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ANNUAL REPORT  
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**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 2009-10 Annual Report. 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,



**Peter Au**

Chair

## OVERVIEW

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 two 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 it is a 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;
- which 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 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 Provincial 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.

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, 2010, the board consisted of the following members:

**Chairperson** Mr. Peter Au, St. John's

**Members** Mr. Fred Drover, St. John's  
Deputy Minister, Department of Finance  
Deputy Minister, Department of Business  
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.

## PRIMARY CLIENTS

The board's primary responsibility is to the Provincial 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.

## 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 2009-2010. One objective has been identified in the board’s 2008-11 Activity Plan and these are reported on herein and will also be reported on in the 2010-11 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)

### Activities

As of March 31, 2010 four proposals were reviewed and two were presented to the EDGE board. The EDGE board held two meetings in 2009-10 and considered 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, 2010 no recommendations have been made pending completion of the necessary documentation. These recommendations will be made in the 2010-2011 fiscal year.



