

<u>Segment</u>	Annual average rate of return 1961-65 (percent)
Manufacturing	15.4
Electric utilities	9.3
Gas pipelines	8.6
Telephone	11.9
Railroads	4.1
Motor carriers (note a)	14.7
Oil pipelines	15.6
Airlines	8.2

^aAverage for 1961-64 only.

Therefore, if Senate Document 97 is used as the basis for the cost of Government borrowing, the difference between the two schools of thought is quite significant. If, on the other hand, Treasury borrowing costs are calculated on the basis of total costs to the Government, including corporate and individual income taxes foregone as a result of borrowing by the Government to finance programs, an estimate of between 7 and 8 percent results. (See illustrative calculation in app. III.) Thus, if Government costs are calculated on this basis, the practical importance of the difference between the two schools of thought is greatly reduced.

DISCOUNT RATE FOR PLANNING WATER AND RELATED LAND RESOURCES PROJECTS

Senate Document 97 entitled "Policies, Standards, and Procedures in the Formulation, Evaluation, and Review of Plans for Use and Development of Water and Related Land Resources" (87th Cong., 2d sess.), which provides congressional guidance on discount rates under certain circumstances, states that the discount rates "shall be based upon the average rate of interest payable by the Treasury on interest-bearing marketable securities of the United States outstanding at the end of the fiscal year preceding such computation, which upon original issue, had terms to maturity of 15 years or more."