

the 1980 average annual damage estimate (Step 3) and the annual equivalent of the 1980-2080 average annual damages (Step 6).

The dollar values and factors used by the Corps in preparing the estimate in the 1971 report are presented in Table 1.

After reviewing the U.S. Corps Report and the procedures that were followed to estimate the economic benefits to Canada, the Committee concluded that the estimates of Canadian benefits were likely to be unrealistic. The main reasons for reaching this conclusion were related to the over estimate of the impact of the proposed Pembilier Dam on flood frequency due to including the affects of the Kindred and Twin Valley Dams, and to the procedures employed to estimate the Canadian benefits as outlined in Table 1 and the preceding discussion. The procedures questioned were as follows:

- 1) conversion from 1957 to 1971 prices to estimate cost of damages.
 - a) price indices for only three sectors of the economy were used, each was given equal weight to derive one index that was applied to the total damage estimate to determine the 1971 cost.
- 2) Growth
 - a) a common rate of growth was assumed for all categories of flood damage.
 - b) the assumption that flood damage in all categories would increase by 22% due to growth in the period 1971 to 1980.