



CORPORATE PLAN

2012–2013 TO 2016–2017

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2012–2013

DEFENCE CONSTRUCTION CANADA



In 2011, the DCC/ Communications Security Establishment Canada (CSEC) team was honoured with the Group - Partnership Award by the Real Property Institute of Canada for the CSEC Long-Term Accommodation project. This award recognizes

person(s) who have actively engaged in, promoted or enabled partnership initiatives in real property with other departments, other levels of government and/or the private sector resulting in increased efficiency or effectiveness.

Cover: The FOX Main Hall Beach Distant Early Warning (DEW) Line site in Nunavut, in 2006.

CONTENTS

Executive Summary	1
Strategic Plan Overview	4
Corporate Profile	5
Corporate Planning and Strategic Issues	13
Planning Themes, Outcomes, Initiatives and Performance Measures	22
Planning Theme 1: Business Management	24
Planning Theme 2: Service Delivery	28
Planning Theme 3: People	32
Planning Theme 4: Strategic Management and Leadership	37
Planning Theme 5: Corporate Governance and Stakeholder Relationships	41
Financial Plan	45
Financial Management Policy	45
Cost Containment	45
Deficit Reduction Action Plan	46
Basis of Presentation	47
Statement of Comprehensive Income	47
Statement of Changes in Equity	47
Statement of Financial Position	50
Statement of Cash Flows	54
Staff Strength	55
Capital Budgets	55
Operating Budget	57



Defence Construction Canada
Construction de Défense Canada

Canada



EXECUTIVE SUMMARY

David Hartman,
Coordinator Construction
Services (left) with Ryan
Dickman, Coordinator
Electrical at 19 Wing
Comox.

Since 1951, Defence Construction Canada (DCC or the Corporation) has partnered with the Department of National Defence in delivering infrastructure services. It has done so under constantly evolving world security conditions, and during times of fiscal expansion or restraint. The Corporation's mandate, pursuant to the *Defence Production Act*, requires it to provide construction, maintenance, facility operations, environmental and other specialized professional services that support the infrastructure and environmental projects and programs of the Department of National Defence and the Canadian Forces (DND/CF). The Corporation operates on a fee-for-service basis and does not receive any federal appropriations.

The most influential factors on DCC's business are Government of Canada priorities, articulated in the Statement of Priorities and Accountabilities that DCC received from the Minister of Public Works and Government Services; and the demand for services by DND/CF, the Corporation's Client-Partner. Additionally, the capacity of the construction industry to respond to the Corporation's business requirements, locally and nationally, has an impact on DCC's service delivery.

DCC is committed to the spirit and intent of the fiscal restraint measures that the Government of Canada outlined in Budget 2011 and is focused on generating savings within its operations where possible to support the plan to reduce Canada's deficit. Demand from DND/CF for services largely determines DCC's spending level. Based on a request from the Minister in July 2011, DCC completed a review with a focus on generating savings from operating expenditures and improving productivity, while examining the efficiency and effectiveness of programs. The cost saving opportunities DCC has identified in its proposal will allow the Corporation to freeze its billing rates at current levels for at least the next two fiscal years. This measure is expected to save DND/CF approximately \$5 million.

For the planning period, DCC will continue to respond to the evolving needs of its Client-Partner, especially as DND implements its own internal cost efficiency measures. There may be a need for DCC to provide increased support for real property or facilities management. Generally, as the Government of Canada focuses on reducing the deficit by controlling spending and cutting waste, DCC is open to exploring ways its mandate, well-established business model and expertise can support this effort.

In recent years, DCC's contract expenditures have been valued at approximately \$500 million to \$900 million annually. The forecasted capital construction program for 2012–13 is approximately \$950 million. In this environment of increased client demand and government fiscal restraint, DCC is undertaking two multi-year initiatives that suit these conditions. Specifically, *helping DND implement its Deficit Reduction Action Plan solutions* is a key initiative, as well as *continuing to demonstrate fiscal restraint as per Government of Canada requirements*.

Strong business performance and results have always been a focus for DCC. In the last fiscal year, DCC and DND began *developing joint performance measures* for the DCC-DND/CF work experience on specific projects. In 2012–13, DCC will apply joint DCC-DND/CF performance measures. These measures will be an additional indicator of DCC's service delivery capability at the operational business management level.

DCC wants to maintain its consistently high service delivery rating, and achieve cost-effective and efficient service delivery. In the area of service delivery, DCC will *continue to seek an optimization review of its processes and practices for all service lines* and it will *continue to seek opportunities to assist in the management of the DND/CF infrastructure and environment portfolio*.

The concepts of transparency and integrity are important to the Corporation, as shown by the continuation of two initiatives related to DCC's strategic management and leadership. DCC will implement a *Procurement Code of Conduct for industry*, with the goal of enhancing public confidence in its procurement activities. The Corporation will also implement an updated *enterprise risk management model*, to reflect the significant changes in the Corporation's business over the past several years.

Due to the Corporation's recent evolution, some elements of DCC's internal business management have strategic-level consequences, which have led to multi-year initiatives in information services/information technology (IS/IT) and in human resources. These include *reviewing DCC's IS/IT strategy in relation to future business needs and implementing the corporate enterprise resource planning solution*.

The foundation of DCC's business is its people. DCC is working steadily to evolve its culture from a prescriptive-based one to a principles-based one. Two continuing initiatives intended to help foster this long-term change are *promoting a culture of innovation through the Ideas at Work program* and *implementing a competency-based performance management system*.

As anticipated in DCC's succession planning exercises, there were some changes to the membership of the Senior Management Group in the first half of 2011–12. These changes enabled DCC to use elements of its succession planning strategy and to allow for some internal promotion opportunities. Some of the accountabilities of the Executive Management Group were realigned to better support key business management and service delivery initiatives, and to leverage the particular expertise of the current Senior Management Team. The Communications Group, formerly part of the Corporate Services Division, was moved to the Office of the President to reflect the strategic importance of this key corporate resource.

Recruiting and retaining skilled professionals remain corporate priorities in the near to medium-term future. The Corporation faces an ongoing requirement for highly specialized expertise. At the same time, it must manage its own workforce demographic environment, including a wave of impending retirements. Currently, 65% of employees have been with DCC for five years or less, and 45% of all employees have been with DCC for three years or less. The retention rate remains high at 97.5% for the six months ended September 30, 2011.

DCC is forecasting services revenue of approximately \$111.4 million for the current year ending March 31, 2012, an increase of approximately 19% from the previous year. During the same period, staff strength, expressed on a full-time basis, is expected to rise to approximately 1,023 employees, an increase of approximately 18% from the previous year. The predicted rise is directly related to the increase in work volume in DND's capital construction program and environmental remediation program. DCC's utilization rate for the first half of this fiscal year is higher than it was for the same time period last year and is slightly higher than the year-end rate for the 12-month period ended March 31, 2011.

Over the past five years, the types of projects that DND/CF is involved in have become increasingly diverse, ranging from projects using new information technology and those with increased environmental requirements to construction projects with a very large dollar value. DCC works closely with its Client-Partner to provide the expertise to meet these requirements. For example, DCC maintains expertise in applying business information modelling, providing remediation services in Canada's North and contracting for and managing the construction of major construction projects at sites like CFB Petawawa and at 8 Wing/CFB Trenton.

Additionally, diverse projects often require specialized procurement services. In 2009–10 the Communications Security Establishment (CSEC) approached DCC to deliver the agency's Long-Term Accommodation project. Highly specialized and technically complex, the procurement arrangement was by far the largest that DCC, DND or the national cryptologic agency had ever undertaken, as well as the largest federal government P3 infrastructure project ever awarded in Canada. The associated 30-year design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements. This type of public-private partnership is fully supported by the Government of Canada as was specifically noted in Budget 2011.

With the CF leaving Kandahar, Afghanistan in December 2011 and DCC's infrastructure support work ending, DCC closed its site office at Kandahar in October 2011 and the site office in Kabul in September 2011. All DCC staffers have returned home from these deployments. DCC stands ready to support future CF operations abroad or at home in Canada, as required.

DEFENCE CONSTRUCTION CANADA STRATEGIC PLAN OVERVIEW 2012-2013 TO 2016-2017

GOVERNMENT OF CANADA KEY PRIORITIES AND OUTCOMES SUPPORTED BY DCC									
CANADA'S SUSTAINABLE ECONOMIC GROWTH				CANADA'S SOCIAL FOUNDATIONS	CANADA'S PLACE IN THE WORLD	EFFECTIVE AND EFFICIENT MANAGEMENT IN THE GOVERNMENT OF CANADA			
Long-term economic prosperity for Canada	An innovative and knowledge-based economy	Canada as a leader in the global economy	Preserving Canada's environment	An inclusive society that promotes linguistic duality and diversity	A better, more secure world	Strong fiscal and asset management in Government	Transparency (access to information and privacy)	Values and ethics in the public service	Government communications policy
MISSION					VISION				
To deliver and maintain infrastructure and environmental projects and services, and provide full lifecycle infrastructure support, required for the defence of Canada					To be a leading provider of innovative solutions that add value for its client, foster professional development of its people and make meaningful contributions to its industry				
VALUES									
Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.				Fairness: DCC deals with its client, contract partners and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.			Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to the client's needs.		
STRATEGIC OBJECTIVES AND OUTCOMES									
PLANNING THEME	Business Management		Service Delivery		People		Strategic Management and Leadership		Corporate Governance and Stakeholder Relationships
STRATEGIC OBJECTIVE	To develop and maintain responsive, sustainable business management structures, tools, teams and practices		To meet client requirements and to achieve value for money		To recruit, develop, support and retain a skilled, professional and motivated workforce		To provide strong, ethical, efficient and effective strategic management and leadership for the Corporation		To be recognized as competent and responsive to government priorities, policies and practices
STRATEGIC OUTCOMES	1. Business practices, policies, systems and tools are in place to support effective and efficient service delivery and to support financial management. 2. Human resources strategies, programs, policies and practices are planned and managed to meet business and operational requirements effectively and efficiently. 3. Corporate assets are safeguarded by sound internal control systems and practices, and management oversight, monitoring and audit.		4. Service line operational frameworks, processes and systems optimize principles-based service delivery. 5. A strong partnership with DND/CF is maintained. 6. DCC planning is aligned with DND/CF. Information sharing is integrated to respond effectively and efficiently to requirements. 7. DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity.		8. DCC provides a healthy and productive work environment that supports: <ul style="list-style-type: none">• collaboration and leadership;• fair compensation, benefits and pay equity;• professional development opportunities;• knowledge retention and transfer;• workforce and succession planning; and• community involvement. 9. DCC encourages and fosters innovation. 10. Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes.		11. DCC maintains an effective and efficient risk management framework that is integrated into its strategic planning process. 12. DCC is able to respond to, and efficiently and effectively manage business opportunities and changes in business activity. 13. DCC maintains effective and efficient corporate planning and performance management frameworks. 14. DCC continues to show ethical leadership in the management of its business affairs.		15. DCC is accountable to the Government of Canada through transparent, ethical corporate governance. 16. DCC demonstrates its competence and value as an agent of the Crown. 17. Corporate leadership and oversight are provided in the fulfillment of the mandate of the Corporation and the priorities of the Government of Canada. 18. DCC supports government policies and practices, including those related to: <ul style="list-style-type: none">• employment equity and diversity;• official languages;• environmental stewardship;• health and safety;• security;• access to information; and• financial administration and reporting.
2012-2013 CORPORATE PLAN INITIATIVES	DCC will implement the enhanced corporate enterprise resource planning solution. DCC will review and assess its IS/IT Strategic Plan.		DCC will continue to seek and achieve an optimization review of its processes and practices for all service lines. DCC will continue to seek opportunities to assist in the management of the DND/CF infrastructure and environment portfolio. DCC will apply joint DCC-DND/CF performance measures.		DCC will continue to promote a culture of innovation including improvements to the Ideas at Work program. DCC will implement a competency-based performance management program, to foster a principles-based decision making culture.		DCC will implement a Procurement Code of Conduct for industry. DCC will implement recommendations arising out of the Enterprise Risk Management audit.		DCC will continue to demonstrate fiscal restraint as per Government of Canada requirements, including Budget 2011 and the Deficit Reduction Action Plan (DRAP). DCC will support DND in its implementation of its strategic review and the DRAP.
KEY PERFORMANCE INDICATORS	<ul style="list-style-type: none">• Utilization rate• Direct personnel expense multiplier• Operating and financial results• Implementation of ERP solution		<ul style="list-style-type: none">• Service delivery rating• Industry feedback and consultations• Joint performance measures with DND		<ul style="list-style-type: none">• Recruitment time• Investment in professional development• Innovation results including Ideas at Work• Employee wellness• Employee retention rate• Employment equity rating		<ul style="list-style-type: none">• Management reporting• Overall business performance results• Annual Public Meeting feedback• Achievement of corporate initiatives• DCC Code of Business Conduct results		<ul style="list-style-type: none">• Results from Government performance requirements including deficit reduction• Environmental, safety and security results• Internal and external audit results and OAG Special Examination results• Timeliness of submissions reporting



CORPORATE PROFILE

Paul Eden, Manager
Contract Services and
Victoria Neary, Assistant
Manager, Business
Operations at DCC's
Western Regional Office
in Edmonton.

SERVICE LINES AND PRACTICE AREAS

As the delivery agency for government defence infrastructure projects, Defence Construction Canada (DCC or the Corporation) provides a wide variety of services to the Department of National Defence and the Canadian Forces (DND/CF). The Corporation puts contracts in place to meet the needs of DND/CF so that contractors and consultants can perform the work. DCC is responsible for contracting and contract management for most infrastructure work on Canadian military bases.

Since 1951, DCC has been involved in successive generations of DND facilities. For example, the Corporation managed the original construction of the Distant Early Warning (DEW) Line in the Far North in the 1950s. The North Warning System subsequently replaced this radar line in the 1990s, and DCC is now involved in the demolition and environmental remediation of the original DEW Line.

To meet the needs of DND/CF, DCC has established five service lines.

Contract Services (CS): Procurement of professional services, construction services, maintenance services and goods; procurement and solicitation planning; preparation of tender documents; solicitation and evaluation of bids; contract awards; and market assessments.

Construction Services (CSC): Contract payment administration, change management, risk management, document and schedule control, quality assurance, quality audit, dispute mitigation and resolution, claims management, performance assessment, and warranty management.

Environmental Services (ES): Environmental assessments and audits, technical support for environmental remediation, range clearance, unexploded explosive ordnance clean-up and decommissioning, waste management programs, environmental management systems, and hazardous material survey coordination.

Project and Program Management Services (PPM): Determination of scope, costs and schedules of projects; program planning; and preparation of scope documents, such as terms of reference and statements of requirement.

Real Property Management Services (RPMS): Realty asset management planning, technical support for fire and life safety, preventative maintenance and technical orders, realty asset development planning, and project management support for real property transactions.

Operating on a fee-for-service basis, DCC does not receive any appropriations from the Government of Canada. Revenue is generated through fees charged to clients for project and program delivery services. The DCC business model is to maintain a core professional capability and leverage it to the maximum extent with industry capacity. DCC staff provides the services that are most appropriately or most effectively carried out by the Crown. The balance—the program and project activities—is carried out by private sector consultants and contractors engaged by DCC.

