of variable volume pumping on water supply systems within the park and hotel areas.
- The isolation of air conditioning to any selected floor or floors.

***d) Air quality***

Table 26: Projected cumulative operational emissions in the year 2002

<b>PROJECTED CUMULATIVE OPERATIONAL EMISSIONS</b>				
<b>IN THE YEAR 2002(in tons per day)</b>				
	ROG	CO	SOx	NOx
WESTCOT Center	0.1492	0.9081	0.0444	0.5248
Cumulative Projects	0.8214	6.3875	-	1.3049
<b>TOTAL</b>	<b>0.9706</b>	<b>7.2956</b>	<b>0.0444</b>	<b>1.8297</b>
<ul style="list-style-type: none"> <li>• WESTCOT Center includes: Utility emissions, onsite engines and vehicles, offsite motor vehicle trips</li> <li>• Cumulative Projects includes: Mobile source emissions associated with related projects</li> </ul>				

Source: EIR#311, V.1, p.4-15

The final EIR states that the Project will not result in exceedances of state or federal carbon monoxide concentration standards at impacted intersections and, therefore, will not result in significant localized carbon monoxide (CO) impacts. Operational impacts due to emissions of sulfur dioxide (SO<sub>2</sub>) and particulate matter (measured as PM<sub>10</sub>) are



not significant. However, operational regional emissions of reactive organic gases (ROG), nitrogen oxides (NOx) and CO from the operation of the Disneyland Resort will exceed the significance thresholds established by the SCAQMD and accepted by the City of Anaheim (Addendum to the Disneyland Resort EIR, #311, p.29).

Mitigation measures (Protocol of the “Special Meeting of the Anaheim City Planning Commission”,p25):

- The Disney Corporation is required to use clean fuel (not fossil) for attraction rides and other uses, as far as practicable.
- To the extent practicable, goods movements shall be scheduled for off-peak traffic hours by the carrier to avoid additional traffic congestion).
- Parking structures have to feature electronic and signage utilities to enhance smooth traffic flows and to reduce additional pollution
- Due to the fact, that the projects main customers will be families, extra ramps to the parking lots for car-pool lane – users will be constructed to avoid traffic congestion and additional air pollution consequently.
- The use of electrical people movers and electrical shuttle buses from the parking lots to hotels and theme parks has to be implemented by the carrier of the project.

**e) Solid waste**

Table 27: Projected solid waste generation

<b>PROJECTED SOLID WASTE GENERATION</b>		
<b>Component</b>	<b>Existing Solid Waste Generation (in metric tons a year)</b>	<b>Estimated Solid Waste Generation (in metric tons a year)</b>
<b><i>Existing</i></b>		
Disneyland Theme Park	10,950	
Disneyland Hotel	4,745	
<b>Total</b>	<b>15,695</b>	
<b>Proposed Uses (WESTCOT Center)</b>		
WESTCOT Theme Park		15,661
Hotels		3,460
Disneyland Park Additions		4,565
<b><u>New Facilities Subtotal</u></b>		<b>23,686</b>
Existing uses to be credited		1,172
Future Expansion District		7,290
<b><u>Subtotal</u></b>		<b>29,840</b>
<b>TOTAL NET PROJECT GENERATION</b>		<b>15,659 + 29,840= 45,463</b>

Source: EIR #311, V.5, Section 6, p.91

WESTCOT Center alone is estimated to generate an additional 23,686 tons of solid waste per year or 65 tons per day. The city of Anaheim requires the Disney Corp. to reduce their solid waste by 25 %, which means a reduction from 45,463 tons to 36,370 tons. This shall be achieved by (EIR #311, V.5, Section 6, p.87)

- Using recycled paper products for stationary, letterhead, and use of recycled paper for packaging
- Recovery of materials such as aluminum and cardboard.
- Collection of office paper including most offices and work sites in the park
- Receptacles for recycling of polystyrene (foam) cups. The cups are compressed into discs and a vendor hauls them to a local recycler for reprocessing them.

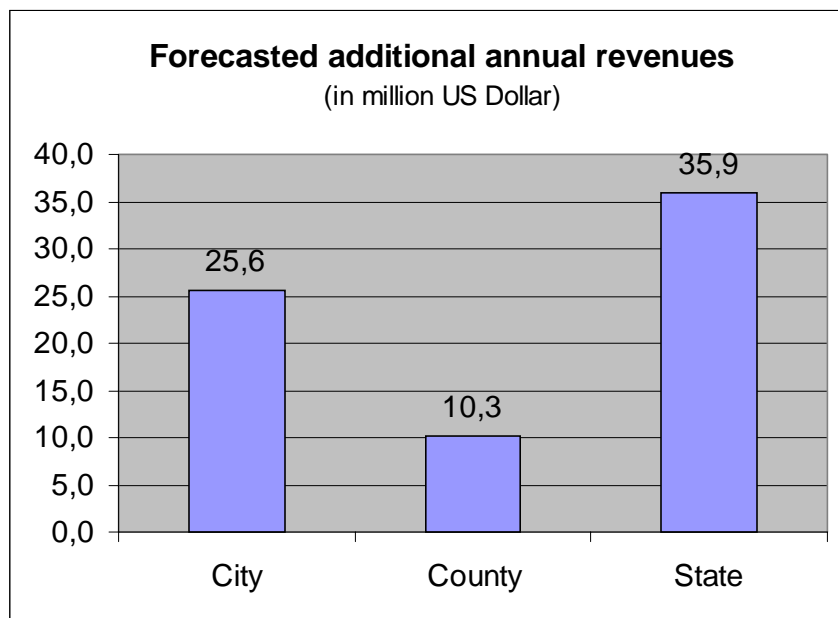
- Use of recycled toilet tissue and recycled paper towels.

