

Senator Jordan?

Senator JORDAN. Mr. Staats, you note that agencies do not evidence a clear understanding of the discount rate technique?

Would you expand on that a little bit? Is it because they lack the staff capability to implement it or are they unwilling to face up to the rigors of the discipline required? How do you explain it?

Mr. STAATS. I would like to hear from my colleagues here on this point also. But my own personal feeling would be that it is not so much opposition as that there hasn't been adequate staff who understood and knew how to employ these techniques. I think it has been more in that category than in the resistance to the idea. Would you care to comment, Mr. Rathbun?

Mr. RATHBUN. I would simply add that in many cases they have never been asked to do this. The Bureau of the Budget has, of course, asked them to think of discounting in the case of some projects, but many, many agencies have never been requested to give any serious thought to discounting, and as a result they have not given the requisite time and attention to this.

Senator JORDAN. Were you going to say something?

Mr. STAATS. I was going to add that it is only fairly recently, within the last 3 years, that the executive branch has formally extended its cost-effectiveness concept on a Government-wide basis, and that has brought this problem more sharply into focus. I think that without cost-effectiveness studies being made on these major programs there hasn't been too much reason for employing a discount rate. But in the water resources field, where we have come to understand and use this technique over many years, you do have pretty highly refined techniques within those agencies now because they are required to use it as a basis for any project before it is authorized and again before appropriations are made. The answer varies a great deal depending upon whether or not there has been a formal program which requires the use of these types of cost-effectiveness techniques.

Senator JORDAN. I would be interested, Mr. Staats, in what the Post Office Department has to say about it. They are listed here in your table on page 10 as being in the category of "Discounting not used but plans to use discounting in the future." Do you have any particular comment with respect to the Post Office Department? What has been their attitude and how effective would you think discounting techniques would be in the Post Office Department?

Mr. STAATS. I would think, Senator Jordan, so far as their *capital* investments programs particularly are concerned, such as facilities or buildings, this type of technique would be very relevant. It would be perhaps easier to employ there than almost anywhere.

Senator JORDAN. The third line from the bottom on page 10 is where they are listed in the table.

Mr. STAATS. In their formal letter to us the Department stated that, "The Post Office did not use discount rates in analyzing fiscal year 1969 programs. However, in certain instances discounts are applied to individual projects. For example, in evaluating whether to abandon a Federal building for a new leased facility or to extend and modernize it by using plant and equipment funds, the rent stream for a 40-year period is estimated. The present worth of the rent stream is then determined by applying a 4-percent rate factor. The 4 percent has been