

## Liberals critique 'weaknesses' in funding system

Business  
ROB ANTLE

The Opposition Liberals are criticizing what they call "weaknesses" in controls and oversights at the Department of Innovation over government loans and grants to private companies.

Burgeo-Lapointe MHA Kelvin Parsons referenced a recent Telegram report about a company shutting down soon after receiving \$675,000 in provincial funding, calling it "symptomatic of the serious weaknesses in assessment, approval, disbursement and monitoring of loans and investments by the department."

In December 2006, the province quietly gave SAC Mfg. Inc. of Paradise \$500,000 in exchange for an equity stake in the company. SAC was working to develop a natural gas compressor for use in the Alberta oil industry.

Earlier in 2006, the government had loaned SAC \$175,000.

### ***Ceased operations***

But in June 2007, less than six months after the \$500,000 government handout, SAC's sole two directors sold their home and apparently left the province. The government was informed in September 2007 that SAC had ceased operations, officials said.

Innovation Minister Trevor Taylor told The Telegram the government knew its cash infusion into SAC was a "high-risk investment," but said the company had potential and was "worth a shot." He said citizens want the government to take such risks on R&D initiatives.

"They've asked us - as a department and as a government - to invest in research and development, and to put our money on the line and to do our due diligence, and understand what the risks are, and understand what the benefits might be if a technology is developed," Taylor noted.

### ***Concerned***

Taylor acknowledged he is concerned that the company's directors left so soon after SAC received the equity investment, but defended the actions of his department.

"We don't have a crystal ball around here that we can gaze into and say, 'Oh yeah, I just saw this person selling a house six months after we gave them money.'"

But Parsons called Taylor's response "totally unacceptable," charging that the minister has "a casual disregard and flippancy attitude about the way that public funds are being given to companies."

Parsons also cited the recent auditor general's report, which found weaknesses in how the department assessed, approved, disbursed and monitored loans and investments under two programs.

The government's \$500,000 equity investment in SAC was not part of the AG's review, which mainly examined those programs for the period ending March 31, 2006.

"Clearly, serious problems exist in the way government allocates money," Parsons said.

"Contrary to the minister's comments about ventures being 'worth a shot' and his lament that the department does not have a 'crystal ball,' government should have concrete and accountable procedures."

Provincial officials said the department has commenced action in an attempt to recover its \$675,000 investment in SAC.

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