8.4.2.4.2 BENEFITS

8.4.2.4.2.1 Monetary impacts

The Disneyland Corp. has a study being done, which estimates that the Disneyland Resort expansion will generate approximately USD 25 million per year in new revenues to the city of Anaheim and almost 36 million US Dollar to the state.

Figure 15: Forecasted additional annual revenues



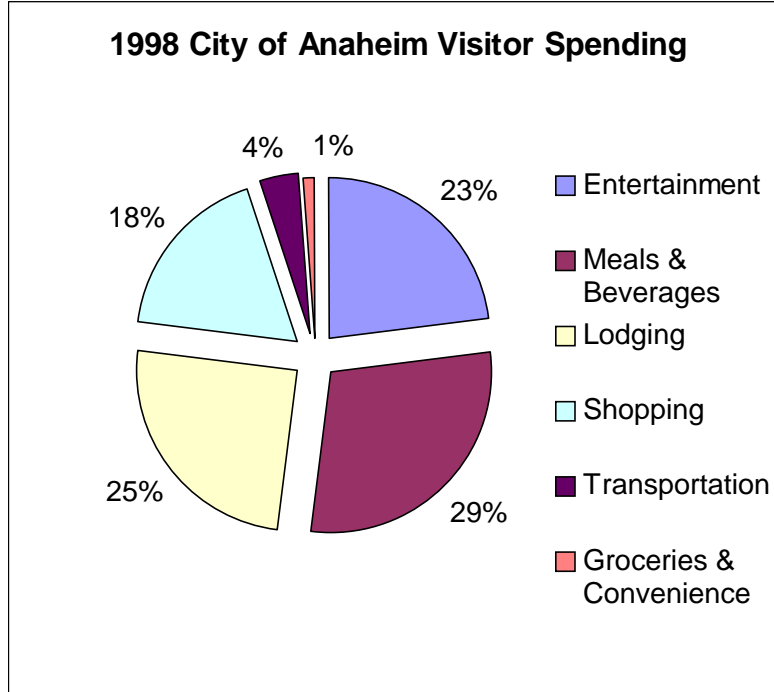
Source: The Disney Corp. 1996a (Inflation until 1999 considered)

Not only the City of Anaheim receives new revenues, also the County and in particular the State are financial “winners” of the new expanded theme park in Anaheim.

This makes clear, why not only the City of Anaheim alone has to afford the infrastructure investment program.

8.4.2.4.2.2 Visitor spending

Figure 16: Visitor spending in the city of Anaheim



Source: Anaheim/ Orange County Visitor Bureau 1998, p.6

In 1998, the average length of stay for visitors was 3.2 nights, while the average daily expenditure per travel party was \$ 167 (an avg. travel party equals 3.1 persons) in 1998.

a) Orange County employment Impact of visitor spending (direct and indirect)

Orange County visitor spending of \$ 5.6 billion (which is undertaken in the City of Anaheim by approx. 90 percent) directly and indirectly creates jobs in all sectors of the local economy:

Table 28: Orange County employment impact of visitor spending

Industry Sector	Employment	
	Number	% of Total
Eating & Drinking Establishments	39,800	26.5 %
Hotels & other Lodging Places	23,800	15.8 %
Retail Trade	23,600	15.7 %
Personal, Business & other Services	21,800	14.5 %
Amusement & Recreation Services	20,100	13.4 %
Financial, Insurance & Real Estate	6,100	4.1 %
Manufacturing	3,500	2.3 %
Transportation	3,200	2.1 %
Wholesale Trade	3,100	2.1 %
Government	1,800	1.2 %
Communications & Utilities	1,600	0.9 %
Construction	1,200	0.8 %
Agriculture, Other Resources and Mining	600	0.4 %
<b>Total</b>	<b>150,200</b>	<b>100 %</b>

Source: Anaheim / Orange County Visitor Bureau 1998, p.6

Presenting the results of the study (Anaheim / Orange County Visitor Bureau 1998, p.6) it has to be stated that:

- Each 1 % increase in visitors creates 1,500 jobs,
- 26 jobs are created per million dollars of spending,
- nearly 49 % of visitor industry employees are minorities,
- Visitor industry employees are 52 % male and 48 % female.

#### 8.4.2.4.2.3 Projected tax revenues from the Hotel Industry to the City of Anaheim

The “transient occupancy tax” (TOT) is based upon a percentage of a hotel guest’s nightly room rate. Like many other cities, Anaheim has increased its TOT periodically over the past decade in order to fund tourism generating improvements or to augment the general fund in ways that will not affect local voters. It rose from 8.0 % in 1983 to 15.0% at current.

The Anaheim Public Financing Authority will assist the City of Anaheim by issuing lease revenue bonds to finance the expansion of the Anaheim Convention Center, the construction of infrastructure to improve the Anaheim Resort Area and the construction of a public parking facility.

The lease payments measurement revenues (LPMR) made by the City of Anaheim to the Financial Authority are determined by the tax receipts collected as follows in detail (PKF Consulting, p.28):

- For all hotel properties except those on Disney Property, 3.0 percentage points of the 15.0 percent tax to be collected from January 1<sup>st</sup>, 2001, onward is to be utilized to the LPMR.
- For the Disney hotel properties, the LPMR will include the sum of the 15 percent TOT and 1 % percentage point share of sales tax. As Disney’s California Adventure and Grand Californian Hotel open only in 2002, the numbers in the following table are dated from 2002 onward for “Disney’s share” of the LPMR payment.

