

The Budget—Appendix

The increase of \$20 million in interest on unmatured debt reflects higher interest rates and an increase in unmatured debt. The increase in interest on other liabilities is due mainly to increases of \$7 million in respect of the public service superannuation account and \$11 million in respect of the Canadian forces superannuation account.

Other public debt charges at \$33 million are \$6 million less than in 1964-65, attributable to lower expenditures in respect of annual amortization of bond discounts and commissions.

TABLE 19
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal year ending March 31		Increase or decrease (—)
	1966 (estimated)	1965	
Interest on public debt—			
Unmatured debt including treasury bills—			
Payable in Canada.....	806.8	786.2	20.6
Payable in New York.....	16.3	16.4	—0.1
	823.1	802.6	20.5
Other liabilities—			
Annuity, insurance and pension accounts.....	225.7	206.3	19.4
Deposit and trust accounts.....	3.2	3.2	
	228.9	209.5	19.4
Total interest on public debt.....	1,052.0	1,012.1	39.9
Other public debt charges—			
Annual amortization of bond discounts and commissions.....	30.2	36.4	—6.2
Cost of issuing new loans.....	1.8	1.8	
Servicing of public debt.....	1.0	1.0	
	33.0	39.2	—6.2
	1,085.0	1,051.3	33.7

When considering the magnitude of these public debt charges and the burden they place upon the public treasury, it must be borne in mind that a substantial portion of the debt is attributable to, or is invested in, productive or earning assets. Therefore, in calculating the *net* burden of the government's annual interest charges, the income derived from loans, investments and other productive assets must be taken into account. For 1965-66 this income totals \$436 million as shown in the non-tax revenue section under the heading "return on investments". This amount deducted from the gross total of \$1,052 million for interest as shown in the table leaves a net amount of \$616 million compared with a net of \$589 million in 1964-65. Measured as a percentage of the net debt the burden of the net annual interest charges is 3.96 per cent in 1965-66 compared with 3.80 per cent in 1964-65.

TABLE 20
(in millions of dollars)

NET BURDEN OF ANNUAL INTEREST CHARGES	Fiscal year ending March 31		Increase or decrease (—)
	1966 (estimated)	1965	
Total interest on public debt.....	1,052.0	1,012.1	39.9
Less return on investments.....	—436.0	—422.7	—13.3
Net interest cost.....	616.0	589.4	26.6
Net interest cost as a percentage of net debt.....	3.96	3.80	