

THE NECESSITY OF REVITALIZING LOCAL ECONOMY:
A FEASIBILITY STUDY OF
THE 'SNOW MOUNTAIN WORLD'
PROJECT

by

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Submitted to the Department of Architecture
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at the


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ABSTRACT

Due to the decline of coal mines in Korea and the consequent measures taken by the government to replace the energy sources with oil, the coal mining towns in the Chongson county are deserted as the residents continue their exodus from the district.

In order to help the people in the coal mining districts and revitalize the economy of these regions, the local government is mulling the local economic development project. Myungsung Business Group, once Korea's uncontested leisure business king, is very interested in this project. The Myungsung development company is going to build a year-round ski resort, the 'Snow Mountain World' (SMW), in these coal mining areas.

This thesis analyzes if this SMW project will succeed. In turn, it examines if the SMW stimulates local economic development. Chapter 2 provides an overview of the environment of the abandoned coal mining regions in Chongson county, Kangwon-Do, Korea with background information. The outline of the SMW project is described in detail in chapter 3. Chapter 4 and 5 discusses various analyses of the feasibility of SMW project including market analysis. Finally, chapter 6 concludes the study and summarizes the project effects, and offer other suggestions.

Thesis Supervisor: William C. Wheaton
Title: Professor of Economics

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I am particularly indebted to Chul-ho Kim, the chairman of Myungsung Business Group, who consented to my use of his project as the subject of this thesis. I also wish to thank Myungjin Shin, the vice chairman of Myungsung Business Group. Without their kind support, this project would not have become a reality.

Without the prayers of my father, Kwansik Kim, and mother, Shinyung, none of this work could have been possible. I would really like to thank them for their patience and understanding. To all my family, especially my brothers-in-law, Dr. Chongkweon Ko and Taehoon Jwa and my brother, Changha, I send my best regards.

This thesis is dedicated to my wife, Sunjoo Huh, to whom I am eternally indebted, especially for her smiles when they were most needed. In addition, to our wonderful son who will be born in September, 1996: thank you in advance for letting Papa do what he wants to do.

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CHAPTER 1. INTRODUCTION

1-1. BACKGROUND

Over the last three decades, the Republic of Korea has achieved what is widely acclaimed as "the economic miracle on the Han River." Since Korea embarked on economic development in earnest in 1962, its economy has grown at one of the fastest paces in the world. As a result, Korea, long one of the world's poorest agrarian societies, has emerged as an upper middle-income, fast-industrializing country.

In around three decades, from 1962 to 1995, Korea's gross national product increased from 2.3 billion dollars to about 4,520 billion dollars, with the per capita GNP soaring from 87 dollars to 10,076 dollars at current price levels.¹ The key to this success was the adoption of an outward-looking development strategy that made exports the engine of growth--a strategy that reflected Korea's insufficient natural endowments, its limited domestic market, and its abundant, well-educated, industrious manpower.²

Korea has depended mostly upon coal for its industrial and domestic energy. Korea can not deny that there has been an indissoluble connection between coal and the Korean citizen for a long time. However, after the policy of the heavy chemical industry for the economic growth, the energy policy converted coal to oil and a reduced demand for coal was continued. Especially recently, the rapid industrial growth has caused coal mines to be abandoned. The coal miners who were then out of work emigrated for jobs and these coal

¹ Korea Weekly Economic Business, p.13, June 26, 1996

² "Facts about Korea", Korean overseas information service, 1995

mine areas remained in ruins. The local economy is not yet out of a swamp of stagnation caused by the local cavity. These abandoned coal mine areas seem like they will never be restored to the former state.

Local autonomy system has been in effects since 1995. There are fifteen local governments in Korea. Most of the local governments nowadays are trying to develop their local economies competitively. Most of the coal mining regions are located in Kangwon-Do.³ Currently, these regions are suffering from the declining coal mining industry. Due to the decline of coal mines in Korea and the consequent measures taken by the government to replace the energy sources with oil, the coal mining towns in the Chongson county are deserted as the residents continue their exodus from the district. The population of Chongson county was 128,909 in 1987, and decreased to 72,900 in 1993.⁴

In order to help the people in the coal mining districts and revitalize the economy of these regions, the local government is mulling the local economic development strategies. The general idea of the local government to solve the problems which these regions face is as follows:⁵

- A. develop a great tourist complex including skiing, golf, a marina and casino.
- B. foster a local major industry
- C. improve the local environment

Myungsung Business Group, once Korea's uncontested leisure business king, is very interested in this project. The Myungsung company is going to build a year-round leisure-sports park in these coal mining areas. This leisure-sports

³ "Do" means "state" in English

⁴ The Korea Post, Samseung Printing House, p.71, Jan, 1995

⁵ Annual Report for Kangwon-Do government, 1995

resort project, the 'Snow Mountain World,' which will cost an estimated 2.5 billion dollars, will consist of 373 ski slopes, 12 golf courses, a 200-yacht marina, 3 cable car lines totaling 19.2 kilometers, the monorail of 22 kilometers, a food-processing plant, a farm products distribution center, condominiums (with a total of 15,000 rooms), hotels (with a total of 1,400 rooms), a youth hostel of 500 rooms, and hospitals (with a total of 1,100 rooms).⁶

1-2. THESIS OBJECTIVES

The principal objective of this thesis is to see if this 'Snow Mountain World' project will succeed. In turn, I would like to see if it stimulates local economic development. In order to get to these objectives, the feasibility of this project should be investigated. This study will be conducted from the private developer's perspective. The basic framework of this thesis will pose the following questions:

1. Does this project meet the national leisure demand? Especially, does it meet the demand for the national ski and golf markets?
2. Will this project succeed? In turn, what will the effects on the local economy be after completing this project?
3. If it is not successful, are there any other suggestions to revitalize the local economic condition?

⁶ Ski Journal, Magazine House LTD.,p.66, Nov., 1994

1-3. METHODOLOGY AND ORGANIZATION OF THE THESIS

The author traveled to the project areas to conduct most of the research for this work. Materials and information were obtained from sources in the U.S., Korea and included literature reviews, interviews and discussions with project teams. In addition, they were obtained by attending some design and planning meetings and by site visits.

This thesis is organized in a total of 6 chapters. Chapter 2 provides an overview, based on literature reviews, of the environment of the abandoned coal mining regions in Chongson county which is the subject area, Kangwon-Do. Chapter 3 describes in detail the outline of the 'Snow Mountain World' project. The planning basis, conception of development, project description and operation management plan will be addressed. In chapter 4, a national market analysis is discussed. This chapter will first examine the general tourism demand market according to domestic and international perspectives and then analyze the demand for ski and golf markets specifically. The rest of the chapter will consist of supply market analysis and summary for national market analysis. Chapter 5 describes various analyses of the feasibility of the 'Snow Mountain World' project. Finally, chapter 6 concludes the study and summarizes the project effects, and offers other suggestions.

CHAPTER 2. AN OVERVIEW OF THE ENVIRONMENT OF THE ABANDONED COAL MINING REGIONS IN CHONGSON COUNTY, KANGWON-DO, KOREA

2-1. POPULATION STATUS

2-1-1. POPULATION

Concerning the population status in Chongson county, the population had been increasing up until 1975 according to the growth of the coal mining industry after 1955. The population has been dramatically decreasing since the consequent government measures to replace the energy sources with oil in 1989. Comparing the number of coal mining industry employees and the total population in Chongson county, the status is as follows:

TABLE 2-1. Employment status in the coal mine industry (Chongson county)

YEAR	NUMBER OF COAL MINES	NUMBER OF EMPLOYEES
1984	177	15,774
1985	182	16,360
1986	118	17,089
1987	130	16,932
1988	175	15,523
1989	161	12,335
1990	146	10,267
1991	112	8,874

Source) Annual Report, Chongson county, 1992, pp. 93-95

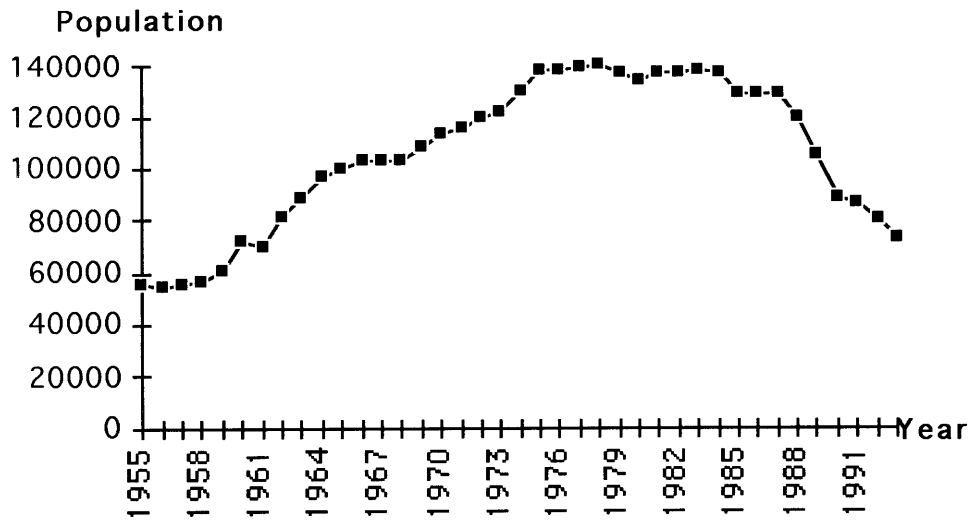
TABLE 2-2. Comparison between employees' number in the mining industry and the total population (Chongson county)

YEAR	DECREASE OF EMPLOYEES	DECREASE OF TOTAL POPULATION
1989	3,188	14,543
1990	2,068	7,651
1991	1,393	1,745

Source) Annual Report, Chongson county, 1991, p.39

The population status of Chongson county since 1953 is as follows:

Chart 2-A. Population status (Chongson county)



Source) Annual Report, Chongson county, 1992, p.33

TABLE 2-3. Population status (Chongson county)

YEAR	NUMBER OF HOUSEHOLDS	POPULATION	POPULATION PER HOUSEHOLD
1955	10,693	55,201	5.5
1956	9,896	54,323	5.5
1957	9,980	55,204	5.5
1958	10,069	56,306	5.6
1959	11,325	60,738	5.3
1960	13,685	72,186	5.2
1961	12,985	70,001	5.4
1962	15,409	81,821	5.3
1963	16,779	88,871	5.2
1964	17,273	96,495	5.5
1965	18,146	99,465	5.5
1966	19,175	102,702	5.5
1967	18,948	103,074	5.4
1968	19,163	102,780	5.4
1969	20,252	107,847	5.3
1970	21,347	113,493	5.2
1971	21,411	115,233	5.4
1972	21,935	119,482	5.4
1973	22,246	121,178	5.4
1974	23,140	129,516	5.6
1975	26,627	138,541	5.2
1976	26,411	138,559	5.2
1977	26,315	139,556	5.3
1978	26,943	139,862	5.1
1979	26,705	137,481	5.1
1980	27,780	133,960	4.8
1981	28,252	136,928	4.8
1982	28,524	137,264	4.8
1983	28,877	138,491	4.7
1984	28,827	137,365	4.8
1985	29,559	128,781	4.4
1986	29,315	128,968	4.4
1987	29,644	128,909	4.3
1988	28,663	119,777	4.2
1989	26,099	105,234	4.0
1990	23,872	88,382	3.7
1991	22,070	86,637	3.9
1992		80,133	
1993		72,900	

Source) Annual Report, Chongson county, 1992, p.33

When the number of coal mining employees is compared to the recent yearly population transitions and when it is assumed that there is one employee per household, the yearly household population can be multiplied and the percentage of coal mining employees, and of coal mining family members, in the total population can be obtained.

TABLE 2-4. Yearly component ratio of coal mining employees to total members of the employees' household

YEAR	POPULATION (A)	POPULATION PER HOUSEHOLD	NUMBER OF EMPLOYEES IN MINE INDUSTRY (B)	B/A (%)	NUMBER OF FAMILY MEMBERS (C)	C/A (%)
1984	137,365	4.8	15,774	11.48	75,715	55.12
1985	128,781	4.4	16,360	12.70	71,984	55.90
1986	128,968	4.4	17,089	13.25	75,192	58.30
1987	128,909	4.3	16,932	13.13	72,808	56.48
1988	119,777	4.2	15,523	12.96	65,197	54.43
1989	105,234	4.0	12,335	11.72	49,340	46.89
1990	88,382	3.7	10,267	11.62	37,988	42.98
1991	86,637	3.9	8,874	<u>10.24</u>	34,609	<u>39.95</u>
				12.14		51.26

As shown above, 12.14% of Chongson county's population are coal mining employees and an average of 51.26% of the whole population of Chongson county are family members of the employees of the coal mining industry. Therefore, the coal mining industry plays a critical financial role in the county.

Since, in 1991, the coal mining employees' household member percentage was 39.95%, then by the year 2001, there is a high percentage that 36,609 of the coal mining employees' household members will move to another district. This

is when one considers the total amount of production in the Chongson coal field.

2-1-2. FUTURE POPULATION FORECAST

By looking at the total amount of production in 1991, one can see that, by the year 2001, coal production could come to an end. Then, by 2001, how much of the Chongson county population will be left ?

According to Chongson county's rate of population decrease, which is -8.952 % from 1988 to 1993, by year 2001, this type of decrease in population can be predicted:

TABLE 2-5. Population and population growth rate in Chongson county

YEAR	POPULATION	GROWTH RATE (%)
1984	137,365	
1985	128,781	-6.25
1986	128,968	0.15
1987	128,909	-0.05
1988	119,777	-7.08
1989	105,234	-12.14
1990	88,382	-16.01
1991	86,637	-1.97
1992	80,133	-7.51
1993	72,900	-9.00

Source) Annual Report, Chongson county, 1992

The population in Chongson county by 2001 can be predicted by a formula of geometric ratio when assuming that the decrease rate of the population is steady.

$$P_n = P_o (1 + r)^n$$

Here, P_n = Chongson county's population in 2001

P_o = Chongson county's population in 1991

r = Yearly average increase rate -0.08952

n = 10 years

Therefore, $P_n = 86,637 \cdot (1 - 0.08952)^{10} = 33,917$

Therefore, by the year 2001, when one looks at the present rate, there will be only 33,917 people left in Chongson county which is a decrease of 53.47 % from the population of 72,900 in 1993.

In this case, the 36,609 coal mining employees' household members moving to another district in 1991 has caused an incidental decrease of 18,111 people from other industries.⁷

2-2. ECONOMIC SITUATION

2-2-1. BACKGROUND

TABLE 2-6. Analysis of industrial structure

	CHONGSON COUNTY		NATION	
	EMPLOYEES	RATE(%)	EMPLOYEES	RATE(%)
TOTAL EMPLOYEES' NUMBER	38,119	100	18,575,000	100
MINING INDUSTRY	8,874	23.28	68,000	0.40
AGRICULTURE, FISHING AND FORESTRY	19,187	50.33	3,102,000	16.70
MANUFACTURING INDUSTRY	1,093	2.87	4,936,000	26.60
CONSTRUCTION INDUSTRY	365	0.96	1,543,000	8.30
OTHER SERVICE INDUSTRIES	8,600	22.56	8,925,000	48.00

Source) Major economic statistics, Korea Statistics Administration, 1993

⁷ Sung Ju Kim, thesis for Master of Environmental Science, Hanyang University in Korea, 1994, p.24-35

As shown from the analysis table of the industrial structure of Chongson county, the coal mining industry has been the leader and major industry of economic growth. The fact that there is only one industry and the local economy relies on it makes it a very unstable economic structure. This hinders the formation of investments from the city since the town does not have a different industry. Manufacturing, construction and other service related industries are very weak in Chongson county and an increase of investment in these areas would enable an accumulation of capital in this district. The outcome of this investment could create new facilities, an increase of employment and an activation of the local economy. Approximately ten years from now, the drainage of the coal supply, the increase in wages, the loss of price competition and replacement of coal with oil and gas will most definitely annihilate the coal industry. Therefore, Chongson county needs a counterplan for its future economic activity.

