



Board of Directors Economic Diversification and Growth Enterprises

**Annual Report
2008-2009**

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Paper

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Table of Contents

<i>Message from the Minister</i>	4
<i>Overview</i>	5
<i>Mandate</i>	6
<i>Values</i>	6
<i>Primary Clients</i>	7
<i>Vision</i>	7
<i>Mission</i>	7
<i>Objective</i>	8
<i>Appendix: Strategic Directions</i>	9

Message from the Minister

On behalf of the Board of Directors and as Minister of Innovation, Trade and Rural Development with responsibility for the Economic Diversification and Growth Enterprises (EDGE) Program, I am pleased to present its 2008-09 Annual Report. The Annual Report is submitted in accordance with the entity's obligation as a category 3 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 current budget in the preceding fiscal year.

In addition, I would like to recognize and acknowledge the contribution of two board members, Bob Healey (Chairperson) and John Bennett (board member), who both passed away during 2009. Their expertise, professionalism and ability to get the job done made a substantial impact on the board's operations and the EDGE board's ability to deliver on its mandate. The board offers its deepest condolences and kindest thoughts to their families.

Sincerely,



Honourable Shawn Skinner
Minister of Innovation, Trade and Rural Development

Overview of the Board of Directors and the Economic Diversification and Growth Enterprises Program

The Economic Diversification and Growth Enterprises (EDGE) Program was established under the authority of the *Economic Diversification and Growth Enterprises Act* on December 16, 1994. The program was established to encourage new business investment in the province 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 is currently comprised of five private sector members and three senior public sector officials who make recommendations with respect to the applications to the Lieutenant-Governor in Council through the Minister of Innovation, Trade and Rural Development.

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 its new or expanding business activity:

- 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;
- offers the opportunity for long-term sustainable jobs and growth;
- 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 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 government.

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.

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. When necessary, the board may request additional information from applicants to enable proper evaluation of applications. The board also makes recommendations to the Lieutenant-Governor in Council, through the Minister, with respect to the revoking of a company's EDGE designation and requests for legal change of an EDGE company's name.

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, 2009, the board consisted of the following members:

Chairperson	Mr. Bob Healey, St. John's (Mr. Bob Healey passed away in September, 2009)
Members	Ms. Mene Conley, Goose Bay Mr. John Bennett, Mount Pearl (Mr. John Bennett passed away in May, 2009) Mr. Robert Marche, Corner Brook Dr. Marina Sexton, Norris Point Deputy Minister, Department of Finance Deputy Minister, Department of Business Deputy Minister, Department of Innovation, Trade and Rural Development

Values

The core values explain the character of the organization that is promoted and the action statements guide behaviour. The core values which guide the behaviour 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.

Primary Clients

The board's primary responsibility is to government and the Minister of the Department of Innovation, Trade and Rural Development in the evaluation and recommendation of applications for designation as an EDGE corporation. The primary clients of EDGE are clients of the Department of Innovation, Trade and Rural Development and the Department of Business.

The board is also responsible to the applicants by rendering decisions on applications and making recommendations in a timely and efficient manner.

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 over the current planning cycles. It represents the key longer-term result that the Minister and the board will work towards to achieve the strategic directions of government.

The mission of the Department of Innovation, Trade and Rural Development is 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."

The board helps contribute to the department's mission of stimulating economic and business development through its work with the EDGE program which facilitates new business investment in the province.

Objectives

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 government's strategic directions. The following represents the EDGE board's activities in support of government's strategic directions, for fiscal 2008-2009. One objective has been identified in the board's 2008-11 Activity Plan which is being reported herein and will also be reported on in the 2009-10 Annual Report.

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)

- While the goal statement allows for evaluation of proposals up to 30 days beyond fiscal year end, the EDGE board was able to evaluate all proposals received in 2008-2009 by the end of the fiscal period. As of March 31, 2009 eight proposals were reviewed and none were presented to the EDGE board. The EDGE board held two meetings in 2008-09 and considered no requests for EDGE approval, however, it did consider other administrative matters.

Indicator 2

Number of recommendations made to the Lieutenant-Governor in Council

- As of March 31, 2009 one recommendation has been made and some others are in progress.

Appendix

Strategic Directions

Strategic directions are the articulation of desired physical, social and or economic outcomes and normally require action by more than one government entity. These directions are normally communicated by government through platform documents, Throne and Budget speeches, policy documents, and other communiqués.

The *Transparency and Accountability Act* requires departments and public bodies to take into account these strategic directions in the preparation of their performance-based plans. This action will facilitate the integration of planning practices across government and will ensure that all entities are moving forward on key commitments.

A full list of strategic directions for INTRD can be found in the Department's Strategic Plan. To view a copy, visit <http://www.gov.nl.ca/intrd/strategicplan.htm>.

The strategic directions that relate to the EDGE board are provided below. Each strategic direction is comprised of a number of focus areas. As indicated in the following tables, some focus areas are addressed in the board's activity plan while other areas are dealt with by other entities reporting to the Minister. Given its mandate, the board plays a direct role in two components of these directions.

Title: Regional Diversification and Industry Growth
Outcome: Diversified and strengthened regional economies

Components of Strategic Direction	This direction is:	
	Applicable to other entities reporting to the Minister	Addressed in the board's activity plan
Internal and external partnerships	X	
Coordination of public investments	X	
Expansion and diversification of existing businesses		X
New business investment		X
Coordinated labour market policy and development	X	
Strategic industry development	X	

Title: Business Promotion, Trade and Investment Development
Outcome: Increased business promotion, trade, and investment

Components of Strategic Direction	This direction is:	
	Applicable to other entities reporting to the Minister	Addressed in the board's activity plan
Trade policy	X	
Export development	X	
Investment development		X
Enterprising culture	X	