
FACT SHEET

Financial arrangements relating to Tokyo Disneyland, Disneyland Paris and Hong Kong Disneyland

1. Background

1.1 At the special meeting held on 4 July 2009, the Panel on Economic Development discussed the financial arrangements relating to the proposed expansion of Hong Kong Disneyland. During the discussion, a member requested the Research and Library Services Division to provide information on the financial arrangements relating to Tokyo Disneyland, Disneyland Paris and Hong Kong Disneyland. As such, the purpose of this fact sheet is to provide the Panel with information on these three theme parks in terms of their ownership and the financial arrangements for the construction project.

1.2 This fact sheet originally intended to study the operational statistics of the three theme parks. According to the Tourism Commission of Hong Kong¹, both the Government and the Walt Disney Company (Walt Disney) are bound by the confidentiality provision under the current agreement not to disclose any commercially sensitive information of Hong Kong Disneyland, including the gain or loss from the operation of the theme park. Against this, this fact sheet only lists the key operational statistics of Tokyo Disneyland and Disneyland Paris for comparison.

¹ See Tourism Commission (2009).

2. Tokyo Disneyland

Overview

2.1 Tokyo Disneyland opened on 15 April 1983 at a cost of US\$1.4 billion (HK\$10.9 billion)². It is located on a reclaimed site about 10 km from downtown Tokyo. Tokyo Disneyland is privately owned by Oriental Land, a land-reclamation company in partnership with Mitsui Real Estate and the Keisei Railway Company.

2.2 Talks between Walt Disney and Oriental Land started in the early 1970s. Generally speaking, Oriental Land is the owner and licensee whereas Walt Disney is the designer and licensor. The final contract which was signed in 1979 gave Walt Disney 5% of the gross revenue on all food and merchandise, 10% of the gross revenue on admissions, and 10% of any corporate sponsorship agreement, in exchange for a token US\$2.5 million (HK\$19.5 million) investment in the park. Walt Disney earned a fee for developing the park, retained complete design control, and retained significant control over park operations through a series of highly detailed operating manuals. (See **Appendix I** for the financial arrangements relating to the construction of Tokyo Disneyland.)

2.3 After the opening of Tokyo Disneyland in 1983, Oriental Land expanded the concept of a "theme park" to a "theme resort" by developing Tokyo Disney Resort. Today, Tokyo Disney Resort includes two theme parks (i.e. Tokyo Disneyland and Tokyo DisneySea); three Disney-branded hotels (the Disney Ambassador Hotel, the Tokyo Disney Sea Hotel MiraCosta and the Tokyo Disneyland Hotel), and the Disney Resort Line monorail (linking theme parks and resort hotels with Ikspiari, a retail, dining and entertainment complex). In addition to Tokyo Disney Resort, Oriental Land also operates a hotel – the Palm & Fountain Terrace Hotel – located only 15 minutes by shuttle bus from the resort area.

2.4 Please refer to **Appendices II, III and IV** for the ownership, operational statistics and nationality of visitors of Tokyo Disney Resort.

² Based on the average exchange rate of HK\$7.787 per US dollar in 2008.

3. Disneyland Paris

Overview

3.1 Disneyland Paris opened on 12 April 1992. It is located in a small farming town 25 km east of Paris. Talks between Walt Disney and the French government started in the early 1980s and an agreement was signed in 1985, with the deal completed in 1987. At that time, the French government called the agreement "the largest investment in recent history in France".

3.2 At first, the project cost was estimated to be about US\$1 billion (HK\$7.8 billion) and the original name was Euro Disney. The initial financial arrangement was that Walt Disney would hold a 49% equity in the project, and the French government would put in a cash grant and a loan and finance much of the infrastructure. This was the extent of the French government's involvement in the park as Euro Disney was to be run as a non-government concern. (See **Appendix I** for the financial arrangements relating to the construction of Disneyland Paris.)

3.3 When the theme park was completed, cost escalated to US\$5 billion (HK\$38.9 billion) due to a number of design and construction changes. Between 1992 and 1994, a combination of reasons led to financial difficulty at Euro Disney: the US\$4 billion (HK\$31.2 billion) debt posed a huge financial burden on the park, interest rates were double the original estimates, tourist spending was lower because of recession in Europe, half of the revenue projected to come from real estate development did not materialize as a result of the collapse of the property market in France, a strong franc which made it expensive for visitors, and low attendance which fell below the expected annual 10 million for the period.

