

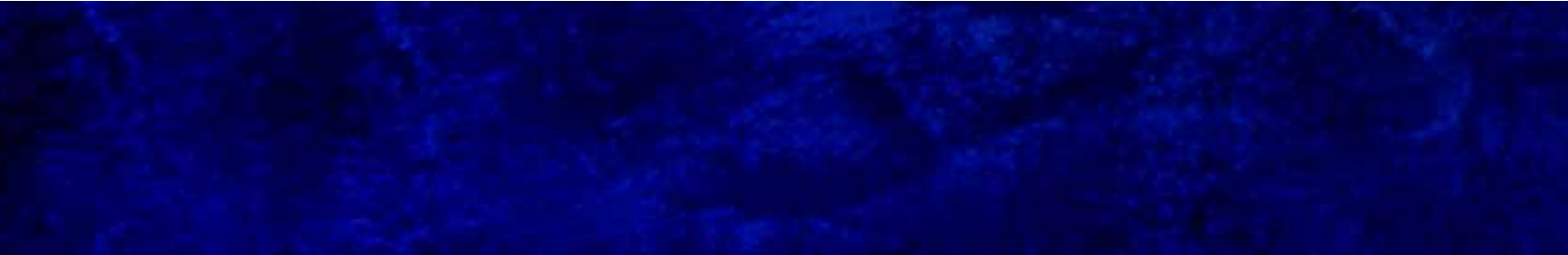


2010 ANNUAL REPORT 2011



Newfoundland
Labrador

**BOARD OF DIRECTORS
ECONOMIC DIVERSIFICATION
AND GROWTH ENTERPRISES**



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MESSAGE FROM THE CHAIR

As Chair of the board for the Economic Diversification and Growth Enterprises (EDGE) program, I am pleased to present its Annual Report for fiscal year 2010-11. The Annual Report is submitted in accordance with the entity's obligation as a category three entity under the Transparency and Accountability Act, prepared under the direction of the board which is accountable for the actual results reported. The board has prepared the annual report that clearly outlines the activities it has undertaken, in the timeframe allotted, within its mandate and budget in the preceding fiscal year.

Sincerely,



Fred Drover
Chair

OVERVIEW

In October 2011, the Department of Innovation, Trade and Rural Development was part of government's restructuring of departments. This resulted in INTRD being merged with the Department of Business and being re-named the Department of Innovation, Business and Rural Development (IBRD). As this report is for the period ending March 31, 2011 all references to the two departments will be as they were named on that date. Any changes that will result in the two departments merging will be reflected in the next year's report.

The Economic Diversification and Growth Enterprises (EDGE) program was established on December 16, 1994 under the authority of the Economic Diversification and Growth Enterprises Act. The program was designed as an economic development and marketing tool to encourage new business investment in the Province to help diversify the economy and stimulate private sector job creation through a number of tax-related and other incentives. The EDGE program is not required to provide audited financial statements.

Applications for designation as an EDGE corporation are evaluated by an independent board appointed by the Lieutenant-Governor in Council. The board does not have its own staff. The Department of Innovation, Trade and Rural Development provides administrative support to the board.

EDGE is an incentive-based program that is available to national and international companies who wish to establish a new enterprise in the province as well as local companies that want to expand and local entrepreneurs who are interested in new business start-ups.

To be considered for EDGE status, a company must demonstrate that it is a new or expanding business activity that:

- has the potential for new capital investment of at least \$300,000, or incremental sales of at least \$500,000;
- has the potential to create and maintain at least 10 new permanent jobs in the province;
- would not take place in the province in the absence of the EDGE incentives, in preference to another location or at the time when it is proposed to do so;
- has a substantial net economic benefit to the province; and
- would not result in the company having a direct competitive advantage over other businesses already established in the province, if provided EDGE status.

Those companies that are granted designation as an EDGE corporation and enter into a contract with Provincial Government must reach and maintain these eligibility criteria, in order to receive EDGE benefits, unless extenuating temporary circumstances exist for which the Lieutenant-Governor in Council may give a temporary reprieve and continue the benefits. EDGE contracts may be amended or revoked at any time if the company fails to comply with the terms of the contract entered into with the Provincial Government.

