

But the question to either Secretary Holum or Mr. Caulfield, again—you testified that the water projects have the same discount rate, but is it not true—at least I have been so informed—that the evaluation of the benefits varies, let us say, from the Bureau of Reclamation to the Corps of Engineers? The Bureau of Reclamation would include secondary benefits, whereas the Corps of Engineers does not. Am I correctly informed there, gentlemen?

Mr. CAULFIELD. Yes, sir. Senate Document 97 authorizes the Corps of Engineers to include secondary benefits in their project analyses if a secondary benefit cost analysis is indicated. In other words, where the Bureau of Reclamation puts its projects before the Congress, it provides a benefit-cost ratio on the basis of cost of primary benefits and another one with reference to the cost of secondary benefits, so the Congress can see the separate implications of regional economic development.

Representative MOORHEAD. But the Corps of Engineers does not?

Mr. CAULFIELD. The Corps of Engineers has not chosen to do so, by and large.

Representative MOORHEAD. Do you know why?

Mr. CAULFIELD. Well, the Corps, I think they ought to speak for themselves on this. I think it is fair to say, though, that they have taken the position in the eastern part of the country that they feel that the Congress wants them to be conservative, and putting the costs on a primary benefit basis is the most conservative way of looking at water resources projects. However, in the Appalachian region of this country, the Congress has specifically told the Corps of Engineers in the development of that program to consider the benefits to unemployed resources and underemployed resources. The Corps of Engineers in the projects it now evaluates in that region is taking this type of indirect benefit which can be attributed as a national benefit, however, into account, as well as the regional impact of benefits that would be specifically beneficial to that region if the development occurred.

Representative MOORHEAD. So that whether you can go ahead with a particular water project might very well depend on whether you include the secondary benefits, and this, as far as the Corps of Engineers is concerned, would only be in the Appalachian region; is that right?

Mr. CAULFIELD. Or any area that has been designated as an underemployment area or unemployment area, like the economic development-designated areas throughout the country under the Public Works and Economic Development Act of 1965. However, it is being specifically applied by the corps these days in the Appalachian area. That is why I make specific reference to that area.

I might say the Public Works Committees, as you realize, are the committees in the House and the Senate, the legislative committees to which the Corps of Engineers makes its presentation, not the Interior Committees. The Public Works Committees of both the House and the Senate have emphasized to the corps in recent reports, I think in the Omnibus Rivers and Harbors Act, that the Corps should pursue secondary benefits in addition to primary benefits in the presentation of reports.

Representative MOORHEAD. It seems to me that the only reason for a lower discount rate is if the benefit side of the equation is understated,