

Economic Diversification and Growth Enterprises

Annual Report 2014-15



**Business, Tourism, Culture and
Rural Development**

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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 the fiscal year ending March 31, 2015. The annual report is submitted in accordance with the 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.

Sincerely,



William Wells
Chair

OVERVIEW

Background

The 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. It helps 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.

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 the 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.

EDGE designated companies are eligible to receive:

- 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, as defined in the *Economic Diversification & Growth Enterprises Act*;

- 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;
- 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 of Business, Tourism, Culture and Rural Development (BTCRD). 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."

Vision

The work of the Board supports the vision of BTCRD. 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.

The vision of BTCRD is of a vibrant, diverse, and sustainable economy, with productive, prosperous and culturally-rich communities and regions, making Newfoundland and Labrador a business and tourism "destination of choice".

Mission

The mission statement identifies the priority focus area of BTCRD.

The mission of BTCRD is as follows:

By March 31, 2017, the Department of Business, Tourism, Culture and Rural Development will have stimulated economic, business and tourism development to foster regional and provincial prosperity, while preserving and promoting culture and heritage throughout the province.

Board of Directors

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. BTCRD provides administrative support to the Board.

At the end of this reporting period, March 31, 2015 the Board consisted of the following members:

Chairperson	William Wells, St. John's
Members	Deputy Minister, Department of Finance
	Deputy Minister, Department of BTCRD
	Robert Marche, Corner Brook
	William Abbott, Bonavista
	Jerry Dean, Botwood

OBJECTIVE AND ACTIVITIES

The EDGE Board of Directors 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 BTCRD.

The Board's primary function that will represent the focus of the Board's work over the next three years is the timely evaluation of EDGE program applications. Through incentives available to new enterprises as well as companies wishing to expand, the EDGE program supports the Provincial Government's strategic directions in the areas of business development and investment. In consideration of the Provincial Government's strategic directions as well as the mandate and financial resources of the Board of Directors of the EDGE program, the Board intends to report on the objective, measure and indicators below, through its annual reports, for each fiscal year of the 2014-17 activity plan (2014-15, 2015-16 and 2016-17).

Objective

By March 31, 2015 the Board will have evaluated and made recommendations on all EDGE program applications made within the fiscal year that were ready for review by the Board.

Measure

Evaluated and made recommendations on EDGE program applications.

Indicators

- i. Number of applications evaluated (that were made within the fiscal year and ready for the Board's review)
- ii. Recommendations made to the Lieutenant-Governor in Council.

Activities

One application was received at year end and the review of the application had commenced. However, it was not ready for the Board's review because it was submitted late in the year. No recommendations were made to the Lieutenant-Governor in Council during the 2014-15 fiscal year.