Harold L. Vogel

Travel Industry Economics

A Guide for Financial Analysis

Third Edition



Contents

Part I	Introd	luction
--------	--------	---------

Eco	onomic Perspectives
1.1	Time Concepts
	1.1.1 Alternatives
	1.1.2 Availabilities
1.2	Supply and Demand Factors
	1.2.1 Productivity
	1.2.2 Demand for Leisure
	1.2.3 Expected Utility Comparisons
	1.2.4 Demographics and Debts
	1.2.5 Barriers to Entry
1.3	Primary Principles
	1.3.1 Marginal Matters
	1.3.2 Price Discrimination
	1.3.3 Public-Good Characteristics
	1.3.4 Power Laws
1.4	Personal-Consumption Expenditure Relationships
1.5	Price Effects
1.6	Industry Structures and Segments
	1.6.1 Structures
	1.6.2 Segments
	1.6.3 Advertising and Promotion
1.7	Valuation Variables
	1.7.1 Discounted Cash Flows
	1.7.2 Comparison Methods
	1.7.3 Options
1.8	Oil
1.9	Concluding Remarks

xii Contents

t II	Getting There
Wir	ngs4
2.1	Onward and Upward
	2.1.1 Technology and Early History
	2.1.2 Regulation and Deregulation
2.2	Operational Characteristics
	2.2.1 Structural Features
	2.2.2 Basics
	2.2.3 Marketing Features
	2.2.4 Airport Management
2.3	Economic Characteristics
	2.3.1 Macroeconomic Sensitivities
	2.3.2 Microeconomic Matters
	2.3.3 Financial Features
2.4	Financing and Accounting Issues
	2.4.1 Financing
	2.4.2 Accounting
2.5	Valuing Airline Properties
	Concluding Remarks
	ξ
	ter and Wheels
3.1	Wetting the Whistle
	3.1.1 Fantasy Islands
	3.1.2 Operational Aspects
	3.1.3 Economic Aspects
3.2	Automobiles
	3.2.1 Jamming
	3.2.2 Car Rentals
	Kings of the Road
	Iron and Steel
	Finance and Accounting
3.6	Concluding Remarks
t III	Being There
Hot	rels
4.1	Rooms at the Inn
4.2	Basics
	4.2.1 Structural Features
	4.2.2 Operating Features
	4.2.3 Marketing Matters
4.3	Financial and Economic Aspects
	4.3.1 Financing Frameworks
	4.3.2 Accounting Issues
	4.3.3 Economic Sensitivities
	Wir 2.1 2.2 2.3 2.4 2.5 2.6 Wa 3.1 3.2 3.3 3.4 3.5 3.6 t III Hot 4.1 4.2

Contents xiii

	4.4	Valuing Hotel Assets	176
	4.5	Concluding Remarks	182
Par	t IV	Doing Things There	
5	Casi	inos	185
	5.1	From Ancient History	185
		5.1.1 At First	185
		5.1.2 Gaming in America	186
		5.1.3 Asia's Jackpot	195
	5.2	Money Talks	197
		5.2.1 Macroeconomic Matters	197
		5.2.2 Funding Functions	199
		5.2.3 Regulation	200
		5.2.4 Financial Performance and Valuation	202
	5.3	Underlying Profit Principles and Terminology	203
		5.3.1 Principles	203
		5.3.2 Terminology and Performance Standards	205
	5.4	Casino Management and Accounting Policies	210
		5.4.1 Marketing Matters	210
		5.4.2 Cash and Credit	212
		5.4.3 Procedural Paradigms	214
	5.5	Gambling and Economics	216
	5.6	Concluding Remarks	218
6		usement/Theme Parks and Resorts	219
	6.1	Flower Power	219
		6.1.1 Gardens and Groves	219
		6.1.2 Modern Times	220
	6.2	Financial Operating Characteristics	222
	6.3	Recreational Resorts	226
	6.4	Economic Sensitivities	228
	6.5	Valuing Theme-Park Properties	229
	6.6	Concluding Remarks	230
7	Tou	rism	233
	7.1	Don't Leave Home Without It	234
	7.2	Economic Aspects	243
		7.2.1 Demand Models	246
		7.2.2 Multipliers	247
		7.2.3 Balance of Trade	250
		7.2.4 Input-Output Analysis	253
	7.3	Concluding Remarks	255

xiv Contents

Par	t V	Roundup	
8	Per	formance and Policy	259
	8.1	Common Elements	25
	8.2	Public Policy Issues	26
		Guidelines for Evaluation	
	8.4	Final Remarks	264
Apj	oendi	x A: Sources of Information	26
Apı	endi	x B: Valuation Concepts	26
App	endi	x C: Major Games of Chance and Slots	27
Glo	ssary	7	27
Ref	eren	ces	29
Tad			22