I would like to discuss the sales-tax a little more: It is an added element of tax receipts and is utilized to measure the lease payments which, in turn, provide revenue to repay the proposed bond debt. Specifically, the City’s one percent portion of sales tax received, aggregated with TOT on Disney Hotels, on all sales subject to sales tax and TOT on Disney properties is to be utilized in the calculation of the LPMR. These sales consist essentially of the following:

- Food, Beverage and merchandise sales at the existing Disney branded Hotels

- Food, beverage and merchandise sales at the proposed Grand Californian Hotel;
- Food, beverage and merchandise sales at Disneyland and Disney's California Adventure
- Food, beverage and merchandise sales at the proposed Retail / Entertainment Center.

Table 29: Total LMPR Payments

Financial year	Non-Disney Hotel Room Revenue	15 % TOT	3 % of Room Revenue (used for LMPR payment)
2001	270.450.055	40.567.508	<b>8.113.502</b>
2002	326.140.101	48.921.015	<b>9.784.203</b>
2003	363.070.804	54.460.621	<b>10.892.124</b>
2004	396.646.704	59.497.006	<b>11.899.401</b>
2005	426.100.724	63.915.109	<b>12.783.022</b>
2006	451.227.006	67.684.051	<b>13.536.810</b>
2007	471.567.554	70.735.133	<b>14.147.027</b>
2008	485.714.581	72.857.187	<b>14.571.437</b>

Financial year	TOTAL LMPR Payment Flow (From City of Anaheim to Financial Authority)
2001	<b>8.113.502</b>
2002	<b>35.461.918</b>
2003	<b>37.340.171</b>
2004	<b>39.140.889</b>
2005	<b>40.841.754</b>
2006	<b>42.437.305</b>
2007	<b>43.914.536</b>
2008	<b>45.231.972</b>

Financial year	Room Revenue from Disney's additional Hotels	15 % TOT	Estimated Food&Beverage and Merchandise Revenue	Sales Tax at 1 %	TOTAL TAX REVENUE to the City of Anaheim from Disney Sources (used for LMPR Payment)
2001	-	-	-	-	-
2002	123.330.834	18.499.625	717.809.000	7.178.090	<b>25.677.715</b>
2003	127.030.759	19.054.614	739.343.270	7.393.433	<b>26.448.047</b>
2004	130.841.682	19.626.252	761.523.568	7.615.236	<b>27.241.488</b>
2005	134.766.932	20.215.040	784.369.275	7.843.693	<b>28.058.733</b>
2006	138.809.940	20.821.491	807.900.353	8.079.004	<b>28.900.495</b>
2007	142.974.238	21.446.136	832.137.364	8.321.374	<b>29.767.509</b>
2008	147.263.466	22.089.520	857.101.485	8.571.015	<b>30.660.535</b>

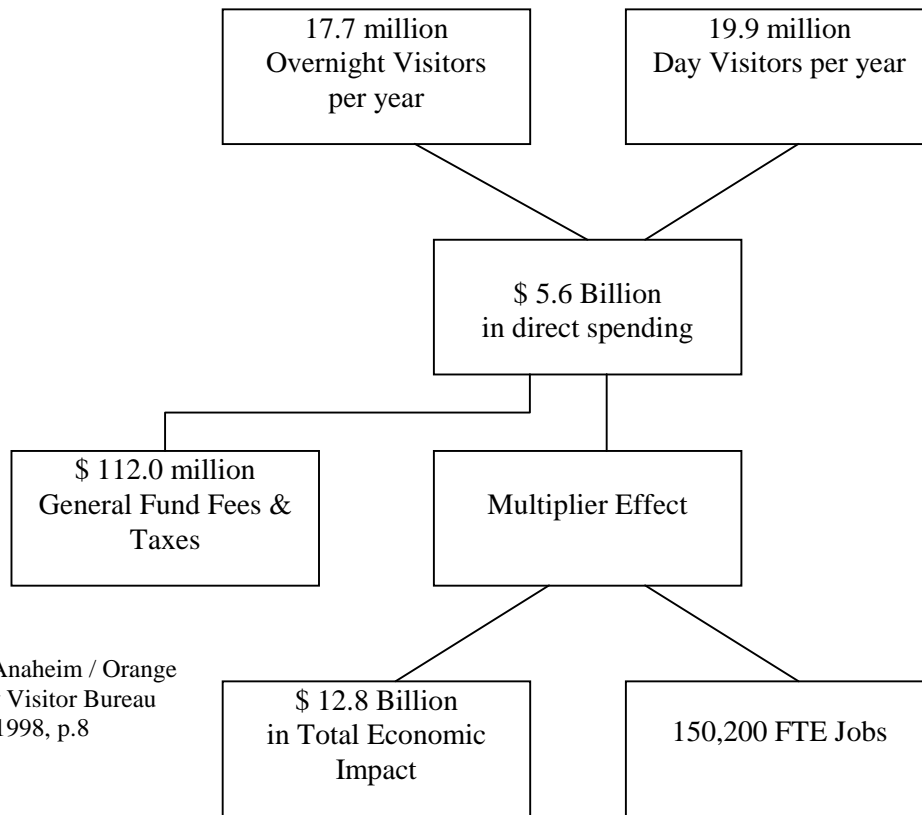
SOURCE: PKF Consulting, p.26, p.30

Data in US Dollar

**LMPR-Lease:** The City of Anaheim makes lease payments to the Anaheim Public Financing Authority which will be used to pay interest and principal on the bonds. The LMPR payment is the aggregate of the 3.0 percentage points of the City-wide transient occupancy tax (TOT), and the full 15 % TOT and 1 % share of sales tax generated on Disney Properties..



