

## Project withdrawal of a new theme park of USJ in Okinawa:

The key factor is a possibility of casino business

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### Abstract

*USJ Co. Ltd. that manages Universal Studios Japan (USJ) in Osaka announced a new theme park project in Okinawa in February 2014. However, the project was withdrawn in February 2016. The new theme park might be profitable if casino business was possible. Casino business is highly profitable. A casino bill was rejected at the Diet. Later, USJ Okinawa project was withdrawn. Okinawa is a small market for a big theme park. The Okinawa Prefectural Governor, Nakaima invited a new theme park instead of US military relocation to Henoko. The next Governor, Onaga had a different policy. USJ Co. Ltd. needed the support of the Okinawa Prefectural Governor. The USJ Okinawa project was a national political matter. Because it was withdrawn, USJ Co. Ltd. concentrates on USJ in Osaka.*

### Keywords

*USJ Co. Ltd., casino business, integrated resort, Comcast NBC Universal, Okinawa revitalization*

### 1. Introduction

USJ Co. Ltd. announced plans to build a new theme park in Okinawa in February 2014. However, Universal Studios (US) in America already planned US Seoul, US Shanghai, US Barcelona, US Paris, US London, but later on US withdrew building new theme parks [Nakajima, 2014]. In short, even if the headquarters of US announced new theme park plans, it would be unreliable.

Especially Okinawa is too small for a huge theme park. Even in Tokyo Disney Resort, 60 to 70 percent of their guests come from the Kanto area and 30 to 40 percent of their guests come from outside of the Kanto area. If in Okinawa, 60 to 70 percent of their guests came from Okinawa, they would not pay. Later on, US Okinawa project was withdrawn.

In the paper, we discuss the process of USJ Okinawa project announcement to withdrawal is discussed. USJ means the theme park in Osaka, USJ Co. Ltd. means the company.

### 2. Announcement to media about USJ Okinawa project

In February 2014, USJ Co. announced plans to build a new theme park in Japan or abroad. They have confidence of management skills of theme parks. USJ's attendance in 2013 was more than 10 million people. The only first year 2001, USJ had over 10 million attendance. After 2001, attendance of USJ had been decreasing. Later on, USJ gained more attendance based on clear strategies and attracted customers. The Chief Marketing Officer, Morioka said that USJ Co. Ltd. manages a theme park the most efficiently in the global theme park market. He conducted marketing policy that is called, Both Wheels Strategy. One wheel is to attract family customers. USJ opened 'Universal Wonder Land' sized 30 thousand square meters, with new attractions of popular characters such as Snoopy and Hello Kitty. These attractions gained families with small children.

USJ previously had attractions of powerful Hollywood movies such as Jaws, Jurassic Park, Back to the Future for young people. Those attractions did not match for families with children. USJ created the new area to change its image by investing thousands of million yen. Another wheel aims to attract young unmarried ladies. If USJ was a theme park for kids and parents, young ladies would not come. In 2013, USJ introduced a roller coaster, 'Back Drop' which drops from the back, and renewed a popular movie's attraction, 'Spider Man'. And they expanded Halloween and Christmas events, and their attendance became higher. Their attendance was 7.5 million in 2010, 8.7 million in 2011 which was their 10-year anniversary, and 9.75 million in 2012. Their attendance grew over 10 percent two years in a row. They gained 1 million attendance in every five month continuously August to December in 2013. They continued investing in new attractions and events, and raised prices of tickets five times through 2010 to 2014. The one day ticket price for adult was 5,800 yen in early 2010, but it was raised to 6,790 yen in 2014. Sales of USJ advanced outstandingly by raising of sales per customer and attendance. They introduced Harry Potter Area in late 2014, and their attendance raised more. They still had more building site to expand USJ. However, they need more building site outside Kansai region to grow USJ Co. Ltd. <sup>(1)</sup>