CLIENT-PARTNER

The Department of National Defence and the Canadian Forces (DND/CF)

DCC provides services to DND/CF; however, there are many client groups within those two organizations. DND's assistant deputy minister, infrastructure and environment (ADM(IE)) is the senior departmental manager of the DND-DCC relationship, and the Corporation supports the delivery of the capital construction program managed by the ADM(IE) group.

DCC also supports the chiefs of the maritime, land and air staffs, who are responsible for construction and maintenance programs at Navy, Army and Air Force facilities, and has particularly close working relationships with the area engineering officers and construction engineering officers at bases, wings and stations across the country. DCC also supports a number of agencies within DND, including the Canadian Forces Housing Agency, Defence Research and Development Canada, Chief, Military Personnel, and the Canadian Forces Personnel Support Agency.

The Corporation supports the military engineer components of the operational and support commands in Canada and overseas, as well as Canada's North Atlantic Treaty Organization (NATO) allies, with training programs and facilities in Canada. DCC occasionally responds, within the scope of its mandate and when considered necessary by the Minister to fulfill the requirements of the *Defence Production Act*, to requests for support from other government departments and agencies involved in defence projects. One example of such service is DCC's involvement in the building of the Canadian Embassy in Kabul, Afghanistan, in 2006. More recently, DCC was called upon to contract for, award and manage the Long-Term Accommodation project for Communications Security Establishment Canada in Ottawa. Spanning over 72,000 square metres and with construction scheduled for completion in 2014, the top-secret, state-of-the-art facility will become the new home of Canada's national cryptologic agency. The facility will be composed of both office space and special purpose space built to LEED Gold standards and it will accommodate approximately 2,000 staff.

MANDATE AND ROLE

Legislative Framework and Mandate

Defence Construction (1951) Limited was created pursuant to the *Defence Production Act* for the specific purpose of carrying out the procuring and delivering of defence infrastructure projects. It was incorporated pursuant to the *Companies Act* of 1934 and was granted continuance under the *Canada Business Corporations Act* of 1978. Its year end is March 31. When the Federal Identity Program came into effect, the Corporation became known as Defence Construction Canada or, simply, DCC. The Corporation is listed in Schedule III, Part I to the *Financial Administration Act*. Like most Crown corporations, DCC is governed by the provisions of Part X of the *Financial Administration Act*. Specifically, DCC adheres to the governance, planning, reporting and audit practices established in Part X of that legislation. DCC reports to Parliament through the Minister of Public Works and Government Services.

The Letters Patent established DCC's mandate to carry out a wide range of procurement, disposal, construction, operation, maintenance and full lifecycle support activities required for the defence of Canada, particularly those related to real and personal property, lands, and buildings.

Public Policy Role

Crown corporations are important instruments of public policy and DCC plays a role in advancing a number of the government's objectives. Specifically, DCC contributes to the results of DND/CF in the defence of Canada by supporting CF operations, in Canada and overseas, in the areas of construction, maintenance, facility operation, and specialized professional services to support project and program delivery. In her most recent Statement of Priorities and Accountabilities (also known as a letter of expectations), the Minister of Public Works and Government Services recognized DCC's role and its contributions to Canada.

The Corporation contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions, solid and hazardous wastes, and energy consumption associated with its infrastructure holdings. DCC supports DND's sustainable building targets through the implementation of green procurement practices. Furthermore, DCC complies with legislation and regulations related to protecting the environment, including the *Canadian Environmental Protection Act*, *Canadian Environmental Assessment Act*, *Fisheries Act* and *Species at Risk Act*. The Corporation's Environmental Management Framework ensures that DCC incorporates environmental considerations into its business and administrative activities.

DCC contributes to the security of Canada by assuring compliance with the Policy on Government Security. It does so by ensuring that all security requirements identified by DND are managed during the procurement and implementation stages of each contract, with the goal of protecting sensitive or classified information and assets.

Also, DCC plays a role in meeting the government's policy objective to create a fair and secure marketplace by complying with internal and international trade agreements, using sound procurement practices, and ensuring competition by providing wide access to government business opportunities.

The benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. In recent years, DCC's contract expenditures have been valued at approximately \$500 million to \$900 million annually. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

DCC respects the *Official Languages Act* in dealings with the public and in its internal operations, as well as other laws and governmental policies related to employment equity, corporate governance, access to information, privacy and ethics. The Corporation promotes and upholds ethical behaviour and values through its corporate-wide, values-based Code of Business Conduct, which reaffirms the ethics, values and expected standard of conduct for employees. The Code clearly sets out how DCC addresses such issues as the identification and resolution of conflicts of interest, and the disclosure of wrongdoing. Each year, employees review the Code and reaffirm their compliance with it.

CORPORATE GOVERNANCE AND STRUCTURE

Board of Directors and Committees

DCC's Board of Directors is accountable to Parliament through the Minister of Public Works and Government Services. Members of DCC's Board of Directors sign an annual declaration regarding the *Conflict of Interest Act*.

The President and CEO and the Chair of DCC's Board of Directors are appointed by the Governor in Council to hold office during pleasure for such term as the Governor in Council may determine. Other members of DCC's Board are appointed by the Minister of Public Works and Government Services with the approval of the Governor in Council. As Directors of a Crown corporation and pursuant to the *Financial Administration Act*, members of DCC's Board hold office at the pleasure of the Governor in Council, usually for a minimum of four years, after which time they may continue to remain as Board members until a successor is appointed.

DCC's Board is made up of seven members. A new member was appointed in December 2011 and, since the term of one member ended in March of 2011, there are currently two vacancies. The members are Chair Robert Presser, Paul Cataford, Kris Matthews, Shirley McClellan, Marc Ouellet, and James Paul, DCC President and CEO. The terms of the current Board members are staggered with end dates in 2012, 2013 and 2014 which means that DCC will require new Board members over the next three years. All Board members are independent of DCC management except for the President and CEO. The members of the Board are paid an annual retainer and a per diem, the amounts of which are set by the Privy Council Office (PCO). Short biographies of all members are available on DCC's website and in DCC's *Annual Report*.

PCO has created standards for Crown corporation director profiles, including roles, competencies and experience. Using these standards, DCC's Board created a Director Profile outlining the skills and expertise that DCC requires, which is available on DCC's website. Board members are to be appointed based on this Director Profile.

The key roles and responsibilities of members of DCC's Board of Directors include governance, strategic planning, risk assessment and management, internal control systems, performance management and evaluation, and management continuity.

As part of its overall stewardship responsibility, and pursuant to its profile, the Board of Directors is responsible for the following:

- approving the strategic direction and the Corporate Plan for the Corporation;
- ensuring that the principal risks of the Corporation's business have been identified and that appropriate systems have been implemented to manage these risks;
- approving management's succession plan, including the appointment, performance management, and compensation of the executive and senior management; and
- ensuring that information systems and management practices meet the Corporation's needs and foster confidence in the integrity of corporate information and reports.

For DCC's Director Profile, the core attributes, competencies and experience that Board members need include informed judgment, integrity and accountability, impact and influence, financial literacy, understanding of public policy, and knowledge of DCC's stakeholders.

In addition, members of DCC's Board represent both public and private sectors, and bring varied knowledge and experience to the Board. As per the Director Profile, the specific skills and knowledge that a DCC Board member should have relate to a wide range of fields, including business, contracting, construction, architecture, engineering, infrastructure, environment, law and human resources. The current Board members match well with the Director Profile in that they have the skills and experience that DCC requires. The members include business owners, a certified management accountant and the Chancellor of the University of Lethbridge.

The Chair of the Board is a separate position from that of the President and CEO, and the Board is able to conduct its business independently of management. The Chair is responsible for the effective functioning of the Board as it carries out its duties and responsibilities. The Board is responsible for the management of the business, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*, and provides oversight on matters such as corporate risk management.

Along with the requirements set out in the *Financial Administration Act*, the Board has articulated its duties and responsibilities in a Board Charter. This document outlines how Board members are expected to oversee the Corporation and it is regularly reviewed to ensure that it remains appropriate.

To help it fulfill its oversight functions, the Board relies on two committees: the Audit Committee, and the Governance and Human Resources Committee, each of which has its own Charter. The Board established the Governance and Human Resources Committee in March 2010 after reviewing the practices of boards of directors of other Crown corporations and considering what was most appropriate for DCC. In addition to issues related to human resources, the Committee took on the roles and responsibilities of both the former Nominating Committee and the former Governance Committee.

The Audit Committee assists the Board in its oversight responsibilities, particularly those related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, and compliance programs. The Committee also oversees matters related to the integrity and accuracy of financial reporting, and oversees the Office of the Auditor General's annual financial audits and special examinations, as well as DCC's internal audits. Pursuant to the *Financial Administration Act*, all members of the Audit Committee are independent of DCC management in that no officers or employees of DCC are members of the Committee.

The mandate of the Governance and Human Resources Committee encompasses three main areas: governance, human resources and nominations for Governor in Council appointments. The Committee develops DCC's approach to corporate governance, evaluates DCC's corporate governance practices to ensure they reflect current best practices and oversees the Board's annual self-assessment process. It uses the Board assessment tool to identify highly functional areas, as well as areas where the Board could improve its management and effectiveness. The questionnaire includes questions related to Board committees and to individual directors.

Regarding human resources matters, the Committee ensures that DCC's core human resources policies are sound and appropriate for the Corporation, and that related processes are in place. It also oversees the performance management process for DCC's President and CEO, pursuant to PCO's Performance Management Program, as well as the annual performance review of DCC's senior management. In addition, the Committee ensures that DCC has and operates according to a succession plan.

The Committee also participates in the nomination process for Order in Council appointments, such as nominations for Board members and the president position, as requested by the Minister of Public Works and Government Services. It also ensures that the Board Competency Profile is up to date and that the Minister is aware of the core attributes board members should demonstrate, as stated in the Director Profile.

Members of the Board of Directors also participate in DCC's Annual Public Meeting, along with DCC's stakeholder groups. In particular, at the 2011 event, the Chair of DCC's Board emphasized that this meeting provided a formal opportunity for all parties to offer feedback to DCC on a variety of issues, and acknowledged that DCC's employees continually demonstrate their expertise and commitment to serving DCC's Client-Partner, DND. DCC will continue to hold an Annual Public Meeting, as per the *Financial Administration Act*, and to post a summary of proceedings on DCC's website.

ORGANIZATIONAL AND EXECUTIVE MANAGEMENT STRUCTURE

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Management Group, made up of the President and CEO, the Senior Vice-President, Operations, three Vice-Presidents (two for Operations, one for Corporate services), and a Corporate Secretary, is located at DCC's Head Office in Ottawa.

The Senior Vice-President, Operations, is responsible for operational oversight related to service line management and service delivery. Two Vice-Presidents, Operations have responsibility for DCC service delivery and business management activities, respectively. In the first half of 2011–12, the responsibilities of these Vice-Presidents were realigned to focus on key business management and service delivery initiatives that increase integration and collaboration across service lines and business regions. This realignment also leverages the individual expertise of the current senior management team.

The Vice-President, Operations – Business Management, is responsible for the business management of all the regions and the Contract Services Division, and is the executive sponsor for the service line. The Vice-President, Operations – Corporate Planning and Service Delivery, is responsible for service delivery for the ES, PPM and RPMS service lines, is the executive sponsor for corporate planning activities, and acts as the Corporate Security Officer.

Regional Directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively. One Director manages DCC's Contract Services and is located in Ottawa.

As anticipated through DCC's succession planning efforts, there were some changes to the membership of the Senior Management Group in the first half of 2011–12. These changes enabled DCC to use elements of its succession planning strategy and to allow for some internal promotion opportunities.

Upon the retirement of a Vice-President, Operations in the second quarter, a competitive recruitment process was held and a senior retired member of the CF was the successful candidate for the position.

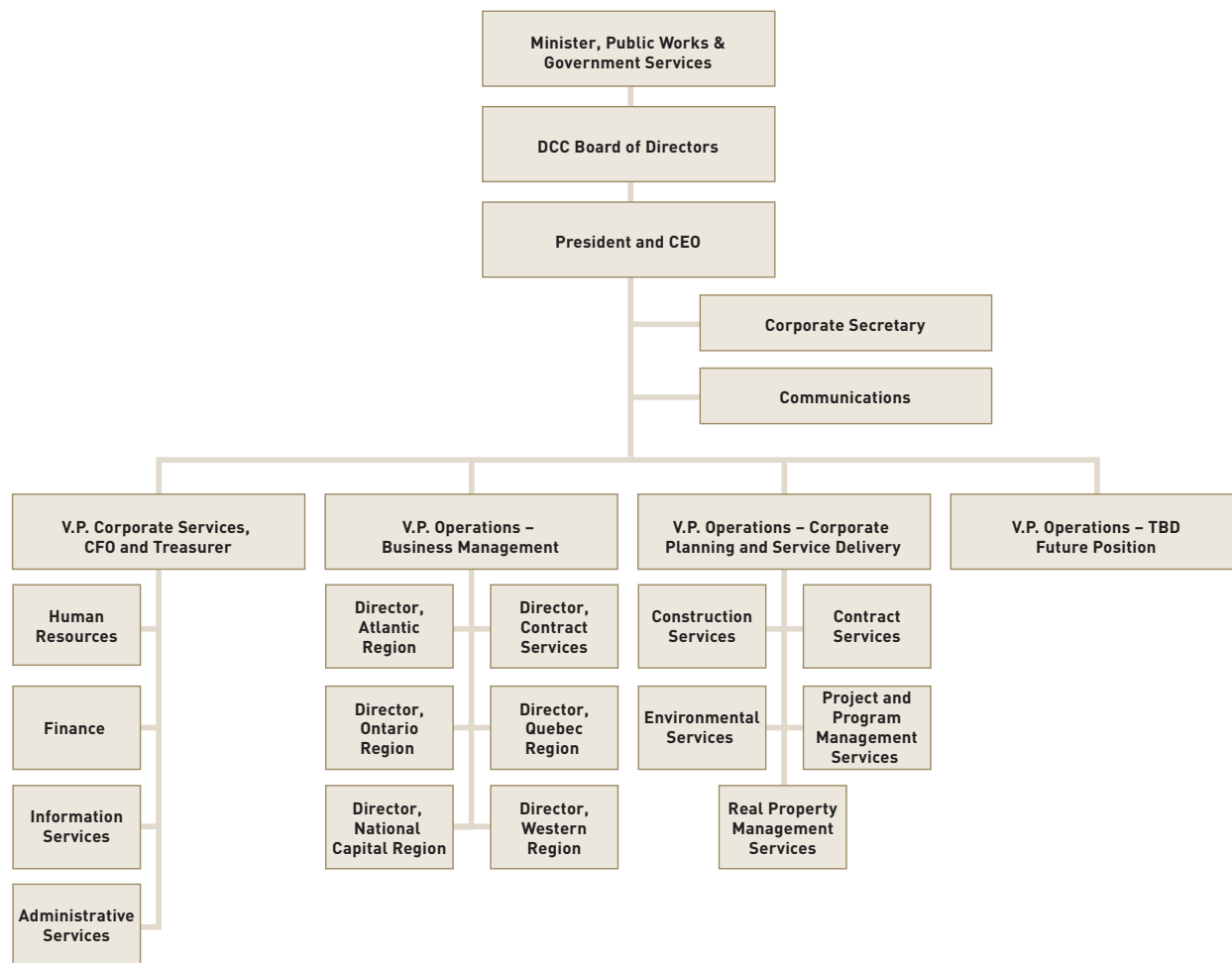
In the third quarter, the Senior Vice-President retired. As part of the reorganization of DCC's Executive Management Team and in light of the Government of Canada's cost savings measures, it was decided that this senior position will be eliminated. Instead, a competitive recruitment process will be undertaken for a Vice-President level position.