2-2-2. INDUSTRIAL AND ECONOMIC STATUS

A. Industry Structure

In 1991, among 23,908 households with jobs, 37.4% were in coal mining and since the government energy policy which converted coal to oil, jobs have been moving to manufacturing and trading.⁸

B. Residents' Income

Chongson county's income per resident was 2,100 dollars in 1990 and showed a growth of 14.1 % from 1981. This growth was due to the increase in coal production.⁹

⁸ Sung Ju Kim, thesis for Master of Environmental Science, Hanyang Univ. in Korea, 1994, p.44.

⁹ Tourism development plan, Chongson county, 1993, p.14

C. Local Productivity (GRP)

The GRP in 1989 was 360 million dollars and, in 1990, 403 million dollars.¹⁰

2-3. GOVERNMENT PERSPECTIVE ON NECESSITY OF REVITALIZING THE LOCAL ECONOMY

2-3-1. BACKGROUND

Local economy forms the national economy. The national economy is a space economy with units of geographical space division. Since local economy is a part of the national economy, the national economy and local economy has a whole-to-part relationship. Each local economy's phase is decided by the growth and fluctuation of the national economy.¹¹

2-3-2. NECESSITY OF LOCAL ECONOMIC DEVELOPMENT

The local economy shows the need for activation in three parts: land development, economic growth and political development.

A. National Land Development Perspective

Alleviate the improper balance among districts and plan a growth of properly balanced territory. Additionally, a functional relationship between the districts should be systematically constructed to improve overall efficiency.

¹⁰ See note 8.

¹¹ Anje Kim, Development of local economy, Local Finance, 5th, 1984, Korea Local Economic Administration, p.8

B. Economic Growth Perspective

The local economy should be activated for the acceleration of local resource development, the creation of district market demand and the expansion of the social overhead capital facilities.

C. Political Development Perspective.

First of all, the alleviation of economic differences between states is needed for the harmony of the citizens.

Secondly, if one's own local economic foundation is stable and the economy is active, employment will be guaranteed with increased income leading to a stable lifestyle. It could also promote love and pride for one's own district.

Thirdly, a local economy's activation will increase the economic ability of district citizens and reform the independent financial condition of the local government.¹²

2-4. TOURISM-LEISURE DEVELOPMENT FOR LOCAL ECONOMY VITALITY

2-4-1. BACKGROUND

Chongson county has a number of high mountains, valleys, natural forests and caves that can be linked further with the east coast beaches and other tourist resources by means of cable car, funicular, and gondola (refer chapter 5-1. Site analysis). Therefore, using these inherent characteristics, a tourism-leisure industry will be a good alternative to revitalize economy for this projected region.¹³

¹² Sanggei-Report, Korea, p.11-14

¹³ Annual report, Myungsung development company, 1995, p.13

2-4-2. GENERAL EFFECTS ON TOURISM-LEISURE DEVELOPMENT

In general, the development of tourism means fulfilling the need of the tourists by distributing facilities and service. Another meaning of the development of tourism is to appoint a certain area, develop its potential to the fullest, and maximize the general convenience by enhancing the local economy, society, culture and environment. This will then promote local and national development. Therefore, the development of tourism includes a creation of employment and an increase of wages.¹⁴ The alternative to the coal industry would be the development of tourism that would activate the local economy.

The development of tourism could provide large economic conveniences to the local society's citizens. On the other hand, it could create financial expense.

First of all, as for the conveniences (advantages), it could have an income effect, employment effect, tax revenues and an improvement of the economic structure.

Secondly, as for the expenses (disadvantages), it will cause inflation, real estate speculation, price increases, unstable employment and the employment problem of high priced labor.¹⁵ In addition, developing the abandoned coal mining regions into tourism-leisure area like this case, a critical question of "For whom is it developed?" will be most likely asked. That is, analyzing industrial structure in Chongson county, the rate of employment for mining industry was 23.28% in 1993 (see TABLE 2-6). Therefore, the highest victims

¹⁴ Sangmu Kim, tourism development theory, Keimyung Univ. press center, Korea, 1991, p.54-56

¹⁵ Sunhi Jang, A study on local economic development of tourism industry, thesis for Doctor of Kyunkuk Univ., Korea, 1992, p.49

will be coal miners when Chongson county is developed to tourism-leisure area for its future economic activity. Even though the local economy is revitalized by tourism-leisure industry, a lot of employees will come from outside of the county. They will replace the coal miners who were major workers for Chongson county.

CHAPTER 3. AN OUTLINE OF THE 'SNOW MOUNTAIN WORLD' PROJECT¹⁶

3-1. PLANNING BASIS

3-1-1. OBJECTIVES

Taking advantage of the characteristics of Chongson county vicinity's highlands, it could become a resource in tourism which could become an international full-scale ski resort. This could become Korea's first mountain area international tourism city, connected to the East coast beach resort area.

- A. The resort could revive the Chongson county vicinity's local economy through construction and operation which would then lead to an increase of income and an increase in employment.
- B. Skiing, which is becoming a popular winter sport, could attract tourists from Japan, Singapore, Hong Kong, Taiwan, and Malaysia. Golf and Hot Spring condominiums are favorite items for Japanese tourists and with the development of these high-end tourist attractions, it could contribute to the reform of international revenue and expenditures by making the tourist industry one of the exporting industries.
- C. Construct full scale facilities for youth training and the study of nature in the mountainous highlands.

¹⁶ The 'Snow Mountain World' project plan, Myungsung development company, 1995, p.12-27

D. Make a model out of developing a mountainous area. Mountainous areas are about 65% of the total national territory, and develop it as the nation's first full-scale mountain tourism leisure city.

3-1-2. CHARACTERISTICS OF THE CONSTRUCTION

The development plan aims to build a tourist complex which can well serve the tourist export strategy. This projected region will be developed to become a special district of integrated tourism year round. In general, seasonal demands for the tourist leisure industry vary, causing economic fluctuation and consequently affecting the community. To get rid of this situation, it is fully intended to include integrated and harmonized facilities for all seasons (see TABLE 3-1.).

TABLE 3-1. Seasonal demand for tourism-leisure facility

===== High Demand
 ----- Semi Demand

	1	2	3	4	5	6	7	8	9	10	11	12
Skiing	=====	=====	-----								-----	=====
Golf		-----	=====	=====	=====	=====	=====	=====	=====	=====	=====	-----
Youth training	-----	-----	-----	=====	=====	=====	=====	=====	=====	=====	-----	-----
coast	-----	-----	-----	-----	-----	-----	=====	=====	-----	-----	-----	-----
Resort	-----	-----	=====	=====	=====	=====	=====	=====	=====	=====	=====	-----
Others	-----	-----	=====	=====	=====	=====	=====	=====	=====	=====	=====	-----

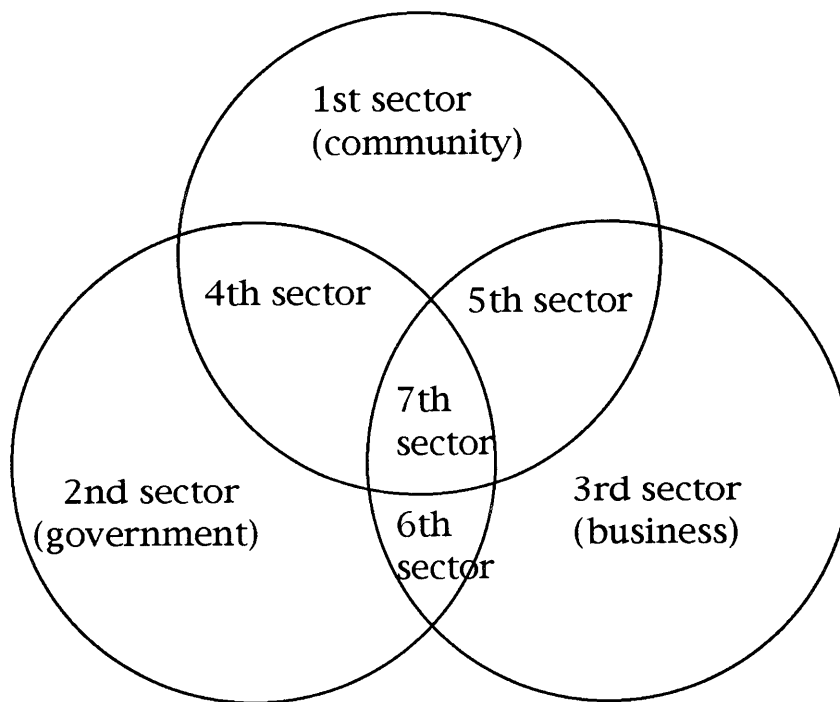
Source) The 'Snow Mountain World' project plan, Myungsung development company, 1995, p.14

Also, operation and management will provide a variety of tourist sites connected to other existing tourism resources around. Abundant resources on

top of the existing tourist sites in Tonghae, Sokcho and Kangnung can be connected to each other to create a variety of tourist facilities. To develop the integrated tourism-leisure town, the SMW project will make the residents feel proud to have the tourist-leisure industry as the basic industry for Chongson county and its people, and let the residents play the role of tourist guides through cooperation with the schools and the local government.

3-2. CONCEPTION OF DEVELOPMENT

3-2-1. 7 sector concept



- First sector (community)
 - Community participation
- Second sector (government)
 - Support tourism-leisure development effectively
 - Provide the best conditions for business companies
 - Create an effective policy for local economic development
- Third sector (business)
 - Supply sources for local economy vitality
 - Develop tourism-leisure area
 - Reinvest operation profits
- Fourth, fifth, sixth and seventh sectors
 - Effective cooperation
- Complete project for local economy vitality

3-2-2. Conception of development

A. Mission statement

To develop an integrated international tourism-leisure town and strategic tourism base.

B. Conception

Year round tourism-leisure : Vitalize year-round economic activities

International tourism-leisure : Induce foreign tourists to come

Sound tourism-leisure : Youth(student) and family-oriented

Various tourism-leisure : Highland, coasts, hot spring- resources of
integrated tourism

Clean environment tourism-leisure : Maximize preservation of nature

Integrated tourism-leisure : Residents join the tourism industry and make indigenous products to be tourist goods

3-3. PROJECT DESCRIPTION

The SMW project, which will be built at an estimated total cost of 2.5 billion dollars, will consist of a total of 373 ski slopes, 12 golf courses, a 200-yacht marina, 3 cable car lines totaling 19.2 kilometers, the monorail of 22 kilometers, a food-processing plant, a farm products distribution center, condominiums with a total of 15,000 rooms, hotels with a total of 1,400 rooms, a youth hostel of 500 rooms, and hospitals with 1,100 rooms. The details of the programs of the project are as follows:

- SKIING

skiing 373 lanes

lifts 99 set

gondolas 18 sets for 4-6 persons

lifts 67 sets for 3-4 persons

skilifts 14 sets for 1 person

program plan

ski house, bob-sleigh, sledge slope, ski jump and toboggan shoot

facility plan

ski school, ski rental shop, day nursery, shopping center, resort area, child playground, artificial snow, and administration office.

- GOLF

18 holes 12 courses

9 holes 2 courses

facility plan

club house, tea house, caddie house, administration office,
child playground, show room for art, and a leisure room.

- RESORT AND LEISURE

facility plan

child playground, tourist farm, health club, canoe club,
pool, training sites, camping sites, physical exercise, ice
rink, park, hot spring center, and thermal clinic.

- WATER CITY

water places, water therapy clinic, thermal center, health clinic, wind
surfing, jet skiing, miniature golf, yacht marina.

- TRANSPORTATION

MAINTOWN-HIGHLAND-SUNTOWN

suntown-highland monorail 22 km

highland-maintown cable car 15 km

- ACCOMODATION

condominiums	20,800 rooms
ski condos	13,700 rooms
thermal condos	2,600 rooms
beach condos	3,000 rooms
golf condos	1,500 rooms
hotels	6,200 rooms
highland hotels	1,200 rooms
ski hotels	2,700 rooms
beach hotels	1,000 rooms
thermal hotels	600 rooms
youth hostels	700 rooms

- CONVENIENCE FACILITIES

culture center, sports center, shopping center, and distribution center

- INFRA-MANAGEMENT FACILITIES

quarter, sewage treatment, and parking

- FOOD PROCESS

food process plant, refrigeration storage

3-4. OPERATION MANAGEMENT PLAN

- SALE PLAN OF MEMBERSHIP

ski + condo

20% for foreigners (Japanese, South-east Asians)

60% for natives

20% for companies

golf

all 12 courses (18 holes) are operated as public courses

2 courses (9 holes) are service areas for children and beginners

- EMPLOYMENT AND PROCUREMENT

To employ the local inhabitants

To procure such local products as the agricultural goods

To procure processed foods locally

- ORGANIZATION FOR USE

golf priority for foreign visitors

skiing 30% for foreign visitors

70% for native visitors

facilities for youth

To induce group training teams of junior and senior

high school students to come

To induce overseas students from Japan and South-east

Asia to come on trips

- ENVIRONMENT

8% of the total investment cost is programmed for the prevention of environmental pollution, and for treatment facilities

WATER RESOURCES MANAGEMENT

- an operating process of dirty water and pure water
- the dirty water after being purified will be reused for irrigation and industrial purposes
- establish giant sewage disposal terminals at 24 respective places

AIR ENVIRONMENT CONTROL

- dust-collection facilities
- incineration facilities
- separatory removal of the waste

NATURAL RESOURCES MANAGEMENT

- preservation of natural resources
- restoration of damaged resources

- SAFETY CONTROL

- damage from wind, rain, etc.: take necessary action against such weather disasters
- proper measures against traffic accidents, ski facility accidents, ect.
- control of hazardous facilities, and of fire

CHAPTER 4. NATIONAL MARKET ANALYSIS

4-1. DEMAND MARKET ANALYSIS

4-1-1. BACKGROUND ON DOMESTIC PERSPECTIVE

A. NATIONAL TOURISM MARKET

A-1) Background on national tourist demand

The economic growth which Korea has achieved over the past three decades has caused many positive changes to Korean tourism. An improved standard of living, increased disposable income, an enhanced transportation network and increased tourism demand have been some major characteristics of the tourism environment in Korea over the last several years. As tourism demand increases, activities such as weekend trips, dining out and holiday travel are rapidly expanding. The wide availability of computer-based tourist information and reservation systems is helping people enjoy more leisure-time activities.

With this enhanced leisure consciousness and improved working conditions, Korean workers are now beginning to think of leisure as being as important as work, and are seeking to better their own lifestyles. People are increasingly concerned with their spiritual and physical health, as seen in the changing attitudes toward leisure, style of travel, vacations and recreation, all of which can revitalize human life.

