

Name:

Five Minute Exercise

Applying the Travel Cost Method

Given:

Demand for a national park is given by $WTP = A - B \cdot Q$

No admission is charged and 1000 people visit each year.

A travel cost study has shown that a \$10 admission fee would lower Q to 900

The interest rate is 10%

Determine:

The present value of the park. You should assume the first benefits arrive in year 1 and the park lasts forever.

Answer: