

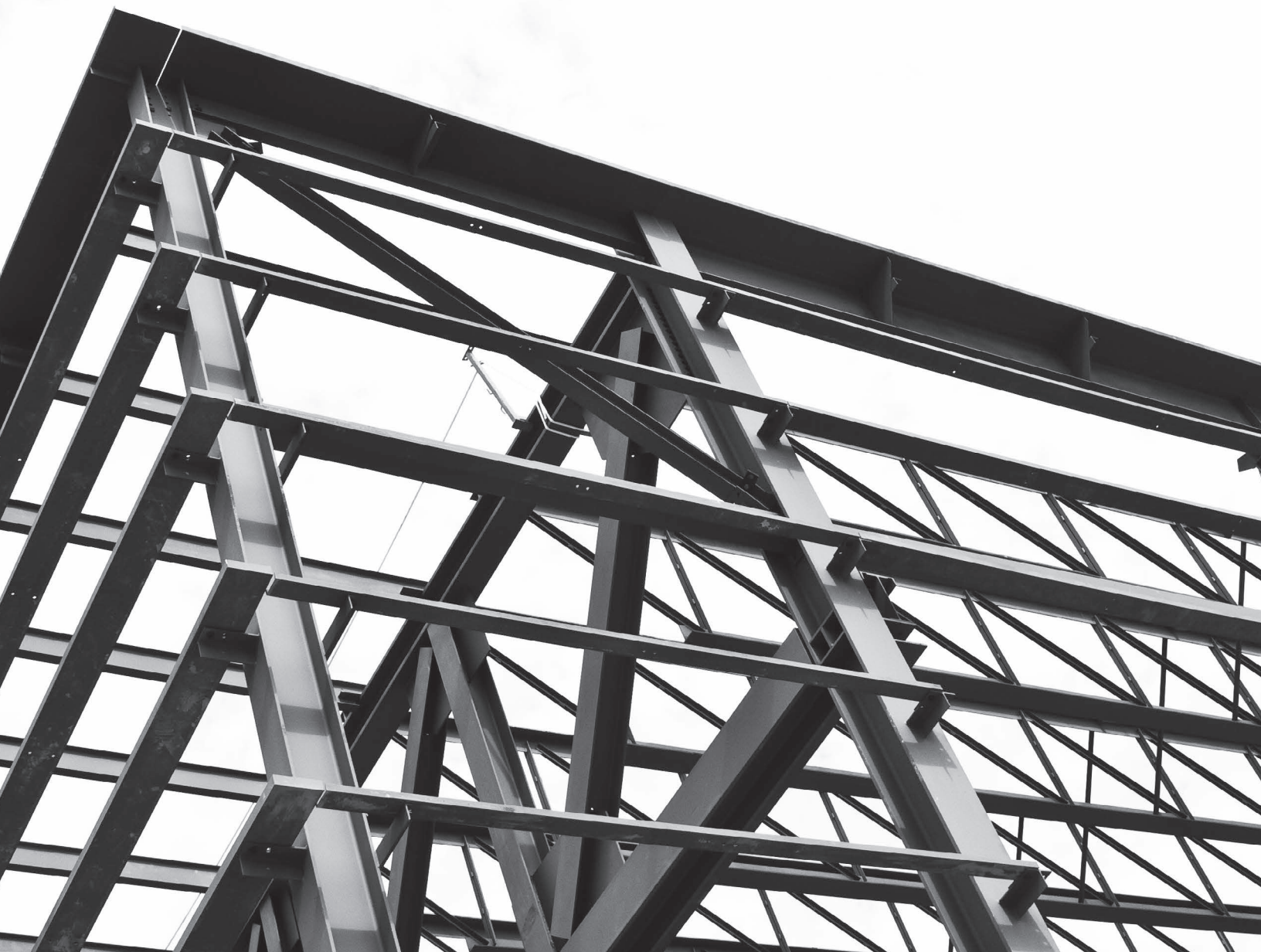


DEFENCE CONSTRUCTION CANADA

# CORPORATE PLAN

2013-2014 *to* 2017-2018

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2013-2014



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Photo (opposite page): Melissa Vestby,  
Environmental Services Coordinator, 4 Wing Cold Lake



Defence Construction Canada  
Construction de Défense Canada

Canada



# ABOUT DCC

Defence Construction (1951) Limited (operating as Defence Construction Canada or DCC) is a Crown corporation that provides innovative and cost-effective contracting, construction contract management, infrastructure and environmental services for the Department of National Defence (DND), the Canadian Forces (CF), and Communications Security Establishment Canada (CSEC), as required for the defence of Canada. Operating on a fee-for-service basis, DCC does not receive any appropriations from the Government of Canada. DCC's resources are divided among five service lines.

## Construction Services

THE CONSTRUCTION SERVICES TEAM SUPPORTS THE CREATION, RENOVATION AND MAINTENANCE OF FACILITIES FOR DND'S INFRASTRUCTURE AND ENVIRONMENTAL PROGRAM.

## Contract Services

THE CONTRACT SERVICES TEAM OVERSEES THE PROCUREMENT OF GOODS AND PROFESSIONAL, CONSTRUCTION AND MAINTENANCE SERVICES TO FULFILL CANADA'S DOMESTIC AND INTERNATIONAL DEFENCE INFRASTRUCTURE NEEDS.

## Environmental Services

ENVIRONMENTAL SERVICES HELPS DND MEET ENVIRONMENTAL PERFORMANCE TARGETS, COMPLY WITH REGULATORY REQUIREMENTS, AND MANAGE DUE DILIGENCE AND RISK.

## Project and Program Management Services

PROJECT AND PROGRAM MANAGEMENT SERVICES ADVISES ON MATTERS SUCH AS BUILDING REQUIREMENTS, PROGRAM PLANNING, AND SCHEDULE AND DOCUMENT CONTROL.

## Real Property Management Services

FROM NEEDS PLANNING TO FACILITY DECOMMISSIONING, THE REAL PROPERTY MANAGEMENT SERVICES TEAM ENSURES DND'S REAL PROPERTY ASSETS ARE MANAGED EFFICIENTLY THROUGHOUT THEIR LIFECYCLES.

## Mandate

The principal mandate of DCC, pursuant to the *Defence Production Act*, is to meet the infrastructure and environmental needs of DND/CF by providing quality services. 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 is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The *Defence Production Act* defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of or dealing in defence projects. DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings. DCC reports to Parliament through the Minister of Public Works and Government Services.

## Mission

TO PROVIDE TIMELY, EFFECTIVE AND EFFICIENT PROJECT DELIVERY AND FULL LIFECYCLE SUPPORT FOR INFRASTRUCTURE AND ENVIRONMENTAL ASSETS REQUIRED FOR THE DEFENCE OF CANADA.

## Vision

TO BE A KNOWLEDGEABLE AND INNOVATIVE LEADER AND EMPLOYER OF CHOICE, VALUED BY THE GOVERNMENT OF CANADA AND INDUSTRY, IN THE ACHIEVEMENT OF OUR MISSION.

## 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.

### Collaboration

DCC is committed to developing collaborative relationships with its Client-Partners, industry and employees. Together, we leverage our shared expertise toward our common goals.

### 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-Partner's needs.

### Fairness

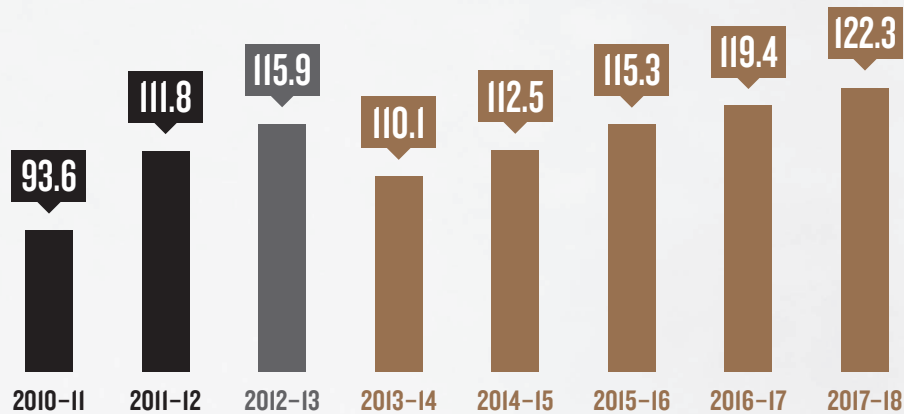
DCC deals with its Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.