On the public side, the central and local governments are increasingly assisting the tourism industry. The government recognized the important role tourism could play for the national welfare in the early 1980's. Since then, it has tried to provide more equal opportunities for all levels of people to enjoy

leisure activities. The national welfare had previously been overshadowed by the urgent need for economic development. Local governments, who regard the tourism industry as a means of enriching their local economies, have expanded their local road network and modernized their tourism support systems to meet the travelers' ever-growing demands.

It is hoped that the government's vigorous efforts in carrying out Visit Korea Year 1994 has created a better tourism environment and further understanding among Koreans of the importance of the tourism industry. To meet these necessities and to overall increase tourism demand, long-term plans were made to improve the accessibility of destinations, to increase the availability of comfortable, frequent and convenient modes of transportation, to reduce travel time and from destinations, to make booking of sleeping facilities easier, and to provide more clean and spacious areas for rest and relaxation.¹⁷

A-2) The Characteristics of Domestic Pleasure Travel

The Korea National Tourism Corporation (KNTC) conducts a Domestic Pleasure Travel Survey every year. This survey is done to produce accurate statistics of dogmatic pleasure travel and to help establish national tourism policies. Surveyors visited households and interviewed 3,000 Koreans aged 13 years and over throughout the country. The survey focused on domestic pleasure travel. According to the 1994 survey, 93.2 % of Koreans aged 13 years and over had participated in a one-day or longer pleasure trip at least once during the last year.

¹⁷ Korean Tourism Annual Report, Korea National Tourism Corporation (KNTC), 1994, p.2

The average frequency of pleasure trips of one night or more among Korean adults was 1.52 trips per person. The average day trip frequency was 4.8 trips per person.¹⁸

- Purposes of pleasure travel

Koreans make pleasure trips in order to visit natural attractions or famous places, to rest and relax, or to enjoy recreational activities and entertainment. Trips to escape the summer heat are the most popular among Koreans, while skiing in winter is also gaining in popularity each year.

Other factors that influenced Koreans' decisions to take outdoor trips and vacations were health care, new experiences and escape from the routine of daily life.

- Popular types of destinations

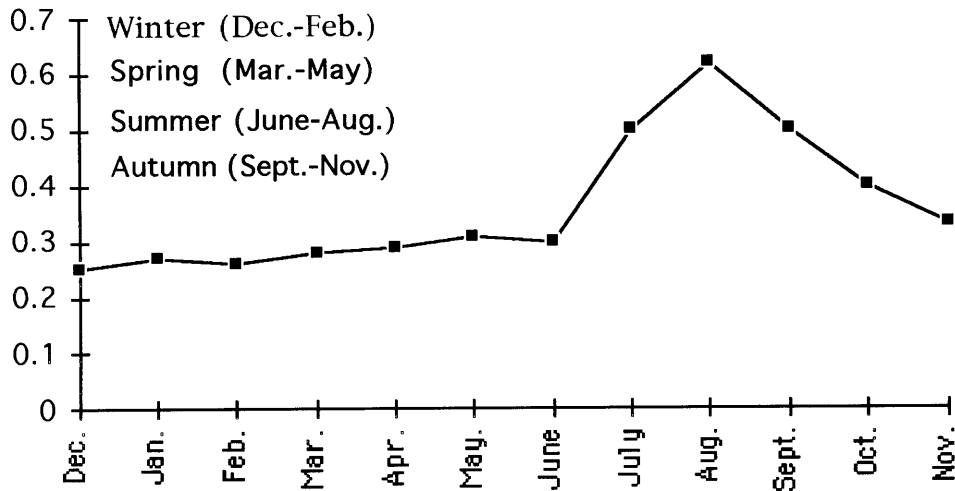
In classifying the popular destinations into major categories by type of natural resource, we find that seaside resorts are the most popular destinations for trips of one night or more, followed by trips to the mountains. On the other hand, day-trippers prefer amusement parks, but they also like to visit the mountain areas, historical and cultural sites and lakes and rivers.

- Travel by season

Summer, especially August, is the peak season for overnight travel, as holiday-makers depart the hot cities for their summer vacation. The peak season lasts from late July through mid-August, the hottest period of the year.

¹⁸ Korean Tourism Annual Report, KNTC, 1995, p. 2-3

CHART 4-A. The average number of overnight pleasure trips by month



Source) Korean Tourism Annual Report, KNTC, 1994

- Size of travel groups

The survey, like before it showed that Koreans tend to travel in groups ranging from two to five persons. These small groups accounted for approximately half of all Korean domestic traveler; 51.7 % of all overnight trips and 59.0 % of day trips were in small groups. Only 6.5 % of overnight travelers and 2.6 % of day trippers traveled alone. In general, most Koreans traveled with their friends or relatives. Family travel is on the rise, while travel with community members is decreasing.

- Modes of Transportation

Private vehicle ownership has become widespread recently, creating a new mode of travel in Korea. The survey shows that private cars have become the most popular mode of transportation, having a 39.2 % share of overnight trips

and 45.6 % of day trips. On overnight trips, private cars outpaced tourist buses (9.3 %), trains (11.4 %) , and public buses (12.4%).¹⁹

The preference for buses and trains has decreased, while the use of private cars and airplanes has increased noticeably. This reflects the growth of the national economy and the changing lifestyles of the Korean people.

- Types of lodging and length of overnight stays

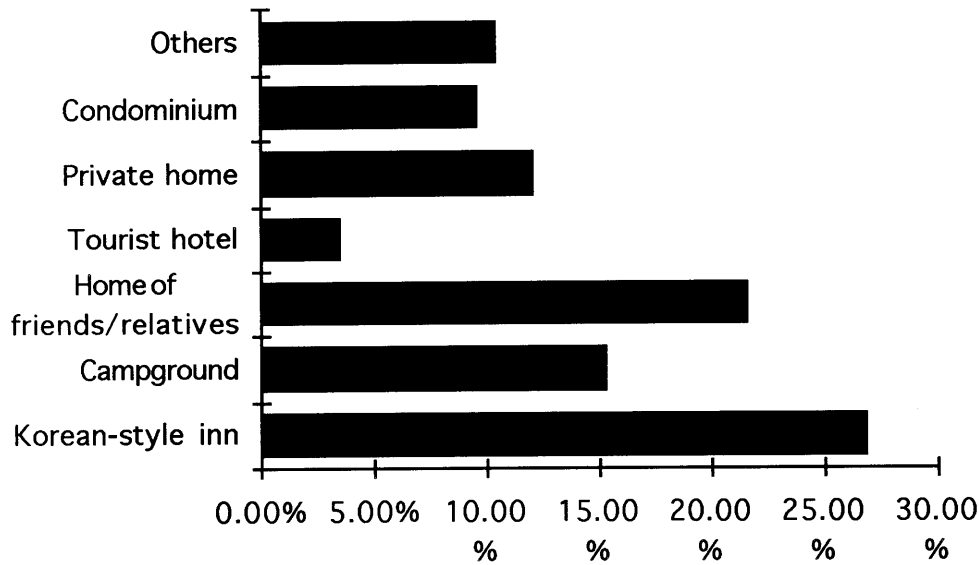
Korean-style inns are the most popular form of lodging among domestic pleasure travelers (26.9%), followed by camping (15.4%) and staying with relatives or friends (21.7%), according to the survey. In the 1993 National Travel Survey, camping topped the lodging list. However, the use of higher quality lodging facilities has increased, reflecting the increase in the number of comfort seekers, especially families with children, and pleasure seekers, the new high-disposable-income group.

The majority of overnight travelers (46.7%) spent only one night away from home, while 31.7% spent two nights and 14.1% three nights.

The average number of nights spent away from home was 2.95. Short-stay trips seem to prevail on the scene as a result of the growth in car domestic ownership, which slightly reduces the need to make an overnight stay. Day trippers spent US\$31 per person per trip, while those staying away longer spent US\$98 per person per trip.

¹⁹ Domestic Pleasure Travel Survey, KNTC, 1994

CHART 4-B. Types of accommodation used



Source) Korean Tourism Annual Report, KNTC, 1994

A-3) Nationals' overseas travel

The continued economic growth, the increased demand of nationals for travel abroad and the necessity to promote international relationships has encouraged the Korean government to liberate their overseas travel policies. With the widening of opportunities for nationals' overseas travel in 1989, the growth of Korea's outbound travel industry has accelerated. In 1994, the number of Korean outbound travelers reached 3,154,326, a growth of 30.3 % from the previous year. The growth rates of the previous two years were 18.4 % in 1993 and 10.1% in 1992.

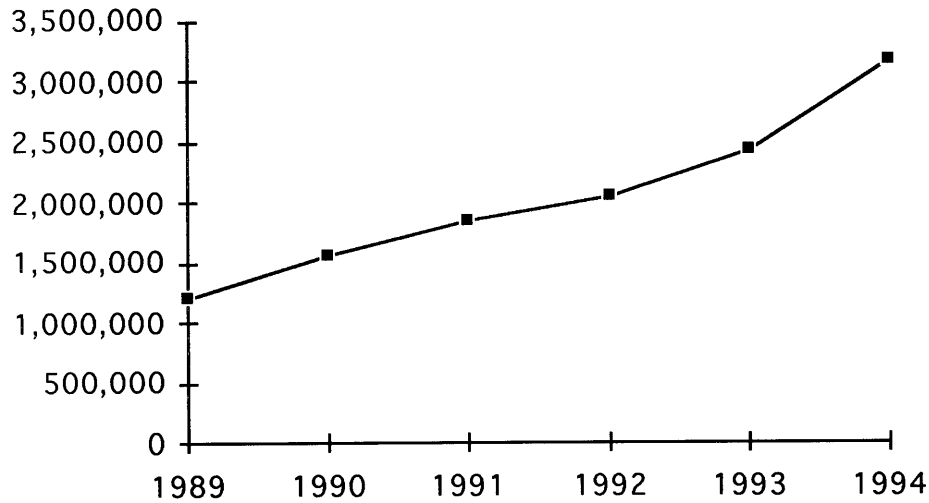
A massive growth in outbound Korean travel was seen in the late 1980's, a trend which was greatly stimulated by economic factors, even though the government encouraged nationals to travel domestically rather than overseas by imposing restrictions on the ways and mean of overseas travel. At first,

requirements such as age limitations , travel duration, foreign exchange holdings and purpose of trip had to be met. However, these restrictions gradually became more flexible and were lifted a result of the more favorable financial state of the nation and the balance of international payments.

In 1988, a favorable balance of payment in trade enabled the Korean government to lift some of the restrictions and allow an increased opportunity for overseas travel. Such positive circumstances invigorated the exiting tourism policy and marked a great leap forward in the development of a balanced inbound and outbound tourism industry.

In 1989, overseas travel was fully liberalized for the first time, and there were 1,213,112 Korean outbound travelers in that year, up 67.3% from the previous year. During that year, pleasure tourists showed a huge 235.2% growth from 1988, accounting for 37.0% of the total outbound market.

CHART 4-C. Numbers of overseas travelers, 1989-1994



Source) Korean Tourism Annual Report, KNTC, 1994

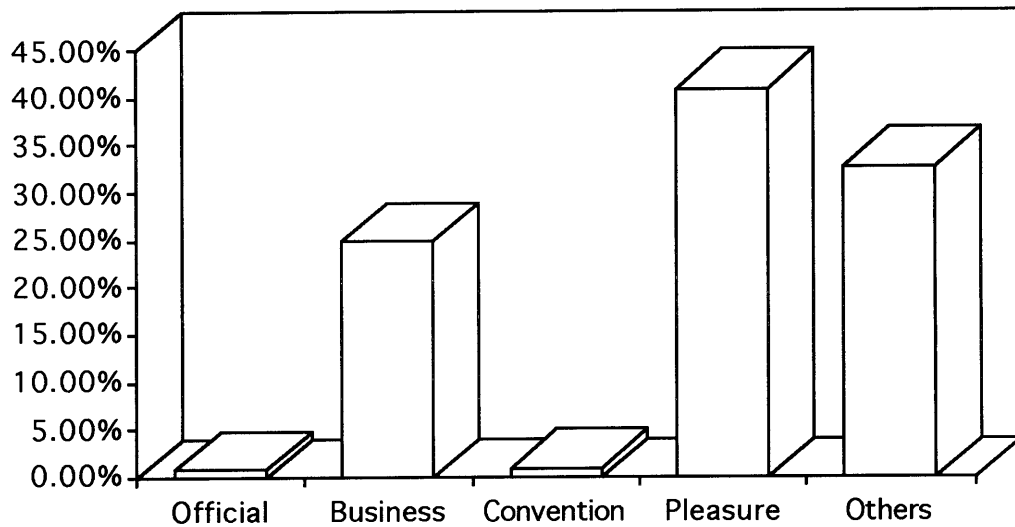
- Purpose of overseas travel

According to Korea's Annual Statistical Report on Tourism 1994, 40.9% , Or 1,290,123, of all outbound travelers in 1994 were pleasure tourists. Business travelers occupied the second largest segment, at 24.9% followed by those visiting friends or relatives (13.6%). Pleasure tourists have outnumbered business travelers every year since 1989.

About eight out of every ten (83.1%) Korean travelers to Thailand and 64.0% of Korean travelers to Singapore were pleasure tourists, showing 3.6% and 2.0% increases respectively from 1993. The percentage of pleasure tourists to Taiwan increased from 37.6% in 1993 to 47.0% on 1994. Of the Koreans visiting Japan, 26.5% or 278,468 persons, were pleasure tourists. Forty-six percent of 265,882 of Korean travelers to the U.S. were pleasure tourists. Recently Oceania has emerged as a new popular destination for Koreans. Total departures and

pleasure tourists to Oceania, which were 15,053 and 5,120 respectively in 1989, increased to 150,328 and 107,383 in 1994.

CHART 4-D. Departures of Koreans by purpose, 1994



Source) Korea's Annual Statistical Report, Korea Statistical Administration, 1994

- Overseas travel destinations

Approximately thirty percent of overseas travelers in 1994 went to Japan (33.3%). The next most popular destination was the United States, with an 18.3% share of the total, followed by Thailand (7.8%) and China (7.4%).

By continent, Asia occupied a 67.8% share of the total Korean outbound travel market, the Americas 19.6%, Europe 7.1%, Oceania 4.8%, and Africa 0.7%.²⁰

²⁰ Korea's Annual Statistical Report, Korea Statistical Administration, 1994

- Peak travel season

In 1994, the monthly fluctuation in the number of departures showed the same pattern as in previous years. July and August, with 10.6% shares respectively, are the peak months for Koreans to take overseas trips followed by January (9.5%). March recorded the lowest share of 6.9% , which was up 0.3% from last year. The other eight months each occupied a share of 7.0% to 8.9%. It is worth noting that the number of Koreans making overseas trips in the winter is increasing steadily as compared to the past.²¹

- Characteristics of nationals' overseas travel, based on Nationals' Overseas Travel Survey

In 1994, KNTC conducted its 4th Nationals' Overseas Travel Survey on a sample of 1,744 nationals after they had returned from an overseas trip. Overall trends of nationals' overseas travel remained basically the same as in previous surveys. Respondents were generally satisfied with the transportation services, lodging facilities and scenic views at their destinations. Other characteristics of the survey are as follows;

- 30% of overseas travelers in 1994 were traveling abroad for the first time, 16.1% for the second time and 9.7% for the third time.
- As to motivation, 50.8% made their overseas trips to satisfy their wish for an overseas travel experience and 42.3% to visit specific cities or places.
- More people (67.8%) traveled individually than in a group tour organized by a travel agent (15.4%), or tour organized by friends or another organization (16.8%).
- 34.7% of overseas travelers stayed overseas 5 days or less, and 32.6% spent 6 to 10 days abroad. The average length of stay was 11.2 days.

