

Since 1989, the Corporation has advanced approximately \$1 million to over 200 employees for 538 computer purchase loans. However, it has not determined the additional costs of administering the program such as staff time in administration, payroll and accounting.

2.17 Investment in a Manufacturing Company

Government has invested a total of \$750,000 in a manufacturing company in the City of Mount Pearl.

Contrary to the recommendations of officials at the Department of Finance and the Department of Innovation, Trade and Rural Development (INTRD), a directive from the Premier's Office in December 2003 resulted in the manufacturing company being provided with a \$300,000 loan in 2004. Officials cited issues such as:

- the loan would not be secured in that prior liens of other investors would have claim to the company's assets in the event of bankruptcy;
- the investment would not generate additional employment in the Province;
- a revised business strategy of the company was not advanced enough to determine if the company would be viable; and
- several other existing investors were not prepared to increase their investment.

Furthermore, officials were aware that this company had been experiencing financial difficulties since it commenced operations in 2001 and was unable to make any payments on the \$450,000 loan which Newfoundland and Labrador Industrial Development Corporation (NIDC) provided in 2001. In fact, in 2003 the company requested and received Government approval to convert the NIDC loan to redeemable preference shares of the company. As a result, the company does not have to repay the \$450,000 loan and the Province now holds 43,269 Class D redeemable preference shares of the company.

Officials at INTRD have determined that repayment of the \$300,000 loan is doubtful and accordingly a provision for this expected loss has been recorded in the Province's financial statements for the year ended 31 March 2005.

At the time of our review in November 2005, the company was not in compliance with two conditions relating to the \$300,000 loan:

- The company had not maintained the required employment level of 30 full-time equivalent employees in the Province. In December 2004, when the company had 22 full-time equivalents, it formally requested the required employment level be reduced. Although the 30 full-time employees is still a requirement of the loan, as of November 2005, the company only employed 17 full-time equivalents.
- The company had not provided Government with the required audited financial statements for the year ended 31 July 2005 and were a year late in providing the financial statements for the year ended 31 July 2004.

2.18 Royal Newfoundland Constabulary

The Royal Newfoundland Constabulary (RNC) operates under the authority of the *Royal Newfoundland Constabulary Act, 1992* and *Regulations*. The Chief of Police, appointed by the Lieutenant-Governor in Council, is responsible for the RNC's general control and administration, and reports to the Minister of Justice and Attorney General. The RNC's mission is to work with the people of Newfoundland and Labrador to foster safe communities by providing quality, professional, assessable, timely and fair police services to all. At 31 March 2005, there were 309 RNC members and 76 civilian staff at the RNC. The RNC polices three regions of the Province - the Northeast Avalon, Corner Brook, and Labrador West. The population of these regions is approximately 201,000 (2001 Census).