

Without the required prior knowledge and approval of NIDC, Icewater Seafoods Inc. transferred a quota for 300 metric tonnes of halibut to a Newfoundland and Labrador based company.

Furthermore, contrary to Government's stated position NIDC gave the company approval to transfer another quota for 72 metric tonnes of halibut to Nova Scotia. Therefore, the primary processing was not performed in this Province.

2.8 Labrador Transportation Initiative Fund

In March 1997, the Government of Canada and the Government of Newfoundland and Labrador entered into an agreement where the Province would assume responsibility for operating marine freight and passenger services on and to the coast of Labrador in exchange for \$340 million plus interest.

The Province received \$347.6 million in December 1997 as a cash settlement, together with related ferry service infrastructure. On 19 December 1997, the Province transferred \$349.2 million, representing the \$347.6 million plus accrued interest of \$1.6 million, to the Labrador Transportation Initiative Fund (the Fund).

Although the Federal funding was provided to operate the Labrador ferry service in perpetuity, the Province decided that it could operate the ferries in perpetuity and also fund a portion of a Trans Labrador Highway. The concept was that a highway would reduce the use of the ferries and the resulting reductions in operating costs would be such that the Fund would be sufficient in perpetuity.

The Fund, after only 9 years, is expected to be depleted in 2007 and as such will not be sufficient to operate the Labrador ferry service in perpetuity because:

- \$238 million has been spent and an additional \$24.6 million is expected to be spent on the construction of Labrador highways. Therefore, approximately 63% of the Fund and earned interest will be used for highway related construction.

- Reductions in ferry operating costs expected from the increased use of the highway have not materialized. In fact, ferry operating costs (net of passenger and freight revenues) are increasing and in 2005-06 are expected to total approximately \$17.7 million. In 2004-05 actual net ferry operating costs were \$14.6 million.

After 2007, Government will have to fund the operations of the Labrador ferry service through its budgetary process -estimated at a net cost of approximately \$18 million per year.

2.9 Monitoring Expenditures of the Consolidated Revenue Fund

As part of our audit of the financial statements of the Consolidated Revenue Fund (CRF), we perform tests and reviews of the expenditures made by the various departments.

During the past year, we obtained expenditure information from Government's accounting system relating to all expenditures of the Consolidated Revenue Fund. We performed a general review and analysis of amounts paid relating to: grants and subsidies; property, furnishings and equipment; purchased services; professional services; allowances and assistance; and transportation and communications.

The results of our review are presented in Part 2.9 of the *Report of the Auditor General to the House of Assembly on Reviews of Departments and Crown Agencies for the Year Ended 31 March 2005*.

2.10 Central West Health Corporation

The Central West Health Corporation (the Corporation) was established in 1994 and provides primary, secondary, and long term care to approximately 66,000 residents. These services are provided through the Central Newfoundland Regional Health Centre, 8 regional facilities and a number of clinics throughout the region. Effective 1 April 2005, the Corporation combined operations with the Central East Health Care Institutions Board and the Central Regional