²¹ Korean Tourism Annual Report, KNTC, 1995

- Outbound Korean tourists spent an average of US\$2,300 per capita on travel expenditures.
- Koreans spent an average of US\$413 per person on shopping. The favorite purchases were cosmetics, alcoholic beverages and electronic goods.
- Inconveniences that Koreans faced overseas were the language barrier (61.7%), food (44.8%), transportation (24.8%) and a lack of tourist information (18.9%).
- When asked if they planned to travel abroad again in the future, 83.3% answered "yes," 1.7% "no" and 14.6% "not sure."
- The places that the respondents most wanted to visit in the future were Europe (37.3%), Oceania (20.9%), North America (19.2%), Asia (12.9%) and Latin America (4.9%).²²

4-1-2. BACKGROUND ON INTERNATIONAL PERSPECTIVE

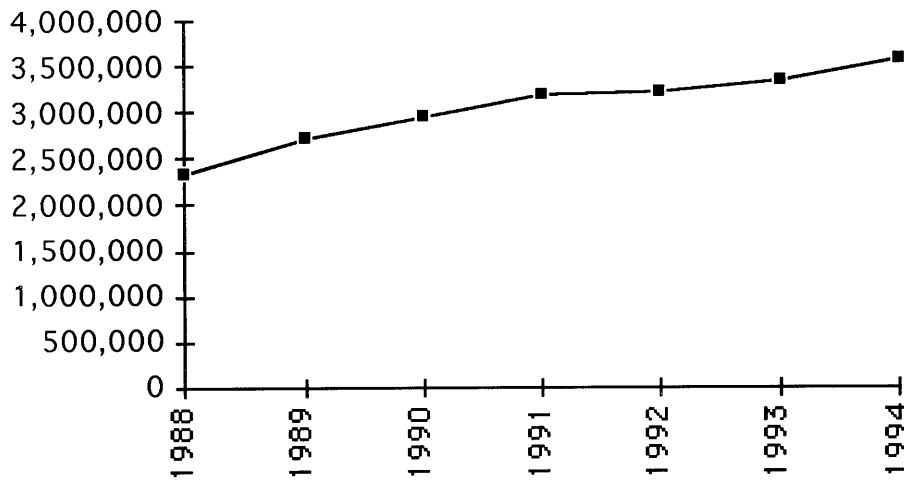
A. Background on international tourist demand

Korea witnessed a steady increase in the number of foreign visitors from 1981 to 1990, showing an annual average growth rate of 11.8%. Recent lower growth rates of 1.1% in 1992 and 3.1% in 1993 were mainly due to a decrease in arrivals from the U.S.A. and Taiwan.

In 1994, Korea welcomed a total of 3,580,024 inbound visitors, a 7.5% increase from the previous year, spurred by the government's vigorous efforts to attract more foreign visitors and to hold many festivals and sporting and cultural events during Visit Korea Year 1994.

²² Nationals' Overseas Travel Survey, KNTC, 1994

CHART 4-E. Visitor Arrivals by Year 1988-1994



Source) Korean Tourism Annual Report, KNTC, 1995

- Arrivals by Nationality

Japan, a major generator of visitors to Korea, continues to supply the largest share of the market, sending 1,644,097 Japanese visitors to Korea in 1994, a 10.2% increase from the previous year. The United States was the second largest market, generating 332,428 visitors and occupying a 9.3% share of the total market. Russia was the third largest generator of visitors to Korea, followed by closely by the Philippines and China. The number of Taiwanese visiting Korea decreased by 5.4% in 1994, following a sharp decrease in 1993 and a small increase in 1992, as compared with growth rates ranging from 26.0% to 34.8% in 1989-1991. These recent decreases have been a result of the severing of diplomatic ties between Seoul and Taipei in August 1992 and the resultant closing of civil airline services between them. Despite the decrease in Taiwanese visitors to Korea, Taiwan was the 6th largest generator of visitors to Korea. (Note: the market shares of visitor arrivals are based on the

nationality of visitors. Thus, the above figures do not include any Korean residents in those countries. Neither do the market shares take into account any third country nationals who may be resident in those countries.)

By continent, Asia occupied a 68.6% share of the market, the Americas 10.7%, Europe 10.6% Oceania 0.8% and Africa 0.3%. Korean overseas residents represented 8.9%. Oceania and Europe had a 12.9% and 17.9% growth rate respectively, while overseas Koreans had negative growth of 2.1%.²³

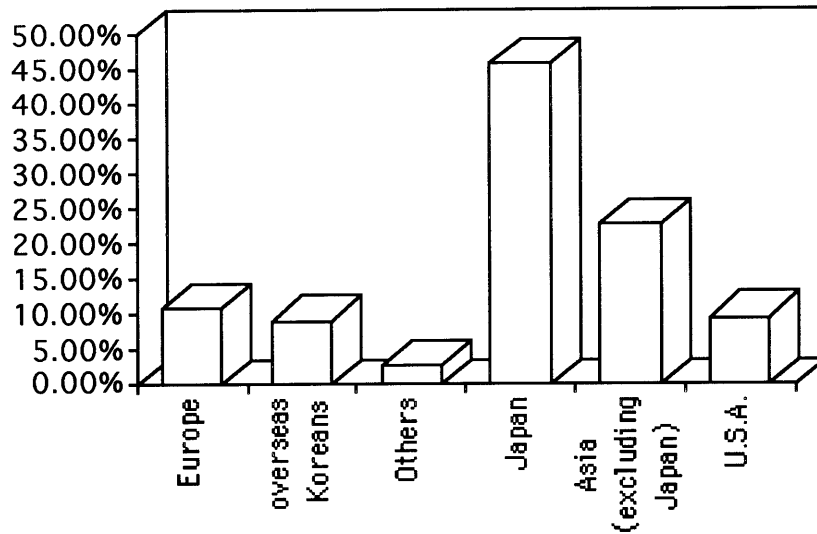
- Large Increase in Arrivals from Former Communist Countries

The number of visitors from socialist and former communist countries increased considerably. A total of 355,276 persons from these countries visited Korea in 1994, a 35.0% rise over 1993. The government's continued efforts to improve relations with communist states and the improved image of the Republic of Korea could partly explain this increase.

Visitors from Russia and China accounted for more than 80% of the total. Russia topped the list in 1994, sending 153,777 tourists to Korea, up 31.6% from 1993. Tourist from China rose to 140,985, a 41.0% rise from 1993.

²³ Korea's Annual Statistical Report, Korean Statistical Administration, 1995

CHART 4-F. Market shares of visitors, 1994



Source) Korean Tourism Annual Report, KNTC, 1994

- Arrivals by purpose of visit

Pleasure tourists accounted for 57.0% of all visitors to Korea, business travelers 11.3%, visiting friends and relatives 10.1%, official business 0.7%, and others 21.0%. The number of pleasure tourists to Korea in 1994 stood at 2,040,259, an increase of 7.3%, whereas business travelers decreased 2.4%. Almost 90% (1,476,031) of Japanese visitors are pleasure tourists, as are 33.4% (110,919) of Americans.

It should be noted that Korea complies to the WTO's definition of visitors and excludes non-visitor travelers from the arrival statistics.

Of all the visitors, pleasure tourists are the most heavily influenced by both external and domestic developments in terms of economics, society and

politics. Despite the tensions surrounding the North Korean nuclear issue, Visit Korea Year 1994 played a key role in the all-round development of the Korean travel industry, both by increasing the number of tourists to Korea and also in the development of the domestic travel industry. Recent marketing efforts have resulted in an increase in the number of overseas tourists. The Korean tourism industry is endeavoring to explore its potential markets and to attract a higher number of tourists by using versatile marketing strategies which fully reflect the competitiveness of the market and beat the competition.

TABLE 4-1. Inbound pleasure tourists by market, 1994

Market	Pleasure Tourists	Share of all visitors (%)
Japan	11,476,031	89.8
Taiwan	113,020	82.2
U.S.A.	110,919	33.4
Hong Kong	102,924	84.4
Europe	95,791	25.2
Thailand	32,023	46.2
Philippines	16,091	10.8
Oceania	10,786	36.2
Africa	1,867	17.9

Source) Korea Annual Statistical Report on Tourism, KNTC, 1995

- Length of Stay in Korea

Excluding those long-term visitors who stayed more than 90 nights, most visitors (31.6%) spent two nights in Korea, while 24.0% of visitors stayed three nights, 10.8% stayed four nights, and 12.4% stayed one night. The average length of stay was 5.2 nights. About four out of ten (43.4%) Japanese visitors enjoyed a two-night visit to Korea.

Looking at the average length of stay by nationality, Japan's average was 3.2 nights, Taiwan 4.4 nights, Hong Kong 4.1 nights, the U.S. A. 13.6 nights, Canada 11.3 nights and Europe 8.2 nights.²⁴

- Arrivals by Month

The number of foreigners arriving each month fluctuates with the four seasons. October attracted the largest number of foreign tourists, accounting for 9.5% of the year's arrivals or 340,990 visitors. In the past, May also used to be a peak month for foreign arrivals, but recently August has emerged as a more popular month, thus spreading arrivals more evenly throughout the year, except for the winter off-season (Jan.-Feb.). The recent emergence of the summer high season is due to the increase in Japanese tourists coming to Korea for their summer vacations. March, however, did show the highest growth rate of 27.7% for the year.²⁵

- Tourist receipts and expenditures

Tourist receipts increased by 9.5% in 1994 to US\$3.8 billion. The annual growth rate in tourist receipts during the 1980's averaged almost 20%. Looking at the figures in more detail, receipts grew by a massive 97.4% in 1986, and maintained an impressive growth rate of over 40% in 1986, and maintained an impressive growth rate of over 40% in 1987 and 1988 (48.5% and 42.0% respectively). The growth rate then fell off to 0.1% in 1990 and recorded negative growth in 1991 and 1992.

²⁴ Korea Tourism Annual Report, KNTC, 1994

²⁵ Korea Annual Statistical Report on Tourism, Ministry of Culture and Sports and KNTC, 1995

The per capita expenditure of foreign tourists in Korea in 1994 was US\$1,045 in 1993. Since 1988, the per capita expenditure of foreign tourists in Korea has decreased gradually until 1992 and then showed small increases in 1993 and 1994.

On the other hand, the expenditure of Korean nationals traveling overseas in 1994 totaled US\$4.1 billion, up 25.4% from the previous year. The per capita expenditure of Koreans traveling overseas was US\$1,400, down 4.4% from 1993. This decrease in per capita expenditure of Korean nationals traveling overseas in 1993 and 1994 can be attributed to the exclusion of the expenses of students studying abroad from the list of tourism expenditures. These expenses were included in the past but have been excluded in 1993 and 1994 in order to more accurately calculate the net tourism balance of payments.

Korean's tourism balance of payments went into the red in 1991, recording a deficit of US\$358 million which grew to US\$523 million in 1992. This deficit can be attributed to the much higher per capita expenditure of Koreans traveling overseas, combined with the comparatively smaller increase in the number of foreign tourists to Korea. In 1993, the balance turned positive due to the exclusion of expenses spent by overseas students, however in 1994 it again showed a deficit of US\$282 million.

The volume and nature of visitors' expenditures are directly influenced by the purchasing power of their foreign currency and by local prices. Since the late 1980's, fluctuations in the values of key currencies, i.e., the strong Japanese yen and the weak U.S. dollar as well as sharp increases in prices for Korean

tourism products, have dampened the demand for tourism and tourism related expenditures.²⁶

B. INTERNATIONAL MARKET

- The Japanese market

Socio-economic factors, including the appreciation of the Japanese yen, Japan's large foreign exchange holdings, and the "ten million program" launched by the Japanese government to encourage Japanese overseas travel, have had a positive impact on the number of Japanese visiting Korea since 1980. The existing and potential market is composed, for the most part, of repeat visitors. Adults in the 30 to 40 age group, young women, and students are the groups who have visited Korea the most since 1970. Thus, this high-potential market has emerged as Korea's number one market. Recently, the more lucrative incentive tours, cultural tours and recreational tours have gained a comparatively high popularity with Japanese pleasure-seekers, and are occupying an increasing share of the entire established travel market. Thus, Japanese tour operators are concentrating their marketing efforts on shopping, food, cooking and events that are different from the standard Japanese culture.

The youth market emerged as one of the high potential travel markets in Japan in the early 1970's. Since then both Korean and Japanese travel agents have invested in establishing Japanese high school students as a primary market. Both sides, in principle, reached the conclusion that travel between the neighboring countries by young people would contribute to mutual understanding and enhance the national images of both nations.

²⁶ Annual Report, Korean Bank, 1994

- The North American market

When Korea's world tourism markets are classified into Asia (including Oceania,), the Americans. Europe and Africa, the Americas is the second largest market after Asia. The North American market, including the U.S., Canada and Mexico, occupies 95.5% of the entire American market. Visitors from this region increased by 3.1% in 1994 from the previous year. In 1994, tourism marketing activities in the U.S., focused on Visit Korea Year, were increased to further the image of Korean tourism.

Sales calls on the major travel agents who handle East Asian tour products were increased to encourage the development of more and better Korean tour products. Commercials introducing Korean tradition, along with the festivals and events being held during Visit Korea Year 1994, were aired on ABC, CBS and NBC, to enhance the American people's understanding of Korea's traditional culture.

The '88 Seoul Olympics has had a long-term positive effect on the North American market. Airline services have rapidly expanded and new ones have been initiated.

- Southeast Asian market

The importance to Korea of the Southeast Asian market, including Taiwan, Hong Kong, the Philippines, Singapore, Thailand, China and Malaysia, has increased due to the region's rapidly expanding economies and its relatively short distance from Korea. In particular, China is becoming an important market since the establishment of diplomatic relations in the early 1990's.

Taiwan, which emerged as a new tourist generator in early 1980's, has maintained its positions as Korea's largest market in Asia outside of Japan. The sustained increase in Taiwanese tourists to Korea has maintained this trend since 1989.

Arrivals from Taiwan to Korea showed negative growth of 50.9% in 1993 and 5.4% in 1994 as compared to an average annual growth rate of 31.4% in the years from 1989 to 1991. This was because of the severing of political ties between Taiwan and Korea in August 1992. However, Korea National Tourism Corporation has retained its branch office in Taipei in order to maintain tourism publicity there, and through recent efforts towards reinstating civil airline service, and the normalization of diplomatic relations, it is expected that the numbers of Taiwanese visiting Korea will recover in the near future.

The Southeast Asian tourism market, which is rapidly growing in potential due to the economic growth of Hong Kong and the ASEAN countries, merits special attention. Moreover, Korea seems a natural tourism destination for Southeast Asians, particularly for winter tour packages.

- The European market

The European market is one of Korea's high potential markets and is becoming increasingly important. Positive developments include more exchanges between Korea and Eastern European countries, new flight services, and shortened flight time from Europe to Seoul. In March, 1990, Korean Air and Aeroflot began services between Seoul and Moscow, and Korean Air began nonstop flights to Europe via Russian and Chinese airspace, shortening the flights by 5 to 7 hours. The other European airlines are now also flying these

shorter routes and this is expected to boost the number of tourists traveling from Europe to Korea.

