

Mr. BLATNIK. Generally the project is a favorable project, but it has quite a few processes or steps to complete before it is ready for final action?

Colonel ANDERSON. In the final stages now for resubmission to the Board of Engineers.

Mr. HARSHA. What are these divisions, Colonel?

Colonel ANDERSON. The jetty entrance there is about three-fourths of the cost of the project, and the Board of Engineers feels that a redesign of this jetty entrance can reduce the cost considerably.

There is also some question about cost sharing provided by the local interests. And these are under review, too.

Mr. HARSHA. Well then, until you get this redesign of the jetty entrance, we do not know what the benefits will be, actually, do we?

Colonel ANDERSON. We know that the redesign will be cheaper and therefore the benefit-cost, total benefit-cost ratio will increase.

Mr. HARSHA. This is interesting to me. The cost is cheaper and the benefit-cost ratio increases. Now we have a project that costs us more, you also say the benefits are more, so the cost-benefit ratio does not change?

Colonel ANDERSON. Well, it depends on the situation, sir.

Mr. HARSHA. Why? Would the same rule not apply?

Colonel ANDERSON. What we are looking at is not the benefits in this case, but looking at the cost of the jetty with the same benefits.

Mr. HARSHA. Would the annual charges be the same?

Colonel ANDERSON. No, sir. The annual charges would go down; if the jetty costs go down.

Mr. HARSHA. What portion of it would go down?

Colonel ANDERSON. Well, the jetties, the two jetties at the entrance are about three-fourths of the cost of the total project. So if we could reduce it significantly, it would have a significant total reduction in the cost of the project.

Mr. HARSHA. Why, then, on flood control projects, when the cost goes up, the benefit-cost ratio increases along with the cost?

Colonel ANDERSON. That is when we are discussing the escalation of cost due to the price increases that occur year to year. We generally believe that when the costs of land acquisition, and the cost of construction go up, that likewise the damages to land or the damages to structures would go up, and therefore the flood control benefits would go up.

Mr. HARSHA. Well now—

Colonel ANDERSON. That is not the case in this particular project.

Mr. HARSHA. Have the States commented on this?

Colonel ANDERSON. Yes, sir.

Mr. HARSHA. What is it?

Colonel ANDERSON. Favorable, and the Matagorda Navigation District States they will provide the necessary assurances for the project.

Mr. HARSHA. Well, then, what is the problem with local contribution or participation?

Colonel ANDERSON. I should mention these are the preliminary statements from the agencies that we have coordinated with. We have not sent the report out to the States and agencies for a final comment.

Mr. HARSHA. I see.