The Vice-President, Corporate Services is also the Chief Financial Officer and Treasurer, and is responsible for the provision of finance, human resources, information services and administrative services DCC needs to support its operations.

The Communications Group, formerly part of the Corporate Services Division, was moved to the Office of the President to reflect the strategic importance of this key corporate resource.

The Corporate Secretary ensures that DCC complies with all relevant legislation, regulations and government policies, supports the Board of Directors, and the President and CEO, and communicates with the Corporation's stakeholders.

DCC maintains site offices at all active CF establishments in Canada and abroad, as required. For the past eight years, DCC maintained site offices in Kabul and Kandahar, Afghanistan. Both site offices closed in fall 2011 and all DCC staffers have returned home. The Corporation maintains seasonal offices in the Far North as required for work on the DEW Line and the North Warning System radar stations.



Auditor

The Auditor General of Canada is DCC's auditor. DCC contracts the internal audit function to third-party audit specialists. Interis Consulting Incorporated currently holds that contract. Both the internal and external audit functions report to the Audit Committee of the Board of Directors.

In 2010–11, DCC's Board of Directors approved a five-year audit plan developed by Interis Consulting Incorporated. The audit plan objectives are aligned with the strategic initiatives that are set out in this Corporate Plan.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General must carry out a special examination at least once every 10 years. DCC continues to ensure it has responded appropriately to the recommendations that arose from the special examination of DCC's systems and practices that took place in 2008.



CORPORATE PLANNING AND STRATEGIC ISSUES

Markella McKay, DCC
Administrative Assistant,
19 Wing Comox.

MISSION, VISION AND VALUES

Mission	To deliver and maintain infrastructure and environmental projects and services, and provide full lifecycle infrastructure support, required for the defence of Canada
Vision	To be a leading provider of innovative solutions that add value for its client, foster professional development of its people and make meaningful contributions to its industry
Values	
Dedication	DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.
Fairness	DCC deals with its client, contract partners and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.
Competence	DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to the client's needs.

Corporate Planning Process

Under the direction of the Board of Directors, senior management has instituted a comprehensive risk management framework that identifies the risks associated with DCC's environment and its main business activities, evaluates the probability and potential impact of those risks, and defines mitigation measures to avoid or minimize the risk. This framework is integrated into the Corporation's strategic planning process to ensure high-risk areas receive special consideration, particularly with respect to establishing priorities and allocating resources. Strategically significant risks are dealt with under the planning themes below.

DCC's strategic planning process also includes a scan of the Corporation's external business environment, specifically focusing on the current and anticipated policies, plans and forecasts of the Government of Canada, DND/CF and the construction industry. At the same time, DCC's internal policies, practices and performance are reviewed in the context of changing external conditions in order to identify the key strategic issues of relevance to DCC in the foreseeable future. The Corporation's strategic response to the risks and opportunities identified through the analysis of these issues is incorporated into this Corporate Plan, where applicable and appropriate.

The planning process takes place in a series of structured meetings of the Board of Directors and the Executive and Senior Management Groups. The output of these sessions is validated against key factors that have an impact on the management of the Corporation. These factors include the Corporation's mandate and risk management framework; planning guidance provided by the Minister of Public Works and Government Services, through her Statement of Priorities and Accountabilities and through the portfolio management process; and the priorities of DND/CF.

The results of this analysis are provided in the Corporate Plan, which the Board of Directors reviews and approves at its fall meeting.

PLANNING CONTEXT

The strategic context for DCC's corporate planning in the near to medium term can be summarized as follows.

Deficit Reduction Action Plan

In July 2011, the Minister of Public Works and Government Services strongly encouraged DCC's Board of Directors to adhere to the spirit and intent of the Government of Canada's Strategic Operating Review (SOR). This initiative involved federally-appropriated organizations and was focused on achieving costs savings in operating expenditures, improving productivity, and examining the efficiency and effectiveness of programs. To meet this request, DCC, a non-appropriated Crown corporation, was asked to undertake a similar review to find ways to provide services to DND/CF more efficiently at a reduced cost. This initiative, now known as the Deficit Reduction Action Plan (DRAP), is intended to generate cost savings over three fiscal years: 2012–13, 2013–14, 2014–15.

DCC responded with a proposal that reduced the cost of DCC services to DND/CF, which the Corporation believes will allow it to freeze billing rates for the next three fiscal years.

The Corporation identified a number of ways to reduce its internal operating costs, and it made a commitment to identify process improvements in service delivery that will generate a 5% cost saving on services rendered to DND. The proposal for cost savings totals approximately \$2.5 million annually and represents about 6% of DCC's internally generated indirect operating costs of approximately \$39.5 million, estimated for fiscal 2011–12.

The Corporation has prepared its 2012–13 to 2016–17 financial projections, with the DRAP saving proposals included. These projections are based on certain assumptions and expectations around the DND/CF infrastructure program and the resulting nature and scope of infrastructure support services which DCC will be asked to deliver. Direct expenditures associated with increased demands for services will result in increased operating expenses in certain areas. However, DCC expects to be able to achieve certain savings on the current or base level of operating expenditures. For example, DCC identified \$613,000 in annual savings for three years of its response that relate to reducing third-party professional services provided by consultants in human resources and information technology. In addition, DCC has proposed reducing expenditures on external training and development, cellular communications, employee relocation costs and business travel for a total of \$615,000 annually for three years of DCC's DRAP proposal.

Although the Corporation's DRAP proposal has identified a 6% cost savings of internal discretionary costs the Corporation will continue to focus on further opportunities for cost reductions during the three fiscal years 2012–13, 2013–14 and 2014–15 with a goal to achieving an overall cost reduction target of 10%.

Canada's Commitment to Defence and Security

DCC is proud to be able to contribute to the goal of “standing on guard for Canada,” under which the Government invests in the development of Canada's North and commits to strengthening the Canadian armed forces. The June 2011 Speech from the Throne affirmed Canada's position as a northern country. As part of Canada's Northern Strategy, the Government is prepared to vigorously defend Canada's Arctic sovereignty. DCC stands ready to apply its accumulated northern expertise in relation to defence infrastructure and environmental projects arising out of Canada's Northern Strategy.

It is expected that DCC will remain a strong partner with DND in its ongoing implementation of the Canada First Defence Strategy, by continuing to support the infrastructure and environmental requirements of the Army, Navy and Air Force. These would include, for example, infrastructure support requirements arising out of announcements pursuant to the National Shipbuilding Procurement Strategy (NSPS), or other defence requirements. The NSPS includes the Royal Canadian Navy's Arctic Offshore Patrol Ships.

Service Demand

The volumes of DND's capital construction (including construction to support equipment acquisition) and environmental remediation programs are expected to remain at current levels in 2012–13, with moderate increases forecasted through the planning period. A slight funding increase is expected in DND's operations and maintenance budget for 2012–13. Depending on the outcome of the Strategic and Operating Review, DND/CF may require more support for real property or facilities management. As well, during the planning period, the Government of Canada may call on DCC to leverage some of its other expertise, such as expertise in developing, procuring and managing public-private partnerships that will create more value for the Crown.

Industry Capacity

The capacity of the industry to respond to the design and construction needs of defence programs, especially in times of high demand, has been of strategic concern for several years. The recent economic downturn may ease some of the demand on the construction industry and, consequently, increase the critical supply of both contractor capacity and skilled labour. Some slowdowns have already occurred in some market sectors and in some regions, but they have not happened consistently across the country. The Canadian Construction Association views a shrinking skilled workforce as one of its key risk areas over the next five to seven years. DCC is entering a business cycle in which contractor performance will continue to be a risk factor, due to limited capacity in some market sectors or the weakened financial condition of some firms. To manage this risk, DCC will continue to ensure adequate responses to DCC bids and incorporate performance guarantees into contracts.

Workforce Demographics

Both the volume and the diversity of client requirements continue to challenge the Corporation's ability to respond quickly to changes in service demand. Recruiting and retaining skilled professionals remain corporate priorities in the near to medium-term future. The Corporation faces an ongoing requirement for highly specialized expertise. At the same time, it must manage its own workforce demographic environment, including a wave of impending retirements. Currently, 65% of employees have been with DCC for five years or less, and 45% of all employees have been with DCC for three years or less. DCC will continue to adjust its processes, procedures, controls and systems to suit the new scale of the Corporation. The matrix management approach to service line management is now part of DCC's culture. It allows DCC to shift expertise to different areas, as required. That is beneficial when there is a market slowdown in one part of the country or added capacity is required in another. Management continues to work to fully leverage the service delivery matrix for the benefit of the Client-Partner.

OPERATIONAL OUTLOOK

DCC's service demand is driven primarily by the requirements of DND/CF, and the Corporation has created a structure and business model that can respond rapidly to changing client requirements.

The volume of DND's capital construction (including construction to support equipment acquisition) and environmental remediation programs is expected to remain high in 2012–13, with moderate increases for the balance of the planning period. The forecasted capital construction program for 2012–13 is approximately \$950 million. The Ontario and Western Regions will see the largest volumes in capital construction, followed by the Atlantic Region. DCC stands ready to support DND/CF as it improves the Royal Canadian Navy, the Royal Canadian Air Force and the Canadian Army with any infrastructure it may require for its programs.

DND is working to improve its program implementation processes. In the coming year, DCC will continue to work with its Client-Partner to support it in achieving this goal.

In the first half of 2011–12, DND/CF conducted a Strategic and Operating Review (SOR), as did all Government of Canada departments, and cost reductions of 5% to 10% are proposed. Since that time, the term SOR has been replaced with the term Deficit Reduction Action Plan (DRAP). This follows reductions of 5%, as per the Strategic Review it carried out pursuant to Budget 2010. Further, DND's *Report on Transformation 2011*, released in fall 2011, outlined 43 recommendations to improve efficiency and effectiveness, so that DND/CF could reinvest in future operational capability. Although specifics are unknown, DCC remains flexible and stands ready to support DND/CF as it implements its DRAP solutions.

Outcomes from DND's Strategic Review, CF Transformation, and the DRAP could result in many changes, including a reduction in military capabilities or site closures. These changes could increase the need for facilities management or other real property services.

As a longstanding partner with DND/CF, DCC is aligned with DND's planning objectives. Under several key scenarios being considered for the planning period, DCC could further support DND's capital construction program. In addition to helping DND implement its strategic review outcomes, DCC can support initiatives related to Canada's Northern Strategy (www.northernstrategy.gc.ca) and the National Defence Sustainable Development Strategy.

Canada's Northern Strategy lays out a vision for the North that includes an increased military presence. DCC is very experienced in serving its Client-Partner in Canada's Far North. Whether it is building reliable roads or facilities, DCC can meet DND's needs with its 60 years of experience and expertise in managing Arctic infrastructure projects.

For the past few years, DND has been working to improve its environmental sustainability and to "go green" with its building projects. This includes achieving Leadership in Energy and Environmental Design (LEED) objectives, where appropriate. In future, the minimum requirement will be a LEED silver designation. Energy sustainability of its facilities is a priority for DND in its construction program planning. Under the Canada First Defence Strategy, over the next 20 years, DND expects to replace 50% of its infrastructure, and it wants to do so in the most energy-efficient way possible. DCC's national service lines are well equipped to work with DND on energy-efficient and green buildings that will take DND into the future.

During the planning period, DND is consolidating several of its locations in the National Capital Region (NCR) into the new Defence Campus, located at the former Nortel Carling site in the west end of Ottawa. This project will collocate the majority of defence community members in the NCR on the 370 acre campus. DCC's work has already commenced, with Client-Partner occupancy expected to start in 2013. In accordance with its mandate, DCC expects to provide full infrastructure lifecycle support for this project, including project and program management, contract services, construction management, environmental services and facilities management, using its demonstrated cost-effective service delivery to support the objectives of DND and the Government of Canada.

With the CF leaving Kandahar, Afghanistan in December 2011 and DCC's infrastructure support work ending, DCC closed its site office at Kandahar in October 2011 and the site office in Kabul in September 2011. All DCC staffers have returned home from these deployments. DCC stands ready to support future CF operations abroad or at home in Canada, as required.

STRATEGIC ISSUES

As part of its annual planning process, DCC's Senior Management Team conducts environmental scans of DCC's main stakeholder groups: the Government of Canada, DND/CF, industry associations and its own employees. It also reviews national and international economic factors, and the current and forecasted market conditions for its business.

At the last strategic and corporate planning session in September 2011, DCC identified current and evolving issues in the internal and external business environments that could have a strategic impact on the Corporation's business in the short or long term. The issues that emerge from an environmental analysis often have many layers and the circumstances of each inevitably overlap. Those issues considered to be of strategic importance for this planning period include Government of Canada concerns related to the economy, the government's deficit-reduction measures, the DCC-DND partnership, DCC's internal management approach, industry relationships and corporate information services/information technology (IS/IT).

Government of Canada and Budget 2011

DCC is committed to the spirit and intent of the fiscal restraint measures that the Government of Canada outlined in Budget 2011, and is focused on generating savings within its operations where possible. DCC is already a lean, streamlined, cost-effective and flexible organization that provides high value for money to the Government of Canada. The Corporation does not receive any funding through appropriations, it operates on a fee-for-service basis, and the client's demand for services largely determines DCC's spending level.

DCC is aware of DND's slowing rate of planned budget growth. As a key element of the Government's plan to restrain the growth in overall spending and return to budgetary balance over the medium term, Budget 2010 reduced the growth in DND's budget by \$525 million in 2012–13 and \$1 billion annually beginning in 2013–14. DND used the 2010 Strategic Review process to examine its spending in order to realize these savings. It is making changes to streamline departmental operations, optimize efficiencies, and align programs with core missions and government priorities. As a result of these changes, DND can focus its resources on achieving long-term sustainability in order to fulfill commitments made in the Canada First Defence Strategy, and on maintaining as capable, agile and sustainable a defence organization as possible. DND has identified savings proposals and is on track to achieve its targeted savings.

DCC will remain flexible to help DND meet its budgetary goals for infrastructure over the coming years. Although it is impractical for DCC to freeze overall spending on operating expenses related to revenue-generating activities, opportunities for cost restraint still exist. As requested by the Minister of Public Works and Government Services in July 2011, DCC's Board of Directors oversaw the completion of a process similar to a Strategic and Operating Review undertaken by DCC. The Corporation identified cost savings opportunities that it believes will allow it to freeze its billing rates at current levels for at least the next three fiscal years, subject to the assumptions and program expectations stated. This measure is expected to save DND/CF approximately \$5 million over the period.

DCC stands ready to exercise the full scope of its mandate in support of Government of Canada fiscal restraint measures. For example, over the past two years, DCC has been involved with Communications Security Establishment Canada's Long-Term Accommodation project, delivered as a public-private partnership (P3). The Government of Canada fully supports this type of procurement approach where desirable and specifically noted in Budget 2011 that all infrastructure projects valued over \$100 million should be considered under the P3 approach. DCC's proficiency in this area could be used to maximum advantage in the future. At the same time, DCC is ready, willing and able to contribute to a more effective real property management model for the Government of Canada, which would optimize expenditures and demonstrate efficiencies.

