

So my point is, agreements are going to have to be secured not only on a higher rate, but on the procedures to be followed in evaluating the benefits and measuring the costs.

Chairman PROXMIRE. Thank you very much.

I would like to ask Mr. Staats, you said in your statement that some of these agencies that plan during the future to use discounting techniques, have not done so yet—he said their analysis has not developed sufficiently to warrant the use of discounting techniques. This just seems to be incomprehensible to me. Does this mean these agencies don't know what the benefits of the investments are, don't know what their costs are? It would just appear offhand that if an agency comes into the Bureau of the Budget with an investment program and says "We are not sure what our costs are or we know our costs, but we don't know what we will get by making the investment," it would be very easy for the Budget Bureau to say, "No; find out what your benefits are or we are not going to spend this money," especially now with the pressure all of us feel to keep spending down.

Mr. STAATS. Of course, a part of it has been, I think, obvious lack of central guidance in this area. But in part, I think, it reflects the difficulty of measurement, particularly in some of the programs in the social welfare area—the Great Society type programs. Mr. Rathbun has had conversations with some of these agencies on this point.

Chairman PROXMIRE. Well, Health, Education, and Welfare is using a discounting technique for the 1969 program. I don't know how extensive is their use of it, but they are using it. The space program doesn't use it at all. The Post Office Department didn't use it at all; the Department of Labor, the Peace Corps, the National Science Foundation, the Federal Power Commission, some of these agencies have very small investment programs and are primarily operating agencies, but to the extent they have any investment programs it seems to me, and the Post Office Department has a big investment program, they ought to know what their benefits are going to be, what they are going to get for their investment and also know what their costs are.

Mr. STAATS. I would like to read a paragraph from the reply we had from the National Aeronautics and Space Administration which has a very major capital investment program.

Chairman PROXMIRE. Yes, indeed.

Mr. STAATS. They reply along these lines; they say:

The evaluation of alternatives and priorities within NASA is accomplished principally through the agency's programing and budget process and within the framework of the Bureau of the Budget PPB system. Although this is the first year we have submitted our budget request under the requirements of PPBS, NASA has since its inception used comparable techniques in development and evaluation of budget submissions. Among other things, our programing system permits us to consider the total cost implications in future years of on-going programs and of proposed new programs, and is directly tied in to the preparation of our annual budget estimates and to our annual operating plan. We use a standard practice, advanced analytical methods in the consideration of alternatives. Trade-off type studies relating to performance, costs, schedule and other pertinent factors are used in project planning and management, and in the planning and conduct of individual missions. We have not, however, applied specific discount rates. That is to say we have not attempted to express in terms of percentage discounts, the effect of future costs and benefits, although these economic factors are implicit in our consideration of alternative programs and assessment of priorities. Frankly, we find it extremely difficult to quantify such elusive economic considerations as they affect research and development efforts in the space environment.