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Interest rates not competitive, Orr complains Clearwater firm seeks new deal with provincial lender

1. By [JUDY MYRDEN](#) / Business Reporter

A Clearwater company that has received more than \$30 million in government support is complaining the interest rate charges are too high.

Ocean Nutrition Canada, co-owned by businessmen John Risley, wants to renegotiate its original loan from the Nova Scotia government.

The Dartmouth company, which uses fish oil to produce marine food supplements, claims its provincial loan offers "punitive interest rates," says its president, Robert Orr.

"You can borrow money today at 4.5 per cent or five per cent, and our interest rates are at least three percentage points higher than that with the provincial government," says Mr. Orr, whose company has borrowed millions of dollars from the province and the federal government since its inception in 1999.

He says the company agreed to the interest rate in order to get money it needed to build a plant in Mulgrave and a research facility in Halifax.

"That's one of the issues we are discussing with the province, because their interest rate is substantially above today's interest rates," he says.

Paul Doucet, Nova Scotia Business Inc. spokesman, said for confidentiality reasons he could not discuss the terms of the provincial loan, or say whether the company was trying to renegotiate the interest charges.

The fact is that while banks are reluctant to lend money, Atlantic Canadian governments are prepared to do so.

"The lending process from the province is always a little softer," he says.

As an example, the province allows firms that borrow money to defer principal or interest payments, "if it's in everyone's best interest to do so when we could better use some of that cash to grow the company quicker."

Orr says Ocean Nutrition was initially reluctant to seek government assistance.

However, those misgivings did not last long. The record shows the company has borrowed millions from both Nova Scotia and Ottawa since 1995.

He says the company embraced these loans after watching companies from outside the province

take advantage of the so-called incentives.

"We said, 'Look, we are going to make a huge investment because our parent company, Clearwater, has invested many, many more millions of dollars than the province has lent us.'

"So it wasn't that we built the business solely on the loans from the government."

He added it took more than a year for the province to process the loan application.

Orr is critical of the provincial government's lending practices, complaining it takes too long to approve loan applications, as well as having interest rates that are too high.

He does acknowledge the company has benefited from the provincial loan, which has allowed the company to grow faster than expected.

"We've become one of the larger life-science sector companies in Nova Scotia," he says.

"None of that would have been possible without the support of the province."

But Orr says the province does not go far enough.

"Quite frankly, our economic development strategy and the monies we have set aside for economic development (are) disgracefully low," he says.

"The real issue in Nova Scotia is, it's not nearly aggressive enough and they lose business every day to other areas all around the world (that) are trying to build life-science sectors."

Ocean Nutrition employs 160 people in Mulgrave and another 110 in Dartmouth, and about 95 per cent of its products are exported.

In its aggressive growth strategy, Ocean Nutrition has also gone knocking on the federal government's door for loans totalling almost \$10 million since 1995.

Orr says the federal loan application process, through the Atlantic Canada Opportunities Agency is "arduous," but the loans are interest-free.

The loans have ranged from \$82,500 for the launch of a marketing campaign to \$6 million to produce and market its Omega-3 food ingredients. (Omega-3 fatty acids are said to have health benefits in fighting cardiovascular disease and other medical conditions.)

The company's relationship with the taxpayer goes beyond loans.

Last year, the biotech firm leased office and laboratory space at Innovacorp's high-tech business park in Dartmouth.

The Crown business development agency made the arrangement public and said it would spend \$1.4 million on renovations to accommodate the move.

And the head of Innovacorp, Ross McCurdy, took a senior position with Ocean Nutrition last year.

"The perception is, we're taking money from the public purse, and we're not," Orr says.

"What we've done is create tens of millions of dollars of economic revenue for the province."

Most recently, the company expanded its operations into the United States.

On Feb. 16, Ocean Nutrition purchased a former milk plant in Arcadia, Wis., for an undisclosed price and is now upgrading the plant to make it a "world-class facility."

Ian Lucas, vice-president marketing, said the plant would allow the company "to diversify" its production and gain access to the U.S. market.

Asked about the financing of the new expansion, he said, "We're not in a position to talk about that."

ACOA FUNDING

YEAR	AMOUNT	ACCOUNT NO.
1995/05/02	\$138,000.00	AAP#8000605
1995/05/02	\$144,375.00	AAP#8000549
1995/06/17	\$42,250	AAP#8000548
1997/07/05	\$82,500.00	BDP#8402243
1998/05/05	\$1,000,000.00	BDP#6030461
1999/01/22	\$1,000,000.00	BDP#8403083
2003/01/19	\$425,000.00	BDP#8404435
2003/05/06	\$6,000,000.00	AIP#1005036
2004/11/07	\$500,000.00	BDP#6032649
TOTAL ACOA FUNDING	\$9,332,125.00	

ECBC FUNDING

YEAR	AMOUNT	Account #
2003/01/19	\$85,076.00	8600305
2003/05/26	\$300,000.00	8600342
2002/08/26	2,000,000.00	CBGF#8600299
TOTAL ECBC FUNDING	\$2,385,076.00	

GRAND TOTAL OF FEDERAL FUNDS : \$11,717,201.00