Therefore, they started planning a new theme park in Okinawa. Mr. Morioka said that they had to start construction by the end of 2016 to open it in 2020 with the Tokyo Olympics. The prime building site would be Ocean Expo Park area which had Okinawa Churaumi Aquarium. It is located in Motobu-cho, Okinawa. They planned a fully new concept park without the Universal brand. They planned an integrated resort (IR) with beautiful nature and the aquarium cooperated. USJ Co. Ltd. had a plan of usage of a National Strategic Special Zones deregulated in limited region. However, it might be possible to be influenced by Futenma US military base relocation policy. It might be related to the Okinawa promotion plan of national government. There was no highway to Ocean Expo Park, and they have a chronic traffic jam. It takes 1.5 hours from Naha

Airport by car. USJ Co. Ltd. requested transportation infrastructure improvement for Okinawa Government to build a new theme park.<sup>(2)</sup>

### 3. Casino plan

The President of USJ Co. Ltd, Glenn Gumpel, notified a plan to build a new theme park in March 2015. He announced that they would create a new concept of theme park, not like USJ's theme of movies and TV programs. They consider inbound tourism of foreign tourists. They seemed to aim to open it before 2020. He did not reveal the building site, but Futemma US military base relocation to Henoko where Ocean Expo Park in Nago-shi might be the initial site. It seemed that USJ Co. Ltd. aimed casino business to launch into Okinawa. Bloomberg (mass media) in America reported on August 12th 2014, that USJ Co. Ltd. negotiated with operators abroad about joint enterprise of casino business. In Osaka, the Osaka Prefectural Government and the Osaka City Government considered to invite as a proposed site of casino business on an artificial island, Yume-Shima on Osaka Gulf. However, after mass media reported the casino plan of USJ Co.Ltd., the Osaka Mayor, Hashimoto declared 'We have no reliance with USJ Co. Ltd., so that we hope another trader'. Osaka City and USJ Co. Ltd. were in pending in court about rent price increase the land on USJ theme park. And then, USJ Co. Ltd. aimed Okinawa for casino business. The President Gumpel answered to Bloomberg's interview, 'Ocean Expo Park Okinawa, Nago City Natural Zoo and Botanic Garden in Nago is one of proposal sites. We consider a possibility of both a new theme park and IR construction.' President Gumpel did not disclose the site or time of the new theme park, because the last Okinawa Prefectural Governor, Nakaima was defeated in election. In the last Prefectural Governor's period, USJ Okinawa project progressed well. The Ryukyu Shimpo (newspaper) reported that USJ Co. Ltd. conferred with the Okinawa Government about USJ Okinawa project on June 6th 2014. The last Prefectural Governor, Nakaima admitted Futemma US military base relocation from Ginowan to Henoko, Nago, and he proactively invited the USJ Okinawa project. He aimed to stop objections of local people to relocate US military base for local revitalization to invite the USJ Okinawa project. However, Mr. Nakaima was defeated in the third election, Takeshi Onaga was elected and became the next governor who disagreed with US military relocation. As a result of the new governor's disagreement, scheduled publication of a proposal site was frozen in February 2015. However, soon national government pushed USJ Okinawa project. Chief Cabinet Secretary, Yoshihide Suga talked about the USJ Okinawa project, 'the project has a huge impact for Okinawa regional development', 'we already told them to support the project'. National government planned casino establishment to attract foreign tourists and the second airstrip construction of Naha Airport for Okinawa regional development. However, national government had an absolute condition that Okinawa Prefecture accept US military relocation to Henoko, Nago.

If Henoko relocation project failed, casino invitation and the second airstrip of Naha Airport construction would be revoked completely. Ostensibly the US military relocation and regional development are different matters, but they are two sides of the same coin actually. USJ Okinawa project seemed a political matter. The bill of casino was discarded on an extraordinary session of the Diet on 2014. Nonpartisans of the Diet member formed International Tourism Industry Development Diet Member Federation (Chairman, Hiroyuki Hosono, the Secretary General Acting of the Liberal Democratic Party). They planned to propose a bill of casino again, and legislate a new law. However, Komeito Party had been cautious, so that enactment of the casino bill was delicate. Los Angeles Times on March 19th 2014 reported sarcastically 'Universal Studios have a long history to announce new theme park projects all over the world which are never realized'. The new theme park projects were discontinued in Korea and Dubai in 2007, in Philippines in 2008, in India in 2010. It was reported that a new indoor US project in Russia open in 2018 did not improve mostly, even reported it in 2008. The USJ Okinawa project depended on US military relocation to Henoko and a casino bill enactment.<sup>(3)</sup>