DCC and DND Partnership

DCC and DND have worked together for over 60 years. During that time, DCC has acquired specialized expertise and accumulated a large knowledge base related to Canada's military construction, and associated infrastructure and environment services. For example, DCC maintains expertise in providing services in Canada's North, constructing green buildings and managing high-tech facilities. Over the past 10 years, the relationship has become increasingly complementary, as the scope of projects has become more varied and the volume of projects has increased.

Throughout the six decades that DCC has worked alongside DND/CF, the Corporation has witnessed many changes, evolutions, expansions and contractions related to Canadian military infrastructure. After the Second World War, there was a huge increase in military infrastructure construction across Canada. DCC was there to build it. In the 1990s, there was the Government of Canada Program Review, and DCC was there to assist DND with base closures, clean-ups, reductions and facilities management. More recently, there have been deployments overseas where DCC has played a role—for example, by providing in-theatre support in Afghanistan.

When DCC first changed its business model to one of fee-for-service in 1997, it saw DND as the client. The Corporation provided services to DND, which paid for them through the infrastructure program. Now that operational requirements are more complex and there is greater opportunity for DCC to apply its knowledge and expertise, there has been a cultural shift in the relationship.

DCC now views DND as its Client-Partner. DCC still invoices DND for services, but there is more integration at a strategic level. For example, DCC and DND/CF have developed and are now applying joint performance measures to gauge the effectiveness of their working relationship. The collaboration required to undertake this type of measurement improves business process and enhances productivity for both parties.

The outcomes of Transformation 2011 and DRAP will all have a significant impact on DND/CF. DCC has the ability to respond to and adapt to DND demands, just as it has done in the past. For the coming planning period, DCC stands ready to help its Client-Partner manage changes, whether they relate to consolidating operations centres, finding cost efficiencies or realigning technical expertise.

In addition to these new circumstances, DCC supports its Client-Partner in meeting Government of Canada objectives, such as the commitment to environmental stewardship. It has a close working relationship with DCC, as demonstrated by the joint project management office it has established for the DEW Line Clean-Up project and for unexploded explosive ordnance removal.

This commitment, along with DCC's specialized expertise, will help the Corporation support its Client-Partner over the next few years, as DND addresses requirements under Canada's Northern Strategy or DND priorities related to energy security.

Internal Management Approach

Business growth over the past five years is driving many elements of DCC's current strategy, especially those that relate to people, and to its internal business management approach and practices. High DND/CF demand for varied services in recent years has changed DCC's relationship with its client groups and has led to the evolution of the service delivery matrix.

It has always been a priority for DCC to deliver service as efficiently and cost effectively as possible. However, the current economic environment demands even more proof of value for money. This has been a significant factor in DCC's effort to optimize all of its service delivery processes. To date, the Corporation has adapted very well to this dynamic and continues to enhance its capacity to manage these requirements.

The roots of DCC are in construction contracting and contract management, areas that are very much governed by process and procedure. Consequently, a significant proportion of DCC's employees are comfortable working in a prescriptive environment. However, internal business processes that were efficient for DCC when it was generating annual revenue of \$30 million are not necessarily the most efficient now that DCC generates annual revenue of about \$100 million.

With the service matrix methodology, combined with the increase in volume and the varied requirements of the client, the Corporation is in the midst of a cultural change. The internal management style and procedures need to eliminate redundancies and move from a wholly prescriptive approach to a principles-based service delivery approach with risk based decision making, while still adhering to the integrity of the process.

It is important that the Corporation continue to develop its leadership and management capacity at all levels, while knowing that this cultural change will not happen overnight. To provide quality service, the Corporation needs a strong, reliable and competent workforce, and a principles-based service delivery culture to support it. Already, there are initiatives underway to support this cultural change, such as service delivery optimization, the competency-based performance management framework, and the recruitment and retention strategy. For the planning period and beyond, DCC will maintain its focus on its people to support this long-term cultural change.

Industry Relationships

DCC has solid, interactive relationships with various industry associations to ensure that the contractors and consultants bidding on defence contracts see the Corporation as "a good owner." DCC engages industry regularly and receives feedback on its industry processes. Over the past few years, the Canadian construction sector has seen huge growth that has resulted in labour shortages and a decrease in the number of bidders on contracts in certain areas in the country. Consequently, productive industry relationships have been a DCC priority and the subject of corporate focus.

DCC maintains strong representation in construction, infrastructure and real property associations, and has done so since the Corporation's inception in 1951. Some examples of these organizations include the Canadian Construction Association, the Association of Consulting Engineering Companies-Canada, the Royal Architectural Institute of Canada, the Mechanical Contractors Association of Canada, the Canadian Public Procurement Council and the Canadian Design-Build Institute. These ties to industry run throughout the Corporation, from the senior management level to the site level.

With the retirement of the Senior Vice-President, Operations, senior interactions with industry officials will be continued by the Vice-President, Operations – Corporate Planning and Service Delivery, and the Director of Contract Services. Both of these designates, already familiar with current stakeholder groups, will continue to foster these organizational relationships and work to sustain DCC's efficient, competitive processes while maintaining contracting integrity. Outreach to industry at the local and provincial levels will continue on a location-by-location basis, to ensure that DCC can maintain awareness among local contractors and consultants.

According to the Construction Sector Council, competition for skilled labour will be intense throughout its 2011–19 forecast period. The mobility of the workforce and an aging demographic will be key issues that this sector needs to address. Generally, the construction industry will be focusing on recruiting and mentoring a new workforce, and making better use of the current workforce. Supply and demand in the construction industry will also affect the availability of architectural, engineering and environmental consultants. Keeping a good rapport with its industry partners remains a key priority for DCC.

Corporate Information Systems/Information Technology (IS/IT)

Many topics were covered during the strategic planning session, yet a common thread emerged from discussions on corporate security, client interaction, process efficiency, employee retention, growth management and trends in government, to name a few. That thread is DCC's corporate IS/IT capacity. Given the wide-ranging impact of the direction and vision for IS/IT, DCC has identified it as a strategic issue for the planning period.

In previous corporate plans, components of IS/IT—such as an electronic document and records management system, and DCC's enterprise resource planning (ERP) system—have been the subject of multi-year initiatives. Now, more than ever, significant environmental factors are affecting DCC's business in the short and long term. They include the establishment of Shared Services Canada, DND's infrastructure and environment business modernization (IEBM), the prevalent use of Web 2.0 in the public and private sectors, industry and client demand for online collaborative ability, and increased requirements for business intelligence tools. DCC recognizes that it is in a time of change regarding its IS/IT strategy. The Corporation needs to review, analyze and potentially adapt its IS/IT strategy to ensure that it can continue to meet both business and client requirements, now and in the future.



PLANNING THEMES, OUTCOMES, INITIATIVES AND PERFORMANCE MEASURES

The analysis of the environmental scan and the planning assumptions for the plan period are translated into initiatives of this Corporate Plan (and subordinate business plans) under five planning themes: Business Management; Service Delivery; People; Strategic Management and Leadership; and Corporate Governance and Stakeholder Relationships.

Matthew Schimmens,
Coordinator Health
& Safety (left) with
Construction Services
Coordinators Nicole Ellis
and Jason Ryan at CFB
Petawawa.

DCC has five strategic objectives, one falling under each planning theme, that support its vision. Eighteen strategic outcomes, aligned with DCC's business needs, define the intent of these strategic objectives. If DCC should address a high level strategic risk to achieve a specific outcome, a Corporate Plan initiative is identified. Not all strategic outcomes will require an initiative during this planning period.

These initiatives will help direct DCC's efforts during the planning period. Some initiatives span more than one planning period, and that fact is noted in the discussion section under the relevant planning theme.

During the current planning period, the Senior Management Group reviewed DCC's performance measures, or key performance indicators (KPIs), to ensure they were still appropriate, relevant and meaningful. DCC management sets the KPIs after reviewing industry benchmarks and indicators, and then doing an analysis that takes into account DCC's business model. Some aspects of the business are similar to those in the engineering consultancy industry, but many others are unique to DCC. These comparators are used as a guide, in addition to the Corporation's own trend analysis.

DCC retained most of the KPIs from 2011–12 for the 2012–13 planning period. It created two new measures and moved two others to the operational business planning level. Under the theme of Business Management, DCC moved the KPI for reporting progress on the document and records management initiative—a multi-year initiative beginning in 2008–09—to the business plan reporting level. In its place, it created an indicator to report on progress in implementing the ERP system. Under the theme of Strategic Management and Leadership, DCC removed the indicator for the Procurement Code of Conduct for Industry; instead, it will report on this in the Contract Services Business Plan. Two new indicators were added under the theme of People: recruitment time and employee wellness. These refinements to the indicators allow for fuller reporting of DCC's annual performance.

PLANNING THEME 1: BUSINESS MANAGEMENT

DCC's business management framework is designed to support service delivery, and to provide the corporate infrastructure and systems that the business units need to function effectively. DCC's business management systems and services support the management of human resources, finance, information technology, communications, corporate security, operations policy and procedures, and corporate administrative services.

The strategic objective for this theme is to **develop and maintain responsive, sustainable business management structures, tools, teams and practices.**

STRATEGIC OUTCOMES

Three strategic outcomes define DCC's success under this planning theme.

- 1. Business practices, policies, systems and tools are in place to support effective and efficient service delivery and to support strong financial management.*
Changes in client requirements have challenged the capacity of DCC's corporate infrastructure in recent years. The evolving demand for and reliance on IT solutions are of increasing strategic significance. DCC has a number of IT development projects underway, including those that affect business planning, forecasting, service billing and reporting.
- 2. Human resources strategies, programs, policies and practices are planned and managed to meet business and operational requirements effectively and efficiently.*
DCC carries out operational human resources planning on a largely regional basis, due to the nature of DCC's work, and the geographic dispersion of people with the requisite skills and experience. DCC has been able to respond to the needs of its Client-Partner so far, mainly due to ongoing relationship-building activities. However, the Corporation recognizes that the increased scale of operations requires a greater level of corporate human resources planning and support for operations.

3. *Corporate assets are safeguarded by sound internal control systems and practices, and management oversight, monitoring and audit.*

DCC's control systems are well established and have been proven reliable. DCC has a track record of success with its past special examinations, where the Auditor General of Canada has found no significant deficiencies.

CORPORATE INITIATIVES: BUSINESS MANAGEMENT

Tracking Past Performance: Business Management Initiatives 2011–2012

In last year's Corporate Plan, DCC identified one strategic initiative related to the theme of Business Management.

2011–12: DCC will enhance the corporate enterprise resource planning solution in the areas of finance, project collaboration and corporate reporting to meet future business needs.

This is a multi-year initiative and, as planned, work will continue until the end of 2011–12 on enhancements that will allow applied use of the system in the new fiscal year. The installation of the new platform was completed in the first six months of 2011–12 and DCC will continue to integrate many customized programs. In collaboration with the Information Technology Steering Committee (ITSC) and the IS/IT Department, the Manager, Business Operations Committee (MBOC) is identifying corporate reporting requirements. This will enable DCC Operations to leverage the full capacity of the ERP system for project collaboration and meaningful data analysis. Work on these aspects of the ERP implementation, as well as training will continue into the second half of the fiscal year.

Business Management Initiatives: 2012–2013

DCC has identified two corporate initiatives for the 2012–13 planning cycle.

2012–13 Corporate Plan Initiative: DCC will implement the enhanced corporate enterprise resource planning solution.

Work on this multi-year initiative will continue into the 2012–13 planning period. At the beginning of the new fiscal year, the enhanced ERP system will be available to address technical operational reporting requirements that have emerged over the past few years. The collaboration of the ITSC, the IS/IT Department and the MBOC to identify standard corporate reporting requirements will enable optimal use of the ERP system.

2012–13 Corporate Plan Initiative: DCC will review and assess its IS/IT Strategic Plan.

The day-to-day operating environment at DCC has changed greatly over the years, especially in regard to business requirements, and the growing demand for and dependence on information technology (IT). As DCC approaches year three of the IS/IT Strategic Plan, new concerns are arising regarding security, the introduction of Shared Services Canada and the prevalence of social media. In 2012–13, DCC will consider these emerging circumstances in light of the existing strategy and update the IS/IT Strategic Plan as required.

BUSINESS MANAGEMENT KEY PERFORMANCE INDICATORS: 2011–2012 RESULTS TO DATE

Utilization Rate

The utilization rate represents the hours DCC employees spend on service delivery functions (i.e., billable hours) as a percentage of total paid hours. It provides a measure of employee productivity and operational efficiency that can be compared with industry benchmarks. DCC's annual target utilization rate is 70%. For the six-month period ended September 30, 2011, DCC's utilization rate was 74.7%, compared with 72.7% for the same period in 2010–11 and 73.9% for the 12-month period ended March 31, 2011. In the current fiscal year to date, the utilization rate is higher than the rate from the same time last year, and slightly higher than the 2010–11 year-end utilization rate. This is due primarily to the increased utilization rate in the National Capital Region (NCR). This is DCC's newest region, evolving out of the former National Operations Group (NOG). Following a year of reorganization, this region is now operating at expected target levels.

Utilization Rate (Percentage of Employee Time Charged to Client Work)			
Results, 2010–11 End of Second Quarter	Results, 2010–11 Year-End	Target	Results, 2011–12 End of Second Quarter
72.7%	73.9%	70.0%	74.7%

Direct Personnel Expense Multiplier

The direct personnel expense multiplier (DPEM) is the factor by which a firm multiplies direct personnel expenses (i.e., direct billable labour) to recover all overhead costs. This factor is a key determinant of billing rates. A lower number indicates a better result. The target range for the DPEM is 1.40 to 1.50. DCC's DPEM for the six-month period ended September 30, 2011, was 1.41. It was 1.41 for the same six-month period in 2010–11 and 1.43 for the year ended March 31, 2011. A DPEM at the low level of the target range indicates an increase in efficiency and business volumes. The DPEM will likely remain at the low end of the target range for the remainder of fiscal 2011–12.

Direct Personnel Expense Multiplier

Results, 2010–11 End of Second Quarter	Results, 2010–11 Year-End	Target	Results, 2011–12 End of Second Quarter
1.41	1.43	1.40 – 1.50	1.41

Progress on Document and Records Management System

The document and records management initiative, first identified as a strategic corporate initiative in the 2008–09 planning period, moved to the operational planning level at the end of 2010–11. However, work on it remains important at the strategic planning level. Currently, as part of the Government of Canada's information management policy, the librarian and archivist of Canada classifies DCC's document and records management system as a paper-based system. When this initiative is fully implemented, the librarian and archivist of Canada will classify DCC's system as an electronic system. Moving from a paper-based archiving system to an electronic system is a significant change in DCC's business administration. Currently, information storage is decentralized across the regions. This change will enhance the sharing of documents and files relating to contracts and operational processes in a centrally accessible database.