Since 1989, the improved diplomatic relations between Korea and the socialist countries of Eastern Europe have led to the establishment of ties in the tourism field.

More frequent air service between Korea and Europe should boost the two-way tourism traffic. In addition, the publicity provided by the 1988 Seoul Olympics, and the fact that Korea has now been discovered as a new Asian destination, have meant that the European demand for Korean tours is growing briskly.

At the same time, the convention, incentive tour and cruise markets have also been targeted by publicity campaigns. European travel writers and journalists wrote 11,283 travel articles on Korean tourism in 1994. New cultural attractions and resorts were highlighted in advertisements to inform the potential European market. A total of 3,014 Korean travel products were sold by 208 tour operators in 1994.²⁷

²⁷ Korean Tourism Annual Report, Ministry of Culture and Sports, 1994, p. 13-16

4-1-3. DEMAND ANALYSIS FOR THE SKI MARKET

A. SKI DEMAND CURRENT STATUS

Since the opening of Yongpyung Ski Resort in 1974, skiers have steadily increased every year. In the late 1980's, there was a 500,000 to 600,000 ski population which was approximately 1.3% of the total population of Korea. In 1994, the ski population grew to 2.26 million people which shows that there has been a 42% yearly increase since 1983.²⁸

Due to this phenomenon, winter (Dec. to Feb.) tourists have increased drastically. For example, the regions where now Bears Town and Muju Ski Resort are located only had 5.6% of the total national tourist population before the resorts' openings. However, since the openings of the resorts, there has been an increase of 30.32% of the total tourist population. This clearly indicates that the ski industry has activated the tourism in the local district.²⁹

In analyzing the relations between the openings of new ski resorts (Muju 1990 and Daemyung 1994) and the number of skiers, the new resorts did not affect the fluctuation of skiers. As a matter of fact, it created more skiers and caused a skiing boom in the country (see TABLE 4-2). Therefore, at least for several years, the development of ski resorts will have a big effect in increasing the ski population in Korea.

²⁸ In Japan, the rate of ski population is 45% of the total population in 1994.

²⁹ Ski Resorts, Korea Tourism Association, July, 1996, p.32

TABLE 4-2. Ski demand status

(Unit : person)

SKI RESORT	YEAR					
	1990	1991	1992	1993	1994	1995
Yongpyung	272,688	368,912	363,688	525,002	601,989	706,494
Yangji	60,700	94,051	125,347	146,839	208,805	270,311
Cheonma	-	109,297	150,900	196,486	207,322	225,421
Alps	77,791	77,421	161,570	89,838	187,011	204,793
Bears	156,440	178,262	245,952	310,941	313,252	316,991
Muju	-	89,303	269,670	337,624	539,926	534,525
Sajo*	-	-	-	-	31,700	-
Seoul*	-	-	-	-	48,155	73,982
Daemyung	-	-	-	-	124,816	392,865
Total	567,619	917,246	1,317,127	1,506,730	2,262,976	2,725,482

* There is no data except for 1994.

Source) Ski Magazine, Korea Ski Association, July, 1996

TABLE 4-3. Current ski resort status

Ski Resort	Opening year	Location (see appendix map)	Slopes
Yongpyung	75.12	Kangwon	19
Yangji	82.12	Kyonggi	7
Cheonma	82.12	Kyonggi	5
Alps	84.12	Kangwon	6
Bears	85.12	Kyonggi	7
Muju	90.12	North Chungchong	7
Sajo	90.12	North Cholla	23
Seoul	92.12	Kyonggi	3
Daemyung	94.1	Kangwon	6
Total			83

Source) Ski Development Plan, Cheju Business Administration, 1995

B. SKI DEMAND FORECAST

• Methodology³⁰

Trend analysis was used to derive regression equations. These equations, determined by regressing 1990 to 1995 ski demand data (see TABLE 4-2), express demand and year as a function of time in the case of the trend model. The trend analysis was regressed simply as a function of past years. R^2 , correlation coefficients, and t statistics using a 95% confidence level were computed in order to determine the statistical significance of the regression equations.

Once the best regression equations for demand were chosen, the expected demand levels from 1996 to 2005 could be forecasted.

• Analysis

In the trend analysis, the following equation yields the best estimate for demand:

$$\text{Demand} = a + b \text{ Year} + c \text{ Year}^2$$

t-stat. (2.28) (-2.29) (2.30) $R^2 = 99.5\%$

The estimated coefficients for this equation are $a = 1.1191\text{E}+11$, $b = -112,761,730$ and $c = 28,404.9252$ (see Appendix A). The coefficients are statistically significant ($t > 2$, < -2) and R^2 is very high, meaning this model can explain approximately 99.5% of the variation in the dependent (Demand) variable.

This regression equation is not an accurate predictor of demand because trend analysis is only related to past historical data. Based on the "random walk theory", future values, over the long-term, can not be predicted from past events. This is the inherent problem with all trend models, whether they are

³⁰ The same methodology which was used for project #4 (market forecasting) of the real estate economics course at the Center for Real Estate, MIT (Prof. William C. Wheaton), was used.

forecasting the demand for skiing or something else. Trend models are typically used when other variables are not observable or are hard to collect like in this case.

• Forecast

Using the estimated regression equation for the model, demand was forecast for 1996 to 2005. The results of the forecast based on the trend analysis are presented in TABLE 4-4.

TABLE 4-4. Trend analysis forecast

Year	Demand
1996	3,255,428
1997	3,914,556
1998	4,630,494
1999	5,403,242
2000	6,232,800
2001	7,119,168
2002	8,062,345
2003	9,062,333
2004	10,119,130
2005	11,232,737

The forecast results state that demand will increase per year from 1996 to 2005. In addition, the results indicate the minimum demand because the past data used in the forecast did not include the data of Sajo and Seoul resorts (see TABLE 4-2).

4-1-4. DEMAND ANALYSIS FOR THE GOLF MARKET

A. GOLF DEMAND CURRENT STATUS

There was a 200,000 to 300,000 golf population in the late 1980's.³¹ In 1995, the golf population grew to 8.24 million people. The table 4-5 shows that there was a 21.4% yearly increase between 1991 to 1994.

TABLE 4-5. Golf demand status (In 1995)

Unit: Person

	YEAR				
	1991	1992	1993	1994	1995
Membership (private)	3,813,695	4,922,801	5,276,611	6,092,016	7,031,228
Public	568,269	922,373	1,057,519	1,095,383	1,211,699
Total	4,381,991	5,845,174	6,334,130	7,187,399	8,242,927
Growth rate (%)		33.0	8.4	13.5	14.7

Source) The development plan for golf industry of 21 century, Korea Golf Association, 1996

B. GOLF DEMAND FORECAST

• Methodology

The same methodology which was used for ski demand forecast (see Chapter 4-1-3-B) was used.

• Analysis

In the trend analysis, the following equation yields the best estimate for demand:

³¹ (Golf), Korea Golf Association, Jan. 1996

$$\text{Demand} = a + b \text{ Year}$$

$$t\text{-stat.} \quad (-11.5) \quad (11.5) \quad R^2 = 97.8\%$$

The estimated coefficients for this equation are $a = -1,800,073,017$ and $b = 906,408.1$. The coefficients are statistically significant ($t > 2$, < -2) and R^2 is high, meaning this model can explain approximately 97.8% of the variation in the dependent (Demand) variable. This results are listed in Appendix B.

• Forecast

Using the estimated regression equation for the model, demand was forecast for 1996 to 2005. The results of the forecast based on the trend analysis are presented in TABLE 4-6.

TABLE 4-6. Golf demand forecast

Year	Demand
1996	9,117,550.6
1997	10,023,958.7
1998	10,930,366.8
1999	11,836,774.9
2000	12,743,183.0
2001	13,649,591.1
2002	14,555,999.2
2003	15,462,407.3
2004	16,368,815.4
2005	17,275,223.5

The forecast results state that demand will increase per year from 1996 to 2005.

4-2. SUPPLY MARKET ANALYSIS

4-2-1. BACKGROUND ON TOURIST RESOURCES AND RESORTS

A. NATIONAL TOURISM PROMOTION

The rapid industrialization of Korea has led to greater demand from nationals for more leisure and recreational activities. Korea is trying to meet these increasing and diversified demands for tourism and to provide more equal opportunities for all levels of people to enjoy some leisure activities. Increased disposable income and improved working conditions that provide more and higher quality travel.

The Korean government is deeply committed to national tourism and is paying increasing attention to a variety of aid projects aimed at developing and promoting national tourism for the following reasons:

- To create a better climate for guiding the education of the younger generation,
- To enhance the morale of employees and their feelings of solidarity by providing opportunities to enjoy leisure activities,
- To improve national unity at all levels of society,
- To contribute to the equilibrium of regional development by the construction of tourist resorts, and
- To provide people with the opportunity to take pride in their country and to preserve their national heritage and natural surroundings.³²

³² Annual Report, Ministry of Culture and Sports, 1995

- The Development of Campgrounds

It is vital to give everyone the opportunity to participate in tourism or leisure-related activities in accordance with the real meaning of wholesome mass tourism. Tourism can be made available to a wider range of people at lower cost by constructing campgrounds. Since 1984, twelve model campgrounds have been built in the mountains and by the lakeside. These campgrounds aim to provide spaces for outdoor recreation and relaxation for families, students and workers at less cost and are well frequented.

Facilities such as parks, campfire circles, parking lots, playgrounds, health centers, picnic tables and community centers (information, shops, and showers) are provided for the campers' convenience. Providing a kind of subsidiary accommodation facility for holiday makers, campgrounds have been designed so that they can be incorporated into holiday resorts.

- The Provision of Low-Cost Accommodation Facilities

In accordance with the policy to encourage increased utilization of local accommodations, and at the same time to provide a low-cost service to Korean travelers, tourism projects should aim at the installation of low-cost subsidiary facilities and accommodations, ranging from youth hostels and inns to budget hotels and campsites at appropriate locations within Korea, as opposed to the higher standard accommodations for wealthy consumers.

Youth hostels, oriented for young people and built in mountainous and suburban areas, are places where they can enjoy scenic surroundings in a calm, peaceful atmosphere away from the noise and bustle of their schools and towns. Youth hostels are mainly built by the private sector. In December 1992,

the government classified some of the existing youth hostels into another category, renaming them "kung-min hotels" or budget residential hotels. These budget hotels are targeted at groups and provide low-cost accommodations including a kitchen where guests can prepare their own meals with their own cooking utensils. At present, there are 10 kung-min hotels with 806 rooms and 7 family hotels with 1,001 rooms in operation nationwide.³³

B. DEVELOPMENT OF TOURIST RESOURCES AND RESORTS

B-1) Development policy

Tourism resources can be defined as objects and places, regardless of form or type, that fully appeal to and motivate the would-be tourist to visit them. These resources can be tangible or intangible, natural or artificial, traditional or modern.

To develop a resource is to create or increase its value by making use of it and preserving it. Tourism resources have, by their nature, a uniqueness and a singularity which cannot easily be replaced, once lost. Korean policy for the development of tourist resources is to develop natural and cultural resources that have potential merit for tourism. This policy has three objectives: to satisfy the desires of domestic and international travelers, to establish a sound foundation for the development of the tourism industry, and to contribute to the national welfare through balanced and harmonious development of the relatively underdeveloped regions.

³³ Korean Tourism Annual Report, Ministry of Culture and Sports, 1994, p.6-7

B-2) The national comprehensive tourism development plan

The government, considering the growing demand for leisure activities created by economic growth and increased leisure time, had formulated and drafted the National Comprehensive Tourism Development Plan. This plan reflects each local region, and aims to balance the spread of tourist resources so as to fully revitalize regional tourism. It does this by making provisions for the central and local governments to share in the regional development of tourism. This plan also maximizes the effect of investment on tourist development. The relatively smaller projects are delegated to the local governments, while the larger ones are undertaken by the central government. The plan divides Korea into twenty-four tourism development areas, taking into consideration the territorial conditions and regional traits. In addition, thirty standard tour routes were established, systematically linking important tourist spots to create convenient and pleasant tours. Tourist products such as folk festivals, local ethnic games or events, and local indigenous products are also expected to be developed along with tourist resorts.

B-3) The development of tourist resort complexes

Over the past three decades, the public sector has led the way in Korean tourism resource and resort development because the private sector was not in a position to undertake such large tasks for financial and technical reasons. Public incentives in the form of loans and tax-relief from the government have been necessary to support the private enterprises over this period.

TABLE 4-7. Projected resort complexes

PROJECTED FUTURE TOURIST RESORT COMPLEXES				
RESORT	LOCATION	AREA (km x km)*	CONSTRUCTION PERIOD	TOTAL INVESTMENT (MILLION US \$)
Songsanpo Tourist Resort	Cheju island	0.92	1994-2001	90
Chungjuho Lake Tourist Resort	Central Korea	0.52	1994-1998	25
Kampo Tourist Resort	Southeastern Coast of Korea	3.97	1994-2000	106
Hwawon Tourist Resort	Southwestern Coast of Korea	5.09	1993-2001	990
*1 acre = 4,046.8 (m x m) 1km=1,000m				

Source) Korean Tourism Annual Report, KNTC, 1993, p.36

Some of the typical development projects which were started in the mid-1970s and completed in the 1980s, or are still under construction by the public sector, are Mt. Soraksan Resort (located in Mt. Soraksan National Park), Kyongju Pomun Tourist Resort Complex (situated in Kyongju, the old capital of the Shilla Kingdom, and containing multi-purpose facilities, a theme park, a golf resort and amenities), Chungmu Tonam Resort Complex (situated on the southern coast, with water based recreational facilities and a health resort), Chungmun Resort Tourist Complex (situated on the southern coast of Korea's subtropical island, Chejudo, and overlooking the Pacific Ocean, with multipurpose facilities for vacationers, up market hotels, a golf resort, and sports and recreation facilities partially opened and scheduled to be completed

in the 1990s) and Namwon Cultural Resort Complex (situated in the central region of Korea near Mt. Chirisan National Park, where age-old customs and traditions are well conserved in culture-theme buildings and sites). Besides the above-mentioned resort development projects, the government is also exploring ways to develop new resorts and to extend existing resorts to meet the increasing tourist demand for trips to the countryside, including lakes, seacoasts, and scenic mountainous regions.

- Namwon Cultural Resort Complex

This resort is located near the mountainous area of the southwestern part of Korea. The area around Namwon city has a well-preserved folklore heritage, including ethnic games and arts. The area is easily accessible to the nearby national parks of Mt. Chirisan and Mt. Teokusan. The primary purpose of Namwon Resort is to preserve the native culture and historic sites, and to link these with the nearby natural attractions of the national parks. The master plan of the resort is to develop the cultural resources of the area's relics and heritage, to enhance the benefit to tourists, to fully utilize the expressway that passes near the resort as a tourist corridor, and to contribute to the buoyancy of the regional economy through an expected growth in tourism.

11 million dollars of public funds have been invested for access roads, water supply and sewage treatment, parking and open space. The investment by the private sector has been 200 million dollars, including construction of a hotel, inn, youth hostel, shops, an old market, and Korea restaurants. Future plans are for the public sector to build a Korean arts performance hall and a pavilion in the traditional wooden architectural style.

