

represents an annual cost to Canada of \$148,400.

The Review Committee prepared a revised cost allocation based on the assumption that each country should share the present worth of the cost of the project in the same proportion as its share of the present worth of the benefits. For this allocation all costs were estimated using the United States federal interest rate of 5½%. Since all expenditures for the project will be made in the first instance by the United States, with subsequent reimbursement for a portion of these expenditures by Canada, it seems reasonable to the Committee to use the United States interest rate for estimating costs.

The revised allocation proposed by the Review Committee, based on 1971 prices, is outlined in Tables A to D, Appendix III. As indicated in Table D the present worth of the costs of the project is \$19,062,000, the present worth of the annual benefits is \$19,284,600 and the benefit to cost ratio is 1.011:1. The annual benefit to Canada is estimated at \$147,200, the present worth of which is \$1,961,300; 10.17% of the total benefit. Canada's share of the present worth of the costs allocated in proportion to Canada's share of the present worth of the benefits is \$1,938,600; an annual cost of \$145,600. The ratio of benefits to costs for Canada in this allocation is 1.011:1.

The cost allocation worked out by the Review Committee would appear to be a reasonable economic basis for negotiating cost sharing if a decision is made to proceed with the project.