At the end of 2010–11, the initiative-level work was completed. The maintenance aspect of the implementation plan will be accounted for in the IT Department's Business Plan. However, given the impact this initiative will have on the organization, the *Annual Report* and the Corporate Plan will report on the progress of this initiative as it unfolds throughout 2011–12 and 2012–13. The team is using a staged approach to deliver the final product. It will report on this paper-to-electronic evolution in the context of achievements during each of the major phases of the project plan.

During the first six months of 2011–12, DCC developed a training plan and tools, and carried out a staged rollout among pilot groups at sites across the country. Once it has successfully implemented the new document and records management system at these pilot locations, DCC expects the rollout to continue into the last quarter of 2011–12 at sites across Canada.

PLANNING THEME 2: SERVICE DELIVERY

DCC's mission is to deliver and maintain infrastructure and environmental projects and services, and provide full lifecycle infrastructure support, required for the defence of Canada. DCC strives to ensure that it delivers high-quality, timely and efficient services to the Department of National Defence/Canadian Forces (DND/CF), because achieving excellence in service delivery remains at the forefront of DCC's business strategy. The performance indicators for this planning theme are mostly operational ones and they help DCC keep track of various issues, even external issues that have an impact on DCC.

The strategic objective for this theme is **to meet client requirements and to achieve value for money**. Ultimately, DCC's goal is to provide the infrastructure or solution DND/CF requires—for example, to provide a building, to remediate a contaminated site or to guide projects through the approval process. To do so, DCC tailors its services and deliverables so that it can effectively meet the scope, quality and schedule requirements of projects and programs.

STRATEGIC OUTCOMES

Four strategic outcomes define DCC's success under this planning theme.

4. *Service line operational frameworks, processes and systems optimize principles-based service delivery.*

DCC has a matrix management system to manage its operations, which allows its Client-Partner to benefit from all of DCC's service offerings from any location. Service line management processes and systems are designed to help maintain, if not enhance, a highly consistent trend in satisfaction with service delivery.

5. *A strong partnership with DND/CF is maintained.*

The quantity and scope of the services DND/CF requires have continued to grow. DCC has augmented its support for the real property policy and planning function, the program and project management function, and infrastructure support for military operations. At the same time, it is investing more effort in procuring for and managing DND's construction programs. The Corporation is proud to be increasingly recognized as a full member of the defence team. This strengthened relationship with the DND infrastructure and environment community, and the CF Military Engineer Branch, has allowed DCC to both enhance its capability and increase its capacity to support the defence of Canada. It does so by carrying out joint planning, developing new support services, and improving response time to evolving requirements throughout the lifecycle of projects, programs and operations.

6. *DCC planning is aligned with DND/CF. Information sharing is integrated to respond effectively and efficiently to requirements.*

This integration is a constant challenge, given the number of people, organizational units, geographic locations, and types of interactions between DND and DCC. Joint planning and information sharing are improving as DCC becomes more closely involved in program and project management. Joint training for DND and DCC staff, on processes such as industrial security procedures and the preparation of service level arrangements, is an example of the continuing steps both organizations are taking toward integrating systems.

7. *DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity.*

DCC has always been well positioned in this respect, but the combination of high demand and low supply in the construction industry over the past several years led DCC to review industry procurement and contract management needs, starting in 2008–09. DCC continues to act on industry feedback to ensure its policies and practices meet industry needs.

CORPORATE INITIATIVES: SERVICE DELIVERY

Tracking Past Performance: Service Delivery Initiatives 2011–2012

DCC identified three initiatives for the 2011–12 planning cycle under the theme of Service Delivery.

2011–12: DCC will continue an optimization review of its processes and practices for its Contract Services (CS) and Construction Services (CSC) service lines.

Based on industry feedback and the results of its own internal review, DCC continued to optimize its processes and procedures, for the CS and CSC service lines. This initiative, unfolding over several years, is more than a fine-tuning or quality control of DCC's existing systems. Instead, it is a global review, with an eye to refining, consolidating, and streamlining the entire structure and all systems. A principles-based approach will guide the strategy behind this optimization.

During the first six months of 2011–12, during review meetings and service line conferences, ideas for procedural efficiencies emerged and necessary improvements to service delivery processes were identified. Although DCC plans to finish implementing these newly identified revisions by the end of this fiscal year, this optimization process will remain ongoing. A major product that will result from this initiative will be a revised *Operations Manual*, which is being developed as the procedural review is carried out. Once the initial optimization for the CS and CSC service lines is finished, work on the remaining service lines will follow.

2011–12: DCC will seek opportunities to assist in the improvement of DND project and program delivery.

In May 2009, DND undertook a Streamlined Project Approval Process to reduce the approval time for project submissions from an average of 180 working days to less than 80 days. The new process would reduce the effort required for lower risk submissions and permit senior management to spend more time reviewing higher risk projects.

DCC is committed to collaborating on improvements to project and program management delivery, supporting the establishment of joint project offices, and reviewing project delivery procedures. Already, this fiscal year, DCC has explored different opportunities to help its Client-Partner deliver infrastructure, such as fostering early collaboration with DCC's CS service line to have project procurement plans in place when approvals are secured. Additionally, DCC and its Client-Partner are starting to use the results from the new joint performance measures (see below) to find areas for project process improvements.

2011–12: DCC will collaborate with DND on the identification of joint performance measures.

Historically, DCC has maintained a consistently high rating for its service delivery. However, continuous improvement is always top of mind for the Corporation. By developing indicators for the DCC-DND work experience on specific projects, both organizations will be able to see where they can improve processes. Preliminary research on this initiative began before the 2011–12 planning period. Both parties reviewed the path of recent projects, noted key aspects of success and started to develop a sense of what the targets for the indicators could be.

DCC met with its Client-Partner, reviewed its annual capital construction program for 2011–12, and determined relevant and meaningful indicators and targets. The result is an efficient management tool for both parties. Internally, DCC reviews it monthly as a way to track performance. When the first full cycle of use is complete in March 31, 2012, DCC and DND will assess the system itself. Once this system is fully refined, it will become an established tool for managing expectations in future project delivery. The specific measurement results will be reported on in the Contract Services Business Plan.

Service Delivery Initiatives: 2012–2013

DCC has identified the following three corporate initiatives for the 2012–13 planning cycle.

2012–13 Corporate Plan Initiative: DCC will continue to seek and achieve an optimization review of its processes and practices for all service lines.

By the end of 2011–12, an optimization review of the CS and CSC service lines will be completed, and work on the action items emerging from this review will continue into the next fiscal year. A major product that will result from this initiative will be a revised *Operations Manual*, which DCC will develop over several years. In the next fiscal year, DCC will conduct the same type of review for its three remaining service lines, following the same principles-based approach to optimization.

2012–13 Corporate Plan Initiative: DCC will continue to seek opportunities to assist in the management of the DND/CF infrastructure and environment portfolio.

The volume and complexity of defence infrastructure projects have increased over the past five years. DCC enjoys a strong partnership with DND and retains a strong corporate memory for the assistant deputy minister, infrastructure and environment. As DCC works with its Client-Partner in the coming years, the Corporation is committed to collaborating on improvements to infrastructure delivery, supporting the establishment of joint project offices, and supporting DND's Streamlined Project Approval Process.

2012–13 Corporate Plan Initiative: DCC will apply joint DCC-DND/CF performance measures.

Building on the work done in 2011–12 to develop a system for joint performance measures, DCC will apply this system fully, and begin to report on these indicators and targets in the Contract Services Business Plan. DCC expects to finish developing this initiative at the end of 2011–12; after that, future work on it will fall to the operational business plan level.

SERVICE DELIVERY KEY PERFORMANCE INDICATORS: 2011–2012 RESULTS TO DATE

DCC has several indicators for tracking its performance under the theme of Service Delivery. On an occasional or as-required basis, DCC undertakes industry surveys and similar types of consultations with the contractors and consultants who bid on defence construction contracts. When this type of outreach is completed, DCC will discuss the feedback in its *Annual Report*. The same is true of feedback received from its Annual Public Meeting, held most recently in June 2011. The summary of proceedings from this event is posted on DCC's website.

For many years, DCC has tracked one client service-related KPI: its service delivery satisfaction rating. This indicator remains the most relevant one to the planning theme of Service Delivery. In the last fiscal year, DCC and DND began developing joint performance indicators for the DCC-DND work experience on specific projects. These indicators, once fully established, will be an additional measure of DCC's service delivery capability at the operational business management level.

Service Delivery Rating

Service delivery satisfaction assessments are scored on a scale of one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." DCC defines satisfied clients as those who provide an overall rating of three or more. Typically, issues relate to specific incidents that fall into one of several categories, such as communications issues, administrative procedural problems or staffing concerns.

The Corporation typically receives service delivery satisfaction results in the second half of each fiscal year, when most projects are completed. It reports these results in the *Annual Report*.

Each year, DCC awards and manages over 2,000 contracts for DND. In 2010–11, DCC awarded 2,075 contracts and completed 1,736 contracts. There are multiple contracts within each service level arrangement (SLA). For each SLA, there is a DND representative, and DCC surveys these representatives to determine their level of satisfaction with the Corporation's service delivery. In 2010–11, DCC conducted client satisfaction surveys with 265 representatives. Scores were weighted according to the value of each SLA. For example, a score based on an SLA valued at \$1 million was weighted more heavily than a score based on an SLA valued at \$10,000. During 2010–11, 98% of clients indicated DCC met or exceeded client expectations, with 55% rating DCC's service at four or more and 41% offering scores of between three and four.

PLANNING THEME 3: PEOPLE

Since the Corporation is a knowledge-based professional services organization, its primary value is vested in its people.

The simple expression of the strategic objective of this theme is to **recruit, develop, support and retain a skilled professional and motivated workforce**. The People planning theme aims to achieve three strategic outcomes.

STRATEGIC OUTCOMES

Three strategic outcomes define DCC's success under this planning theme.

8. *DCC provides a healthy and productive work environment that supports:*

- collaboration and leadership;
- fair compensation, benefits and pay equity;
- professional development opportunities;
- knowledge retention and transfer;
- workforce and succession planning; and
- community involvement.

The Board of Directors maintains its focus on strategic human resources issues, and DCC continuously tries to enhance its human resources policies and practices. Every Corporate Plan in recent years has had a major initiative focused on people, ranging from classification and compensation to training and development. Growth in the number and diversity of DCC's people remains a challenge. In the first two quarters of 2011–12, DCC's staff grew by approximately 10.9% to 1,007 employees. DCC maintains a sustainable demographic profile and has a succession plan in place to manage impending retirements. Although DCC had a favourable retention rate of 97.5% at the end of the second quarter of 2011–12, recruitment and retention remain ongoing priorities for the Corporation.

9. *DCC encourages and fosters innovation.*

The key performance indicator that drives DCC's operations is the utilization rate. As a result, it works to administer its day-to-day operations cost effectively. Employees working on individual sites across the country regularly develop more efficient ways of doing things—the essence of innovation. However, promoting their successful ideas nationally is not always top of mind for these dedicated employees. The Corporation undertakes various initiatives to foster an environment where collaboration becomes commonplace.

10. *Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes.*

The challenges associated with the growth of the Corporation have highlighted the need to develop leadership and empower an emerging cadre of managers. Continued efforts to enhance internal communications throughout DCC will enhance employee engagement and managers' participation in achieving the strategic outcomes of the Corporation.

CORPORATE INITIATIVES: PEOPLE

Tracking Past Performance: People Initiatives 2011–2012

In last year's Corporate Plan, DCC identified three strategic initiatives related to the theme of People.

2011–12: DCC will continue to promote a culture of innovation through the Ideas at Work initiative.

First mentioned in the Corporate Plan for 2010–11, this initiative is expected to unfold over several years. The key to its success is to maintain momentum in order to influence workplace culture. Building on the work from the previous year, DCC develops a project plan and a communications plan annually to encourage employees at all levels to act on and share their ideas for improvements. In the first half of 2011–12, employees continued to act on ideas that led to efficiencies and improvements. One such idea complements an initiative already underway in the Human Resources (HR) Department. It relates to support for a student employment program, which fosters awareness of and interest in DCC among student employees who could be strong future job candidates. This concept was first mentioned in the HR Recruitment and Retention Strategy, and this submission drives an opportunity for a site pilot to occur.

Other steps taken in the first six months of this fiscal year include a review of the terms of reference for the Ideas at Work Committee. Reviewers suggested some revisions to the selection process for committee members, which will be implemented in the second half of the fiscal year.

2011–12: DCC will act on the results of the employee engagement survey.

In 2009–10, as part of the recruitment and retention plan initiative, DCC administered an employee engagement survey. Overall, the results of the engagement survey were quite positive. However, work is ongoing to ensure that DCC remains competitive with other employers in its industry. In 2010–11, the primary response by senior management to the survey was a national campaign to raise awareness of DCC's strategic vision.

During the first half of 2011–12, DCC was busy with many activities related to employee engagement and recognition. These included employee-driven internal events surrounding DCC's 60th anniversary, which demonstrated that the culture that defines the DCC brand is

strong. In one case, employees were asked to provide videotaped messages from their site to help celebrate the 60th anniversary. The messages reinforced the positive responses in the employee engagement survey.

In the second half of the year, the formal communications plan for the employee engagement survey will be revisited to ensure necessary follow-up actions have been taken. In future years, DCC may engage in follow-up and measurement activities to gauge the level of employee engagement and address any deficiencies, as required.

2011–12: DCC will continue to develop a competency-based performance management program, including leadership development.

This initiative, first identified in the Corporate Plan for 2010–11, will see the creation of a competency-based performance management system that also includes leadership development. It will be a cohesive system that will help DCC to select qualified people, to encourage strong performance, to identify critical positions, and to support training and development. It will link accountabilities with results. It will assess employees' work and consider that work within a comprehensive structure that takes into account the full range of their capabilities in relation to business requirements.

In the first half of 2011–12, DCC agreed on an organization-wide competency model and defined a common set of six core competencies for each job level. Leadership as a competency was embedded at all levels. In addition to competencies, this system also takes employee results into account. In the second half of the year, the performance management system will be developed based on these six competencies. DCC expects to complete the design of this new performance management system by the end of the fiscal year.

People Initiatives: 2012–2013

DCC has identified the following two corporate initiatives for the 2012–13 planning cycle.

2012–13 Corporate Plan Initiative: DCC will continue to promote a culture of innovation including improvements to the Ideas at Work program.

The key to the success of this multi-year initiative is to maintain momentum in order to influence workplace culture. Building on work from previous years, DCC will develop a project plan and a communications plan annually to encourage employees at all levels to act on and share their ideas for improvements. This initiative remains at the strategic plan level, given its importance as a mechanism for supporting cultural evolution within DCC.

2012–13 Corporate Plan Initiative: DCC will implement a competency-based performance management system, to foster a principles-based decision making culture.

By the end of fiscal 2011–12, DCC will have developed a competency-based performance management system, along with an implementation plan. It expects to implement this system in 2012–13 and 2013–14. It will be a cohesive system that will help DCC to select people, to encourage strong performance, to identify critical positions, and to support training and development. It will link accountabilities with results. It will assess employees' work and consider that work within a comprehensive structure that takes into account the full range of their capabilities in relation to business requirements. Employees will help set performance objectives; participate in initiatives, performance appraisals and career development; and enjoy an enriched role.