- Kyongju Pomun Tourist Resort Complex

This large-scale tourist resort, located near the old city of Kyongju in the southeastern part of Korea, boasts of an abundance of historic relics from the period of 57 B.C. to 935 A.D., and is widely known domestically and overseas as a unique historic site and a modern resort. The development of Pomun Tourist Resort, on the shores of Lake Pomun, was started in 1974 and the resort is now well equipped with hotels, condominiums, golf courses, a shopping center and leisure facilities. It is continually being expanded, with additional hotels, a youth hostel, and Shilla Folk Village now under construction.

At the beginning of 1970s, the government established the Kyongju Historic Site Development Master Plan to develop the area into a modern tourist resort in order to attract tourists from overseas, generating foreign exchange. Under the plan, the government has committed capital and resources into developing the resort as one of the newest attractions in Korea. On the public side, KNTC has constructed buildings and infrastructure, and later set up the Kyongju Tourism Agency, which is wholly in charge of the management of the resort complex. In 1977, KNTC opened its hotel school, where a vocational curriculum is taught, at Pomun Tourist Resort. In the late 1970s, private capital was invested in the building of commercial properties like hotels, condominiums, restaurants, golf courses and theme parks. In the mid-1980s, the government and KNTC placed priority on the creation of Korean tourist-oriented theme parks and low-priced recreational facilities.

Following the resort's extension, the building of the golf courses and condominiums, and the extension of the transportation network (highway, rail and air routes), the Kyongju tourist resort has been enjoying an ever-increasing tourist inflow. Ulsan Airport, the nearest airport to Kyongju,

provides a link with major cities and transports airborne tourists into the resort of Kyongju. At one time, the Pomun resort complex suffered from low occupancy of its commercial properties and comparatively lower demand because of the difficulty in reaching it from the major cities. However, the resort has now overcome these obstacles and difficulties, which had a direct effect on its marketing efforts, and has established its reputation as a top tourist resort, recovering from a long period of stagnation. Business profits have risen into the black with the approach of the 1990s, influenced by the substantial growth in the economy, leisure and tourism.

During the fifteen years, the government and Kyongju tourism agency have jointly invested 50 million dollars to build up the infrastructure, building a convention center, golf course, hotel school, and an access and circuit road around Pomun lake. The private sector has spent 160 million dollars in building commercial properties such as hotels, condominiums, inns, Korean restaurants and amusement parks.

- Chungmu Tonam Resort Complex

Chungmu Tonam Resort is located on the southern coast of the Korean peninsula, an area blessed with all the prerequisites for maritime recreation and relaxation for vacationers: scenic spots, mild weather, historic sites and folk assets. Also, the area links the seaports of the mainland and islands with the cities of the hinterland. The government aims to develop the area into an all weather resort, providing vacationers with water-based recreation such as boating, sailing, water-skiing, scuba diving, deep-sea fishing and coastal cruising.

The resort, to be completed in the late 1990s, will include accommodations, shopping, recreation and oceanic education facilities. Over the years from 1984 through 1992, 26 million dollars was spent to build the infrastructure necessary to attract private commercial properties. The resort will be completed with private investment of more than 30 million dollars, which will be used to build a hotel, condominium, subsidiary lodging facilities and water-based recreational facilities. With the completion of this resort near the Hallyusodo Marine park, it is expected that in the near future it will promote tourist traffic linking the land and sea.

- Chungmun Tourist Resort Complex on Chejudo Island

The government has explored and developed tourist attractions on Cheju island, the largest island in Korea. The island is very distinct from the mainland of Korea in its flora and fauna, and in its unique culture and customs. The government also drew up a comprehensive tourist resort development plan, with emphasis on assets peculiar to the semitropical island, fully utilizing the island's hidden resources and activating the local economy. The island's competitive tourist attractions are highly valued for their uniqueness. A maritime climate and scenery are the primary forces which attract tourists from the Korean mainland. The coastal resort of Chungmun is being developed to reflect these unparalleled natural resources. This resort complex, located west of Seogwipo city on the southern coast of Cheju island, was started in 1978. In the first stage, hotels, a condominium, a golf course, a shopping center, a fishing village, viewing platforms, an oceanarium and botanical gardens were completed, and presently more hotels and other tourist resort facilities are being developed.

The primary objectives of the Chungmun tourist resort complex development project on Cheju island are centered on :

- developing an international-level seaside tourist resort
- playing a key role in the island's tourism industry to attract tourists from the mainland and abroad
- creating a new attraction combining natural and folklore assets
- enticing the private sector into investing in commercial properties
- extending open spaces for relaxation and expanding opportunities to enjoy one's vacation
- creating new jobs for residents and fully utilizing resources
- conserving nature and native cultural assets in a pollution-free environment, and
- enhancing the living standards and income of the islanders.

The government has invested in infrastructure construction and the private sector has built hotels, a condominium, shops and a leisure park.

In the early 1990s, approximately 180 million dollars in private capital is to be invested in the resort. Most of the commercial properties due for completion by the private sector in the 1990s will play a decisive role in attracting tourists all year round.

B-4) Natural resort development to meet nationals' leisure demand

In addition to the tourist resort complexes, natural resorts nationwide have been developed, reflecting the region's environment and resources. These resorts are mainly located in places of natural beauty, providing convenient and inexpensive lodging, relaxation and recreational facilities in order to

enhance the Korean people's health through recreation and leisure activities. Infrastructure such as roads, parking lots, water supplies and electricity is constructed by the public sector, while private investment funds the building of the superstructure. The national government and the provinces have jointly funded the development of these resorts each year since 1981. Half of the amount is funded by the central government.

The public sector has provided and invested on open space for nationals, mainly in scenic, mountainous, coastal and offshore areas. In addition, the public sector has also provided infrastructure and subsidiary facilities to supplement and support tourist facilitation nationwide, including the construction of access road, water supplies and sewage plants, car parks, fountains, picnic tables, self-catering kiosks, visitor information center and parks. The private sector has built commercial facilities in the resorts such as inns, shopping centers, and recreational facilities. The government places great emphasis on the building of low-priced, family-oriented facilities in scenic areas so that people can rest and enjoy a holiday during the year.

The government continuously reviews and identifies tourism resources throughout the countryside so as to satisfactorily match the demands of modern society. In identifying high potential tourist resorts, priority is being given to inland lakes and to forests and islands in strategically good locations. Under such an appraisal standard, health and recreational resorts are to be located by lakes, river or the sea and are to offer water-based recreation for vacationers. In Korea, tourist attractions include natural elements such as scenic views, spas, beaches, lakes, forests and valleys. In addition to these,

human and historic elements are also included in the category and are classified as places of interest, historic sites and folk villages.

- Natural parks

A natural park is a government-designated area which has a beautiful landscape, including natural resources and historic remains, or resorts that are preserved to be used by people for healthy recreation. Natural parks are classified into national, provincial and country parks and are designated and managed by the different levels of government. There are currently 67 designated natural parks large or small, accounting for 7,454 km² or 7.6 % of the national territory.

As of June 1994, Korea has 20 national parks, 20 provincial parks and 27 county-level natural parks. Of the 20 national parks, 15 are mountain parks, three are marine parks, one is a historic site and one a peninsular park. The government invests in the national parks by constructing roads, campsites, and other supplementary facilities for visitors.

Tourism development within or around the national parks can be seen in the case of Pomun Tourist Resort Complex in Kyongju National Park, Chungmun Tourist Resort Complex on Chejudo island, and the more recent Chumgmu Tonam Resort Complex in the Hallyosudo Marine Park.

- Hot Spring Resorts

Hot springs fulfill the roles of health resorts and are highly popular among the Korean people. Recently, more investment has been put into lodgings,

amusements, health facilities and, in some cases, the development of a multi-functional resort combining the hot spring with sports and golfing facilities.

Hot springs also attract vacationer and holiday travelers who will stay in one place for a few days due to the growing demand for health care and outdoor relaxation. The Hot Spring Law regulates the development and maintenance of hot springs and the Tourism Promotion Law stipulates that hot springs are tourism resources, to be evolved into health resorts. In Korea, the most popular hot springs are Onyang, Yusong, Suanbo, Pugok and Tongnae.

- The Development of weekend farms

As Korea becomes an advanced industrial society, residents of big cities and industrial zones increasingly want to spend their leisure time in the countryside. Health resorts such as farms, fishing villages, ranches and forests are growing in popularity among dwellers in densely populated areas.

In order to meet the demands of urban dwellers for rural areas, since 1984 some rural communities have been developed into tourist resorts. Locations suitable for development into tourist farms are selected by considering what local tourism resources, such as natural attractions, local specialties, beaches or fishing opportunities are available, and how easily accessible it is. The weekend farms are financed by local organizations and the Agriculture and Fisheries Development Fund. They establish the necessary facilities to cater to weekend visitors as well as to holiday makers in the high season.³⁴

³⁴ Korea Tourism Annual Report, KNTC, 1994

4-2-2. SUPPLY ANALYSIS FOR THE SKI MARKET

There are nine ski resorts which are currently operating and five more ski resorts will have been constructed by 1999 in Korea.

TABLE 4-8. Ski supply status

Name	Opening date	Location	Slopes	Rental skis (sets)	Max. seating capacity per day
Yongpyung	75.12	Kangwon	19	3,000	10,000
Yangji	82.12	Kyonggi	7	3,000	2,800
Cheonma	82.12	Kyonggi	5	2,400	3,000
Alps	84.12	Kangwon	6	3,000	3,000
Bears	85.12	Kyonggi	7	5,000	4,500
Sajo	90.12	North Chungchong	7	2,500	4,500
Muju	90.12	North Cholla	23	3,000	10,000
Seoul	92.12	Kyonggi	3	2,000	2,500
Daemyung	94.1	Kangwon	6	2,000	6,000

Source) Ski Magazine, Korea Ski Association, July, 1996

TABLE 4-9. Projected ski resorts

Name	Opening date	Slopes	Location
Korea	1997	4	Kangwon
Phoenix	1998	6	Kangwon
Homyung	1998	5	Kyonggi
Seongwu	1998	7	Kangwon
Koryu	1999	6	Kyonggi
Munmak	1999	10	Kangwon
Total		38	

Source) Ski resort development plan, Cheju Business Administration, 1995

4-2-3. SUPPLY ANALYSIS FOR THE GOLF MARKET

There are one hundred golf courses regardless of the number of holes which are currently operating and forty six golf courses will have been constructed by 1999 (Membership: 29, Public: 17).

TABLE 4-10. Golf supply status

YEAR	Membership	Public	Total
1970	9	0	9
1975	18	0	18
1980	21	0	21
1985	27	0	27
1989	42	6	48
1990	46	8	54
1991	51	12	63
1992	61	14	75
1993	69	17	86
1994	73	16	89
1995	83	17	100

Source) (Golf), Korea Golf Association, Jan. 1996

TABLE 4-11. Projected golf courses (By 1999)

LOCATION	MEMBERSHIP	PUBLIC
Kyonggi	15	10
Kangwon	3	1
North Chungchong	2	
South Chungchong		1
North Cholla	1	1
South Cholla	1	
North Kyongsang	2	1
South Kyongsang	3	1
Cheju	2	2
Total	29	17

Source) See Table 4-10

As reference, there are about 30,000 golf courses in the world. U.S has almost 20,000 golf courses, England 2,300, Japan 2,200, Canada 1,800, Australia 1,500, France 400, German 400 and New Zealand has about 400 golf courses (in 1994). The supply of golf courses in Korea is ranked the twentieth in the world.³⁵ On the other hand, golf population in Korea is ranked the sixth in the world. The ranks are as follows:

1: U.S. 2: Japan 3: England 4: Canada 5: Australia

³⁵ (Golf), Korea Golf Association, Jan. 1996

4-3. SUMMARY

4-3-1. GENERAL BACKGROUND

A. NATIONAL TOURIST MARKET

The tourist industry has been growing by leaps and bounds over the last two decades. The development of Korea's tourist industry is a natural consequence of its phenomenal economic growth, but the specific allocation of resources has also been a vital factor. The government enacted a series of tourism promotion laws which resulted in a growth rate of 11 percent annually in tourist arrivals during the last decade. There have been massive projects to explore and develop tourist resources and facilities such as hotel accommodations; land, sea and air transportation; tourist services; national parks; museums; golf courses; and casinos.

B. KOREAN DEPARTURES

The volume of Korean outbound travelers has shown a very high growth rate ever since the complete liberalization of Korean citizens' overseas travel in 1989. In line with the continued double digit growth year after year since then, Korean outbound travel in 1994 rose 30.3% to 3,154,326, almost reaching the four million mark only three years after it broke two million.

Pleasure trips accounted for 40.9% (1,290,123) of the total. Business travelers occupied the second largest segment, at 24.9%.

July and August, the summer vacation season in Korea was the peak departure months. January and December, the winter vacation months, were third and fourth, respectively.

Of the total departure, 67.8% visited Asian countries, followed by 19.6% to the Americas, 7.1% to Europe, and 4.8% to Oceania.

C. VISITOR ARRIVALS

In 1994, Korea welcomed a total of 3,580,024 inbound visitors, a 7.5% increase from the previous year, spurred by the government's vigorous efforts to attract more foreign visitors and to hold many festivals and sporting and cultural events during Visit Korea Year 1994.

Of the total number of inbound visitors, 57% were on pleasure trips, followed by business trips (11.3%), and official visits (0.7%), showing a higher percentage of pleasure travelers than other purposes.

In terms of market share, Asia accounted for 68.6% of all arrivals. The Americas were second with 10.7% and Europe was third with 10.6%. Arrivals from Oceania and Africa represented a mere 0.8% and 0.3%, respectively.

D. RESORT DEVELOPMENT TO MEET THE NEW AND MUTIFARIOUS DEMANDS FOR TRAVEL

The objectives of the government's tourism policy are to offer equal opportunities for tourism activities to all people, to focus on the development of open space in and around the residential areas in line with the growth in mass tourism, to enhance the quality of facilities in order to meet the diversified and personal demands of holiday makers, and to build more recreational facilities for the young. In this context, the government has drawn up a development plan for family and youth resorts so that recreational and sporting activities can be enjoyed at less expensive places using less

expensive amenities. A wide range of facilities are being built near parks and other places of interest. Infrastructure facilities including roads, parking lots, electricity, water, sewers, campgrounds, parks and pergolas are being developed with public funds, while private funds are being used to construct superstructure facilities. The following criteria are considered when developing a resort:

- It should be near the major cities and the places that holiday makers frequently visit, giving it high potential for attracting tourists.
- Priority is given to places where relics, culture and scenery are all well preserved.
- It should be in an area which can be developed without any difficulty and which is free from any negative regulations.

Since 1981, a total of 107 resorts have been developed as recreational and leisure areas. The budget required for the development of these resorts is funded by the government and the provinces each year. Half of the amount is funded by the central government, the other half by the local government.

Many scenic areas throughout the country have been designated as tourist resorts because they are in a natural, native state and have been well maintained to meet the increasing demand for outdoor recreation and health. As of June 1994, there are 140 tourist resorts designated as such by the government. These designated tourist resorts must meet the same government requirements as do the newly-developed resorts. The resorts include natural and provincial parks, beaches, lakeside, rivers, forests, health resorts, waterfalls and streams.

E. STATUS OF INTERNATIONAL ACCOUNTS THROUGH TOURISM

• Status of domestic and foreign tourists

In 1992, the total number of domestic tourists was 286,895,000 people with a 10% annual growth on average; Kangwon-Do only drew 22,651,000 people with a 6.3% annual growth rate.