# BUSINESS OPERATIONS HIGHLIGHTS

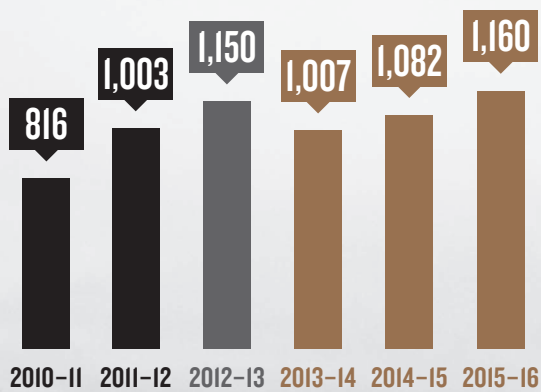
## DCC SERVICES REVENUE

■ ACTUAL ■ FORECAST ■ PROJECTED (\$ MILLIONS)



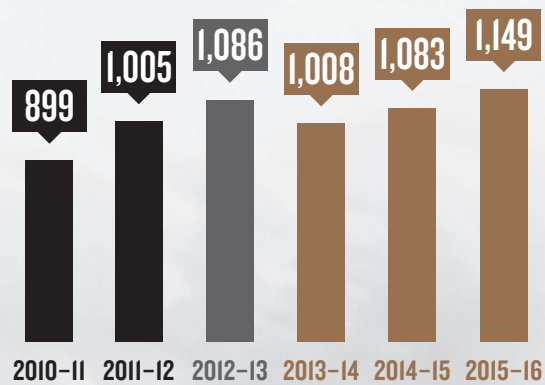
## DCC CONTRACT EXPENDITURES

■ ACTUAL ■ FORECAST ■ PROJECTED (\$ MILLIONS)



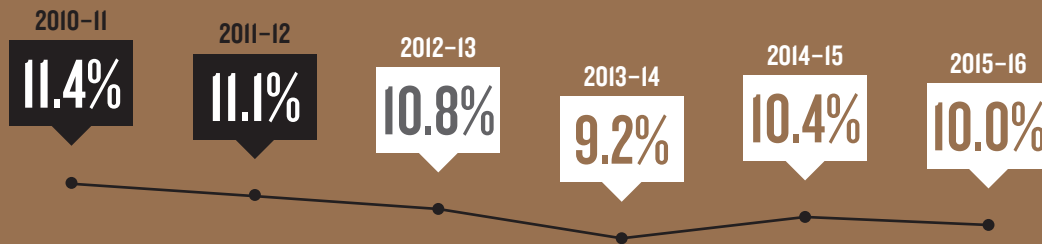
## DCC CONTRACT EXPENDITURES PER FULL-TIME EMPLOYEE

■ ACTUAL ■ FORECAST ■ PROJECTED (\$ THOUSANDS)



## DCC SERVICES REVENUE AS A PERCENTAGE OF DND IE RELATED PROGRAMS

■ ACTUAL ■ FORECAST ■ PROJECTED



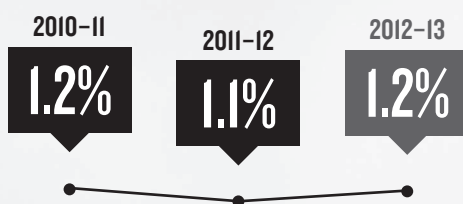
## DCC SERVICES REVENUE BY SERVICE LINE AS A PERCENTAGE OF DND IE RELATED PROGRAMS

■ SERVICE LINE ■ ACTUAL ■ FORECAST

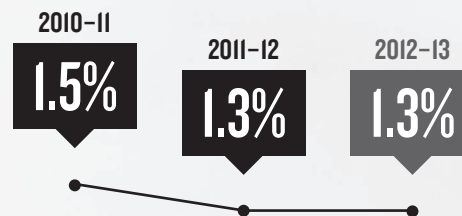
### CONSTRUCTION SERVICES



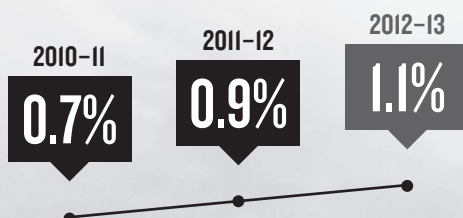
### CONTRACT SERVICES



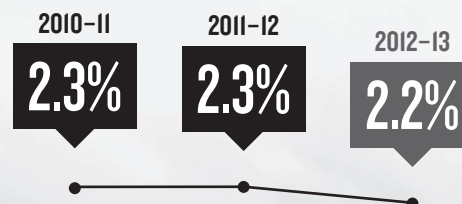
### ENVIRONMENTAL SERVICES



### REAL PROPERTY MANAGEMENT SERVICES

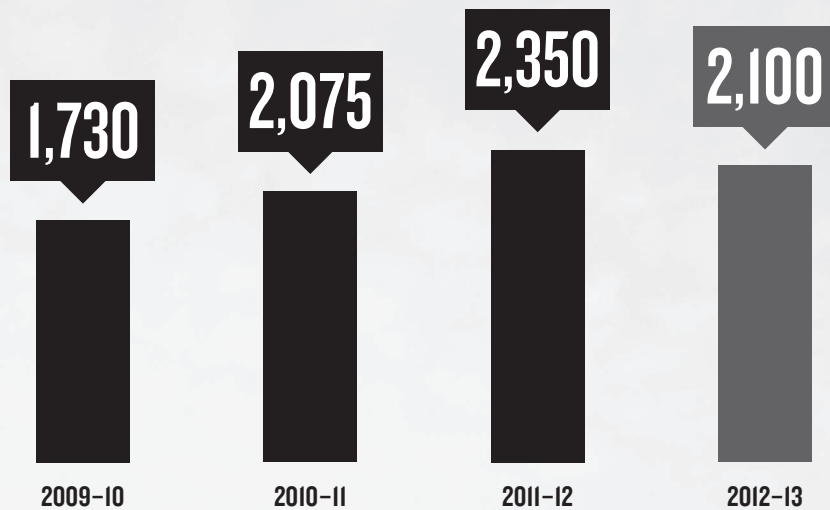


### PROJECT AND PROGRAM MANAGEMENT SERVICES



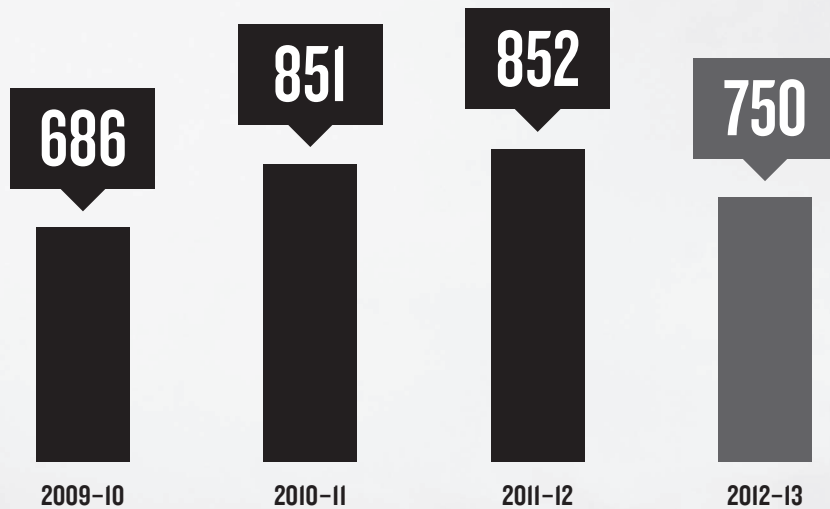
### NUMBER OF CONTRACTS AWARDED

■ ACTUAL ■ FORECAST



### VALUE OF CONTRACTS AWARDED

■ ACTUAL ■ FORECAST (\$ MILLIONS)



#### ABOUT BUSINESS OPERATIONS HIGHLIGHTS

These charts are intended to describe DCC's business operations within its planning context. These charts illustrate expected performance trends for DCC, based upon DCC's internal expectations of DND's infrastructure and environment program. Contract expenditures include all services that DCC delivers for the construction and maintenance of defence infrastructure, for environmental projects and services, and for lifecycle infrastructure support.



# DEFENCE CONSTRUCTION CANADA

# STRATEGIC PLAN OVERVIEW

2013-2014 to 2017-2018

## Government of Canada Key Priorities Supported by DCC

### Stimulating Canada's Economy

- Long-term economic prosperity for Canada —
- An innovative and entrepreneur-based economy —
- Canada as a leader in the global economy —
- Preserving Canada's environment —

### Protecting Canada

- Rebuilding the Canadian Forces —
- Defending Arctic sovereignty and national security —

### Fostering Accountability and Integrity

- Sustainable public finances —
- Strong fiscal and asset management in Government —
- Transparency (access to information and privacy) —
- Values and ethics in the public sector —

## Mission

TO PROVIDE TIMELY, EFFECTIVE AND EFFICIENT PROJECT DELIVERY AND FULL LIFECYCLE SUPPORT FOR INFRASTRUCTURE AND ENVIRONMENTAL ASSETS REQUIRED FOR THE DEFENCE OF CANADA.

## Vision

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## Values

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### Collaboration

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### 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-Partner's needs.

### Fairness

DCC deals with its Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.