PEOPLE KEY PERFORMANCE INDICATORS: 2011-2012 RESULTS TO DATE

DCC has several indicators to track its performance under the theme of People. Progress made through the Ideas at Work program will also be reported in the *Annual Report*. The People-related KPIs that DCC has tracked over many years are the employee retention rate and the level of investment in employee professional development (formerly referred to as the professional development to salary cost ratio). In this section, DCC also reports on its employment equity rating.

Results from Ideas at Work

At the end of the first quarter of 2011-12, DCC was considering two employee Ideas at Work submissions at the national level: support for the HR Department's student employment pilot program, and a new fire prevention process for the construction service line.

Employee Retention Rate

DCC regularly reviews the percentage of employees who voluntarily leave the Corporation for other career opportunities. Monitoring this percentage allows senior managers to analyze the Corporation's performance in the context of relevant labour market trends.

For fiscal 2010-11, DCC's retention rate was 92.2%, slightly higher than its annual target of 90%. For the six-month period ended September 30, 2011, DCC's retention rate stood at 97.5%, which was comparable to the 97.6% rate it reported for the same six-month period in 2010-11. Final full-year results will be presented in the *Annual Report*.

Employee Retention Rate			
Results, 2010-11 End of Second Quarter	Results, 2010-11 Year-End	Target	Results, 2011-12 End of Second Quarter
97.6%	92.2%	90.0%	97.5%

Investment in Employee Professional Development

DCC has set a spending target of 5% of base salary for professional development activities for employees. This spending target includes the costs associated with external training activities (e.g., fees and travel), as well as the cost of the staff training hours spent on professional development activities. This 5% comprises a 1% allocation of base salary costs to the development and delivery of internal training, national service line forums, and executive coaching, and 4% of base salary costs to internal and external training in all other categories. In the last several years, the Corporation has invested considerably in developing a curriculum of internal courses to meet key training and development needs. The general use of these courses is reducing the demand for (and, therefore, the cost of) external training, while increasing the time spent on internal training. That is a positive return on the investment in course development. In 2010-11, spending on professional development activities as a percentage of base salaries was 4.6%. Year-to-date expenditures for the six-month period ended September 30, 2011, were 3.4%. The amount fluctuates slightly from quarter to quarter, and from year to year. It is dependent on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions.

Investment in Employee Professional Development (Percentage of Base Salary)			
Results, 2010-11 End of Second Quarter	Results, 2010-11 Year-End	Target	Results, 2011-12 End of Second Quarter
3.6%	4.6%	5.0%	3.4%

Employment Equity Rating

DCC has taken steps to improve its performance with respect to the government's employment equity objectives. In Human Resources and Skills Development Canada's *Employment Equity Act 2010 Annual Report* (the most recent available), "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; and "D" indicates poor performance. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers.

Employment Equity Rating		
Category	Results, 2008	Results, 2009*
Women	A	A
Aboriginal people	A	A
Persons with disabilities	A	A
Visible minorities	B	B

* Source: *Employment Equity Act 2010 Annual Report* (Ottawa: Human Resources and Skills Development Canada, 2010). This report uses data as at December 31, 2009.

Diversity in the Workplace

Corporately, DCC takes the concept of diversity in the workplace seriously and works to comply with Canada's employment equity guidelines. In everyday life at DCC, people enjoy the benefits of an equitable and inclusive workplace. Where possible, employees and the HR Department promote and celebrate multiculturalism. Often, at the local level, employees will share unique cultural experiences from overseas deployments or personal travel by giving a presentation to their peers. Diversity is promoted through activities that focus on education and the sharing of social practices. These activities include a very popular international luncheon that is also part of the Government of Canada Workplace Charitable Campaign, and a well-received multicultural quiz that is featured in DCC's weekly internal newsletter. This past year, DCC recognized the centennial celebration of International Woman's Day. Where appropriate, in the coming year, DCC will seek ways to build more of these special recognition days into its internal communications activities.

PLANNING THEME 4: STRATEGIC MANAGEMENT AND LEADERSHIP

Managing the diversity and growth of DCC's business is a key focus of DCC's senior management for the current planning period and beyond. DND is focusing on the Canada First Defence Strategy, which dramatically increases DND's need for resources in several areas, such as real property management and project management. DCC has increasingly stepped into the breach. The number of DCC employees has doubled in the last five years and now stands at just over 1,000. At the same time, DCC remains flexible in its ability to meet the needs of its Client-Partner as circumstances vary, as it has done for over 60 years.

To facilitate the strategic planning process, the theme of Strategic Management and Leadership was developed. It provides a planning category for the work needed to guide the Corporation during this dynamic time of evolving client needs.

The strategic objective for this theme is **to provide strong, ethical, efficient and effective strategic management and leadership for the Corporation.**

STRATEGIC OUTCOMES

Four strategic outcomes are associated with this planning theme.

- 11. DCC maintains an effective and efficient risk management framework that is integrated into its strategic planning process.*

DCC's comprehensive risk management framework identifies the risks associated with DCC's environment and its main business activities, evaluates the probability and potential impact of those risks, and defines mitigation measures to avoid or minimize the risks. This framework is integrated into the Corporation's strategic planning process to ensure high-risk areas receive special consideration, particularly with respect to establishing priorities and allocating resources.

- 12. DCC is able to respond to, and efficiently and effectively manage business opportunities and changes in business activity.*

To maintain its strong relationship with the construction industry, and to ensure that it continues to have access to the contractors and consultants necessary to satisfy DND's needs, DCC will ensure that its processes remain effective for industry, while complying with applicable Government of Canada regulations. Furthermore, DCC will continue to work closely with the various levels and sectors of the industry to ensure its processes are aligned with new trends and standards of practice.

DCC's status as a Crown corporation gives it the flexibility to navigate changes in client requirements. It will continue to use that flexibility in exercising the full scope of its mandate to provide construction and related services for the defence of Canada.

- 13. DCC maintains effective and efficient corporate planning and performance management frameworks.*

DCC regularly scans the Corporation's external business environment, focusing on the current and anticipated policies, plans and forecasts of the Government of Canada, DND/CF and the construction industry. At the same time, the Corporation reviews its internal policies, practices and performance in the context of changing external conditions in order to identify the key strategic issues of relevance to DCC in the foreseeable future. The Corporation's strategic response to these issues is incorporated into this Corporate Plan, where applicable and appropriate.

The planning process is carried out within a series of structured meetings of the Executive and the Senior Management Groups. The output of those meetings is validated against the Corporation's mandate and risk management framework, planning guidance provided by the Minister of Public Works and Government Services, and the priorities of DND/CF.

- 14. DCC continues to show ethical leadership in the management of its business affairs.*

The Corporation continues to operate in a fully transparent and responsible manner, and ensures appropriate oversight of its daily operations. A Code of Business Conduct, and a system of internal and external audits, support DCC's accountability to Canadians.

CORPORATE INITIATIVES: STRATEGIC MANAGEMENT AND LEADERSHIP

Tracking Past Performance: Strategic Management and Leadership Initiatives 2011–2012

DCC identified two initiatives for the 2011–12 planning period under the theme of Strategic Management and Leadership.

2011–12: DCC will develop a Procurement Code of Conduct for industry.

In the first half of this year, in conjunction with its industry partners, DCC developed and drafted a Procurement Code of Conduct for industry. This is in addition to DCC's existing Code of Business Conduct for its employees. The new Procurement Code of Conduct focuses on the contractors who bid on contracts that DCC is awarding on behalf of its Client-Partner. DCC operates in an accountable, ethical and transparent manner, at all levels of its business. The intent of this Procurement Code of Conduct is to enhance public confidence in the Corporation's procurement activities. DCC expects to publish this document in both official languages by the end of this fiscal year.

2011–12: DCC will review its enterprise risk management model.

DCC reviewed its enterprise risk management model to determine whether any changes or modifications were necessary. An audit confirmed that DCC is good at managing its internal risks. The Corporation could improve in several areas, which include updating the risk management framework, providing a more comprehensive external risk analysis, explaining more fully DCC's level of risk tolerance, and using common language throughout the framework when describing roles and principles.

Strategic Management and Leadership Initiatives: 2012–2013

2012–13 Corporate Plan Initiative: DCC will implement a Procurement Code of Conduct for industry.

After finalizing a Procurement Code of Conduct, DCC will put it into practice. The new Procurement Code of Conduct focuses on the contractors who bid on contracts that DCC is awarding on behalf of its Client-Partner. DCC operates in an accountable, ethical and transparent manner, at all levels of its business. The intent of this Procurement Code of Conduct is to enhance public confidence in the Corporation's procurement activities.

2012–13 Corporate Plan Initiative: DCC will implement recommendations arising out of the Enterprise Risk Management audit.

DCC has modified its enterprise risk management framework, based on an audit and review initiated because of the significant growth and changes in the Corporation's business over the past few years. DCC will implement the newly modified framework as an integrated part of its strategic planning and business management practises. Training modules will be developed subsequently.

STRATEGIC MANAGEMENT AND LEADERSHIP

KEY PERFORMANCE INDICATORS: 2011–2012 RESULTS TO DATE

In this theme, leadership is separated from the governance theme and expanded to include the idea of strategic management. One way to meet the objective of this theme—to provide strong, ethical, efficient and effective strategic management and leadership—is to report holistically on overall business results and the Corporation’s success in meeting its management reporting requirements.

The overall business results of the Corporation can be measured by its financial performance, by its achievement of its human resources objectives and operational outcomes, and by its progress toward completing its corporate initiatives. Reports that the Corporation produces to meet legislative requirements include the *Annual Report*, the *Corporate Plan Summary*, progress reports for Treasury Board of Canada Secretariat (TBS) and human resources reports for other government departments, such as Human Resources and Skills Development Canada (HRSDC) and the Office of the Privacy Commissioner of Canada. The Corporation’s success in meeting its ongoing management reporting requirements, and the results contained in those reports, reflect DCC’s success in meeting the objective of the Strategic Management and Leadership theme.

Another indicator that demonstrates strategic management and leadership is DCC’s enforcement of and adherence to its own Code of Business Conduct. The separate, newly developed Procurement Code of Conduct complements this code. When DCC has implemented the Procurement Code of Conduct, it will report on the results under the theme of Strategic Management and Leadership. In the first half of 2011–12, DCC met the requirements of each of this theme’s established indicators with no deficiencies.

PLANNING THEME 5: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

DCC needs strong corporate governance, structure, policies, stewardship practices and controls to function as an effective instrument of public policy. The Board of Directors, the Executive and Senior Management anchor DCC's governance regime—hence, the strategic objective **to be recognized as competent and responsive to government priorities, policies and practices.**

STRATEGIC OUTCOMES

There are four strategic outcomes and two corporate initiatives associated with this objective.

15. DCC is accountable to the Government of Canada through transparent, ethical corporate governance.

DCC seeks to apply best practices of corporate governance. In 2009, the Corporation finished implementing the recommendations of the TBS review of governance practices. The Corporation has held three Annual Public Meetings and posted a summary of the proceedings on its website after each event. The summary reports on the attendance and outlines the topics of discussion. DCC also regularly receives a statement of priorities and accountabilities from the Minister of Public Works and Government Services.

16. DCC demonstrates its competence and value as an agent of the Crown.

DCC demonstrates its value to government in a number of ways. The flexibilities afforded by DCC's Crown corporation status allow the Corporation to respond quickly to the rapidly changing operational requirements of DND/CF. Over the past five years, DCC has contained its increases in billing rates, so that they fall at or below the inflation rate. At the same time, DCC helps stimulate the economy and create jobs by presenting attractive business opportunities to industry. Also, through its close relations with industry, the Corporation enhances industry-government relations by promoting understanding of government policy objectives, and by facilitating the exchange of ideas and practices.

17. *Corporate leadership and oversight are provided in the fulfillment of the mandate of the Corporation and the priorities of the Government of Canada.*

DCC's mandate has always been to assist in the defence of Canada. Traditionally, that has meant providing services to DND/CF in Canada. In recent years, these services have increased in scope, resulting in considerable growth. As Canada faces defence challenges, DCC's role changes. For instance, the Corporation has been supporting the CF in Afghanistan for the last five years. Also, the range of groups DCC works with within DND has expanded to include Communications Security Establishment Canada. By continuing to play a leading role in this environment, DCC stands ready to fulfill the whole range of its mandate, whenever it is called on to do so.

18. *DCC supports government policies and practices, including those related to:*

- employment equity and diversity;
- official languages;
- environmental stewardship;
- health and safety;
- security;
- access to information; and
- financial administration and reporting.

CORPORATE INITIATIVES: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

Tracking Past Performance: Corporate Governance and Stakeholder Relationships Initiatives 2011–2012

DCC identified the following three corporate initiatives for the 2011–12 planning cycle to support government policies and practices.

2011–12: DCC will continue to focus on industrial security by refining its processes in compliance with the TBS Policy on Government Security (PGS).

Given DCC's corporate mission to provide service for the defence of Canada, developing and maintaining security awareness among DCC employees remains a priority. With corporate security fully entrenched in DCC's culture, the focus of this initiative for 2011–12 was on industrial security. DCC completed all actions necessary to become subject to the PGS. This included seeking approval under the authority of the *Canadian Security Intelligence Service Act* to have DCC's President and Chief Executive Officer recognized as a deputy head. This recognition would permit the President and CEO to exercise some authority-related security clearances.

2011–12: DCC will demonstrate fiscal restraint as per Government of Canada requirements, TBS guidance and Budget 2010.

In its planning for 2011–12, DCC followed the direction of the Government of Canada as articulated in Budget 2010 and Budget 2011, and TBS guidance. As always, it looked for ways to restrain costs. DCC has limited its expected discretionary expenses for the 2011–12 and

2012–13 fiscal years to 2010–11 levels, wherever possible. DCC operates on a fee-for-service basis and its spending is largely determined by the demand for its services from its Client-Partner. Most additional overhead expenses incurred supported revenue-generating activities. Even in those circumstances, the Corporation followed the direction on fiscal restraint.

2011–12: DCC's Board of Directors will finalize the Corporation's Bylaw Consolidation and Revision Project.

DCC identified a need to revisit the Corporation's current governance documents, since the scope of its business has evolved greatly over the past few years. In 2010–11, DCC reviewed its governance practices in relation to the delegation of authorities by the Board of Directors to the President and CEO, and in the area of policy approvals by the Board. Following this work, the bylaws of the Board of Directors were reviewed, consolidated and updated. During the first half of 2011–12, a draft was developed taking into account these three areas of review. In the second half of the year, DCC will finish work on its bylaws.

Corporate Governance and Stakeholder Relationships Initiatives: 2012–2013

DCC has identified the following two corporate initiatives for the 2012–13 planning cycle to support government policies and practices.

2012–13 Corporate Plan Initiative: DCC will continue to demonstrate fiscal restraint as per Government of Canada requirements, including Budget 2011 and the Deficit Reduction Action Plan (DRAP).

DCC is already adhering to, and will continue to follow the spirit and the intent of, the Government of Canada's DRAP. The Corporation is focusing on ways to generate savings from operating expenditures and to improve productivity. During the planning period, DCC will implement its proposal for cost savings and continuously seek ways to find efficiencies that will generate cost savings for DND/CF. In its fee-for-service delivery model, DCC strives to provide the Crown with value for money.

2012–13 Corporate Plan Initiative: DCC will support DND in its implementation of its strategic review and DRAP.