In 1992, the total number of foreign tourists was 3,231,000 people with 10.9% average annual growth since 1982. Of those, Japanese account for 43.3%; South-East Asians, such as Taiwanese and Malaysians, account for 56.7%. And also the number of tourists is increasing rapidly.

TABLE 4-12. Status of domestic tourists

Unit : X 1,000 People

<i>Districts</i>	<i>84</i>	<i>86</i>	<i>88</i>	<i>90</i>	<i>92</i>	<i>Growth (%)</i>
Total	31,033	202,172	256,184	260,378	286,895	10.0
Seoul city	2,531	5,321	24,,366	11,569	14,170	7.6
Pusan city	12,214	35,305	30,925	27,887	30,874	10.5
Taegu city	10803	19520	29811	30459	31217	27.4
Inchon city	765	759	893	4,234	5,351	17.8
Kwangju city	*	3,469	4,774	5,688	9,710	18.7
Taejon city	*	*	*	11,289	14,416	3.7
Kyonggi-Do	16,093	18,576	29,052	25,262	25,925	5.2
Kangwon-Do	20,600	21,483	15,896	21,846	22,651	6.3
Chungbuk-do ³⁶	6,242	10,021	11,873	15,250	15,498	12.7
Chungnam-Do ³⁷	17,332	22,235	28,804	29,274	31,265	9.4
Chonbuk-Do ³⁸	6,154	5,120	6,739	8,100	10,847	8.8

³⁶ North Chungchong-Do

³⁷ South Chungchong-Do

³⁸ North Cholla-Do

Chonnam-Do ³⁹	5,538	7,629	9,332	12,422	15,926	9.8
Kyongbuk-Do ⁴⁰	9,062	20,761	21,520	21,742	21,669	3.2
Kyongnam-Do ⁴¹	18,993	21,480	30,654	20,121	20,771	6.4
Cheju-Do	4,706	10,493	11,545	15,235	16,358	19.7

* Not available

Source) Korea Tourist Year Book, KNTC, 1993

TABLE 4-13. Status of foreign tourists

Unit : X 1,000 people

		Japan	Taiwan	S-E Asia	USA	Resident	Other	Total
1984	Tourists	576	94	112	213	173	129	1,297
	Ratio(%)	44.4	7.2	8.6	16.4	13.4	9.9	100
1986	Tourists	791	95	119	285	202	168	1,660
	Ratio(%)	47.7	5.7	7.2	17.1	12.2	10.1	100
1988	Tourists	124	124	171	347	289	285	2,340
	Ratio(%)	48.0	5.3	7.3	14.8	12.3	12.2	100
1990	Tourists	1,460	211	259	325	323	381	2,959
	Ratio(%)	49.4	7.1	8.8	11.0	10.9	12.9	100
1992	Tourists	1,399	296	345	334	313	544	3,231
	Ratio(%)	43.3	9.2	10.7	10.3	9.7	16.8	100
Annual Growth(%)		10.4	12.5	12.3	8.3	6.0	18.2	10.9

Source) Korea Tourist Year Book, KNTC, 1993

• Status of international accounts through tourism

Korea's tourist incomes show a downward trend starting from 3,559 million dollars in 1990, while outgoing currency for Korean tourists traveling abroad increased dramatically since 1988. This made the balance turn to a deficit beginning in 1991 after the maximum surplus in 1988.

³⁹ South Cholla-Do

⁴⁰ North Kyongsang-Do

⁴¹ South Kyongsang-Do

As for the present status, the tourism industry in Korea should be greatly encouraged to induce more tourists from overseas to come by developing Korea's qualified and high-valued tourism goods. It is imperative for Korea's policy makers to realize the "must" of this situation as soon as possible.

TABLE 4-14. Status of international accounts through tourism

Unit : X 1,000 \$

Year	Income	Outgoing	Balance
1984	673,355	576,250	97,150
1986	1,547,502	612,969	934,533
1988	3,265,232	1,353,891	1,911,341
1990	3,558,666	3,165,623	393,043
1992	3,272,524	3,794,409	-522,885
Avg. Increase*	20.60%	19.63%	-14.95%

* Increase rate between 1982 to 1992

Source) Korea Tourism Year Book, KNTC, 1993

4-3-2. COMPARISON OF SUPPLY AND DEMAND FOR THE SKI AND GOLF MARKET

A. SKI MARKET

As shown above, nine ski resorts are operating currently in Korea (a total of 83 slopes). In addition, six ski resorts will be constructed by 1999 (a total of 38 additional slopes). The ski population was 2,300,000 in 1994 and will be a minimum of approximately 7,200,000 in 2001. In 2005, the minimum will be over 11,000,000 people.

The Korea Tourism Development and Research Institute developed an adequate model which was able to decide the relationship about which slope is able to

absorb how much demand based on case analyses of currently operating ski resorts in Korea. The developed model is as follows:

$$\text{Demand} = a + b * (\text{number of slopes})$$

$$Y = a + bX$$

$$Y = 51909.96 + 33833.56 X$$

$$t\text{-stat. } (0.27) (5.74) \quad R^2 = 94.3\% \text{ (see Appendix C)}$$

Based on this model, a minimum of 209 slopes will be needed in 2001. In 2005, over 330 slopes, approximately, will be needed. However, only 121 slopes will be added between 1999 and 2005. Therefore, there will be a shortage of 88 slopes in 2001 and of 209 slopes in 2005.

TABLE 4-15. The forecast of ski demand and supplied slopes

YEAR	SKI DEMAND	NO. OF NEEDED SLOPES	NO. OF SUPPLIED SLOPES	SHORTAGE OF SLOPES
1996	3,255,428	95	83	12
1997	3,914,556	114	87	27
1998	4,630,494	135	105	30
1999	5,403,242	158	121	37
2000	6,232,800	183	121	62
2001	7,119,168	209	121	88
2002	8,062,345	237	121	116
2003	9,062,333	266	121	145
2004	10,119,130	298	121	177
2005	11,232,737	330	121	209

In Korea, over 80% of the regions in which the ski resorts can be developed is located in Kangwon-Do.⁴² Therefore, 70 slopes will need by 2001 and 167 slopes will need by 2005 in Kangwon-Do.⁴³

In conclusion, it is a very positive idea to develop a ski resort town in the projected area. However, the 373 ski slopes which the Myungsung development company is thinking about developing will be too many. Therefore, the company had better decrease the number of projected slopes to under 100 by 2001 and gradually increase the number of slopes after that according to the ski demand situation.

B. GOLF MARKET

One hundred golf courses are operating currently in Korea. In addition, forty six golf courses will be constructed by 1999. Currently, the supply of golf courses in Korea is ranked the twentieth in the world. On the other hand, golf population in Korea is ranked the sixth in the world. Thus, comparing by just ranking, there is a shortage of supplies.

The golf population was 8,200,000 in 1995 and will be approximately 14,600,000 in 2001. In 2005, it will be over 17,000,000 people (see Table 4-6).

Based on analysis of past data, the needed golf supplies in the future can be predicted. In order to forecast the needed golf supplies, if the simple average method is used, one golf course is able to absorb 76,866 people per year regardless of the number of holes (Table 4-16).

⁴² Development plan for coal mining area, Kangwon-Do government, April, 1996, p.44

⁴³ 88 slopes x 0.8 = 70 slopes
209 slopes x 0.8 = 167 slopes

TABLE 4-16. Golf supply and demand analysis

YEAR	DEMAND (A) (PERSON)	SUPPLY (B) (COURSES)	DEMAND PER COURSE (A/B)
1991	4,381,999	63	69,555.5
1992	5,845,174	75	77,935.7
1993	6,334,130	86	73652.7
1994	7,187,399	89	80757.3
1995	8,242,927	100	82,429.3
AVERAGE			76,866.1

TABLE 4-17. The forecast golf demand and supply

YEAR	DEMAND (A)	AVERAGE DEMAND PER COURSE (B)	NEEDED SUPPLY (A/B)
1996	9,117,550.6	76,866	119
1997	10,023,958.7	76,866	130
1998	10,930,366.8	76,866	142
1999	11,836,774.9	76,866	154
2000	12,743,183.0	76,866	166
2001	13,649,591.1	76,866	178
2002	14,555,999.2	76,866	189
2003	15,462,407.3	76,866	201
2004	16,368,815.4	76,866	213
2005	17,275,223.5	76,866	225

Based on analysis of table 4-16 and 4-17, if the needed supply is forecasted, 178 golf courses will be needed in 2001. In 2005, 225 courses will be needed. Therefore, there will be a shortage of 32 golf courses in 2001 and of 79 golf courses in 2005.

TABLE 4-18. The future golf supply analysis

YEAR	NEEDED SUPPLY	SUPPLY	SHORTAGE OF SUPPLY
1996	119	100	19
1997	130	100	30
1998	142	100	42
1999	154	146	8
2000	166	146	20
2001	178	146	32
2002	189	146	43
2003	201	146	55
2004	213	146	67
2005	225	146	79

In conclusion, the idea of Myungsung to develop 12 golf courses by 2001 is adequate.

CHAPTER 5. THE FEASIBILITY STUDY OF THE 'SNOW MOUNTAIN WORLD' PROJECT

5-1. SITE ANALYSIS

LOCATION

Chongson county is located close to the east coast of Kangwon-Do. It is close to Taebaek city. Yungwol county is in the west, Samchuk county in the north and east, and Bongwa county of Kyungsangbuk-Do in the south.

It is about 307 km from Seoul, 122 km from Kangnung, 139 km from Wonju, 113 km from Chaechon and 94 km from Youngju city.

TERRAIN AND GEOGRAPHICAL FEATURES

Chongson county is surrounded by the Taebaek mountains (the highest peak is 1,567 m). Hambak, Taedock, Maebong, Yukback, Backbyung, and Kumsan are respective mountains which range from 1,100m to 1,500m in height. The county is a highland basin 650m above sea level. Yunwa mountain, 1,171 m, occupies the center of the county.

The water flow forms one flow to the Nakdong river and another flow to the Han river from Daeduck mountain (1,307m).

The soil consists of corroded sedimentary rocks and lasting unoxidated limestone transformed into neutralized soil which greatly helps the growth of highland vegetables and medicinal herbs.

CLIMATE AND WEATHER

The Chongson area is of a dry-cool climate characteristic of the mountains. There is a short spring and autumn season, and a long winter (about 5 months) which renders the summer as cool as early autumn.

Annual snowfall days are 43 days a year. Average snowfall is 42.1 cm and the accumulated snow lasts about 120 days.

TOURISM CIRCUMSTANCES

• Required time from major tourist resources

<u>Required time</u>	<u>Name</u>	<u>Major tourist resources</u>
Within 1 hour	Taebaek city	Caves, natural scenery, coal museum, sacred shrine
	Taebaek Mt. (State park)	Temples, altars, forestry with a variety of trees
Within 1-2 hours	East coast	Natural fountains, caves, valleys, beaches, royal tombs
	Yungwol county	Waterfalls, hot springs, temples, national park
	Soback Mt. (State park)	National astronomical observatory

Wuljin county Hot springs

Kangnung city

Within 2-3 hours OdaeMt. National park, temples

Seorak Mt. Hot springs, lakes,
national park

• Required time from major cities

Within 1 hour Yungwol, Taebaek, Samchuk, Donghae

Within 1-2 hours Chaechon, Pyungchang, Kangnung,
Wuljin, Bongwa

Within 2-3 hours Wonju, Yungju, Sokcho, Yungduk,
Andong

Within 3-4 hours Hongchon, Chungju, Sangju, Pohang

Within 4-5 hours Chuncheon, Seoul, Taejon, Taegu, Pusan

TRAFFIC CONDITIONS

• RAILROAD

<u>RAIL LINE</u>	<u>SECTION</u>	<u>REMARKS</u>
Chungang line	Seoul-Chaechon	Electric
Taebaek line	Chaechon-Taebaek	Electric
Yungdong line	Kangnung-Taebaek	Electric

• NATIONAL ROADS

<u>ROAD</u>	<u>SECTION</u>	<u>REMARKS</u>
No. 38	Chaechon-Taebaek	Paved, 2 lanes
No. 35	Kangnung-Taebaek	Paved, 2 lanes
No. 31.	Pyungchang-Taebaek	Paved, 2 lanes

• LOCAL ROADS

<u>ROAD</u>	<u>SECTION</u>	<u>REMARKS</u>
No. 414	Taebaek-Kohan-Sabuk	Paved, 2 lanes
No. 427	Taebaek-Punggok-Hosan	Paved, 2 lanes
No. 423	Taebaek-Tongjom-Punggok	Paved, 2 lanes

5-2. LEGAL ANALYSIS

In 1994, the government created a designation of "Development Acceleration Zone" for balanced development between districts, and the "Great-Sphere Development Area" for relieving differences between districts, as an effective national territory development plan.

If appointed as a "Development Acceleration Zone," the district can receive a lot of supporting benefits from the government. They consist of government administration support, financial support, tax credits and the granting of profit-promoting businesses. With the government administration support benefit, the government will provide the permit for the use of public facilities and government land, if private developers want to develop this zone. In addition, the government will act as proxy in the purchasing service of land and facilities which the developers need. The government will also make the moving plan for the residents in the projected districts. Once the "Development Acceleration Zone" enforcement plan gets approved, the "National Territory Usage Management Law," "the Cultural Properties Protection Law," "Forest Law" and 22 other laws will be granted permission fast in order to save financial and timely expenses for private developers. With the financial support benefit, a loan of funds and a reduction of the burden of development expense and other benefits could be received from the government. When designating a "Development Acceleration Zone," in order to promote the effectiveness of the business in this zone, the government will first support the roads and sewage systems and other basic facilities. To encourage participation of private capital which could heighten the execution and management of the project, the government will grant the development

projects of the area territory to private businesses. The government will also give a reduction of, and an exemption from, local district tax.

Therefore, the most important factor, for private developers, in developing the projected area is the designation of "Development Acceleration Zone" for their project areas. Fortunately, the government appointed ten districts, including Chongson County, as "Development Acceleration Zones" in 1995. The ten districts appointed are as follows: Chongson, Taebaek, Hongseong, Yungwol, Pyeongchang, Hacheon, Yangu, Inje and Yangyang.

In summary, there will be a lot of support from the government if the Myungsung development company develops the projected area as a ski resort town.

5-3. SUMMARY

- NATURAL ENVIRONMENT

Environmental Conditions

Steep mountains and over 1,000m altitude

Highland basin 650m above sea level

Origin of Han river and Nakdong river

Low temperature year round

Very short Spring and autumn

As much as 41.1cm. snowfall

Snow lasts about 120 days a year.

Analysis and Evaluation

The northern slopes are over 800m above sea level, suitable for skiing.

The 600m-800m altitude is adequate for a highland resort.

The connection with the East coast, 18km away, will integrate leisure sites of coast and mountains.

Clean water will be preserved by the water treatment facilities.

- TOURIST RESOURCES

Environment conditions

Within 1 hour : Taebaek Mt., Yungwol county.

Within 1-2 hours : Sobaek Mt. hot springs, beach.

Analysis and Evaluation

The Chongson area will be linked well with other neighboring resources.

- TRANSPORTATION

Environment Conditions

Railroad : Chungang line

Taebaek line

Yungdong line

Highway : Routes 38,35,31

Local Road : Routes 414,427,423

Analysis and Evaluation

Mass transportation from Seoul is available by railroad.