## 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-Partner 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	<ol style="list-style-type: none"> <li>Business practices, policies, systems and tools support effective and efficient service delivery, and support strong financial management.</li> <li>Human resources strategies, programs, policies and practices meet business and operational requirements effectively and efficiently.</li> <li>Corporate assets are safeguarded.</li> </ol>	<ol style="list-style-type: none"> <li>Service delivery is optimized and principles-based.</li> <li>A strong partnership with DND/CF is maintained.</li> <li>DCC planning is aligned with DND/CF.</li> <li>DCC leverages industry capacity.</li> </ol>	<ol style="list-style-type: none"> <li>DCC provides a healthy and productive work environment.</li> <li>DCC encourages and fosters innovation.</li> <li>Employees relate to DCC's mission, vision and values.</li> </ol>	<ol style="list-style-type: none"> <li>DCC maintains an effective and efficient risk management framework.</li> <li>DCC responds to changes in business activity.</li> <li>DCC maintains effective and efficient corporate planning and performance management frameworks.</li> <li>DCC continues to show ethical leadership.</li> </ol>	<ol style="list-style-type: none"> <li>DCC is accountable to the Government of Canada through appropriate corporate governance.</li> <li>DCC demonstrates its competence and value as an agent of the Crown.</li> <li>Corporate leadership and oversight are provided in the fulfillment of the mandate of the Corporation and the priorities of the Government of Canada.</li> <li>DCC supports government policies and practices.</li> </ol>
CORPORATE INITIATIVES	<ol style="list-style-type: none"> <li>Performance measurement and reporting</li> <li>Enterprise resource planning system upgrade</li> <li>Business practice optimization</li> </ol>	<ol style="list-style-type: none"> <li>Service delivery optimization</li> <li>Support DND/CF infrastructure and environment portfolio</li> <li>Industry innovation initiatives</li> <li>Lessons learned framework</li> </ol>	<ol style="list-style-type: none"> <li>Ideas@Work program</li> <li>A principles-based decision-making culture</li> <li>Social media</li> <li>Launch of its revised mission, vision and values statements</li> </ol>	<ol style="list-style-type: none"> <li>Performance management audit recommendations</li> <li>Delegation of authority audit recommendations</li> <li>Training framework</li> <li>Corporate social responsibility framework</li> </ol>	<ol style="list-style-type: none"> <li>Fiscal restraint measures</li> <li>Support for DND fiscal restraint measures</li> <li>Increase external awareness of DCC</li> </ol>
KEY PERFORMANCE INDICATORS	<ul style="list-style-type: none"> <li>Operational results and performance measures, such as cost of service delivery, utilization rate and direct personnel expense multiplier</li> <li>Financial results</li> </ul>	<ul style="list-style-type: none"> <li>Service delivery rating</li> <li>Industry feedback and consultations</li> <li>DCC involvement in industry activities</li> <li>Contractor performance evaluation results</li> </ul>	<ul style="list-style-type: none"> <li>Investment in training and development</li> <li>Innovation results</li> <li>Employee wellness</li> <li>Employee retention rate</li> <li>Employment equity rating</li> <li>Results of social media strategy measures</li> </ul>	<ul style="list-style-type: none"> <li>Management reporting</li> <li>Timeliness of submissions reporting</li> <li>Overall business performance results</li> <li>Achievement of corporate initiatives</li> <li>DCC Code of Business Conduct results</li> <li>DCC Procurement Code of Conduct results</li> </ul>	<ul style="list-style-type: none"> <li>Success in meeting government requirements, including deficit reduction</li> <li>Environmental, safety and security results</li> <li>Internal and external audit results, and Office of the Auditor General Special Examination results</li> <li>Success in responding to government requests</li> </ul>







# EXECUTIVE SUMMARY

Efficiency and cost effectiveness have been at the forefront of DCC's commitment to service since its inception in 1951; however, in the 2013–14 to 2017–18 planning period, these attributes will be more important than ever. Although Canada's economy is strong in comparison to those of other countries, government-led fiscal restraint initiatives are greatly affecting DCC's business strategy. It is a time of change for the Department of National Defence and the Canadian Forces (DND/CF). They are transitioning to a lower pace of operations following the end of the combat mission to Afghanistan and are looking toward new priorities, such as maintaining an appropriate presence in and surveillance of the Arctic. In the midst of this, in the first half of 2012–13, DCC's performance remained consistent and the Corporation remained flexible in supporting its Client-Partners.

## THE PLANNING ENVIRONMENT

DCC's mandate is to provide infrastructure service and full lifecycle support for Canada's defence requirements. It has two Client-Partners: one is the infrastructure and environment group at the Department of National Defence; the other is the Communications Security Establishment Canada (CSEC). In its role as a support organization for larger defence and security organizations, DCC works in a global planning context that mirrors that of its Client-Partners. The same factors and conditions that affect Canada and Canada's defence and security organizations could have a direct impact on DCC's long-term ability to achieve its mission.

Many societies are experiencing changes, shifts and impacts related to economic, environmental, geopolitical, societal and technological factors. The world has become increasingly interconnected and interdependent, and Canada cannot isolate itself from these global risks. Issues such as climate change, energy supply, terrorism, cyber threats and religious extremism, to name a few, all have the potential to make an impact on Canada's defence and security partners over the long term.

At home, Canada's deficit-reduction activities are an important part of the country's fiscal strategy. They are designed to help Canada maintain its long-term economic prosperity. Canada's construction industry is becoming larger and much more complex with an increase in the number of projects in the \$1-billion range. Additionally, there are fewer construction firms and more foreign ownership, as well as a forecasted shortage of skilled labour, and all owners must keep up with new project management and delivery methodologies.

## DCC'S PLANNING STRATEGY

DCC organizes its business planning strategy under five planning themes that reflect the nature of its business. They are Business Management, Service Delivery, People, Strategic Management and Leadership, and Corporate Governance and Stakeholder Relationships.

The goal of DCC's strategic planning is to enable the Corporation to fulfill its mission of providing timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada. Each of the planning themes has a strategic objective and strategic outcomes that are aligned with this goal. The objectives and their strategic outcomes are designed to be specific, measurable, achievable, relevant and timely, and are expected to remain constant during the 2013–14 to 2017–18 planning period.

Each year in its annual planning session, DCC reviews the results of the performance indicators for each of the strategic objectives and determines how well it is meeting the strategic outcomes. It also takes into account input from its Client-Partners, Board of Directors and industry partners in its environmental analysis. If there is a new need or an opportunity for improvement, then an initiative is created to address this situation. This is a service-centred strategy, which DCC has honed well over the past 60 years. This strategy has positioned the Corporation as a knowledgeable and innovative leader and as an employer of choice.

## STRATEGIC INITIATIVES

All of DCC's strategic initiatives are multi-year initiatives. As work progresses on them, they will affect the Corporation throughout the 2013–14 to 2017–18 planning period. Some of the initiatives are carry-overs from past years and are progressing to the next phase of their development. Many of them relate to improving or optimizing existing technology infrastructure or business management systems. One of the new initiatives is a review of the DCC mission, vision and values statements. Given the wide scope of changes to DCC's business over the past several years, and since the majority of DCC employees have been with the Corporation for less than five years, a review of the mission, vision and values was warranted. The statements were updated in fall 2012. They will be launched in the next fiscal year, and there will be an ongoing awareness and engagement campaign around these key corporate messages. Other new initiatives relate to training and development, social media, corporate social responsibility, and external communications. Given the scope of these initiatives and the fact that they relate to people and behavioural changes, this work will unfold throughout the coming planning period and beyond.

## DEPARTMENT OF NATIONAL DEFENCE

Like the budgets for all Government of Canada organizations, the budget for the Department of National Defence (DND) portfolio has been reduced. The reductions are designed to restrain growth, with a focus on administrative efficiency in areas that do not directly contribute to operational readiness. On a transaction-by-transaction basis, DCC advises DND on areas where the Department can achieve cost efficiencies.

The DND infrastructure and environment (IE) capital expenditure programs are forecasted to have a budget of between \$1.1 and 1.2 billion at the end of 2012–13. It is estimated that the DND capital expenditure program will decrease slightly in the next fiscal year, then stabilize over the following several years. In the first half of 2012–13, DND's operations and maintenance budget (O&M) was reduced in Quebec and Ontario. It is anticipated that by the end of this fiscal year, the total O&M budget will have been reduced by \$327 million.

Chapter 5 of the *Report of the Auditor General of Canada*, delivered to the House of Commons in fall 2012, focused on DND's real property management. It recommended that DND complete a strategy for managing its real property. It also recommended that DND implement cyclical and semi-annual review controls over DCC, as discussed in the 2008 memorandum of understanding. For both situations, DCC is well prepared and stands ready to support its Client-Partner.

It is anticipated that DCC will support DND/CF with its implementation of the Canada First Defence Strategy. This could include, for example, infrastructure support requirements arising out of announcements pursuant to the National Shipbuilding Procurement Strategy (NSPS). The NSPS includes the Royal Canadian Navy's Arctic Patrol Ships.

DCC's biggest current challenge is to maintain its flexibility to respond to DND's changing needs. DCC has its own cost-reduction commitments to meet, but it also needs to help DND meet its cost-reduction commitments without compromising its infrastructure. All Government of Canada spending is being reviewed to ensure efficiency and effectiveness.

## INFRASTRUCTURE AND ENVIRONMENT PROJECTS

The scope of DCC's infrastructure and environment project portfolio ranges from innovative projects to traditional ones, from control towers to dockyards, from hangars to tank maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Throughout the planning period, DCC will be supporting several major construction programs and projects for DND/CF.

The Fleet Maintenance Facility (Cape Breton) project is a five-phase initiative to consolidate and modernize the DND ship maintenance facilities at Her Majesty's Canadian Dockyard Esquimalt.

DCC is also supporting numerous infrastructure projects at 8 Wing/CFB Trenton. These include construction of a new maintenance hangar, construction of a new building to house the Canadian Forces Land Advanced Warfare Centre, and upgrades to National Air Force Museum, the Air Mobility Training Centre and the Military Family Resource Centre.