### 4. Merged by comcast and new top management

On November 13th 2015, an American media major enterprise, Comcast announced that Comcast already bought 51 % of issued stocks of USJ Co. Ltd. at 1.5 billion dollars as a subsidiary acquisition. Glenn Gumpel resigned as CEO of USJ Co. Ltd. since 2004 on November 12th 2015. Jean Louise Bonnier who had been taking financial strategy in theme park section was assumed as a new CEO. NBC Universal, a Comcast's subsidiary, acquired USJ Co. Ltd.'s issued stocks from stockholders such as Goldman Sucks, an American finance large enterprise. Goldman Sucks continuously kept remaining stocks. It was anxious that course to theme park business of new CEO, Bonnier was unclear. Mr. Morioka, directing theme park business said 'we will make a decision of the theme park course.'<sup>(4)</sup>

It might be changed that USJ Co. Ltd. follows Comcast in America, and Comcast fund USJ Co.Ltd.

### 5. USJ Okinawa project withdrawn

It was reported that the USJ Okinawa project is under consideration, withdrawn included. USJ Co. Ltd.'s parent company, Comcast had an intention to concentrate on USJ in Osaka. It seemed that the USJ Okinawa project was doubtful in profitability. USJ Co. Ltd. planned 60-million-yen investment for a new theme park around Ocean Expo Park that is a popular tourism spot. Comcast judged that the USJ Okinawa project would not get customers enough to huge investment. A new roller coaster costing 1 million yen was finished in USJ in Osaka in March 2016. Theme parks always need continuous investment to keep fresh. The CEO Bonnier mentioned a course to invest intensively in attractions and restraints in USJ in Osaka at a press conference on February 2016.<sup>(5)</sup>

The last CEO, Glenn Gumpel visited Okinawa Prefectural

Office, and requested cooperation to realize USJ Okinawa project. The new CEO, Bonnier mentioned that they discuss and analyse about USJ Okinawa project in office at a press conference.<sup>(6)</sup>

## 6. Discussion

There is a successful case in Singapore. They have a huge integrated resort (IR) named, Resort World Sentosa (RWS), located in Sentosa Island. RWS has Universal Studios (US) Singapore. RWS has a casino, US Singapore, hotels, restaurants, shopping center, beach and so on [Nakajima, 2014].

On October 2006, Singapore Government recruited companies that establish a huge IR with casinos. Two IRs were established by two groups. One is RWS with US Singapore in Sentosa Island, another one is Marina Bay Sands. RWS was established by a Minasyan firm, Genting International. Marina Bay Sands was established by a Las Vegas firm, Sands, and located in Marina Bay. Singapore Government regulated that casino area is less than 5 percent of whole floor area of IR. So that, IR needs more than 95 percent of non-gamble area of whole floor space of IR. Then, a huge theme park is suitable for a huge IR. RWS is differentiated from Marina Bay Sands for family resort. The first sales of RWS in April to June 2010, 860.8 million Singapore dollars (about 54.1 trillion yen). One day average sales achieved 9.5 million Singapore dollars (about 594 million yen). Casino customers from neighbor countries such as Malaysia and Indonesia pulled the sales. Occupancy rate for hotels was 70 percent on April to June. Sales per customer was 84 Singapore dollars. The itemized statement was not opened. They had visitors from Malaysia by sightseeing bus every day. Many people visited from Indonesia, China, India and Vietnam.