A bus line of luxurious tourist coaches is desired.

The expansion of highway is needed.

Routes 38 should expand to 4 lanes.

- LEGAL CONDITIONS

There is a lot of support from the government due to the "Development Acceleration Zone" designation of the project area.

In summary, ski resorts usually require four-season activity to be profitable. In addition, seasonal demands for the tourist leisure industry vary, creating economic fluctuation and consequently affecting the community.

Therefore, 'Snow Mountain World,' which includes skiing, golf, and various other various facilities, can get rid of this negative situation effectively.

CHAPTER 6. CONCLUSION

6-1. PROJECT EFFECTS ON THE LOCAL ECONOMY

To cope with the depressed coal industry that was once the main industry in the Chongson area, the tourism-leisure industry that is settling here can substitute for it.

It can contribute much to the improvement of the national trade balance.

The domestic tourist leisure industry shall realize globalization by constructing for the first time such a mammoth mountain tourism-leisure town.

It will enhance the nation's prestige with the construction and operation of sound tourist leisure facilities which exclude decadence.

It will serve to renew the climate of the domestic tourism-leisure culture by providing various facilities which will provide dreams and romances for the youth who will bear the future.

It will contribute to both the abolition of cultural differences between city, fishing and farming communities, and the globalization of a sound tourist leisure culture.

It will enable the dispersed coal mine population to return home, through economic vitalization, and become the 'Snow Mountain World' work force.

Finally, as a result of the construction and operation of a highland tourism-leisure town in the Chongson area, it can contribute to the rehabilitation of the depressed local economy through the creation of new employment.

Based on analysis of collected data, future employment rate can be predicted. In order to forecast the employment situation, if the simple average method is used, when the number of slopes is 10.4, 403 employees are needed for the high-demand season (Dec.-Mar.) and 213 employees are needed for the semi- and low-demand season (April-Nov.).

TABLE 6-1. The relationship between the number of slopes and employment
(in 1995)

SKI RESORT	NO. OF SLOPES	THE NO. OF EMPLOYEES	
		HIGH-DEMAND (Dec.-Mar.)	SEMI-& LOW-DEMAND (April-Nov.)
Yongpyung	19	900	500
Yangji	7	150	80
Cheonma	5	100	32
Alps	6	120	50
Bears	7	400	200
Sajo	7	-	-
Muju	23	700	400
Seoul	3	-	-
Daemyung	6	450	230
Average	10.4*	403	213

* Exclude Sajo and Seoul

Source) Ski resort development plan, Cheju Business Association, March, 1995, p.42

Therefore, if Myungsung makes 50 slopes, 1,938 employees will be needed for the high-demand season (Dec.-March) and 1,024 employees will be needed for the semi- and low-demand seasons (April-Nov.).⁴⁴ If 100 slopes are developed,

⁴⁴ $(50 \times 213) / 10.4 = 1,024$ $(50 \times 403) / 10.4 = 1,938$

3,875 employees will be needed for the high-demand season and 2,048 employees will be needed for the semi-and low-demand seasons. In addition, a lot of employees will be needed for 12 golf courses between March to November. If using Isard (1960) and Richardson (1979)' s classic references on multipliers to predict the creation of new employment⁴⁵, the total needed employees will be approximately 3,000 people when 50 slopes are developed and 6,000 people when 100 slopes are developed including 12 golf courses.⁴⁶

6-2. OTHER SUGGESTIONS

As shown above, the high Japanese ski population (over 45% of the total national population), a South-East Asia without snow but South-East Asians who want to ski and China without ski resorts, are bound to be very positive factors for the success of ski resorts in Korea. However, there are 700 ski resorts in Japan. Thus, Korea's ski resorts should consider a price competition comparing with Japan's.

Finally, Myungsung had better consider one more factor: the casino business. The government just recently passed a law to permit Korean nationals to be allowed into the casinos in the project area. Even though there are some negative aspects to the casino business, it is a very profitable business, when it succeeds. Therefore, Myungsung should seriously consider participating in the casino business.⁴⁷

⁴⁵ Urban Economics and Real Estate Markets, Prof. Denise DiPasquale (Harvard) and Prof. William C. Wheaton (MIT), Prentice Hall, 1996, p.155

⁴⁶ "2" was used as multiplier.

$(1,938+1,024)/2 \times (2) = 2,962$ $(3,875+2,048)/2 \times (2) = 5,923$

⁴⁷ Presently, there are not any casinos in Korea which allow Korean nationals to gamble. Even though there are several casino hotels in Korea, they only allow foreigners to enter the casinos.

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APPENDIX. A

Ski demand Trend Analysis

$$\text{DEMAND} = a + b\text{YEAR} + c\text{YEAR}^2$$

Regression Statistics

Multiple R	0.99741664
R Square	0.99483994
Adjusted R Square	0.99139991
Standard Error	75,469.85
Observations	6

	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	1.12E+11	4.90E+10	2.28157903	1.07E-01	-4.42E+10	2.68E+11
X Variable 1	-1.13E+08	49,234,056.30	-2.29031973	1.06E-01	-269,446,618.00	43,923,157.20
X Variable 2	28,404.92	12,354.84	2.29909204	1.05E-01	-10,913.74	67,723.59

$$\text{DEMAND} = a + b\text{YEAR}$$

Regression Statistics

Multiple R	0.9928509
R Square	0.98575292
Adjusted R Square	0.98219115
Standard Error	108,602.52
Observations	6

	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	-858,972,237.00	51,727,245.00	-16.605799	7.70E-05	-1.00E+09	-715,354,084.00
X Variable 1	431,888.80	25,960.97	16.6360832	7.65E-05	359,809.45	503,968.15

APPENDIX. B

Golf demand Trend Analysis

$$\text{DEMAND} = a + b\text{YEAR}$$

Regression Statistics

Multiple R	0.988921584
R Square	0.977965898
Adjusted R Square	0.970621198
Standard Error	248,398.50
Observations	5

	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	-1,800,073,017.00	156,551,191.00	-11.49830293	3.27E-04	-2.30E+09	-1,301,856,791.00
X Variable 1	906,408.10	78,550.50	11.53917633	3.22E-04	656,425.11	1,156,391.09

$$\text{DEMAND} = a + b\text{YEAR} + c\text{YEAR}^2$$

Regression Statistics

Multiple R	0.989795522
R Square	0.979695175
Adjusted R Square	0.959390351
Standard Error	292,042.83
Observations	5

	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	-1.30E+11	3.10E+11	-0.418617804	6.97E-01	-1.46E+12	1.20E+12
X Variable 1	1.29E+08	311,187,049.30	0.415725746	6.99E-01	-1,209,562,271.00	1,468,299,208.00
X Variable 2	-32,228.31	78,070.00	-0.41281302	7.01E-01	-368,136.66	303,680.04

APPENDIX. C

DEMAND= a+b * (No. of SLOPES)

<i>Regression Statistics</i>						
Multiple R	0.970967492					
R Square	0.942777871					
Adjusted R Square	0.914166807					
Standard Error	159573.9553					
Observations	9					

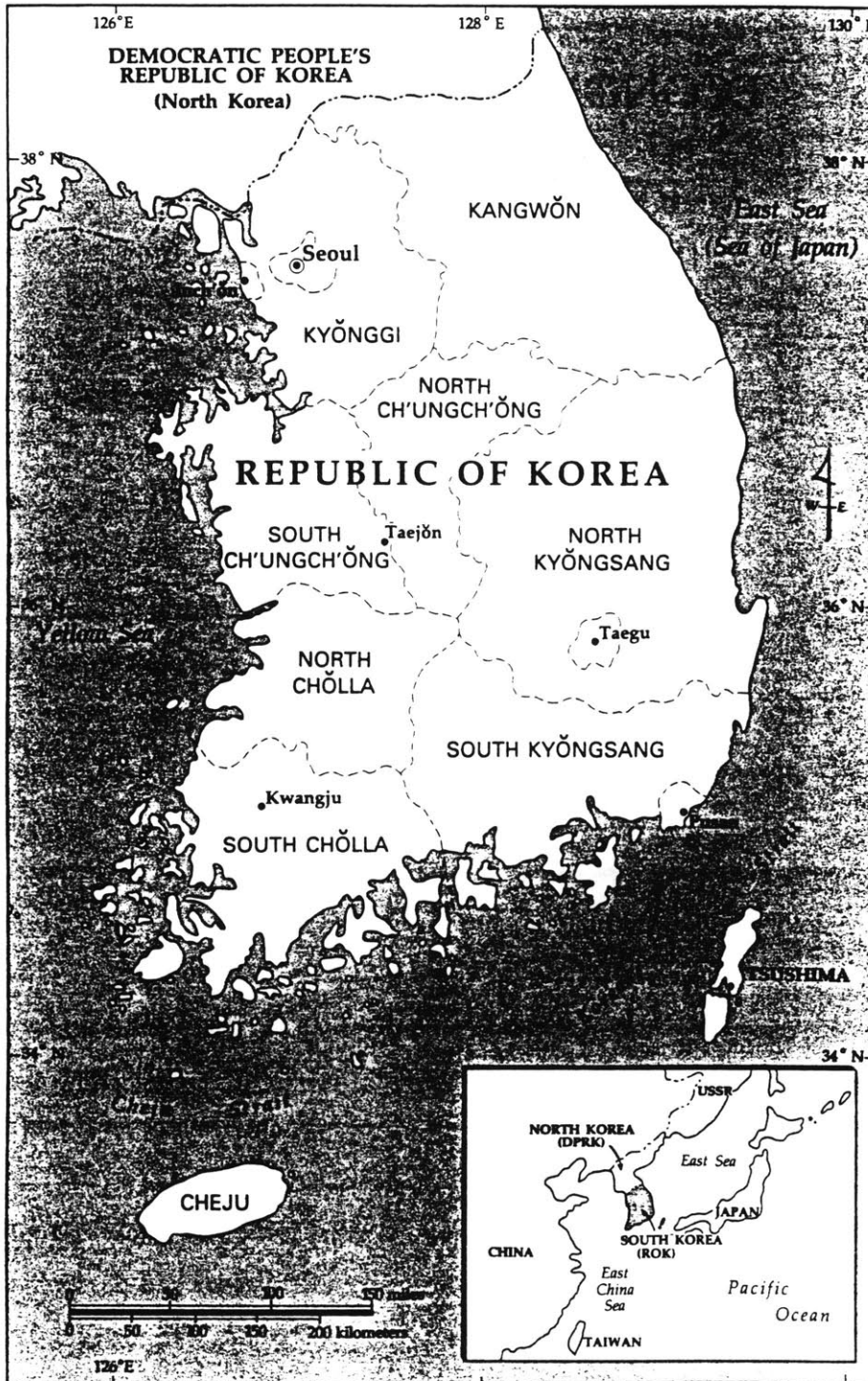
	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	51909.95907	191305.4279	0.27134598	0.80372539	-771211.436	875031.354
X Variable 1	33833.56071	5893.99852	5.74034089	0.01049867	8473.71423	59193.4072

LOCATION OF KOREA IN ASIA.



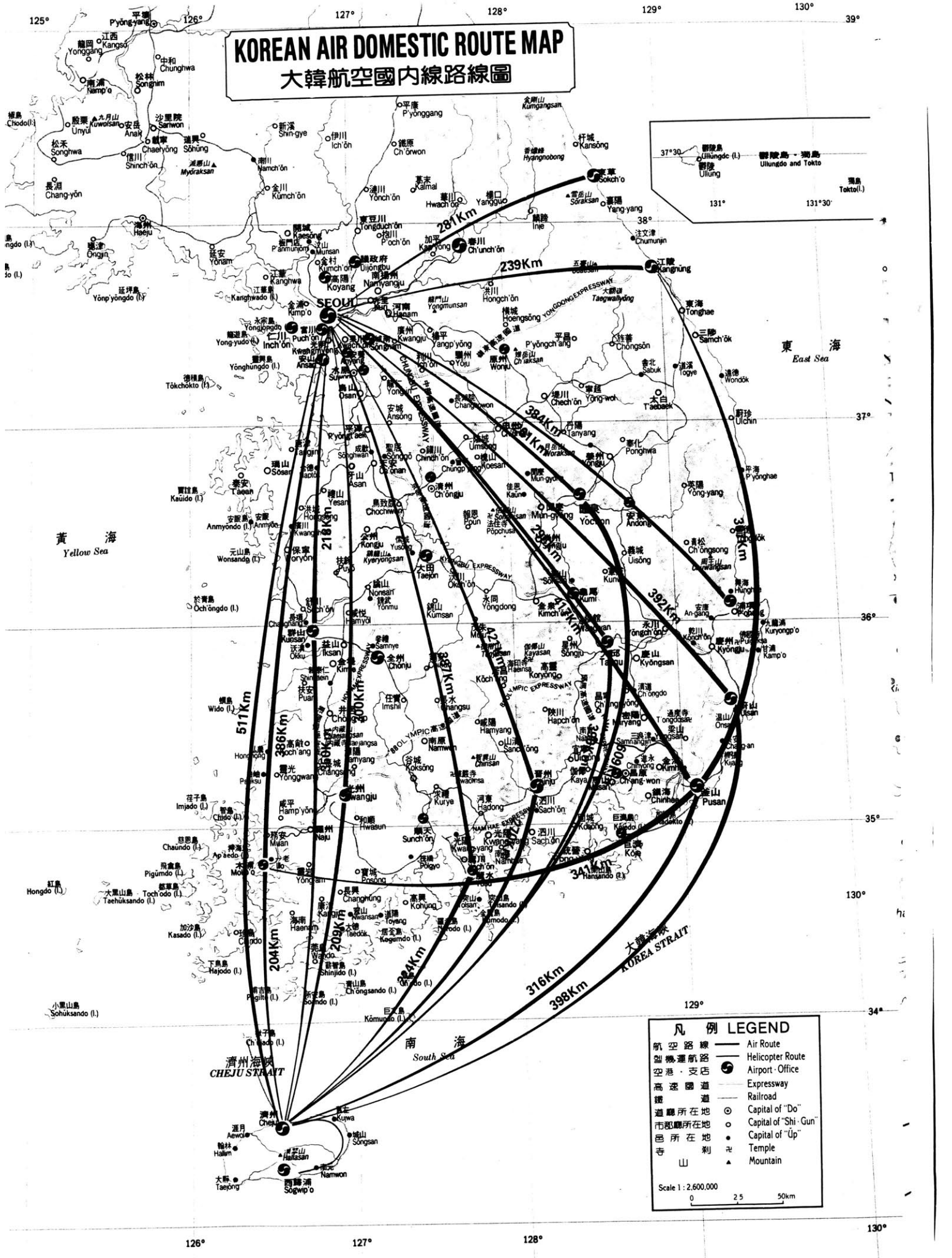
EAST ASIA:
KOREA AND HER NEIGHBORS

Map of South Korea (Republic of Korea)



KOREAN AIR DOMESTIC ROUTE MAP

大韓航空國內線路線圖



凡例 LEGEND

- 航空路線 — Air Route
- 型機運航路 — Helicopter Route
- 空港・支店 — Airport・Office
- 高速國道 — Expressway
- 鐵道 — Railroad
- 道廳所在地 — Capital of "Do"
- 市郡廳所在地 — Capital of "Shi-Gun"
- 邑所在地 — Capital of "Up"
- 寺刹 — Temple
- 山 — Mountain

Scale 1 : 2,600,000

0 2.5 50km