3.4 In 1994, a huge financial restructuring took place to reduce debt by US\$1 billion (HK\$7.8 billion). This gave Euro Disney 18 months' forgiveness from paying interest on roughly US\$3 billion (HK\$23.4 billion) of the loans, along with a three-year postponement on paying back the principal. The consortium of 63 banks also agreed to arrange for buyers of 51% of a US\$1.2 billion (HK\$9.3 billion) rights offering that would be used to pay down debt. Walt Disney would grant Euro Disney a US\$191.6 million (HK\$1,492 million) credit line to finance its cash needs. It also sold off equity to raise funds: 10% of the original 49% equity was acquired by Saudi Prince Alwaleed who bought 14% more shares from the market, making him the second largest investor in the project (holding a total of 24% equity interest). Walt Disney also agreed to waive its rights to management fees and royalties for five years, and to slash the management fees from 6% to 1% of the park's revenues and 50% of its original royalties for the subsequent five years. Walt Disney was allowed to increase the management fees gradually back to the 6% level after 2004.

3.5 In 1994, the name of the park was changed to Disneyland Paris in order to attract more European visitors because the name "Euro" was considered as having a connotation of "business and commerce" while the name of Paris had a connotation of romance and magic, which was considered closer to the image that Walt Disney wished to project. By 1995, with interest costs being slashed to US\$93 million (HK\$724.2 million) from US\$265 million (HK\$2,063.6 million), the park announced its first profit of US\$23 million (HK\$179.1 million). Attendance was up by 21%, just short of the original 11 million target set by Walt Disney for 1995.

3.6 Walt Disney's equity interest increased to 40.6% in 2004 after the reimbursement in shares of convertible bonds granted as part of the 1994 financial restructuring. In 2005, another financial restructuring took place: Walt Disney reduced its equity interest to 39.8% and Saudi Prince Alwaleed's equity interest was down to 10%.

3.7 The opening of Disneyland Paris has set the stage for the development of Disneyland Resort Paris in the surrounding areas of the theme park in subsequent years. In particular, Walt Disney opened another theme park – Walt Disney Studios Park – adjacent to Disneyland Paris in March 2002. Walt Disney Studios Park takes guests into the worlds of cinema, animation and television and includes four principal theme areas: Front Lot, Toon Studios, Production Courtyard and Backlot. These areas each include theme rides, attractions, shows, restaurants, merchandise shops and refreshment stands. Today, Disneyland Resort Paris comprises two theme parks, seven theme hotels, two convention centres, the Disney Village entertainment centre and Golf Disneyland (a 27-hole golf course).

3.8 Please refer to **Appendices II, III and IV** for the ownership, operational statistics and nationality of visitors of Disneyland Resort Paris.

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Appendix I

Financial arrangements relating to the construction of Tokyo Disneyland, Disneyland Paris and Hong Kong Disneyland

Investment					
Tokyo Disneyland		Disneyland Paris		Hong Kong Disneyland	
Oriental Land	Walt Disney	French government	Walt Disney	Hong Kong government	Walt Disney
Not available.	US\$2.5 million (HK\$19.5 million).	Sold Walt Disney approximately 4 400 acres of land at farmland prices.	Designed and built the park.	Equity injection of HK\$3.25 billion into International Theme Parks Limited (HKITP ^(Note 1)).	Equity injection of HK\$2.45 billion into HKITP.
		Lent Walt Disney US\$770 million (HK\$5,996 million) at interest rates considerably lower than the market rates.	Equity investment of US\$100 million (HK\$778.7 million).	Lent HK\$5.6 billion to HKITP.	
		Financed much of the key infrastructure of the park at US\$400 million (HK\$3,114.8 million), most notably extending the Paris subway to make the site a terminus, as well as improving the motorway that ran by the site.	Arranged for US\$1 billion (HK\$7.8 billion) public offering of shares on 5 October 1989 at the French stock exchange.	A non-cash investment of HK\$4 billion in subordinated equity shares issued by HKITP, representing land premium for the Phase 1 site of Hong Kong Disneyland.	
		Arranged for trans-continent train TGV to stop at the front entrance of the park.	Arranged for borrowing of US\$1 billion (HK\$7.8 billion) from banks at favourable interest rates.	Waived the claims to HK\$798 million of dividend payable by the MTR Corporation Limited ^(Note 2) .	
		Arranged for direct link with traffic from the Euro-tunnel.		Budgeted for HK\$13.6 billion to be spent on reclamation and other infrastructure works ^(Note 3) .	
		Cash grant of US\$30 million (HK\$233.6 million).		HK\$1.6 billion on land acquisition and clearance compensation.	
		Accelerated depreciation for capital investment at 10 years instead of 20 years.			
		VAT for Walt Disney at 5.5% instead of 18.6%.			