## 8.4.2.4.2.4 Analysis of the total economic impact



The direct and indirect economic impact can be summarized (Anaheim / Orange County Visitor Bureau 1998, p.6):

- \$ 5.6 billion in direct visitor spending
- nearly \$ 12.8 billion in direct and indirect spending within the county including:
  - \$ 3.2 billion in total personal income generated by visitor spending
  - Each 1 % increase in visitor spending adds \$ 128 million to Orange County's economy and creates \$ 32 million in earned income for residents.

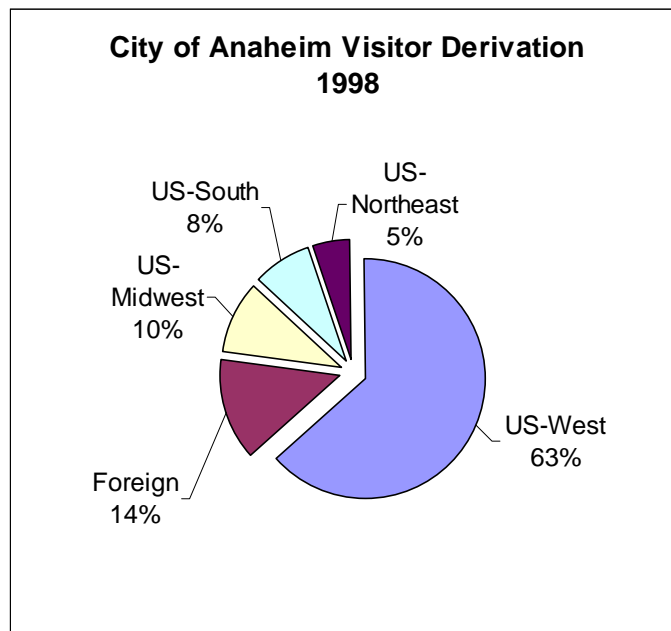
Local governments receive \$ 112 million in general fund fees and taxes from visitors and visitor-related industries. The State of California receives \$ 157 million in tax revenues from Orange County visitor spending.

## 8.5 Other impacts of the project

### 8.5.1. “Macro” - The Anaheim theme park in competition with Las Vegas

With regards to the competition for gaining the visitor’s recreation budget, the geographically closest competitor to the Los Angeles Area with its 4 theme park (dominated by Anaheim’s Disneyland) is the City of Las Vegas, Nevada which also has to be considered as a true competitor in terms of size (dollars spent) and visitor numbers. From an American perspective, these two places of interest are very close to each other - the distance is 265 miles, which takes approximately 5 to 6 hours of car travel.

Figure 17: City of Anaheim visitor derivation



Source: Anaheim / Orange County Visitor Bureau 1998, p.7

As it can be seen clearly, the key visitor market for the City of Anaheim lies in the domestic visitors, in particular in the Western U.S. (California, Nevada, Arizona, Oregon) – it can be assumed that this holds true for Las Vegas as well.

The second most important visitor group are foreign visitors (particularly Japanese and European travelers). Other U.S.- domestic travelers amend the pie to 100 percent.

In the 1990's, the City of Las Vegas with its gambling resorts and casinos repositioned itself as a more family-oriented destination, and due to the must-see nature of its newer generation of mega-casino resorts, it temporarily upstaged Southern California's theme parks in the regional family travel market. The biggest problem, however, was that gambling and other forms of entertainment did not mix in the long run.

In the early 1990s the casinos wanted to broaden their market base and thought their future lay in family entertainment. The city transformed into a cross between Disneyland and a gambling adventure by spending USD 1.7 billions to entertainment constructions over three years (Korman, p.26). The goal was to grow into a sort of desert Disneyland, but it did not quite work out – in 1995, only 7 % of the visitors brought their children. As “The Economist” stated, “the families stayed at home” (The Economist, 1998, p.70).

As already mentioned, this upstaging was just of a temporary nature which could be brought down to the problems Southern California faced in the years of 1992 with the civil unrest following the Rodney King trial, 1993 with immense wildfires and finally 1994, as strong earthquakes shook the region.

After that, Las Vegas' major Casino operators had recognized that the families that were attracted by attractions as pirate ships and volcanoes have a relatively low propensity to gamble and are refining Las Vegas' image as a “Disneyland for adults”, with less emphasis on the family market (PKF Consulting, p.3).

If there has to be seen a competition between the Disney Resorts and Las Vegas, it is not identified in the fight between Disney's Anaheim Locations and Las Vegas, but between Disney's Carnival Cruise Lines and Las Vegas.

Disney's Carnival Cruise Lines has focused its attention on a growing rivalry with land-based destinations. Las Vegas has proven itself a formidable land-locked foe to Walt Disney Company's attractions in Florida. In January 1994, Carnival launched its first salvo on the “Desert City”, positioning itself as the gambling alternative to Las Vegas.

However, Las Vegas' response to the Disney Company's action reflects the industry's growing awareness that current gambling competition is coming more from land than

from the sea. In the last few years, gambling was legalized in some other states of the U.S., and in almost all major Indian Reservations to ensure income sources for the native population. Apart from that, the cruise business has only a 5% share of vacations where the traveler spends more than \$1,000 (Zbar, p45).

### 8.5.2 Impact of the new Retail- and Entertainment Center at Disneyland on the region

#### **8.5.2.1. Proposition 13**

In June of 1978, California voters enacted Proposition 13 by a vote of 65 to 35 percent. It made six basic changes to the state's constitution (California Budget Project, p.14):

As follows by the inauguration of that, the income of the Californian cities was strongly restricted. An impact of proposition 13 was, that cities now are competing for sales tax revenues – they are in favour to support the erection of shopping malls and entertainment facilities because this is almost the only way to raise the city's budget.

