

Outlook for Amusement: A Walk in the Parks

By Joan Van Tassel

Theme parks and amusement parks are typically immersive outdoor venues where crowds throng to go on exciting and exotic rides amidst novel, themed environments. Destination parks include hotels and other hospitality services, encouraging visitors to stay for several days. Theme and regional parks are more likely to draw single-day customers since they do not offer hotel/park packages, although they may benefit by a location in a tourist destination area.

PricewaterhouseCoopers *Global Entertainment and Media Outlook: 2006-2010* projects that for theme parks and amusement parks, spending worldwide will grow at a 4.5 percent compound annual rate (CAGR) during the 2006–2010 period from \$22.1 billion in 2005 to \$27.6 billion in 2010. Globally improved economic conditions that foster tourism support the overall growth of the industry during the next five years, and regionally-specific factors affect the growth rate within geographies. Novelty and innovation are key, flowing from both new venues and new rides and environments in existing parks.

Amusement in Asia

Asia Pacific will be the fastest-growing market, at a 5.9 percent CAGR, reaching \$8.2 billion in 2010 from \$6.1 billion in 2005. Boosting the region are improved economic conditions and the opening of new venues. In Hong Kong, Disneyland debuted in late 2005 and more are in the works. In the coming year, the historic town of Zhouzhuang, outside Shanghai, plans to construct a \$40 million park with 5,000 years of Chinese culture as the theme -- an alternative to the Western themes of Disneyland.

In India, the country's International Recreation Parks has chosen Canada-based Forrec Ltd. to design what will be the largest park in South Asia, a \$224-million theme park to open in 2008 in Noida, India. Worlds of Wonder will include three theme parks for children, teens, and families, as well as a water park and a hotel. And Turner International is building two American-style amusement parks near New Delhi, based on its children's television channels: Cartoon Network and Pogo.

Paramount Parks will develop an 85-acre movie theme park in Fukuoka prefecture in southwest Japan, to open in 2010. The park will feature five themed areas based on Paramount's television and film brands, with thrill rides, water attractions, children's attractions, and live shows. The plan calls for studio facilities adjacent to the site for the production of movies and television programs as well as an educational center focusing on entertainment and computer graphics. The resort area will include three luxury hotels for guests visiting the park or the studios.

Excitement in EMEA

In Europe, Middle East, Africa (EMEA), spending will increase to \$5.2 billion in 2010, a 4.7 percent annual rate. With revenues of \$1 billion in 2005, France is the largest theme park market in the region with the most popular parks -- Disneyland Paris and Walt Disney Studios Park. And

in 2007 or 2008, Spyland, the world's first espionage-based theme park, will open in southern France. Together, they attract more than 12 million visitors each year. The largest amusement park in the United Kingdom is Blackpool Pleasure Beach, which attracts 6 million visitors a year.

In EMEA, the conversion of many of the parks into mini-destination areas with hotels encouraging overnight visits will increase attendance, as will a number of new, medium-sized parks. EMEA parks are actively developing new attractions at existing parks. However, the construction of new parks, particularly in Central and Eastern Europe and the Middle East, will be the real spurs to growth in this territory. Planning is underway to open small parks in Romania, Hungary, and Poland. Wroclaw, one of Poland's largest cities, plans to launch its first amusement park in the next few years.

The Middle East has recently opened several parks, including the \$80 million Habtoorland in Lebanon and Zabeel Park in Dubai. Ferrari and Aldar Properties, a Dubai-based real estate company, will develop a destination resort in Dubai based on the Ferrari brand that will include a theme park, a racetrack, hotels, shops, and residential areas.

Another proposed destination development in Dubai bids to become the world's largest tourism, leisure, and entertainment center. The development of Dubailand, as the site will be called, will proceed in stages until 2015. Ultimately, it will comprise more than 40 megaprojects, including numerous theme parks, the largest shopping mall in the world, and a variety of residential and recreational facilities. One part of the development opening in 2008 is Aqua Dunya. It will be a \$1.9-billion resort resembling a cruise ship that will feature an indoor theme park, a 330-room luxury hotel, and a water park. The Legend of Arabia, a theme park based on mythological characters, will also open in 2008.

The U.S. Holds Its Own

Although not growing as quickly as other markets, the United States will remain the largest market, increasing to \$13.4 billion in 2010 from \$11.2 billion in 2005, at a 3.6 percent CAGR. One factor that offsets rising revenue from higher gate fees at U.S. parks is the adoption of discounted pricing plans that slow the rate of growth of per capita spending. For destination parks, located in the Orlando/Tampa Bay, Florida, and Los Angeles areas, PwC expects a 3.7 percent CAGR to \$4.8 billion in 2010. The weak U.S. dollar provides a mild lift to their revenues by encouraging domestic and international tourism, including tourists who often spend several days visiting the parks. The ability of these popular venues to charge higher gate fees allows them to bring in 36 percent of the industry's revenue, even though they account for only 27 percent of overall attendance.

Last year's performance of parks in Florida illustrate the importance of introducing new attractions. Attendance at the Magic Kingdom at Orlando's Walt Disney World—the most popular park in the world—increased by 6.5 percent. Epcot attendance grew by 5.5 percent, and the other Disney parks, Animal Kingdom and Disney MGM Studios grew by 5 percent each. All these parks added new rides and attractions. Similarly, Busch Gardens Tampa Bay increased 4.9 percent because of *SheiKra*, the tallest diving coaster in the world.

The regional park market will increase at a 3.6 CAGR to \$8.6 billion, as these venues have figured out a new way to increase attendance. Usually closed after the summer tourist rush, they are now extending their operating season with Halloween, Christmas, and Winterfest celebrations.

In the smaller geographies, growth in Latin America will average 4.2 percent CAGR, rising from \$236 million in 2005 to \$290 million in 2010. In this region, rising disposable income will help the market, but low per capita spending limits investment in major new parks. Spending in Canada will rise to \$521 million in 2010 from \$428 million in 2005, a 4.0 CAGR. Canadian parks will benefit from new rides and attractions.