As it has done for over 60 years, DCC stands ready to support its Client-Partner and to serve Canada, through the implementation of any changes that result from DND's response to DRAP. With its corporate memory of defence infrastructure, DCC is well positioned to provide the support that Canada needs to contract for, award and manage infrastructure and environment contracts.

CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS KEY PERFORMANCE INDICATORS: 2011–2012 RESULTS TO DATE

DCC reports on several key performance indicators under the theme of Corporate Governance and Stakeholder Relationships. In addition to reporting the number of safety incidents and environmental incidents annually, DCC discusses other results, such as its audit results or timeliness of reporting, when applicable.

Safety Incidents

Under its Corporate Safety Program, DCC tracks, reports on and follows up on safety incidents and accidents involving its own employees that result in lost work time. An accident is defined as an unexpected and undesirable event that results in an employee injury or damage to Crown assets during work-related activities. An incident is defined as a usually minor event or condition that is subordinate to another and includes near misses during work-related activities. The target is to have no lost-time safety incidents. For the six month period ended September 30, 2011, there were six DCC employee safety incidents that resulted in 43.62 hours of lost time. In 2010–11, five injuries accounted for 28 days (210 hours) of lost time. One accident that occurred in 2008–09 accounted for 260 days (1,950 hours) of lost time in 2010–11.

Safety Accidents and Incidents Involving DCC Employees Resulting in Lost Work Time		
Results, 2010–11 Year-End	Target	Results, 2011–12 End of Second Quarter
5 (210 hours lost)	0	6 (43.62 hours lost)

Environmental Incidents

DCC reports environmental incidents that result from DCC management actions. Incidents that involve third-party contracted activities are recorded but not reported.

For the six month period ended September 30, 2011, no worksite environmental incidents resulting from DCC management actions were reported. This result is in line with DCC's target of zero incidents and maintains the record of zero incidents over the past several years.

Government Performance Requirements and Audit Results

DCC tracks its performance using some key Government of Canada reports. For example, the Office of the Auditor General conducts an external audit annually and a special examination once every 10 years, at a minimum. DCC's goal is to have no significant deficiencies in its audits. In the first half of this fiscal year, no external audits were completed. An internal audit of information management, completed in April 2010, reviewed the control framework in place for managing corporate information throughout its lifecycle. The audit confirmed that DCC has effective controls in place that support the current paper-based records management system. DCC must also complete TBS submissions, as required by the *Financial Administration Act*. In the first half of this fiscal year, DCC submitted its *Annual Report* on time. It also submitted its other mandatory reports—including those related to the *Access to Information Act*, *Privacy Act*, and *Public Servants Disclosure Protection Act*—on time.

Also further to the other requirements set out in the *Financial Administration Act*, DCC made the necessary preparations to meet the *Financial Administration Act* requirements for making quarterly financial reports public.

FINANCIAL PLAN

FINANCIAL MANAGEMENT POLICY

The Corporation's financial management policy is based on a fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. The Corporation operates on a fee-for-service basis and receives no funding through government appropriations. Its financial management policy is to generate sufficient cash to meet its anticipated operating and capital requirements, and to settle its financial obligations as they become due.

COST CONTAINMENT

In the 2010 Budget, the Government of Canada announced measures to reduce the rate of growth of its operating expenditures and improve efficiency, while lowering the rate of growth in the size and operations of the public service. As part of this effort, the government asked departments and Crown corporations funded by parliamentary appropriations to freeze their operating budgets for 2011–12 and 2012–13 at 2010–11 levels.

As DCC is a revenue-generating Crown corporation, its spending on operations is largely determined by DND's demand for its services (i.e., operating expenditures fluctuate with changes in DND/CF's infrastructure program). Most of DCC's operating costs relate directly to revenue-generating activities. As such, it cannot simply implement a corporate-wide spending freeze on all operating expenses incurred to generate revenues. However, opportunities to constrain certain costs exist and, in keeping with the intent of the 2010 Budget, DCC planned to manage its discretionary spending carefully, with the goal of limiting discretionary expenses for 2011–12 and 2012–13 to 2010–11 levels.

As a result of the cost containment measures, the Corporation's discretionary expenses (such as business travel, conference and hospitality expenses) did not increase in the first two quarters of fiscal 2011–12. Other discretionary spending for goods and services (such as office supplies, telecommunications, postage and freight, and corporate communications) was held below the rate of revenue increase.

DEFICIT REDUCTION ACTION PLAN (DRAP)

As stated earlier in the Corporate Plan, the Government of Canada (through the Minister of Public Works and Government Services) sent a letter to the Corporation's Board requesting that DCC undertake a review in an effort to support the government's Deficit Reduction Action Plan (DRAP) announced in the 2011 Budget. The DRAP initiative is intended to achieve cost savings over three fiscal years: 2012–13, 2013–14 and 2014–15.

The Corporation responded with a proposal that will reduce the cost of DCC services to DND/CF, by freezing billing rates for up to the next three fiscal years. The Corporation also identified a number of ways to reduce its indirect operating costs, and it made a commitment to identify process improvements in service delivery that will generate a 5% cost saving on services rendered to DND. The proposal for cost savings totals approximately \$2.5 million annually and represents about 6% of DCC's indirect operating costs of approximately \$39.5 million, estimated for fiscal 2011–12.

The Corporation has prepared its 2012–13 to 2016–17 financial projections, presented below, with the DRAP savings proposals included. These projections are based on certain assumptions and expectations around the DND/CF infrastructure program, and the resulting nature and scope of infrastructure support services that DCC will be asked to deliver. Direct expenditures associated with increased demands for services will result in increased operating expenses in certain areas. However, DCC expects to be able to achieve certain savings outlined below on the current or base level of operating expenditures, including those supporting overhead functions.

Corporate Services Cost Savings

In its DRAP proposal, DCC first identified \$613,000 in annual savings for corporate services, which comprise human resources, information technology, finance, communications and administrative services. A significant portion of these savings relates to reducing third-party professional services provided by consultants in human resources and information technology.

Corporate-Wide Savings

DCC's DRAP proposal also includes a number of cost reductions that affect the Corporation as a whole. These proposed savings are reflected in the financial projections in this Corporate Plan. DCC has proposed to reduce annually the external costs of training and development by \$405,000; reduce costs related to cellular communications by \$60,000, by adopting the existing government standing offer; reduce relocation costs by \$50,000; reduce the expenditure on internal audit work by \$50,000; reduce corporate-wide expenses for office supplies by \$50,000; and reduce the business travel budget by \$35,000. These measures will reduce general and administrative expenses by a total of \$615,000 annually.

Salary and Benefits

The Corporation has several salary and benefits proposals that are expected to generate \$1.3 million in savings over the three years of the DRAP proposal. The specific measures include eliminating the future accrual of retirement allowances which will save an estimated \$300,000; eliminating the excessive vacation pay-out policy, which will save an estimated \$155,000; introducing a voluntary one-week leave without pay policy, which will save an estimated \$400,000; implementing a voluntary reduced work week policy, which will save an estimated \$250,000; and eliminating the bilingual bonus and language testing, which will save an estimated \$25,000. In addition to the proposals already identified, DCC has identified savings of \$155,000 for fiscal 2012–13 due to a reduction of the health care premiums negotiated with the Corporation's benefits provider.

Although the Corporation's DRAP proposal has identified a 6% saving on indirect operating costs, the Corporation will continue to focus on further opportunities for cost reductions during the three fiscal years 2012–13, 2013–14 and 2014–15, with a goal of maximizing further efficiencies to achieve a total 10% reduction.

BASIS OF PRESENTATION

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). The statements for the year ended March 31, 2011, have been restated to convert them from Canadian generally accepted accounting principles to IFRS.

STATEMENT OF COMPREHENSIVE INCOME

For the years ending March 31, 2011 to March 31, 2017 (in \$ thousands)							
	Actual March 31/11 ¹	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Services revenue	\$ 93,576	\$ 111,360	\$ 122,307	\$ 125,976	\$ 128,496	\$ 133,636	\$ 137,645
Investment revenue	209	401	450	473	450	400	350
Total revenue	93,785	111,761	122,757	126,449	128,946	134,036	137,995
Salaries and employee benefits	79,097	93,687	106,120	113,181	119,913	127,054	133,700
Operating and administrative expenses	8,205	9,981	9,465	9,702	9,945	10,194	10,449
Amortization	1,066	1,187	1,634	1,990	2,132	2,553	2,604
Total expenses	88,368	104,855	117,219	124,873	131,990	139,801	146,753
Net income (loss) and comprehensive income (loss)	\$ 5,417	\$ 6,906	\$ 5,538	\$ 1,576	\$ (3,044)	\$ (5,765)	\$ (8,758)

¹ Amount restated to reflect reporting under International Financial Reporting Standards (IFRS)

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31, 2011 to March 31, 2017 (in \$ thousands)							
	Actual March 31/11	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Opening retained earnings	\$ 13,985	\$ 19,402	\$ 26,308	\$ 31,846	\$ 33,422	\$ 30,378	\$ 24,613
Net income (loss) and comprehensive income (loss)	5,417	6,906	5,538	1,576	(3,044)	(5,765)	(8,758)
Closing retained earnings	19,402	26,308	31,846	33,422	30,378	24,613	15,855
Stated share capital	—	—	—	—	—	—	—
Total equity	\$ 19,402	\$ 26,308	\$ 31,846	\$ 33,422	\$ 30,378	\$ 24,613	\$ 15,855

Services Revenue

The Corporation is forecasting services revenue of approximately \$111.4 million for the current year ending March 31, 2012, which represents an increase of approximately 19% from the previous year. About 1.25 percentage points of this increase are due to higher billing rates and approximately 18 percentage points to an increase in work volume due to higher client demand for DCC services.

For the year ending March 31, 2013, services revenue is expected to increase by approximately 10% to \$122.3 million. The services revenue projections have been prepared on the assumption that the Corporation will freeze billing rates for fiscal 2012–13 to 2014–15 at the rates established for the current fiscal year. Thus, the projected services revenue increase in 2012–13 is attributable to an anticipated increase in business volume of 10%.

For fiscal 2013–14 and 2014–15, service revenue is projected to increase approximately 3% and 2%, respectively, representing expected increases in business volume. For fiscal 2015–16 and 2016–17, revenue is projected to increase approximately 4% and 3%, respectively, which represents an increase in volume of 2% and 1%, respectively, and an expected increase in billing rates for each fiscal year of 2%.

Investment Revenue

Investment revenue, which is generated from cash reserves held in bank accounts and from the investment portfolio held by the Corporation, is forecasted to total approximately \$401,000 for the current year ending March 31, 2012, which is an increase of approximately 92% over the previous year. The increase is primarily due to higher cash balances throughout the year and to income from the investment portfolio.

For the year ending March 31, 2013, investment income is expected to be \$450,000, on the assumption that interest rates and average cash balances throughout the year will both increase over the prior year. For future years, interest income has been projected to fluctuate based on anticipated cash levels, with no projected change in interest rates assumed. Temporary cash surpluses are invested in accordance with the Corporation's investment policies, as approved by the Board of Directors.

Salaries and Employee Benefits

Salaries and employee benefits expenses are forecasted to total approximately \$93.7 million for the current year ending March 31, 2012, representing an increase of approximately 18% over the previous year. This increase comprises approximately 4.5 percentage points for increases to wages and benefits, and approximately 13.5 percentage points for staff increases to support the increase in business activity due to higher demand for services, and to employee mix.

For the year ending March 31, 2013, salaries and employee benefits expenses are projected to total approximately \$106.1 million, representing an increase of approximately 13% over the current year forecast. This increase comprises approximately 4 percentage points for increases in salaries and benefits for inflationary and merit increases based on DCC's performance management system, and approximately 9 percentage points for staff increases related to the anticipated increase in services revenue. For future fiscal years, the Corporation's financial forecasts assume a year-over-year increase in salaries and benefits due to inflationary and merit increases of approximately 4%, whereas increases due to higher staff levels to support expected increases in business activity are expected to range from 1% to 3%, in line with the expected increases in revenue volume.

Operating and Administrative Expenses

Operating and administrative expenses are forecasted to total \$10 million for the current year ending March 31, 2012, representing an increase of approximately 21.6% over the previous year. Inflationary increases and DCC's growth have affected operating and administrative expenses. Some of the more significant changes include an increase in employee training and development costs of \$818,000 or 61%, due to employee growth and increased spending on external training activities; an increase in professional fees of \$229,000 or 22%, due to increased spending on consultants in the Human Resources (HR) and Information Technology (IT) departments to meet operational requirements; an increase in maintenance expenses of \$150,000 or 26%, due to the Corporation signing a licensing agreement for desktop productivity tools; an increase in relocation expenses of \$88,000 or 46%, due to an increase in business requirements; and an increase in rent expenses of \$84,000 or 40%, due to the increases in the lease operating costs of rented space as well as the need for additional office space to meet increased business requirements.

For the year ending March 31, 2013, operating and administrative expenses are projected to be approximately \$9.5 million, representing a decrease of approximately 5% from the current year forecast. The decrease is in response to DRAP, as discussed earlier. The most significant decreases in operating and administrative expenses arising from the DRAP proposals are a decrease in employee training and development costs of 10%; a decrease in telecommunications expenses of 13%; a decrease in professional fees of 15%; and a reduction of relocation expenses of 26%.

For fiscal 2013–14 to 2016–17, operating and administrative expenses are projected to increase by approximately 2.5% year over year to reflect inflationary increases.

Amortization

Amortization—which includes amortization of property, plant and equipment, intangible assets and assets under finance lease—is forecasted to total \$1.2 million in the current year ending March 31, 2012, representing an increase of approximately 11% from the previous year. This increase is related to the higher level of capital expenditures in the previous year related to improvements to IT systems and to leasehold improvements incurred in the current year.

For the year ending March 31, 2013, amortization is expected to total approximately \$1.6 million, representing an increase of approximately 38% from the current year forecast. This increase is driven primarily by increased capital spending in 2010–11 of 52% and an anticipated 90% increase in capital expenditures forecasted for the year ending March 31, 2012, as highlighted in the Capital Budgets section. Future annual projections for capital expenditures, also highlighted under Capital Budgets, will also affect the fluctuation in amortization over the remaining years of the plan.

Net Income (loss) and Comprehensive Income (loss)

A net income and comprehensive income of \$6.9 million, or 6.2% of services revenue, is forecasted for the current year ending March 31, 2012, compared with a net income and comprehensive income of \$5.4 million or 5.8% of services revenue in the previous year. The increase in net income and comprehensive income is due mainly to the higher business volumes stemming from higher demand for services by the Client-Partner, as well as from increased operating efficiencies in delivering those services.

For the year ending March 31, 2013, a net income and comprehensive income of \$5.5 million or 4.5% of services revenue is projected, which represents a decrease of about 20% from the expected net income and comprehensive income for the current fiscal year. The better results that would have been expected by the proposed cost savings under DRAP, as well as from the

expected increase in services revenue from higher business volumes, will be more than offset by the billing rate freeze that DCC is proposing as part of its response to DRAP. In fiscal 2013–14, the Corporation is projecting a near break-even profit of \$1.6 million. For fiscal 2014–15 to 2016–17, losses ranging from \$3.0 million to \$8.8 million are planned to manage the cash reserves held by the Corporation, in accordance with its financial management policy.

