

# The Economic Impact of Canal Cruising in the Hennepin Canal State Park, Illinois: A Scenario Analysis

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## Executive Summary

Hennepin Canal State Park boasts healthy visitor numbers: in 2009, it attracted 1.25mil visitors and since 2004, visitor levels to the park have increased at the rate of 2% per annum (compound annual growth rate (CAGR) = 2%). This is in spite of the overall negative growth in visitor numbers for state parks in Illinois (-1.25% CAGR for the period 2004-2009).

The issue is whether to expand Hennepin Canal State Park's services to include canal cruising or boating. To address this question, plausible future scenarios for the park were constructed. These are:

*Positive:* In order to benefit from the increases in visitor numbers, a state park has to provide quality services. Since customer attraction is a function of product mix and quality, only state parks with a vast product line (for example, trail-based recreation, water-based recreation, etc.) will survive. Hence, the industry concentration will be low. Developments in virtual technology will not impact visitor numbers.

*Negative:* Increased competition from businesses in the leisure and recreational sectors, developments in virtual technology, and declining US market for state parks will decrease park revenues. Also, developments in virtual technology will make customers indifferent to the variety (product mix) of state park services. However, due to state funding (cf. Senate Bill 1566), industry concentration will be high.

If canal cruising is enabled, given positive scenario, it will generate \$42.68mil in revenues during the first year of its operation. The impact of this revenue would be 1,284 full-time jobs mostly in the hospitality sector and the retail trade.

In the case where developments in virtual technology, and declining US market for state parks make customers indifferent to the variety of services (negative scenario), introduction of canal cruising will still bring in revenues totaling \$31.8mil in the very first year, and create 959 full-time jobs in the region.

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<sup>1</sup> Institute Intelligence (i<sup>2</sup>) provides businesses intelligence / business analytics and is operated by professors at Western Illinois University. For additional information about i<sup>2</sup>, please visit [www.instituteintelligence.com](http://www.instituteintelligence.com).