As of January 2002, new EDGE designated companies are eligible to receive:

- a 100 percent rebate/remission on provincial corporate income tax and the provincial health and post-secondary education (payroll) tax. The tax "holiday" for eligible companies is 10 years on the Northeast Avalon and 15 years outside the Northeast Avalon (double EDGE designated companies only);
- a 50 percent rebate, paid by the province, on federal corporate income tax for the periods referenced above;
- a further five-year phase-out period of partial rebates on the provincial and federal taxes referenced above, declining by 20 percent in each year of the phase-out period;
- a 100 percent rebate on municipal property and/or municipal business taxes for 10 or 15 years, followed by a five-year phase-out of such rebates, where individual municipalities elect to participate in the EDGE program; and access to un-serviced Crown land for \$1 where such land is required to implement the company's business plan.
- During the 2010-11 reporting period an outside consultant was engaged to review and analyze the EDGE program. The purpose of the review is to evaluate how it is performing and is it achieving its objectives. The report will be reviewed and recommendations made in 2011-12 fiscal year.

Mandate

The mandate of the board is to evaluate applications for designation as an EDGE corporation and to make recommendations to the Lieutenant-Governor in Council through the Minister of Innovation, Business and Rural Development (previously INTRD). When necessary, the board may request additional information from applicants to enable proper evaluation of applications.

Legislative authority for the board resides in the *Economic Diversification and Growth Enterprises Act* where:

"Applications for designation as an EDGE Corporation shall be evaluated by a board appointed by the Lieutenant-Governor in Council...who shall make recommendations with respect to the applications to the Lieutenant-Governor in Council through the Minister."

and

"Where the board requests it, an applicant for designation as an EDGE Corporation shall provide the other information...that the board may require to enable it to conduct a proper evaluation of the application."

At the end of this reporting period, March 31, 2011, the board consisted of the following members:

Chairperson	Fred Drover, St. John's
Members	Peter Au, St. John's
	Terry Paddon, Deputy Minister, Department of Finance
	Ray Dillon, Deputy Minister, Department of Business
	Brent Meade, Deputy Minister, Department of Innovation, Trade & Rural Development

Values

The core values explain the character of the organization that is promoted and the action statements guide behavior. The core values which guide the behavior of the board of Economic Diversification and Growth Enterprises are as follows:

Effectiveness	Each person makes informed decisions in a timely and professional manner.
Responsiveness	Each person builds relationships of trust and collaboration with other board members.
Communication	Each person takes initiative to promptly share information with other board members in support of its mandate.

Vision

The vision of the Department of Innovation, Trade and Rural Development is of “a diversified, competitive economy with productive and prosperous regions across the province”.

The work of the board supports the vision of the Department of Innovation, Trade and Rural Development. Through the EDGE program, the board assists in providing investment incentives that contribute to a diversified and competitive economy in all regions of the province.

Mission

The mission statement of the department identifies the priority focus area of the Minister of Innovation, Trade and Rural Development over the current planning cycles. It represents the key longer-term result that the Minister of Innovation, Trade and Rural Development and the board will work towards to achieve the strategic directions of government.

The mission of INTRD was as follows:

By 2011, the Department of Innovation, Trade and Rural Development will have stimulated economic and business development to foster regional and provincial prosperity.

During the time period of 2006-11 the EDGE program contributed to the mission by granting EDGE status to nine companies. These companies created 85 additional jobs in the Province and have made a capital investment of over \$4.2 million.

BOARD'S OBJECTIVE AND ACTIVITIES

The EDGE board evaluates applications for designation as an EDGE corporation and makes recommendations with respect to the applications to the Lieutenant-Governor in Council through the Minister of Innovation, Trade and Rural Development.

The strategic directions that relate to the EDGE board include:

- Regional Diversification and Industry Growth
- Business Promotion, Trade and Investment Development

The board supports these directions by evaluating applications related to expansion and diversification of existing businesses and new business investment.

Annually the EDGE board reports on activities in support of the Provincial Government's strategic directions. The following represents the EDGE board's activities in support of government's strategic directions, for fiscal 2010-2011. One objective has been identified in the board's 2008-11 Activity Plan and this is reported on herein.

Evaluation of Applications

Objective 1

The board will have evaluated all EDGE program applications made within the preceding fiscal year that were ready for review by the board.

Measure

EDGE program applications evaluated by the board

Indicator 1

Number of applications evaluated (that were made within the fiscal year and ready for the board's review)

Activities

As of March 31, 2011 four proposals were reviewed and two were presented to the EDGE board. The EDGE board held two meetings in 2010-11 and considered these two requests for EDGE approval. It also dealt with other administrative matters.

Indicator 2

Number of recommendations made to the Lieutenant-Governor in Council

Activities

As of March 31, 2011 six recommendations were made and approved by the Lieutenant-Governor in Council.