At CFB Petawawa, DCC is supporting the construction of a new light armoured vehicle III (LAV III) facility, a new hangar, medium-to-heavy lift helicopter training accommodations and the Equipment Fielding Coordination Centre.

The Defence Research and Development Canada (DRDC) Infrastructure Renewal Project is a new research and development complex—comprising offices, laboratories and support spaces—to be built on the DRDC Valcartier grounds. It is due for completion in 2020. This project also calls for the renovation of viable existing buildings and the demolition of obsolete buildings.

## COMMUNICATIONS SECURITY ESTABLISHMENT CANADA

In addition to DND/CF, the Communications Security Establishment Canada (CSEC) is DCC's other Client-Partner. CSEC, Canada's national cryptologic agency, is a stand-alone agency reporting directly to the Minister of National Defence. As the contracting authority for DND, DCC is working with CSEC on its long-term accommodation project (LTAP) in Ottawa. This building will be a state-of-the-art, high-security facility housing the largest repository of top secret information in Canada. Built using a public-private partnership (P3), the building will span more than 72,000 net square metres. The associated design-build-finance and maintain contract includes unique security, infrastructure and financing arrangements. Working with officials from CSEC and other outside advisors, DCC staffers played a critical role in developing the P3 model under which the LTAP was procured.

## FINANCIAL FORECAST

DCC is forecasting services revenue of approximately \$116 million for the current year ending March 31, 2013, an increase of approximately 4% from the previous fiscal year. During the same period, staff strength, expressed on a full-time-equivalent basis, is expected to rise to 1,059 employees, an increase of approximately 6% from the previous fiscal 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 the same as it was for the same time period last year at 74.7% and is slightly lower than the rate of 75.8% for the 12-month period ended March 31, 2012.

## DEFICIT REDUCTION ACTION PLAN

Through the Minister of Public Works and Government Services, the Government of Canada requested that DCC undertake a review 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 identified and discussed several areas of potential savings in the Corporate Plan for 2012–13 to 2016–17 in the areas of corporate services, corporate-wide initiatives, and salaries and benefits. It also committed to reducing the cost of DCC services to DND, by freezing billing rates for the next three fiscal years, and identified a number of actions designed to generate a 5% cost saving on services rendered to DND.

The Corporation has included its DRAP savings commitments in the 2013–14 to 2017–18 financial projections presented in this Corporate Plan. These projections are based on certain assumptions and expectations regarding 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 increase operating expenses in certain areas.

Based on current results to date for fiscal 2012–13 and DCC's projections for the remainder of the fiscal year, the Corporation expects to achieve the savings outlined in its DRAP submissions for fiscal 2012–13.

## VALUE FOR MONEY

By design, DCC's business model ensures value for money and technically strong service delivery for its Client-Partners. As a Crown corporation, it has flexibility in its business management, in times of both expansion and restraint. Its legislated mandate allows it to provide the full range of infrastructure services and lifecycle management for the defence of Canada. Sixty-two years of military construction experience—from bases and wings across Canada, to sites in the far North, across Europe and in Afghanistan—position DCC as the consistent corporate memory for defence infrastructure in Canada. The Corporation has the same goal that its Client-Partners have: it wants to deliver projects on time, effectively and efficiently, wherever DND needs them.

Operating on a not-for-profit basis, DCC's entire team is dedicated to resolving challenges at a moment's notice. DCC can leverage its connections with industry and ensure that businesses have fair and equal access to the millions of dollars' worth of contracts issued regularly. DCC will be attentive to the conclusions of the Charbonneau Inquiry, which is looking into corruption and collusion in the Quebec construction industry. Through a fair and transparent contracting process, DCC protects the Crown's interests and those of its service partners. In the coming planning period, it will be more important than ever for DCC to exercise its added-value capability, as DND moves through a transition period.

## PEOPLE

People are at the core of DCC's business, and the Corporation prides itself on being able to place the right people in the right job at the right time. Over 68% of employees have been at DCC for five years or less, and 48% have been there for three years or less. That demographic factor, combined with changes in the business, led DCC's senior management to review the mission, vision and values statements to ensure that they still reflect the business and are still meaningful to both external partners and DCC's employees. Continuous learning, collaboration, innovation and employee performance management remain high on DCC's agenda for the planning period, and the Corporation has corporate initiatives in all of these areas. DCC also acknowledges that the workplace is changing and that not only does the Government of Canada encourage social media use, but employees also expect to use them. Finally, the Canadian Construction Association forecasts that industry will need 319,000 new workers by 2020, just to replace those who have retired. Given these conditions, DCC is keenly aware that it must be recognized as an employer of choice so that it can recruit and retain the best employees.

## GOVERNANCE AND MANAGEMENT STRUCTURE

The position of Vice-President, Operations – Procurement was filled in the first half of 2012–13. The Contract Services Division, which had been on a path of decentralization for the past several years, completed its reorganization in the first half of this fiscal year. After DCC made some staff reductions at Head Office in Ottawa, a core group of contract services staffers were absorbed into the National Capital Region (NCR).

The DCC-DGME (Director General Military Engineering) joint program management office will be reorganized to focus on joint business management initiatives. The capital program will be coordinated centrally in Ottawa and implemented at the site level. The joint office will receive the authority to plan and coordinate delivery of projects for DND worth over \$5 million.

DCC's Procurement Code of Conduct (PCC) was completed this year and the Corporation will take steps toward communicating it to DCC's industry partners in the second half of 2012–13. Any supplier that is bidding on or has been awarded a contract must abide by the obligations of the PCC, because these obligations form part of the contract.

DCC's internal auditors, Interis Consulting Inc., completed two internal audits in the first half of 2012–13: an audit of delegated authority and an audit of performance management. The audit of delegated authority concluded that DCC has a robust system for managing the authorities that have been delegated to its employees. The audit on performance management reaffirmed that performance information drives decision-making throughout DCC, from the President and Vice-Presidents, through service lines and regions, down to the site level, and that there is room for improvement. DCC has two strategic initiatives in this plan to address the recommendations arising from these two audits.

# GLOBAL PLANNING CONTEXT AND STRATEGIC ISSUES

DCC's mandate is to provide infrastructure services and full lifecycle support for Canada's defence requirements. It has two primary Client-Partners: one is the infrastructure and environment (IE) group at the Department of National Defence; the other is the Communications Security Establishment Canada (CSEC). In its role as a support organization for these large defence and public security organizations, DCC works in a global planning context that mirrors that of its Client-Partners. The same factors and conditions that affect Canada and Canada's defence and security organizations have a direct impact on the demand for DCC support of infrastructure and environment projects for the defence of Canada.

## EXTERNAL FACTORS

This section outlines some of the broader external environmental factors that drive the demand for infrastructure support from DCC.

At the strategic planning session in September 2012, with input from DCC's Board of Directors, DCC's senior management considered the global planning context and the strategic issues facing Canada, and how these could impact DCC in meeting its five strategic objectives successfully.

Recently, the World Economic Forum issued its *Global Risks 2012—Seventh Edition* report, which discussed current global risks in terms of their likelihood and impact. During its strategic planning session, DCC reviewed the findings of this report and considered them in developing its business strategy for the next five to 10 years.

The report indicated that the world has become increasingly interconnected and interdependent. Today, no society or country is immune to changes, shifts and impacts from economic, environmental, geopolitical, societal and technological factors. Canada cannot isolate itself from these global risks, and this global context will have an impact on Canada's defence and security partners over the long term.

The definition of the term "security" is evolving and the concept is becoming more complicated. It can refer to cyber-security, energy security, economic security or political security—all elements that relate to societies and people.

DCC reflected on the state of the world in relation to these risk factors and the degree to which they are relevant. In addition, DCC reviewed the state of the construction industry, in consultation with the Canadian Construction Association. The following section discusses DCC's planning environment and the factors that could have an impact on DCC's strategic direction.

## THE ENVIRONMENT

Climate change and extreme weather conditions are having significant economic and societal impacts, with the potential to lead to increased infrastructural investment, changing building standards and political changes over the 10-year planning horizon.

Greenhouse gas emissions (GHGs) are rising and the global community is not meeting its GHG reduction targets. Arctic ice in the northern passage is melting, and the route is now navigable in the winter. Many nations will see an economic advantage to using this new passage as an expedited shipping route, and several major powers may want to establish a foothold there. Defending Arctic sovereignty is a key priority of the Government of Canada, and DCC would stand ready to support any infrastructure or environment project arising from Canada's Northern Strategy.

In other vulnerable areas, there is increasing threat to populated areas from geophysical events and flooding. Their impact often overwhelms existing response measures which could prompt DND/CF to provide humanitarian assistance and disaster relief (HADR). DCC would be ready to support accordingly.

## LAND AND WATER RESOURCES

In all parts of the world, proper management of land and water resources is an issue. The risks can be attributed to unsustainable land use practices, competition for available water, the negative impact of industrial food production and climate change. Adverse or extreme weather can ruin several agricultural seasons. The need could arise for Canada to protect such resources and DCC may be called upon to support DND in its sustainable land and water management efforts.