Considered this, the economic impact of Downtown Disney will have not a citywide impact, but an impact, which influences the entire region.

Downtown Disney is modeled after a much-larger complex of the same name at Florida's Walt Disney World. Several major parts of the Florida project currently aren't part of the Anaheim project, which at 20 acres is much smaller than 120-acre Florida complex.

Disneyland unveiled a lineup of high-profile restaurant and entertainment tenants in fall 1999 - from a New Orleans-style eatery to Latin and live-music nightclubs - that will anchor Downtown Disney, the shopping and entertainment complex that will link its two Anaheim theme parks. The complex is scheduled to open in 2002, along with Disney's California Adventure.

But Downtown Disney will be joining an increasingly crowded entertainment-retail market in north Orange County, which has seen the opening of two large centers over the

past 18 months. And at least three more such projects, all of them near Disneyland, are planned (Los Angeles Times, 1999a).

The complex will have some of the biggest restaurant industry's chains, and due to the high variety of bars and clubs, this project is very unique even in an overcrowded entertainment market as the one in Orange County.

Experts believe that other centers, such as the Century Stadium Promenade in Orange, Santa Monica's 3<sup>rd</sup> Street, Universal's Boardwalk and a proposed project in Garden Grove, are the most likely to suffer from the increased competition (Los Angeles Times, 1999a).

Downtown Disney is one of several huge-sized entertainment and shopping complexes planned for Orange County. Combined, it would add another 3 million square feet of stores, eateries and entertainment venues - the equivalent of South Coast Plaza, a big shopping mall, which is just 8 miles away.

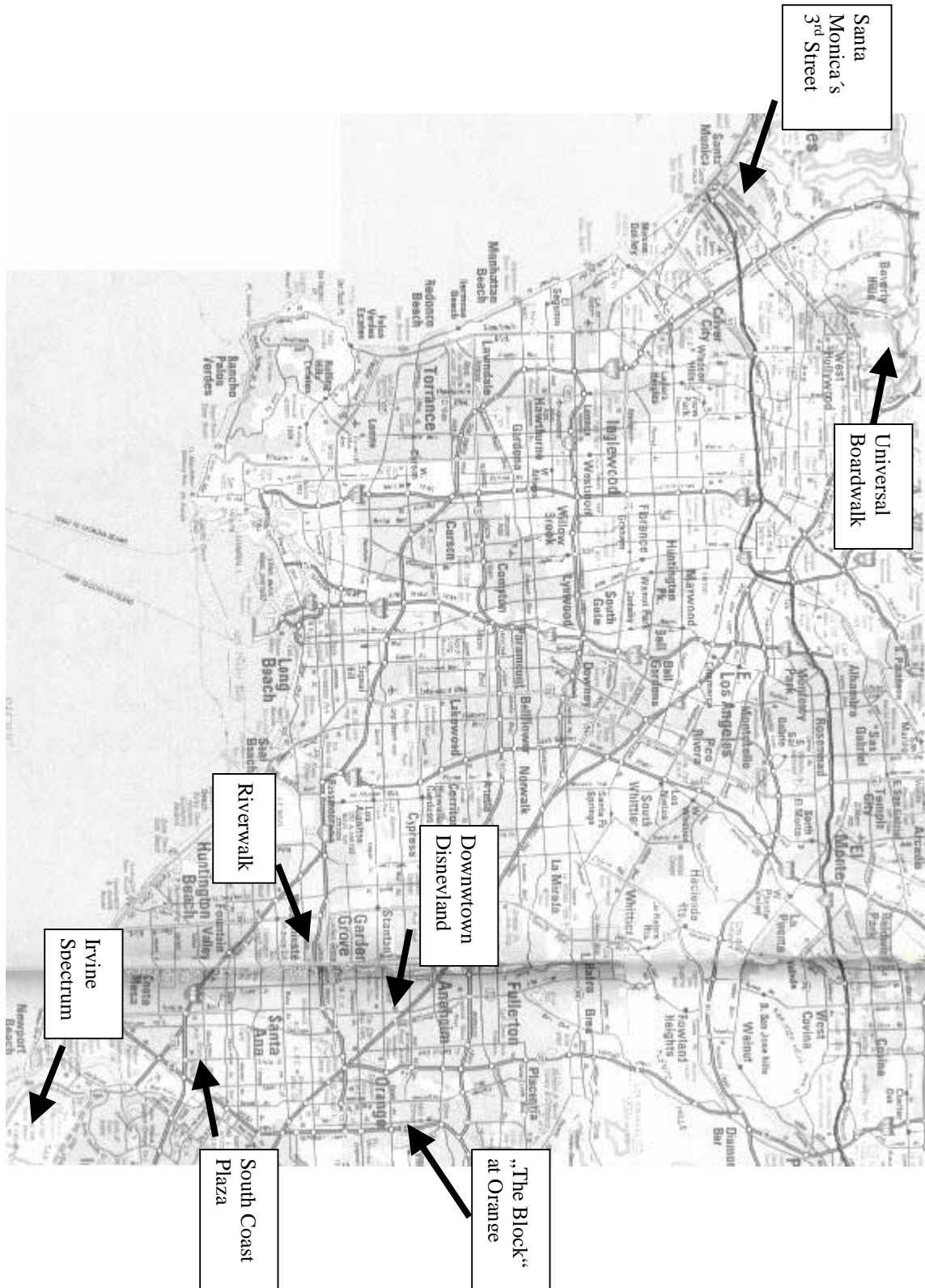
The others are Pointe Anaheim across the street from Downtown Disney, the Sportstown Entertainment Complex, also in Anaheim, and Riverwalk in Garden Grove (7 miles). Pointe Anaheim would include three hotels, stores, restaurants and a nightclub district with three stages for touring Broadway shows and Las Vegas-style concerts. A 24-screen movie theater could be substituted for the live entertainment (Los Angeles Times, 1999a).