- Notes: (1) HKITP is a joint venture established by the Government and Walt Disney for the purposes of developing and operating Hong Kong Disneyland.
- (2) The Government has agreed to waive its claim for HK\$798 million (at net present value on 1 January 2002) of dividends that would otherwise be payable by the MTR Corporation Limited to the Government as financial support to the Penny's Bay Rail Link under the Project Agreement entered between the Government and the MTR Corporation Limited on 24 July 2002. Between 2002-2003 and 2004-2005, the Government waived a total of HK\$931 million of dividends payable by the MTR Corporation Limited. Within this total, HK\$219 million were waived in 2002-2003, HK\$675 million in 2003-2004 and HK\$37 million in 2004-2005. See the Hong Kong Special Administrative Region Government (2009).
- (3) The Government's total spending on the reclamation of the Phase 1 site, associated infrastructure and provision of government, institution and community facilities amounted to HK\$10.57 billion. This figure is lower than the HK\$13.6 billion approved by the Finance Committee in November 1999, mainly because of an overall reduction (HK\$1.65 billion) in the project cost, and the removal of the reclamation cost of the Phase 2 site (HK\$1.38 billion). See Tourism Commission (2009).

Appendix I (cont'd)

Financial arrangements relating to the construction of Tokyo Disneyland, Disneyland Paris and Hong Kong Disneyland (cont'd)

Key return					
Tokyo Disneyland		Disneyland Paris		Hong Kong Disneyland	
The Japanese economy	Walt Disney	The French economy	Walt Disney	Hong Kong economy	Walt Disney
13 600 jobs, of which 19% are full-time.	5% of the gross revenue on all food and merchandise.	10 000 jobs in Disneyland Paris.	Management fee as % of revenue.	Net economic benefit of between HK\$80 billion and HK\$148 billion over 40 years ^(Note 1) .	Base management fee: 2% of gross revenue. Variable management fee: 2%-8% of earnings before interest, tax, depreciation, and amortization (EBITDA).
Led to the development of 60 other theme parks across Japan since 1983.	10% of the gross revenue on admissions.	30 000 jobs in neighbouring counties.	Royalties from gross revenues on food, merchandise and admissions.	About 18 400 new jobs expected to be created directly and indirectly on opening of Hong Kong Disneyland, rising to 35 800 over a 20-year period ^(Note 2) .	Royalties as % of revenues.
		10 million additional annual visitors.		Around 6 000 jobs for the construction of facilities for Phase 1 of Hong Kong Disneyland.	
		Increase of billions of revenue.		About 10 000 jobs for land reclamation and other infrastructural works funded by the Government.	
				1.4 million of additional tourists induced to visit Hong Kong Disneyland in the first year of operation, rising to 2.9 million in Year 15.	
				Additional tourist spending of HK\$8.3 billion in the first year of operation, rising to HK\$16.8 billion per annum in Year 20 and beyond ^(Note 3) .	

- Notes: (1) According to a government paper entitled "Briefing Paper – Hong Kong Disneyland" submitted to the House Committee for the meeting on 3 November 1999, "it is reckoned that even in the most conservative scenario examined, the net economic benefits of the Phase I project would still be considerable, at a cumulative value of HK\$80 billion with an economic rate of return of 17% in real terms and a benefit/cost ratio of 4.9/1". Please see Economic Services Bureau (1999), the Hong Kong Special Administrative Region Government (1999) and Financial Services Bureau (1999).
- (2) These figures are "base case" estimates. More conservative scenarios put jobs created in the range of 11 400 to 17 600 on opening of Hong Kong Disneyland, rising to 18 100 to 28 700 over a 20-year period. See the Hong Kong Special Administrative Region Government (1999) and Financial Services Bureau (1999).
- (3) These figures are "base case" estimates. Corresponding figures for more conservative scenarios range from HK\$5.5 billion to HK\$7.8 billion in the first year of operation, rising to HK\$8.7 billion to HK\$12.9 billion in Year 20. See the Hong Kong Special Administrative Region Government (1999) and Financial Services Bureau (1999).