## ENERGY

Canada is rich in natural resources and a net exporter of oil. It is currently performing well economically in comparison to other G8 countries. However, there is volatility in energy prices, related to current worldwide geopolitical circumstances. Efforts have been made over the past 30 years to develop feasible renewable forms of energy, such as wind power, electric vehicles, fuel cells and cellulosic ethanol. However, technology risks associated with these alternatives will remain until these energy sources are proven to work on a large scale.



Defence departments in many jurisdictions have been exploring self-sustaining energy sources and sustainable buildings that would allow them to generate energy and thereby lessen the impact of a global energy crisis. Potentially, demand for renewable energy could outstrip supply. DCC would need to develop further expertise in energy-related sustainable development in order to provide support to DND/CF as appropriate.

## **ECONOMICS**

Canada's financial system remains strong in comparison to those in many other jurisdictions; however, to maintain the strength of Canada's financial system, the fiscal policy of the Government of Canada is focused on expenditure restraint for the next three years. The Deficit Reduction Action Plan is intended to generate cost savings over three fiscal years: 2012–13, 2013–14 and 2014–15 and beyond. Federal funding for DND and its related programs has been reduced. In addition to reducing its own costs, DCC is focused on optimizing its business processes while helping DND to find efficiencies in its day-to-day infrastructure operations.

## **GOVERNANCE SYSTEMS**

DCC works steadily to maintain a robust and transparent governance structure. Performance management, based on sound and precise business data management and systems, is key to helping the Corporation demonstrate its value to Canadian taxpayers and reveal any potential compromise to internal systems.

The Charbonneau Inquiry, which is looking into corruption and collusion in the Quebec construction industry, may reach conclusions that could affect the national construction industry as a whole. In this vein, DCC has introduced a Procurement Code of Conduct for industry to decrease the potential for this type of corruption.

## **TECHNOLOGY**

New technology is advancing at a rapid rate and so, too, is the potential for threats to high-tech or critical infrastructure. A growing number of large-scale cyber-attacks could pose a threat to national and global security. DCC needs to protect its business accordingly in order to be ready to support its Client-Partners as required. As new technology emerges, so do the positive opportunities. It is important for DCC to keep up to date with technology innovations in the construction industry, such as building information modeling (BIM) and electronic procurement so that it can best support its Client-Partners.

## **THE CONSTRUCTION INDUSTRY**

The Canadian construction industry is becoming larger and much more complex, with fewer construction firms, more foreign ownership, more service-integrated firms, quicker adaption of technology and greater private sector involvement in traditional business owner activities.

The *Global Construction 2020* report produced by Oxford Economics revealed several factors relevant to DCC's business. Relative to other countries, Canada is experiencing a construction boom. Some observers rate Canada as the fifth-largest construction market in the world. Investment in this industry could reach \$300 billion by 2013. The typical size of Canadian construction projects is increasing: there are 30 in Canada valued at \$1 billion or more, and 61 valued at \$500 million to \$1 billion. This trend has continued in the past three years. There is also more global foreign competition in the Canadian construction market, particularly from European firms.

According to the Canadian Construction Association, the Canadian market faces workforce challenges. It is forecasted that the industry will need 319,000 new workers by 2020, just to replace those who have retired, to meet demand. A lot of large construction projects are occurring in remote areas, where younger generations are less likely to relocate. Mergers and acquisitions are happening among small and medium-sized enterprises.

Further, governments at the federal, provincial and municipal levels are all facing challenging fiscal realities related to aging infrastructure. Public-private partnerships (P3) are increasingly seen as an economical and efficient way to navigate these challenges.

Innovation is happening in the construction industry due to increased and changing client demands, the pressure of global competition, and reduced human resources capacity. Procurement and project delivery methods are evolving and clients are relying on the private sector to provide more deliverables. For example, the Government of Canada is considering lifecycle cost procurement strategies.

Over the course of its 60-year history, DCC has been accustomed to working in this buoyant construction industry.

DCC will support recruitment and retention strategies to ensure that a skilled and available workforce is in place. It will continue to develop innovative procurement and contract management strategies to attract qualified contractors for defence projects, ensuring quality work at competitive prices. It will also continue to deal fairly with industry partners in the work they undertake.

## INTERNAL FACTORS

This section outlines some of the internal environmental factors that DCC has to consider in its planning process.

DCC is an independent organization that is responsible for its own operating plan, financial management and business processes. It follows all applicable federal government regulations and adheres to government guidelines.

DCC relies on its revenue, earned through time-based billing on a fee-for-service basis. It is non-appropriated, has no line of credit facility or other borrowing capacity, and is responsible for sustaining its business on an ongoing basis.

Revenue is generated subject to demand for services from its Client-Partners. It is their decision ultimately as to the extent and timing by which DCC's services are utilized.

DCC's Client-Partners also do not provide a clear infrastructure program forecast that DCC can base its resource and expense planning on. DCC develops its own annual five-year forecast of the expected infrastructure program based on input from all Client-Partner groups it deals with, from headquarters to regional representatives.

DCC analyzes all data obtained and develops a forecast based on our experience in delivering the program over many years. Due to the volatility in actual program numbers, DCC has to manage two challenging situations:

- first, maintaining the right number of resources to meet all of the program requirements in the year to support DND's IE needs and approved budgets;
- second, maintaining the flexibility and responsiveness to adjust resources as necessary in order to avoid a loss situation if program numbers are dramatically reduced.

The uncertainty that these factors present exposes DCC to a high degree of risk in achieving its financial forecast each year in the planning period. DCC needs to maintain the flexibility and responsiveness, as well as the financial resources, necessary to respond to material fluctuations in our operating results from plan.

## **MARGIN RESULTS**

As stated previously, our approach to setting billing rates and target margins is intended to cover operating costs and generate sufficient cash reserves to sustain our operations.

Several factors can contribute to the net margin varying from plan. These include:

1. Revenue fluctuations: Actual revenue can be higher or lower than planned based on fluctuations in program, approval delays, variations in demand and mix of services requested, and other factors. If revenue exceeds expectations, for example when infrastructure program growth is high, as in the past five years, a larger than expected surplus can occur and similarly, if it is lower than expected, a loss may occur.
2. Operating efficiencies: DCC is continuously committed to making operations as efficient and effective as possible. If we are successful in realizing efficiencies beyond our plan, the resulting margin is higher than planned and contributes to a larger cash surplus.
3. Business expenditures timing: Some planned expenditures may be deferred or delayed within the planning cycle for a variety of reasons, including DND program-related factors. This can result in a higher net margin in the period.

The overall effect of the above is that DCC may exceed or miss its net margin targets in a fiscal period. This is also one of the risks mentioned above. Actual results are factored into decisions on billing rates and projections for subsequent periods.

Each year, DCC analyses the actual results obtained in the year, including cost increases for payroll and other expenses (fixed and variable) and its forecasted plan for the next five years, and makes a decision on setting its billing rates to ensure it meets its obligations, including cash reserve requirements.

This is essential to ensuring our sustainability and readiness to meet our mandated obligations for infrastructure support for the defence of Canada.

If results have exceeded expectations in a previous year or years, DCC will adjust its billing rate accordingly, taking into account all other factors in the planning period.

Thus, a period of higher than usual surpluses to build retained earnings, or planned deficits to reduce retained earnings, may be targeted. This is necessary to keep DCC's operating results and cash reserves within the intended parameters. The result is a sustainable capacity within DCC to deliver the required infrastructure support services and best value for our Client-Partners in the cost of those services.

# BUSINESS STRATEGY

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## PLANNING THEMES, OUTCOMES, INITIATIVES AND PERFORMANCE MEASURES

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DCC organizes its business planning strategy under five planning themes that reflect the nature of its business. They are Business Management, Service Delivery, People, Strategic Management and Leadership, and Corporate Governance and Stakeholder Relationships.

The goal of DCC's strategic planning is to enable the Corporation to fulfill its mission of providing timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada. Each of the planning themes has a strategic objective and strategic outcomes that are aligned with this goal. The objectives and their strategic outcomes are designed to be specific, measurable, achievable, relevant and timely, and are expected to remain constant during the 2013–14 to 2017–18 planning period.

Each year in its annual planning session, DCC reviews the results of the performance indicators for each of the strategic objectives and determines how well it is meeting the strategic outcomes. It also takes into account input from its Client-Partners, Board of Directors and industry partners in its environmental analysis. If there is a new need or an opportunity for improvement, then a corporate plan initiative is created to address this situation. Not all strategic outcomes will require a specific initiative during this planning period. Work on each of the initiatives and their subsequent impact on the Corporation span the 2013–14 to 2017–18 planning period. The details of specific objectives of each initiative for the current fiscal year are noted in the discussion section under the relevant planning theme. This is a service-centred strategy, which DCC has honed well over the past 60 years. This strategy has positioned the Corporation as a knowledgeable and innovative service delivery leader and as an employer of choice.

Performance management and continuous improvement are always top of mind for the Corporation. It has been a challenge for DCC over the years to find meaningful benchmarking comparators for its industry. Because it is a Crown corporation, its business model shares characteristics with both the public and the private sectors. For example, as an agent of the Crown, it must comply with the *Official Languages Act*, a requirement that private sector firms do not have. DCC also operates on a not-for-profit basis, unlike the private sector. At the same time, it operates as a non-unionized environment, unlike most public sector organizations, which gives DCC its staffing flexibility. This mix of characteristics makes finding exact comparators a challenge. In its performance management reporting, DCC wants to be sure to compare apples with apples.