Riverwalk would include "neighborhoods" of music with similarly themed restaurants. For example, a section for country-western music would include a restaurant selling Southern-style food.

Downtown Disney's AMC Theatre also will have plenty of competition, some of it self-inflicted. In neighboring Orange, AMC operates a 30-screen Theatre at "the Block" and the Century Promenade center includes a 25-screen Theater. The county's busiest movie house is the Edwards Spectrum Theater in Irvine, which has 21 screens with plans to add more. Theatres Circuit Inc. of Newport Beach, the county's largest theater operator, plans to boost its total number of movie screens by 25% over the next three years. Its three-

screen theater at South Coast Plaza is being renovated and will become the first in the county to serve light meals and alcoholic drinks.

### 8.5.2.2. Map of the influenced area



## 9. Summary

Several impacts of theme parks on regions are discussed in the chapters above. After naming the most important impacts, what is the quintessence from all this?

It is doubtless to say that tourism increases the region's economic balance of services – foreign money is brought into the region which had less income without tourism. Up to a critical point, tourism promotes the regions welfare. Beyond this point, the region suffers from overuse of the nature or generally spoken, negative externalities.

From a regional perspective, theme parks agglomerate the regions touristic industry and activities. Theme parks allow regions to split their industrial activity spatially. While some parts of the region underlie heavy touristic use, it would be possible to encourage other branches of industry in the other, or even to act considerably with the nature and the ecology. This is only possible, when the tourist dollars spent are reallocated across the whole region, e.g. by taxes and benefit payments.

Still, a question is unsolved. What happens with the “theme park subregion” in this model? Who is it who wants to live there?

Not only, that much of the demand for tourism related employment is seasonal and that low status and low pay characterize much tourist industry employment, the biggest danger lies in a disproportionate concentration of seasonal and low-paid employment which can be a threat to the region's employment structure. The case of the City of Anaheim illustrates this very bluntly: Hispanics are the biggest share on the city's population, and most of them work in traditionally blue-collar jobs. It is fact that those who can afford it, move to surrounding cities because of the low quality of live in Anaheim.

From my perspective, it is the task of politicians to avoid social inequality by introducing laws or acts which limit the amount of touristic activity to a regional “desirable” and reconcilable level.



## 10. Outlook

### **10.1 A comment on theme parks in comparison USA – Europe**

How is the different development in those two continents possible ? What are the reasons for the fact, that the theme park industry is so mature in the US and relatively new in Europe ? Which development can be seen respectively expected in the future ?

First of all, I would like to summarize some aspects, which definitely have to be made when a comparison of the situation of theme parks in the USA and Europe is being made:

- 1.) The American way of how to consume spare-time differs strongly from the European way.

Europeans mostly prefer relaxing in their spare-time, while the typical American wants to consume attractions and fun - in an from European sight unbelievable short period of time. From an European perspective, this has to be considered as leisure-time stress.

In Europe, the tourist business is characterized by a wide variety of different opportunities, while in the US, the opportunities lack in respects to variety. For example, the missing of a regimen industry, which we know in Europe, in particular in Austria and Italy, expresses that.

On the other hand, the situation of insufficiency in types of recreation opportunities supported the development of the theme park industry in the U.S.

- 2.) The missing of cultural sites embosses the theme park industry in the U.S.

- a.) The U.S. show “historical reviews” or “historical landmarks” which are contemplated by Europeans without any understanding. Houses and Sites built in 1890 do not have such a high “historical” status in Europe than they have in the U.S.

b.) Foreign culture and their histories, respectively the European and Arabic ones, are simplified to an extremely basic level, which does not seem to be justifiable from a European perspective. A drastic example is “Bush Garden’s” theme park in Orlando, Florida. The “amusement area” of the park is called “Timbuktu” (named after the city in West Africa), and it contains a brewery, designed in a Bavarian “*Bierhaus*”-style. Accordingly, the Americans associate Alcoholic beverages, more exactly beer, with an Islamic Country!

3.) Regarding the transferability of recreation parks of the U.S.-style, Europe’s recreation industry is considered as lagging behind the one in the U.S.

It has to be doubted if facilities of the size of Disneyland or Walt Disney World are economically viable in Europe.

The number and the geographical density of cultural attractions in Europe is immensely high and portrays an strong competitor to theme and recreation parks. “Fancy fair”-facilities are familiar to the Europeans already, so parks who specialize on this aspect of theme parks only, are not going to present something unique and new. Therefore, the long-run viability of parks of this kind is doubtful.

Nevertheless, the introduction of the EuroDisney-Park was an enrichment for Europe’s recreation and spare-time industry, and once again, several other parks followed Disney’s example by erecting a theme park in Europe (for example: Warner Bros. – theme park in Bottrop, Germany).

These two parks can be considered as a possible way of how to export the culture of theme parks from the U.S. into Europe, because they are way smaller than the “normal-sized” parks in the U.S.. That makes them performing economically quite well in a huge market with strong competition in the recreation industry.