Appendix II

Ownership of Tokyo Disney Resort, Disneyland Resort Paris and Hong Kong Disneyland

Tokyo Disney Resort		Disneyland Resort Paris		Hong Kong Disneyland	
Owner	Percentage share	Owner	Percentage share	Owner	Percentage share
Oriental Land	100%	Walt Disney	39.8% ^(Note 1)	Government	57%
		Saudi Prince Alwaleed	10.0%	Walt Disney	43%
		Free-float/publicly held	50.2%		

Note: (1) Walt Disney manages and has a 39.8% equity interest in Euro Disney S.C.A. (Euro Disney), a publicly-held French entity that is a holding company for Euro Disney Associés S.C.A. (Disney S.C.A.). Disney S.C.A. is the primary operating company of Disneyland Resort Paris, in which 82% equity interest is owned by Euro Disney and the remaining 18% by two subsidiaries of Walt Disney. In other words, Walt Disney has a 51% effective ownership interest in Disneyland Resort Paris.

Appendix III

Latest operational statistics for Tokyo Disney Resort and Disneyland Resort Paris

Tokyo Disney Resort

	2007 ^(Note 1)	2008 ^(Note 1)	2009 ^(Note 1)
Attendance (million)	25.8	25.4	27.2
Revenue from the theme park operation (HK\$ million ^(Note 2))	20,750	20,628	22,862
Revenue from the hotel business operation (HK\$ million ^(Note 2))	2,549	2,508	3,471
Hotel occupancy			
Tokyo DisneySea Hotel MiraCosta	95% – 100%	Approximately 90%	Approximately 95%
Disney Ambassador Hotel	Approximately 90%	90% – 95%	86% – 89%
Palm & Fountain Terrance Hotel	80% – 85%	80% – 85%	Approximately 85%
Tokyo Disneyland Hotel ^(Note 3)	–	–	Approximately 95%
Net profit (HK\$ million ^(Note 2))	1,233	1,114	1,368

Notes: (1) Fiscal year ended 31 March.

(2) Based on the average exchange rate of HK\$0.0756 per Japanese yen in 2008.

(3) Tokyo Disneyland Hotel opened on 8 July 2008 and the occupancy rate was for the period between 8 July 2008 and 31 March 2009.

Source: Oriental Land Company (2009a) & (2009b).

Appendix III (cont'd)

Latest operational statistics for Tokyo Disney Resort and Disneyland Resort Paris (cont'd)

Disneyland Resort Paris

	2006 ^(Note 4)	2007 ^(Note 4)	2008 ^(Note 4)
Attendance (million)	12.8	14.5	15.3
Revenue from the theme park operation (HK\$ million ^(Note 5))	6,632	7,541	8,196
Revenue from hotels and Disney Village (HK\$ million ^(Note 5))	4,720	5,530	5,904
Hotel occupancy	83.5%	89.3%	90.9%
Net profit/(loss) (HK\$ million ^(Note 5))	(1,014)	(476)	19

Notes: (4) Fiscal year runs from 1 October to 30 September.

(5) Based on the average exchange rate of HK\$11.45 per Euro in 2008.

Source: Euro Disney S.C.A. (2006) & (2008).

Appendix IV

Nationalities of Visitors

Tokyo Disney Resort ^(Note 1)		Disneyland Resort Paris ^(Note 2)		Hong Kong Disneyland ^(Note 3)	
Japan	96.8%	France	43%	Local	40%
Outside Japan	3.2%	The United Kingdom	16%	Mainland	34%
		Spain	12%	International	26%
		The Netherlands	7%		
		Belgium and Luxembourg	6%		
		Italy	4%		
		Germany	3%		
All others	9%				

Notes: (1) 2008-2009 figures (from April 2008 to March 2009).

(2) 2007-2008 figures (from October 2007 to September 2008).

(3) 2007-2008 figures (from October 2007 to September 2008).

Sources: Oriental Land Co., Ltd. (2009), Euro Disney S.C.A. (2008) and Commerce and Economic Development Bureau (2008).

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