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Democracy Dies in Darkness

Disney is about to reopen its Shanghai theme park. It could be a lot longer before that happens in the U.S.

By Steven Zeitchik

Sometimes what's not said is more telling than what is.

When he was asked by Wall Street analysts Tuesday about the immediate future of his company's theme parks, Walt Disney Co. chief executive Bob Chapek said that a plan to get people into Shanghai Disney Resort has been well underway — so much so that the park will reopen Monday with new safety measures.

But Chapek avoided nearly all talk of a timeline for a reopening of its U.S. locations during the coronavirus crisis, including major venues Disneyland in Southern California and Disney World in Central Florida. He said it was “too early to predict” such moves and used language such as, “We are evaluating a number of different scenarios to ensure a cautious, sensible and deliberate approach.”

The evasions, it turns out, are for a simple reason: There's no plausible date on the horizon for when reopening the parks could happen. This is true despite signals from the governors of California and Florida that restarting their economies is a key goal.

Disney's reluctance to return to business quickly at its theme parks suggests that governors' talk of reopening the economy is unlikely to wish away the economic pain of the coronavirus shutdown.



Shanghai Disney is set to reopen Monday at 30 percent capacity, but Disney's U.S. parks are unlikely to follow suit anytime soon. (Hu Chengwei/Getty Images)

When it comes to the country's entertainment economy, there is nothing like Disney parks. In normal times, nearly 60,000 people come every day each to Disneyland and Disney World — a baseball playoff game or a major stadium concert 365 days a year, at opposite ends of the country. The parks are the closest the country has to a national commons.

And many of those customers spend a lot more than the price of admission once they get there; revenue at Disney's parks and

experiences division totaled more than \$25 billion last year.

The Disney parks are also key for jobs. More than 77,000 people work at the Florida location alone when factoring in adjacent hotels and restaurants. In California, Disney's theme-park operation is the state's third-largest employer, according to one recent study, and Disneyland alone is the fifth biggest.

Disney parks are so crucial to California's economy that Gov. Gavin Newsom (D) called Disney “a nation-state,” to some contro-

versy, when he exempted it from closure requirements at the start of the pandemic.

Theme parks are also vital to Disney's bottom line. The parks division (it also includes hotels and cruise ships) generated \$6.76 billion in profit for Disney last year, three times what its film studio did.

All of this should make reopening a no-brainer.

If only.

There are, first, political obstacles. Florida Gov. Ron DeSantis (R) has been pushing for the theme-park gates to fly open — he told Fox News recently that he's had discussions with executives. A task force of business leaders in Orange County, Fla., offered a broad outline of what it might look like once Disney World reopened: six feet of space between each person in line for rides, and mandates for face masks and temperature checks for staff.

But things are moving more slowly in California, where Newsom and Department of Public Health Director Sonia Angell have made Disney part of its Stage 4 plan, together with large-scale sports and concerts, which probably won't reopen until some form of vaccine or coronavirus treatments are available. Disney could drastically modify capacity and impose safety measures, but at best that would get it to Stage 3, which Angell said is probably months away.

But the bigger impediment to reopening, even a mask-filled and socially distant one, is that even if Disney can, there's not necessarily an economic reason that it should. Even if the parks open, they would need to hit certain numbers to make the effort profitable. And it's not clear that can happen anytime soon.

Comcast executives recently told investors that they would need 50 percent attendance to break even on their Universal theme parks. Disney's theme parks might not be allowed such numbers. (Florida restaurants are

being told to limit service to 25 percent capacity.)

And even if they were, it's far from certain whether Disneyland and Disney World would attract those crowds. Would 30,000 people be willing to stand in line for the likes of Twilight Zone Tower of Terror? Or would they, more likely, find it a queue of horrors?

A recent Reuters/Ipsos survey found that only 4 in 10 people would attend amusement parks before a vaccine for covid-19, the disease caused by the coronavirus, was found. That means, as much as they want to ride the Incredicoaster, 60 percent of Americans aren't comfortable with what it will entail to do so.

It's these reasons that make many analysts skeptical that Disney parks will reopen anytime soon.

Jim Nail, principal analyst at Forrester Research, told The Washington Post in an email that, in addition to politics, there are two other important factors: "consumers' emotional/psychological conflict between wanting to get back to normal vs. fear of being exposed" and "consumer financial condition and willingness to spend."

That last point, about a recession, is especially key. Disney has been raising ticket prices and selling a lot of luxury packages lately. That's about to go out the window.

"Disney's been increasing pricing virtually every year for the past decade, proving the inelasticity of demand during a healthy economy," said investment banker Lloyd Greif of Greif & Co. "Well, this economy is sick and is going to remain sick for a while. Disney's luxury pricing model for its theme parks is in for a redo."

That means that for Disney to take in the same revenue as before the coronavirus, it will need to increase volume — at exactly the time attendance will go down.

Chapek, who before his promotion to chief executive ran theme parks for five years, hinted

how important economic factors will be in any reopening decision.

"We would not reopen any park until we can make a positive contribution to overhead and operating-profit level," he said. Translation: It's going to be consumers, not governments, that ultimately dictate a Disney reopen. And they have made few pronouncements thus far that they want this.

Bettors are bearish, too. The sportsbook site Bet Online found 1:1 — even odds — among bettors on whether Disneyland would open by Jan. 1, 2021, which would mean the park would be closed for 9½ months. A baby could be conceived, gestated and born and Disneyland would still be closed.

The company is, of course, in the process of exploring various medical options for when a reopening would happen. On Tuesday, the parks division's chief medical officer, Pamela Hymel, published a blog post noting various safety measures being explored, from physical distancing to cast training. Disney could operate the parks at a loss and hope attendance ramps up to cover the costs. Given the public health dangers, that would be, at the least, a risky decision.

The long-term closures are unprecedented for the parks, which have been as constant a presence as sunlight. In the past, the parks have only seen a handful of closures, and they were all very brief — after President John F. Kennedy's assassination, after 9/11, and in the immediate wake of natural disasters such as the Northridge earthquake or Hurricane Irma.

Modern America has never faced a health crisis like this. But Disney parks are also facing a new phenomenon: the collective reluctance to visit them.