During the current fiscal year, DCC explored industry benchmarking to see how the Corporation would compare with its private sector counterparts. Some aspects of the business are similar to those in the engineering consultancy industry, but many others are unique to DCC. The Corporation discovered that data for industry benchmarks is not collected in the same way as DCC data. Since DCC wants to make accurate comparisons, some of the new initiatives for 2013–14 focus on modifying DCC's business management and operations processes, so that it can collect data as close as possible to the way that industry does.

While reviewing the research related to industry benchmarking data, the Senior Management Group also reviewed DCC's current performance measures—also known as key performance indicators (KPIs)—to ensure they were still appropriate, relevant and meaningful. In the coming year, work will continue to develop and refine the Corporation's performance measurement.

DCC retained most of the KPIs from 2012–13 for the 2013–14 planning period. Three KPIs were removed and four were added. The three that were removed were i) the implementation of the enterprise resource planning (ERP) solution under the Business Management theme; ii) recruitment time under the People theme; and iii) the indicator for the joint KPIs under the Service Delivery theme. The four that were added were i) cost of service delivery under the Business Management theme; ii) contractor performance evaluation results under the Service Delivery theme; iii) results from the social media strategy measures under the People theme; and iv) results from the DCC Procurement Code of Conduct under the Service Delivery theme.

The indicator for the implementation of the ERP system was deleted and will be included in the achievement of corporate initiatives indicator under the Strategic Management and Leadership theme. The Procurement Code of Conduct for industry indicator has been moved into the corporate strategic plan from the Contract Services Business Plan, due to the importance of this initiative. These refinements to the indicators will allow for fuller reporting of DCC's annual performance.



## PLANNING THEME

I

## 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 information technology (IT) solutions are of increasing strategic significance. DCC has a number of IT development projects underway, including those that affect business planning, forecasting, and 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-Partners 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.

**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 2012–2013

In last year's Corporate Plan, DCC identified two strategic initiatives related to the Business Management theme.

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

This is a multi-year initiative and, as planned, work progressed throughout fiscal 2011–12. In 2011–12, the installation of the new hardware platform was completed, as was the required review and validation of hundreds of customized programs that make up DCC's ERP system. At the end of the last fiscal year, user testing and the development of user training packages became the next priority, in anticipation of the launch of the updated system. The organization-wide use of the updated system was scheduled for June 2012. However, this launch was delayed until the third quarter of 2012–13, due to emerging technical issues associated with integrating the updated software applications. These issues were successfully addressed at the end of the second quarter of 2012–13, which enabled this major upgrade to occur in mid-November.

*2012–13 Corporate Plan Initiative: DCC will review and assess its Information Systems/Information Technology (IS/IT) strategic plan.*

With the advent of technology and the constant evolution of DCC's business environment, the Corporation must take new factors into account in its corporate IS/IT strategic plan. The increased demand for and use of electronic collaboration tools, internally and externally, is one example. Corporately, the use of social media is taking on new importance, even as concerns grow about cyber-security and its impact on IT systems. DCC's Client-Partners have increasing requirements for technology systems and applications to manage its real property and would like support to implement them. These are just a few of the factors that the Information Technology Steering Committee (ITSC) considered as it reviewed the existing strategy document in the first half of 2012–13. In the second half of 2012–13, the chair of the ITSC will review this feedback and incorporate it into an updated version of the IS/IT strategy, with a publication date prior to April 1, 2013.

## BUSINESS MANAGEMENT INITIATIVES: 2013–2014

DCC has identified three business management initiatives for the 2013–14 planning cycle.

*2013–14 Corporate Plan Initiative: DCC will enhance its business management and performance measurement reporting.*

Over the past several years, DCC's service lines have matured. Development of the service line integration matrix (SLIM) has supported that maturation. The SLIM outlines the accountability structure for all project tasks at DCC, by service line and by role. Since it precisely defines who does what within the scope of a project, the SLIM structure forms the basis for an improved business management reporting system. The employee time entry coding system will now be based on the SLIM structure and will enable DCC to report on its performance in a way that allows for accurate comparison to industry while still meeting Government of Canada reporting requirements. This change has compounding benefits that will be experienced throughout the 2013–14 to 2017–2018 planning period. Upon immediate completion of this initiative, more precise data collection will generate accurate, more detailed reporting in a dashboard format available daily to all managers. Over the long term, this new functionality will allow DCC to see internal trends more clearly and improve benchmarking.

*2013–14 Corporate Plan Initiative: DCC will capitalize on the new functionality of its ERP upgrade.*

This multi-year initiative continues to unfold in 2013–14. The planned ERP upgrades will help DCC manage its business and its people more efficiently. Automated modules for performance management and recruitment will be completed in 2013–14. As each of these upgrades come into use, they will contribute to DCC's efficiency of operations throughout the 2013–14 to 2017–2018 planning period. Refinement of these applications will continue into the next several fiscal years. Future upgrades include:

- improvements to systems for tracking employee training;
- changes to the expense management module;
- upgrades to the time entry module based on SLIM; and
- a new procurement and asset system for DCC's capital assets.

*2013–14 Corporate Plan Initiative: DCC will continue to optimize its business practices.*

Now, more than ever, it is important that DCC must have efficient business management processes in place to support its Client-Partners. There are two components to this initiative. The first relates to the work DCC is doing to develop a robust business management reporting capability, based on the SLIM and a stronger performance management framework. Once the data are collected and analyzed, DCC will review them to pinpoint efficiencies in its business processes. Secondly, in 2013–14, the Joint Program Office in Ottawa will be reorganized to also focus on joint DCC-DND business management initiatives. The capital program will be coordinated centrally in Ottawa and implemented at the site level. Elements of implementation will include initiating projects and sharing lessons learned. Given the scope of this initiative, it will take two years before data trends can be established for a complete analysis of the results. Optimizing its business practises will remain top of mind for DCC throughout the 2013–14 to 2017–2018 planning period.

## BUSINESS MANAGEMENT KEY PERFORMANCE INDICATORS: 2012–2013 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, 2012, DCC's utilization rate was 74.7%, identical to the utilization rate for the same period in 2011–12. Although this is a slight decrease from the rate of 75.8% for the 12-month period ended March 31, 2012, it remains a very strong indicator of DCC's high level of productivity.

Utilization Rate (Percentage of Employee Time Charged to Client Work)			
RESULTS, 2011–12, END OF SECOND QUARTER	RESULTS, 2011–12, YEAR END	TARGET	RESULTS, 2012–13, END OF SECOND QUARTER
74.7%	75.8%	70.0%	74.7%

### DIRECT PERSONNEL EXPENSE MULTIPLIER

The direct personnel expense multiplier (DPEM) is the factor by which a company 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, 2012, was 1.36. It was 1.41 for the same six-month period in 2011–12 and 1.43 for the year ended March 31, 2012. The decreased DPEM indicates an increase in efficiency and business volumes, which allowed DCC to keep billing rates in fiscal 2012–13 identical to those in fiscal 2011–12. The DPEM will likely remain below the target range for the remainder of fiscal 2012–13.

Direct Personnel Expense Multiplier			
RESULTS, 2011–12, END OF SECOND QUARTER	RESULTS, 2011–12, YEAR END	TARGET	RESULTS, 2012–13, END OF SECOND QUARTER
1.41	1.43	1.40–1.50	1.36

## PLANNING THEME

2

## SERVICE DELIVERY

DCC's mission is to provide timely, effective and efficient delivery and full lifecycle support for infrastructure and environmental assets 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. 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-Partner 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 continues its work of 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 recurring challenge, given the number of people, organizational units, geographic locations, and types of interactions between DND/CF and DCC. Joint planning and information sharing are improving as DCC becomes more closely involved in program and project management. Joint training for DND/CF 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. In its position as a knowledge and innovation leader, DCC strives to be a bridge between the industry and DND/CF. 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 2012–2013

DCC identified three initiatives for the 2012–13 planning cycle under the Service Delivery theme.

*2012–13 Corporate Plan Initiative: DCC will continue to optimize service line processes and practices.*

With the completion of the Contract Services (CS) and Construction Services (CSC) optimization review at the end of 2011–12, senior leaders and service line members turned their attention to reviewing the remaining three service lines. Optimization sessions and workshops took place in the first half of 2012–13. There, team members brought forward ideas for efficiencies. A list of action items and conclusions emerged, which DCC will develop and implement in the last half of 2012–13. These ideas include suggestions for merging or eliminating less efficient processes, and streamlining existing processes and their associated paperwork. Other actions included a further delegation of authorities, decentralized to the site level, the elimination of buildability and bidability reviews for low risk projects, and the use of a low risk contract management process for all low risk projects under \$1 million.

The conclusions from the reviews and any resulting products are described in service line bulletins that are distributed when the products are launched. A major product of this initiative will be the updated Operations Manual, which will capture these streamlined processes.