Compared with US Singapore and the USJ Okinawa project, they might be similar. A huge IR has a casino, a theme park, hotels, restaurants and so on. RWS would be a good model for IRs. Theme park business is usually low profitable. Tokyo Disney Resort (TDR) and USJ are extremely successful. They are not average. Most theme parks are low profitable, many of them already went bankrupt. The initial reason of low profitability is rides are too expensive in theme parks. For example, TDR has been spent 20 to 50 trillion yen every year. Big roller coasters cost 2 to 3 trillion yen in other theme parks such as Fuji-Q High Land and Nagashima Spa Land. Japanese people are accustomed to TDR, and the standard theme park is TDR. After we visit TDR once, we feel other theme parks are low quality. Establishment of theme parks in Japan means a battle against TDR. It would be almost impossible to win.

However, only one factor is different. Casino business needs much higher security level more than theme parks. Most theme parks have security guards, but casino needs much more guard. And yet, rides such as roller coasters cost much higher. Even though casino machines need maintenance fee, but rides need more maintenance fee. Death accidents sometimes happen in theme parks all over the world. Especially roller coasters are

dangerous. However, theme parks need stimulus roller coasters to attract customers. If no high-speed rides, it is difficult to compete. Low-speed rides are safe and low cost, but they cannot be popular.

Casino business is high profitable. Profit of casino would cover unprofitability of other businesses such as theme park, restaurants, hotels and shopping center. In casino, they need a table and chairs, one player needs a chair, one table needs an employee. Casino does not need development expenses and royalty fee of pachinko of Japan. They can use tables and chairs even getting old. Some customers would lose a lot of money in a short time.

## 7. Conclusion

In the paper, we discussed the process of the USJ Okinawa project announcement to withdrawal is discussed. The details of the USJ Okinawa project announcement to withdrawal have been revealed.

Not Comcast NBC Universal in America, USJ Co. Ltd. in Osaka, Japan planed a new theme park in a popular tourism spot in Okinawa, but the project was withdrawn. The reason was it would estimate unprofitable. USJ Co. Ltd. was merged by Comcast in America. Universal Studios was merged by NBC, a large TV station, and they became NBC Universal, NBC Universal was merged by Comcast, a large cable TV, and they became Comcast NBC Universal. The headquarters are located in Universal City near Hollywood. Comcast NBC Universal is a media conglomerate whose businesses are TV station, cable TV, movies, theme parks and hotels. Their corporate culture might be same as movie companies of Hollywood. They are sales supremacy and performance-based payment system. American companies are highly competitive and often become dismissed, but winners gain extremely high reward [Nakajima, 2014]. It might be conjectured that Comcast avoided a low profitable theme park in Okinawa. Their genuine hope might be casino business, not theme park.

However, casino is not socially approved. It might generate gamble dependency and crimes. Gambling regulation is stern in many countries. It is argued and criticized the casino bill in Japan. Casino will be a key factor in Japan, if the aim is to be a tourism oriented country and increase people who subsist on tourism industries. If a ban on casino is removed and gain economic effect, it should be avoided to concentrate wealth on casino owners. Universal Studios Singapore is a part of huge casino resort [Nakajima, 2014]. There is tendency that huge integrated resorts, casino included might increase in the world. Casino is high profitable. Casino business will be a main stream in resort management.

## Notes

<sup>(1)</sup> 2014/02/24 Nikkei Marketing Journal, p.15

<sup>(2)</sup> Sankei West, 2016/04/19 accessed. <http://www.sankei.com/west/news/160104/wst1601040025-n1.htm>.

<sup>(3)</sup> livedoor News, 2016/04/20 accessed. <http://news.livedoor>.

com/article/detail/10033471/.

- <sup>(4)</sup> Sankei West, 2016/04/20 accessed. <http://www.sankei.com/west/news/151113/wst1511130084-n1.html>.
- <sup>(5)</sup> Sankei West, 2016/04/20 accessed. <http://www.sankei.com/west/news/160218/wst1602180096-n1.html>.
- <sup>(6)</sup> Sankei West, 2016/04/19 accessed. <http://www.sankei.com/west/news/160218/wst1602180040-n1.html>.

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