### ***10.2. Theme parks conquering Austria's tourism industry ?***

One year ago, dozens of theme parks were planned all over Austria. RegioPlan Consulting, a market research company in Vienna, named investments of ATS 28 billions for constructing new theme parks in Austria (p.9). This year, only some projects, all together amounting ATS 12 billions, are still in the race. Most projects were stopped because they failed in the environmental compatibility test which is mandatory in Austria before the start of construction. Most prominent example is Frank Stronach's "World of Wonder" and a project close to Vienna's city boarder, at Wiener Neudorf – with planned investment costs of ATS 7 billion each, both south of Vienna. The study names two main reasons why so many projects failed: First, the projects were late in planning – Austrians travel a lot and know theme parks already from abroad. So the effect of something unique and new is lost. Second, most of the carriers of the projected theme parks were foreign companies – which underestimated the high degree of organization of so-called local pressure groups which have a huge resistance-know-how.

The currently biggest project is a theme park next to Parndorf's factory outlet center, the carrier plans to invest ATS 3 billions. The dimension of the project and its catchment area (from Budapest to Vienna), and the fact, that Stronach's World of Wonder will not be constructed, makes experts think that this project will perform perfectly.

### **10.3. Developing Trends of the theme park industry**

Theme parks are considered to evolve as a component of the international tourism industry. From an international view, they will not blindly follow the U.S. model, but evolve new forms of attractions where tourism is a more important source of market support.

The following trends seem to be reasonable and likely:

#### 10.3.1 Themed to country/region

New parks will have stronger theming tied to the country or local region, especially in Europe. Theme parks are increasingly becoming a symbol and showcase for regional pride, culture, and technological achievement. The danger here is that by being too serious about "cultural" tourism the parks can be too educative and could leak to be fun (ERA 1998a, p14).

#### 10.3.2 Part of larger mixed-use destination projects

In the urban/suburban context, it can be seen that theme parks and large-scale attractions are being designed into regional and specialty shopping complexes, mixed-use waterfront developments, and even some multi-use office buildings. In more rural settings, additional components often include destination resorts, bungalow parks, shopping/restaurant villages, and special event centers / trade expositions.

#### 10.3.3 Greater visitor participation and interaction

New attractions are being designed to provide greater participant control and encourage interplay between the visitor and his environment. This is a natural outgrowth of both available technology and the demonstrated appeal of such involvement at places like the San Francisco Exploratorium. New thrill rides are being offered where the rider can individually control the experience and intensity of the ride (see next point). Future

thematic concepts will be based more on participative activities (sports, music) that relate to the audience rather than comic book characterizations (ERA 1998a, p15).

#### 10.3.4 Use of simulation experiences and virtual reality

Perhaps one of the most exciting areas of development is in the area of simulation achieved by the introduction of high-tech. Advances in technology have allowed attractions designers to realistically duplicate virtually any natural or special effects experience. By combining extremely high quality visual imagery with seats that are programmed to move with the action, visitors can realistically enjoy experiences that were previously unavailable in a theme park environment. The first highly popular example of this technology is the Star Tours attraction at Disneyland.

Note that these simulations are produced for a fraction of the cost of traditional attractions. The technology is also more flexible (one can change the experience by simply changing the software (film) rather than creating a new attraction), and more land efficient (a 45-seat simulator needs only about 300 square meters). A major challenge, however, will be to have the technology breakthrough and still maintain the thrill and spontaneity of perceived personal risk and group interaction.

#### 10.3.5 Greater water orientation

A greater use of water related activities, attractions and landscaping is occurring in theme park design. Several parks (Tokyo Disney Sea, Universal Studios in Port Aventura, Spain, Seapark, etc.) combine an active water park with more traditional themed rides and amusements. Performance parks such as Sea World are still popular but future expansion will be limited by restrictions on capturing and displaying aquatic mammals. We see a continuing acceptance of new, high technology aquariums using acrylic tunnel concepts, which combine a scuba diver's view of the undersea world with a ride experience.

### 10.3.6 Design for all-weather operation/artificial environments

New theme parks are designed to have more covered attractions as well as climate-controlled walkways and rest areas. This allows for shorter amortization of high capital investment and fixed cost components. New theme parks are being designed with a higher degree of weather protection in order to enable a longer operating season and longer operating hours per day, which is an important topic in locations farther north than Florida (ERA 1998a, p15).

When one looks ahead at the larger number of tourists who are expected to travel to new destinations (particularly within the Asia - Pacific region), there will be increasing pressure on sensitive environmental and social resources at the destination. A new role for theme parks is emerging. By their nature, they are designed to handle large numbers of people within a controlled space and with manageable impacts. In the future they will have the chance of providing a greater educational function to introduce, interpret, and sensitize the overseas tourist to the environment and to the host community and its values. They can become a new gateway for host country tourism. Rather than being viewed as a stand-alone attraction, theme parks will become part of a balanced leisure product and tourism system that contributes to the economic development, employment, and resource preservation of an entire region (ERA 1998a, p15).

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## Glossary

**Anaheim Resort** – consists of Disneyland, the WESTCOT Center and the Anaheim Convention Center.

**Cast members** – Important employees in a Theme Park. Typical kinds of employment of cast-members are actors and performers.

**CO** – Carbon Monoxide, is a gas considered responsible for global warming. Carbon Monoxide (CO) is a colorless, odorless, tasteless gas that can pose a significant threat to health if left undiagnosed and untreated. Public awareness of this threat will reduce its incidence and save lives.

**EIR** - Draft Environmental Impact Report. The City of Anaheim has had an EIR being done by Michael Brandman Associates in 1992.

**FTE jobs** – Full time equivalent jobs. Full time equivalent means a full annual salary and benefits. Government agencies use this in budget planning. If a department has ten full time equivalents, then it has ten salaries guaranteed. It may not, however, have to hire ten people. It might hire eight full time people and four part time people etc.