*2012–13 Corporate Plan Initiative: DCC will continue to seek opportunities to help manage the DND/CF infrastructure and environment portfolio.*

The volume and complexity of defence infrastructure projects have increased over the past five years. DCC continues to enjoy a strong partnership with DND and retains a strong corporate memory for the infrastructure and environment group at DND. The Corporation is committed to helping improve Canada's defence infrastructure delivery and to helping DND manage its infrastructure and environment portfolio. Already, in this fiscal year, DCC supported DND's business modernization project; worked on the development of building information modelling (BIM) as a key tool for collaborative project delivery; assumed responsibility for the delivery of many standing offer agreements (SOAs), formerly managed by PWGSC; provided support for the procurement of facilities maintenance contracts; helped develop improved methods to manage the operations and maintenance of DND facilities; and developed a real property management framework and associated facility management tools in anticipation of any DND need for facilities management service support. Also, in response to DND's requests to use modified design-build contract mechanisms, DCC has developed a central management team in Ottawa and is working with the regions to increase their capability in this area.

## DCC Facility Management Models

**DCC WILL STRIVE TO MOVE AWAY FROM MAINTENANCE SUPPORT TOWARD A MORE INTEGRATED SERVICE DELIVERY PLATFORM.**

	MAINTENANCE SUPPORT (1)	FACILITIES MAINTENANCE (2)	SERVICE MANAGEMENT (3)
	LOW service integration	MEDIUM service integration	HIGH service integration
DCC INVOLVEMENT	Low	Medium	High
DND RESPONSIBILITY	Fully responsible	Fully responsible	Responsible for funding and approvals
DND RISK	High	Medium	Low
NUMBER OF STANDING OFFER AGREEMENTS (SOAs)	All	Few	Very Few
NUMBER OF LARGE FACILITIES MANAGEMENT (FM) CONTRACTS	None	Almost all by region, sub-region, and bases and wings	Almost all by region and sub-region

### DCC'S SERVICE DELIVERY FRAMEWORK FOR THE MANAGEMENT OF REAL PROPERTY

DND/CF is reviewing the way it delivers real property services and manages its real property. DCC already provides facilities management (FM) services to DND/CF. The Corporation has developed an FM service delivery framework that could accommodate any future increase in the need for FM support during the 2013–14 to 2017–18 planning period. This framework would enable DND/CF to manage its real property assets at the base, wing and site levels, and it would define each party's responsibilities. It proposes three delivery models that will ensure that DND real property assets are managed in a manner that is consistent with real property management best practices, achieves value for money and demonstrates sound stewardship.

**Model 1:** Most of DCC's FM services fall under Model 1 (maintenance support), through the use of standing offer agreements (SOAs) that used to be procured for bases and wings by Public Works and Government Services Canada (PWGSC). Under this model, DCC has no planning responsibilities, DND is fully accountable for the services, and DCC involvement may be limited to contracting and contract management of those SOAs. This scenario is administratively expensive and high risk for DCC, since it involves many small contracts. The level of involvement of DND staff under this model varies. In all cases, DCC is accountable for contract management activities. DND is the technical authority, and DCC is the contracting authority.

**Model 2:** This model provides DND with a customized service approach; however, there is limited ability to leverage the requirements, since the services are contracted in a distinct manner. DCC has limited portfolio-level planning responsibilities. Planning is done at the asset and, possibly, site levels. DCC has the contract management responsibility for any of the services it provides, including the cost-effective contracting mechanism. DND continues to assume all of the DND base/wing construction engineering officer (BCEO/WCEO) functions. Under this model DCC provides core operations and maintenance services. DCC can provide a computerized maintenance management system and report on the condition of facilities so that DND can use the data to inform operational and capital investment planning decisions. Several existing DCC FM contracts fall under Model 2 and are large multi-service FM contracts for a region or sub-region.

**Model 3:** DCC stands ready to support DND if the Client-Partner wishes to apply Model 3. Already, there are some large multi-service contracts in place that reflect the approach of Model 3. Under this model, DCC would identify and plan the portfolio (and capital) requirements at the program level, but it would not be responsible for funding capital projects. DCC would provide capital planning by assessing assets and determining condition-based needs that reflect DND's future operational requirements. From a service perspective, DCC would provide fully integrated services and information. This approach involves the delivery of a broader spectrum of services across the country at the site level. Given the breadth and depth of services, a corporate-wide, integrated information management system would be essential. This model would provide DND with an efficient and consistent delivery approach based on a comprehensive, long-term maintenance and investment strategy. It is based on a more integrated portfolio management model, allowing DND to concentrate on its core defence activities while DCC undertakes a comprehensive real property role.

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

Over the past two years, much work has been done to develop a framework and process for joint performance measurement by DCC and its Client-Partners. Collaborative efforts continue between DCC and DND on implementing joint performance indicators for the capital construction program. Continuous improvement remains very important for DCC and its corporate representatives are working hard to maintain this initiative as a high priority, as appropriate. Similarly, in the first half of 2012–13, collaboration continues on the implementation of the Canadian Forces Housing Agency (CFHA) joint evaluation framework. The pilot program for this initiative was finished in 2011–12, and a framework was established. Work continues in the second half of 2012–13 on implementing the reporting component to this nation-wide framework.

#### **SERVICE DELIVERY INITIATIVES: 2013–2014**

DCC has identified the following four corporate initiatives for the 2013–14 planning cycle.

*2013–14 Corporate Plan Initiative: DCC will continue to optimize service line processes and practices.*

In the coming year, optimization work will continue on all service lines. As in the current fiscal year, optimization workshops and consultations will be held across DCC. After each series of meetings, the action items from each session will be completed before the next round of consultations take place. The next series of optimization workshops is scheduled for the first quarter of 2013–14. Given the scope of this initiative, it will take two years before data trends can be established for a complete analysis of the results. Optimizing its service line processes and practices will remain top of mind for DCC throughout the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will continue to seek opportunities to help manage the DND/CF infrastructure and environment portfolio.*

DCC's extensive corporate experience, gained over the past 60 years, has prepared the Corporation to provide support to DND for the infrastructure and environment portfolio. Along with the two organizations' ongoing collaboration in this area, as mentioned in the previous section, DCC stands ready to support its client in any way possible—by, for instance, supporting its new real property management framework, managing facilities, conducting a pilot for integrated project delivery (IPD) or using building information modelling (BIM) for infrastructure lifecycle management. Although the specific tasking involved with this initiative may change from year to year, in concept, this type of support to DND/CF will remain a priority for each year of the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will participate in industry innovation initiatives.*

DCC has enjoyed a very positive relationship with industry over the past 60 years; in fact, many DCC employees started their careers in industry. The industries associated with infrastructure and the environment are not immune to change or evolution. In that regard, DCC will keep abreast of three main trends in the next fiscal year.

DND is exploring BIM, a digital application used to create a physical representation of a building throughout its lifecycle, along with its functional characteristics from the planning and design stages. With DND, DCC is taking a leading role and strives to keep up with industry trends in this area to see whether BIM would be useful to DND.

Another current trend is integrated project delivery (IPD). This method brings all participants together in the early stages of a project to make timely, informed decisions. Objectives include the alignment of goals and objectives, the elimination of waste and duplication in a project, and to increased timeliness of delivery. DCC will act as a bridge between industry and its Client-Partners with this collaborative initiative.

E-procurement is a trend that is gaining a foothold in some Canadian jurisdictions and providing opportunities for increased efficiencies. DCC, through its involvement with several of its industry partners, will keep up with advancements in this area.

During each future annual planning session, DCC will examine the prevalence of each of these trends in industry innovation, plus any new developments that will need to be taken into account during the balance of the upcoming planning period.

*2013–14 Corporate Plan Initiative: DCC will develop a lessons learned framework.*

To increase effectiveness and efficiencies, DCC's service line and operations teams want to develop a framework to share lessons learned, improve service delivery, communicate success and promote a continuous learning culture. Together, they will develop a process to gather, document and analyze feedback on events that happened during a project. The goal is to recognize, document and share the lessons so that future projects will be more successful. Once the development work of this initiative is completed in 2013–14, it will be tested and applied in 2014–15. Revisions may be required in 2015–16 and beyond to ensure that it remains relevant and meaningful.

## SERVICE DELIVERY KEY PERFORMANCE INDICATORS: 2012–2013 RESULTS TO DATE

DCC has several indicators for tracking its performance under the Service Delivery theme. On an occasional or as-required basis, DCC undertakes surveys and similar consultations with the contractors and consultants who bid on defence construction contracts. After completing this type of outreach, DCC discusses the feedback in its *Annual Report*. The same is true of feedback DCC receives at its Annual Public Meeting, held most recently in June 2012. 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 rating. This indicator remains the most relevant one to the Service Delivery theme. In addition to this indicator, DCC will also begin reporting information from the collection of Contractor Performance Evaluation Report Forms (CPERF).

### SERVICE DELIVERY RATING

Completing each project or task to the satisfaction of the Client-Partner is critical to DCC's success. To this end, the Corporation tracks client satisfaction through a service delivery rating system as one of its key performance indicators.

DCC administers its work with DND/CF through service level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary DND representative for each SLA. DCC interviews these representatives individually each year. Each representative has the opportunity to comment on the service DCC provided on all projects in which he or she was involved. This means that DCC conducts one assessment for each SLA.

Service delivery satisfaction is 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 problems or staffing concerns. Scores are weighted according to the value of each SLA.

The Corporation typically receives service delivery rating results in the second half of each fiscal year, when most projects are completed. It reports these results in the *Annual Report*. In 2011–12, DCC conducted 110 service delivery assessments. Of those 110, four received a less than satisfactory score. In 2011–12, 99% of respondents indicated DCC met or exceeded their expectations.

