

- c) the assumption that flood damages in all categories would increase by 105%, due to growth during the period from 1980 to 2030.
- d) the use of the United States discount rate of 5 3/8% to calculate the equivalent average annual damages during the period 1980 to 2080.

2.2 Review Committee Estimate of Canadian Benefits

2.2.1 General

Since the U.S. Corps of Engineers' estimate of Canadian benefits was considered unrealistic the Review Committee undertook to provide its own estimate. The Committee followed the U.S. Corps' approach to estimating damages but revised the procedures to provide a more accurate reflection of conditions in Canada. Damages were disaggregated by category as in the 1958 Royal Commission Report to adjust to 1972 prices and levels of development. The Committee used what it felt were more appropriate price indices for each category, more realistic assumptions about growth and a discount rate of 7.5%, which is a reasonable reflection of Canadian Federal and Provincial borrowing rates at this time.

The Committee questioned the rationale for including projected future damages in the estimate of benefits. However, in the absence of other measures to regulate growth in relation to potential flood damage, growth is likely to take place and no alternatives for adjustment to the flood hazard are being considered in this study. Thus the Committee decided that to be consistent with the United States approach increased