**LMPR** – The Anaheim Public Financing Authority will assist the City of Anaheim by issuing lease revenue bonds to finance the expansion of the Anaheim Convention Center, the construction of infrastructure to improve the Anaheim Resort Area and the construction of a public parking facility. The City of Anaheim makes lease payments to the Anaheim public Financing Authority, which will be used to pay interest and principal on the bonds.

**Multiplier impact** – the total income, output, employment or other economic measure resulting from export sales (such as tourists) of a regional or national economy, comprising the sum of the impacts of (a) the initial sales to tourists, (b) purchases by those selling directly to the tourists that support these sales (called the “indirect impact”), and (c) sales to the employees of these organizations in spending their wages and salaries in the economy (called the “induced impact”) (Lundberg, 1995)

**NOx** – Oxides of Nitrogen. NOx emissions influence and damage the atmospheric Ozone-layer.

**PM10** – Particulate matter (dust), 10 micrometers or less in diameter.

Particulate matter is solid matter or liquid droplets from smoke, dust, fly ash, and condensing vapors that can be suspended in the air for long periods of time. These microscopic particles can affect breathing and respiratory symptoms, causing increased respiratory disease, lung damage, and premature death. Most particulate matter pollution comes from woodsmoke, dust from paved and unpaved roads, construction, motor vehicles and outdoor burning. Educating residents to burn wood cleaner, paving high traffic streets, improving street cleaning and maintenance, and encouraging alternatives to outdoor burning will help reduce particulate pollution.

**Primary wage earner** - the person who pays the basic bills in a household.

**ROG** - reactive organic gases.

**SCAG** - Southern California Association of Governments. The Southern California Association of Governments (SCAG) is the largest Metropolitan Planning Organization in the U.S. The Association serves a population in excess of 16 million persons, and provides regional planning and inter-jurisdictional coordination for an area encompassing over 38,000 square miles. This includes six counties, and 184 cities, represented by a 70 member Regional Council of local elected officials.

**SCAQMD** - is the Southern California Air Quality Management District, which includes LA, Orange, Riverside and San Bernardino Counties.

**SFAS 121** – Accounting standard. This accounting standard changed the method that companies use to evaluate the carrying value of such assets by, among other things, requiring companies to assets at the lowest level at which identifiable cash flows can be determined.

**SO<sub>x</sub>** – Oxides of sulfur, is considered responsible for acid rain. When fossil fuel is burnt, byproducts are created which are potentially dangerous. Carbon-based petrochemical products are broken up in combustion to form, among many other products sulfur oxides (SO<sub>x</sub>).

**TOT** - The “transient occupancy tax” (TOT) is based upon a percentage of a hotel guest’s nightly room rate. Currently, it is at 15 % in the City of Anaheim.

**Tourism** – Term for all activities undertaken by or related to tourists on trips away from home. (Lundberg, 1995)

**Tourism industry** – the various firms and establishments, including business and non-profit organizations, that wholly or partly provide goods and services to tourist, directly or indirectly. (Lundberg, 1995)

**Tourist** – any individual on a trip to a place more than 100 miles away from his or her home or spending the night away from home and who returns home within 12 months; same as visitor and traveler. (U.S. Department of Commerce, Census 1977, p.21)

**Theme Park worker** – Worker in a Theme Park, usually of a low skilled level. In opposite to “*cast members*”, typical kinds of employment are cashiers, cleaners, Ride-operators, etc.

**Value added** – the difference between the value of goods or services produced and the costs of materials and supplies used in producing them. Consists of wages, interest and profit components added to the output of a firm, industry or region.

**Visitor days** – a measure of tourist demand: the number of visitors to an area multiplied by the number of days spent in that area. Visitor expenditure – expenditure made by or on behalf of a visitor to an area in that area. (Lundberg, 1995)

**WESTCOT** (resp. WESTCOT Center) – means the expansion of the already existing Disneyland Theme Park in the City of Anaheim. The WESTCOT Center will include a second gated Theme park and related service areas (referred to in this study as the “WESTCOT Theme Park”). It also includes modification of the existing Disneyland Hotel and the addition of new hotels, entertainment areas, internal transportation systems, and two parking facilities. Used as a term in the literature and in the EIR #311.

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The economic impact of global travel & tourism. 10.4%. Travel & Tourism GDP as a percentage of global GDP. In its annual analysis quantifying the global economic and employment impact of Travel & Tourism in 185 countries and 25 regions, the World Travel & Tourism Council's (WTTC) research reveals that the sector accounted for 10.4% of global GDP and 319 million jobs, or 10% of total employment in 2018. The division of overall spend is firmly weighted towards the leisure market, which represented 78.5% of the total compared with 21.5% for business spend, and the sector accounted for 6.5% of total global exports and 27.2% of total global service exports. Tourism Impacts. How visitor spending generates impact. Travelers create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector. The region includes the cities/boroughs of: North Wildwood, Wildwood, Wildwood Crest. A trip is any journey for business or pleasure outside your community not part of your normal routine, where you spent one or more nights away from home or involved travel of more than 50 miles from your home. 17. Why quantify the tourism economy? By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development. The economic impacts from the construction stage are identified. The ongoing benefits from the projects to the regional economy due to a potential increase in tourists' visits are investigated. The regional economy will grow more rapidly if the connections among the tourism related sectors and key industries are encouraged. Local procurement strategies can assist in enhancing the benefits from increased tourism to the region. This paper discusses the impacts of proposed development projects at Emu Park, a coastal town in Queensland, Australia on regional economy. The input-output (IO) analysis is used to assess the economic benefits to the region. The economic impacts from the construction stage are identified.