STATEMENT OF FINANCIAL POSITION

For the years ending March 31, 2011 to March 31, 2017 (in \$ thousands)							
	Actual March 31/11 ¹	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Assets							
Cash	\$ 12,789	\$ 22,317	\$ 29,807	\$ 34,277	\$ 34,255	\$ 31,309	\$ 24,651
Investments	685	900	1,500	1,500	500	500	500
Trade receivables	18,526	19,221	21,111	21,744	22,179	23,066	23,758
Prepays and other current assets	1,345	1,601	1,758	1,811	1,847	1,921	1,979
Current assets	33,345	44,039	54,176	59,332	58,781	56,796	50,888
Investments	8,908	9,044	8,793	9,143	10,493	10,843	11,193
Property, plant and equipment	2,216	2,984	3,193	3,913	4,531	4,728	4,824
Assets under finance lease	317	350	350	350	350	350	350
Intangible assets	370	400	650	700	700	700	750
	\$ 45,156	\$ 56,817	\$ 67,172	\$ 73,438	\$ 74,855	\$ 73,417	\$ 68,005
Liabilities							
Accounts payable and accrued liabilities	\$ 7,991	\$ 8,926	\$ 9,844	\$ 10,689	\$ 11,410	\$ 12,002	\$ 11,767
Current portion – Finance lease obligation	107	107	107	107	107	107	107
Current portion – Provision for employee future benefits	409	450	550	650	800	850	1,050
Current liabilities	8,507	9,483	10,501	11,446	12,317	12,959	12,924
Finance lease obligation	247	247	247	247	247	247	247
Provision for employee future benefits	17,000	20,779	24,578	28,323	31,913	35,598	38,979
Total Liabilities	25,754	30,509	35,326	40,016	44,477	48,804	52,150
Equity							
Share capital authorized – 1,000 shares at no par value							
Issued – 32 shares	–	–	–	–	–	–	–
Retained earnings	19,402	26,308	31,846	33,422	30,378	24,613	15,855
Total equity	19,402	26,308	31,846	33,422	30,378	24,613	15,855
Total liabilities and equity	\$ 45,156	\$ 56,817	\$ 67,172	\$ 73,438	\$ 74,855	\$ 73,417	\$ 68,005

¹ Amount restated to reflect reporting under International Financial Reporting Standards (IFRS)

Cash Management Policy

As previously stated, DCC's financial management policy is to generate and maintain sufficient cash to meet its anticipated operational requirements and capital requirements, and to settle its financial obligations as they become due.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations, nor does it maintain or have access to any lines of credit or other sources of borrowings. Thus, the Corporation's cash is generated solely from fees collected from its Client-Partner (DND) for services provided.

Consistent with its mandate, the intent of the Corporation is to operate on a slightly better than break-even basis and to return any excess funds to its Client-Partner. All of the Corporation's cash is generated from the services it provides to DND. Any cash surpluses judged to exceed operating requirements are returned to the Client-Partner through the setting of billing rates for ongoing services, which reduces the cost of infrastructure services for DND. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to DND, as well as DCC's additional success in achieving its own operating efficiencies, can result in margins that exceed its initial targets.

In preparing its financial plan, the Corporation prudently allows for reasonable levels of cash contingencies in its financial projections to ensure that it has sufficient cash reserves to continue to fulfill its mandate and serve its Client-Partner in an effective and timely manner. Cash levels are constantly monitored. Any surpluses or shortfalls that may occur from time to time are taken into account in future operating plans and budgets, particularly in the setting of billing rates for ongoing services provided to DND.

The Corporation takes several factors into consideration in determining the amount of cash reserves maintained, including the planning and operating risk inherent in its operations. In particular, the risk associated with potential and unanticipated changes to the amount or timing of construction project expenditures by DND has a direct impact on the amount or timing of services provided by DCC and on the cash levels generated.

Other factors include the uncertainty in the timing of collections of accounts receivable from DCC's Client-Partner for services rendered, as well as the timing and amount of payments to satisfy the Corporation's obligations and to pay for liabilities associated with employee future benefits, as detailed below.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

Cash Requirements and Uses

Some of the more significant working capital cash requirements include payments for salaries, wages and benefits, leased office space, employee training and development, professional services, telecommunications, office supplies, and business travel. Cash is also maintained and used to buy computer hardware and software, as well as office furniture and equipment, and to pay for leasehold improvements.

Forecasted capital expenditures are detailed in the Capital Budgets section below. The Corporation carries a liability on its financial statements for employee future benefits. It represents the Corporation's liability for the estimated costs of severance accumulation for retirement and resignation benefits for its employees, as well as health care benefits for its retirees. As discussed below, this liability is projected to reach approximately \$21.2 million by March 31, 2012. The Corporation does not segregate funds for this liability. However, the Corporation's cash management policy ensures that sufficient funds are available to meet future benefit payments for employees as they become due.

As previously mentioned, this liability also includes amounts to provide for severance payments to employees upon retirement or resignation. In a June 2011 communication from the Secretary of the Treasury Board, confirmed by DCC's Minister in her Letter of Expectation dated December 15, 2011, Crown corporations were asked to work toward the Budget 2011 commitment to manage compensation costs by taking the necessary steps to eliminate severance accumulation for retirement and resignation benefits. In response to this request, DCC is currently looking at ways to deal with this issue, and it expects to use some of its cash reserves to reduce or eliminate these liabilities.

Cash may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required as a result of unexpected fluctuations or changes in DND's infrastructure program.

Cash and Investment Balances

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investment balances, is strong, and it is projected to remain that way for the entire planning period. Cash and investments combined are expected to increase in fiscal 2011–12 and 2012–13, due to the Corporation generating positive net income. Cash and investments are expected to peak at \$45.2 million in 2014–15, before taking into account the severance elimination payments referred to above. It is expected that cash and investments will then decrease in the later years of the plan, as the Corporation reduces the costs of its services to DND and reduces cash and investments held. The cash and investments are expected to total \$36.3 million at the end of the planning period.

Trade Receivables

Trade receivables are expected to increase during the plan years in direct proportion to the fluctuations in services revenue from year to year.

Property, Plant and Equipment, Assets Under Finance Lease, and Intangible Assets

The amount for property, plant and equipment represents the net book value of purchased computer equipment, office furniture and equipment, as well as leasehold improvement costs. Assets under finance lease represent the net book value of photocopiers purchased under finance leases. Intangible assets represent the net book value of purchased software application licences for desktop computers and for the enterprise resource planning (ERP) system.

The value of property, plant and equipment, assets under finance lease, and intangible assets for the current year ending March 31, 2012, is expected to increase from the previous year by 29%. For the year ending March 31, 2013, the value of property, plant and equipment, assets under finance lease, and intangible assets is expected to increase a further 12%. These fluctuations, and those for the remaining plan years, are directly tied to the projected levels of capital spending, as highlighted in the Capital Budgets section, and to the amortization amount from year to year, based on the Corporation's amortization policies, as described in its *Annual Report* and quarterly financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities for the current year ending March 31, 2012, are expected to increase by approximately 12% from the previous year, and to increase by 10% in the year ending March 31, 2013. These fluctuations, and those of the subsequent plan years, are largely tied to changes in the level of operating expenditures from year to year and the anticipated timing of payments to creditors.

Provision for Employee Future Benefits

The provision for employee future benefits represents the Corporation's liability for the estimated costs of severance for its employees, as well as health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and actuarial assumptions used. The provision for employee future benefits, including the current portion, is expected to total \$21.2 million at March 31, 2012, representing an increase of approximately 22% over the previous year. For the year ending March 31, 2013, the provision is expected to increase by a further 18%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 9% to 15%. The liability for accrued severance benefits is largely long term. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due.

Finance Lease Obligation

The finance lease obligation is expected to remain stable for the planning period due to the low anticipated increase in full-time equivalents, which means additional assets should not be needed. The replacement rate is expected to remain stable year over year.

STATEMENT OF CASH FLOWS

For the years ending March 31, 2011 to March 31, 2017 (in \$ thousands)							
	Actual March 31/11 ¹	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Cash flows from operations							
Net income and comprehensive income	\$ 5,417	\$ 6,906	\$ 5,538	\$ 1,576	\$ (3,044)	\$ (5,765)	\$ (8,758)
Items not requiring cash							
Provision for employee future benefits	3,760	4,320	4,450	4,495	4,540	4,585	4,631
Amortization	1,066	1,187	1,634	1,990	2,132	2,553	2,604
Net increase (decrease) in non-cash working capital balances related to operations	(3,176)	(16)	(1,129)	159	250	(369)	(985)
	7,067	12,397	10,493	8,220	3,878	1,004	(2,508)
Employee severance and other non-pension benefits paid	(461)	(500)	(550)	(650)	(800)	(850)	(1,050)
Net cash flows provided by (used in) operating activities	6,606	11,897	9,943	7,570	3,078	154	(3,558)
Cash flows used in investing activities							
Acquisition of investments	(9,651)	(350)	(350)	(350)	(350)	(350)	(350)
Acquisition of property, plant and equipment, assets under finance lease, and intangible assets	(1,659)	(2,019)	(2,103)	(2,750)	(2,750)	(2,750)	(2,750)
Increase (decrease) in cash during year	(4,704)	9,528	7,490	4,470	(22)	(2,946)	(6,658)
Cash at the beginning of the year	17,493	12,789	22,317	29,807	34,277	34,255	31,309
Cash at the end of the year	\$ 12,789	\$ 22,317	\$ 29,807	\$ 34,277	\$ 34,255	\$ 31,309	\$ 24,651

¹ Amount restated to reflect reporting under International Financial Reporting Standards (IFRS)

The statement of cash flows details the sources and uses of cash from the Corporation's operating, investing and financing activities, as well as the overall net change in the Corporation's cash balance from year to year. Non-cash expenses included in earnings (such as amortization and the provision for employee benefits) are added back, and cash disbursements not included in earnings (such as acquisition of investments, acquisition of property, plant and equipment, assets under finance lease and intangible assets, and payments for severance and other non-pension employee benefits) are subtracted, to arrive at the net change in cash during each fiscal year.

STAFF STRENGTH

For the years ending March 31, 2011 to March 31, 2017							
	Actual March 31/11	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Employees based on full-time equivalents	867	1,023	1,122	1,156	1,179	1,202	1,214

Staff strength, which is presented on a full-time-equivalent basis, is projected to be approximately 1,023 for the current year ending March 31, 2012. This figure represents an increase of approximately 18% from the previous year. The increase is due to a rise in staff levels to support the increase in work volume and business activity forecasted for the current year.

The full-time-equivalent staff strength for the year ending March 31, 2013, is projected to be approximately 1,122, representing an increase of approximately 10% over the current year forecast. This increase is due to the projected increase in business activity and is in line with the expected increase in services revenue. For the remaining plan years, staff strength is expected to increase by between 1% to 3% annually to match the expected increase in business volume, as highlighted earlier under the services revenue discussion.

CAPITAL BUDGETS

For the year ending March 31, 2012 (in \$ thousands)			
	Estimated March 31/12	Planned March 31/12	Variance
Office furniture and equipment	\$ 436	\$ 365	\$ 71
Computer systems hardware	717	858	(141)
Leasehold improvements	326	347	(21)
Intangible assets	367	329	38
Assets under finance lease	173	120	53
	\$ 2,019	\$ 2,019	\$ -

The preceding Capital Budgets table compares the latest estimated capital expenditures for the current year ending March 31, 2012, with planned expenditures. It shows estimated expenditures, overall, are on plan, although there are variants within the category of capital expenditures due to changing requirements. There are adjustments within categories based on requirements. Lower expenditures are forecasted for computer hardware, due to the lower than anticipated costs for IT projects and replacements. Intangible asset costs related to IT projects are expected to be higher than planned due to changes in costs for software. Spending on office furniture and equipment is projected to be higher than planned, as certain planned expenditures that were delayed in the prior year are being spent this year. Leasehold improvements are projected to be slightly lower than planned, due to lower than anticipated costs for fit-ups of office space.

CAPITAL BUDGETS (CONTINUED)

For the years ending March 31, 2011 to March 31, 2017 (in \$ thousands)							
	Actual March 31/11 ¹	Estimated March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15	Planned March 31/16	Planned March 31/17
Office furniture and equipment	\$ 147	\$ 365	\$ 281	\$ 500	\$ 500	\$ 500	\$ 500
Computer systems hardware	869	858	866	880	880	880	880
Leasehold improvements	270	347	126	500	500	500	500
Intangible assets	330	329	710	750	750	750	750
Assets under finance lease	43	120	120	120	120	120	120
	\$ 1,659	\$ 2,019	\$ 2,103	\$ 2,750	\$ 2,750	\$ 2,750	\$ 2,750

¹ Amount restated to reflect reporting under International Financial Reporting Standards (IFRS).

Capital expenditures for the current year ending March 31, 2012, are currently forecasted to be \$2.0 million, representing an increase of approximately 22% over the previous year. This increase is primarily the result of increases in spending on leasehold improvements, new office furniture, and assets under finance lease.

For the year ending March 31, 2013, capital expenditures are projected to be \$2.1 million, representing an increase of approximately 4% over the forecast for the current year. This increase is due to anticipated higher spending on computer hardware to replace aging computer systems and on software related to corporate reporting.

For the year ending March 31, 2014, capital expenditures are projected to be \$2.8 million, representing an increase of approximately 31% over the previous year's plan. This increase is due to anticipated higher spending in almost all asset categories to accommodate growth and renew older assets. For the remaining plan years, capital expenditures are forecasted to remain relatively unchanged from year to year, as the need for additional computer hardware and software renewal is expected to remain constant during those years.

OPERATING BUDGET

For the year ending March 31, 2012 (in \$ thousands)			
	Plan March 31/12	Estimated March 31/12	Variance
Services revenue	\$ 102,085	\$ 111,360	\$ 9,275
Investment revenue	200	401	201
Total revenue	102,285	111,761	9,476
Salaries and employee benefits	89,285	93,687	4,402
Operating and administrative expenses	9,982	9,981	(1)
Amortization	1,200	1,187	(13)
Total expenses	100,467	104,855	4,388
Net income and comprehensive income	\$ 1,818	\$ 6,906	\$ 5,088

The Operating Budget table compares estimated operating results with planned results for the current year ending March 31, 2012. Services revenue is expected to be approximately 9% above plan. The increase is related to higher than anticipated business volume due to higher demand for services. Investment revenue is expected to be approximately 101% above plan, due to higher than anticipated interest rates, a higher average cash balance throughout the year and the addition of an investment portfolio that generates a higher rate of return than the cash held in bank accounts.

Salaries and employee benefits are expected to be approximately 4.9% higher than plan. The increase is due to the higher than anticipated staffing levels needed to handle a higher volume of work, as previously discussed.

In spite of the higher than planned business activity, cost containment measures introduced in 2011–12 are expected to keep operating and administrative costs at planned levels. Amortization is expected to be approximately 1% below plan. The small decrease is due to the fact that capital expenditures are estimated to be slightly below planned levels, as discussed above.

The forecasted net income and comprehensive income is expected to be \$6.9 million, versus a planned net income and comprehensive income of \$1.8 million. This significant variance is due primarily to a combination of higher than anticipated business volumes and revenues combined with constant operating and administrative costs, lower amortization costs and more efficient service delivery.