## 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.

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### 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, through its Governance and Human Resources Committee and DCC continuously tries to enhance its human resources policies and practices. It believes in improving the communities where it works and acting in a socially responsible way. Every Corporate Plan in recent years has had a major initiative focused on people, ranging from classification and compensation to training and development. DCC continues to maintain a favourable retention rate of 96.9% at the end of the second quarter of 2012–13.



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**DCC ENCOURAGES AND FOSTERS INNOVATION.**

The key performance indicator that drives DCC's operations is the utilization rate. As a result, the Corporation 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 their work—the essence of innovation. 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 2012–2013**

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

*2012–13 Corporate Plan Initiative: DCC will continue to promote a culture of innovation and to improve the Ideas@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 updated its annual project plan and communications plan, and engaged a new committee facilitator. In the first half of 2012–13, it launched a new electronic recognition system to foster engagement at the national and regional levels. Participation in this program is voluntary and 126 employees have recognized their peers since it was launched in July 2012. Also, at the end of the second quarter, three ideas have been implemented nationally, with several others under review. 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.*

This updated system 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 help DCC 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.

This initiative is unfolding over several years. At the end of fiscal 2011–12, the framework and details of the competency-based performance management system were finalized, along with an implementation plan. An implementation and communications strategy was developed and approved. A succession planning and management framework was also developed.

In the second half of fiscal 2012–13, the training and communications efforts for this system and the implementation plan will be well underway. Starting in January 2013, employees will begin to work with their managers on setting their performance objectives and career goals for the coming performance review period.

#### **PEOPLE INITIATIVES: 2013–2014**

DCC has identified the following four corporate initiatives for the 2013–14 planning cycle.

*2013–14 Corporate Plan Initiative: DCC will continue to promote a culture of innovation and to improve the Ideas@Work program.*

The key to the success of this multi-year initiative is to maintain momentum in order to influence DCC's culture. Building on work from previous years, in 2013–14 DCC will develop a project plan and a communications plan 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 and it will be reviewed annually at each planning session. Managing a change in a corporate culture is not an overnight process, and it can take seven to ten years for a transformation to be realized. Innovation is a key concept in DCC's mission statement and promoting innovation remains a priority for DCC throughout the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will foster a principles-based decision-making culture.*

DCC is working to ensure that its employees are empowered to conduct business in the most efficient manner possible, within the guidelines of Government of Canada policy and in concert with industry best practices. The service line optimization initiative is the main driver for this culture change, and the updated Operations Manual will be the key reference guide for employees in their day-to-day business.

In all of its initiatives during the planning period, DCC will remain cognizant of this goal to encourage a balanced, principles-based approach rather than a checklist approach to providing service. Following on the initiative to implement a competency-based performance management program, this initiative will foster optimization and efficiency, and will help DCC senior management sustain a robust risk management framework. It overlaps other initiatives, especially those related to optimizing business management and service line processes and procedures, and those related to increasing employee engagement. This work is a focus for the 2013–14 fiscal year, and the concept of transforming DCC's culture will remain in its corporate strategy for the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will introduce social media as an instrument for increasing employee engagement.*

DCC acknowledges the changing attitudes of its employee base and what is now an evolving social workspace. The Government of Canada, particularly the Treasury Board of Canada Secretariat, encourages the use of social media in the government workplace, and people now expect to access certain information through social media applications. Developing a social media strategy and implementation plan was an initiative in the business plan for the Communications Group in the last fiscal year. After review and discussion at the senior management level and in conjunction with the Information Technology Systems Committee, this initiative became a corporate strategic initiative. Social media will be used as a corporate communications tool to increase employee engagement and to recruit new employees. Following on the completion of a social media strategy in 2012–13, social media will be introduced in the 2013–14 fiscal year. The measurement results of the social media strategy will be reviewed in 2014–15 and the plan adapted accordingly. DCC, as an innovation leader, will keep up with trends in social media and this tool will be leveraged as appropriate for DCC's business in the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will launch its revised mission, vision and values statements.*

Given the changes to DCC's business over the past several years, and with the majority of DCC employees having been employed at DCC for less than five years, DCC reviewed and revised its mission, vision and values statements. These statements are part of DCC's brand, both internally and externally. Their content informs the position of the Corporation and individuals alike at DCC, and defines DCC for its external audience. In 2013–14, the Executive Management Group will launch and promote the revised statements. The mission, vision and values statements will continue to be a key element in DCC's corporate messaging throughout the 2013–14 to 2017–18 planning period.

## PEOPLE KEY PERFORMANCE INDICATORS: 2012–2013 RESULTS TO DATE

DCC uses several indicators to track its performance under the People theme: progress made through the Ideas@Work program, which is also noted in the *Annual Report*; the employee retention rate and the level of investment in employee professional development (formerly referred to as the professional development to salary cost ratio), which DCC has tracked for many years; and DCC's employment equity rating.

### RESULTS FROM IDEAS@WORK

In the first half of 2012–13, DCC measured the level of engagement in the Ideas@Work program. In May 2012, it conducted a voluntary survey that had 38% response, indicating good general awareness of the Ideas@Work program. A new automated recognition system was launched in July 2012 and 13% of all employees have participated to date. During the second half of the fiscal year, the committee will implement the remainder of the communications plan to stimulate participation in the program. As of September 30, 2012, three ideas from employees have been implemented nationally in the areas of optimizing procurement and construction management processes.

## 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.

In fiscal 2011–12, DCC's retention rate was 95.2%, higher than its annual target of 90%. For the six-month period ended September 30, 2012, DCC's retention rate stood at 96.9%, which was slightly less than the 97.5% rate it reported for the same six-month period in 2011–12. Final full-year results will be presented in the *Annual Report*.

Employee Retention Rate			
RESULTS, 2011–12, END OF SECOND QUARTER	RESULTS, 2011–12, YEAR END	TARGET	RESULTS, 2012–13, END OF SECOND QUARTER
97.5%	95.2%	90.0%	96.9%

## INVESTMENT IN EMPLOYEE PROFESSIONAL DEVELOPMENT

DCC's ability to serve DND is heavily dependent on the skills of its employees. Maintaining a skilled and professional workforce is a key corporate objective. For fiscal 2012–13, DCC has established an annual overall corporate target for spending on training and development of 4.5% of base salary costs. This target includes spending on both internal and external costs related to training and development activities.

The target for the comparable period of fiscal 2011–12 was 5%. The decrease was the result of cost control measures put in place as part of the Corporation's commitment to the Deficit Reduction Action Plan (DRAP). The 4.5% target comprises a 0.5% 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 2011–12, 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, 2012, were 3.6%, compared with 3.4% for the comparable period in fiscal 2011–12. The amount spent on training and development activities fluctuates from quarter to quarter, and 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. It is expected that the amount spent on professional development activities will be at or below the 4.5% target by the end of fiscal 2012–13.

## Investment in Employee Professional Development (Percentage of Base Salary)

RESULTS, 2011–12, END OF SECOND QUARTER	RESULTS, 2011–12, YEAR END	TARGET	RESULTS, 2012–13, END OF SECOND QUARTER
3.4%	4.6%	4.5%	3.6%

### EMPLOYMENT EQUITY RATING

DCC is committed to maintaining its performance with respect to the government's employment equity objectives. In Human Resources and Skills Development Canada's *Employment Equity Act 2011 Annual Report*, "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, 2010	RESULTS, 2011*
WOMEN	B	A
ABORIGINAL PEOPLE	A	A
PERSONS WITH DISABILITIES	A	A
VISIBLE MINORITIES	C	B

\*Source: *Employment Equity Act 2011 Annual Report* (Ottawa: Human Resources and Skills Development Canada, 2011).  
This report uses data as at December 31, 2011.

### 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. DCC employees operate in an equitable and inclusive workplace where discrimination and harassment are not tolerated. Employees are encouraged to share unique cultural experiences from overseas deployments or personal travel by giving a presentation to their colleagues. Diversity is promoted through activities that focus on education and the sharing of social customs. These activities include an international luncheon that is also part of the Government of Canada Workplace Charitable Campaign, and cultural awareness articles featured in DCC's weekly internal newsletter.



## PLANNING THEME

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# STRATEGIC MANAGEMENT AND LEADERSHIP

Managing the diversity, growth and possible reductions 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 that DCC continues to support. 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, from times of growth to times of restraint, 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.

### **DCC MAINTAINS AN EFFECTIVE AND EFFICIENT RISK MANAGEMENT FRAMEWORK THAT IS INTEGRATED INTO ITS STRATEGIC PLANNING PROCESS.**

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

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**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 guidelines and 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 efficiently 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.

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**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 with input from the Minister of Public Works and Government Services and DCC's Board of Directors. The output of those meetings is validated against the Corporation's mandate and risk management framework.

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**DCC CONTINUES TO SHOW ETHICAL LEADERSHIP IN THE MANAGEMENT OF ITS BUSINESS AFFAIRS.**

The Corporation continues to operate in a 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 2012–2013

DCC identified two initiatives for the 2012–13 planning period under the Strategic Management and Leadership theme.

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

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.

The PCC provides suppliers with a clear statement of expectations of what the suppliers' responsibilities are during the procurement process and during the course of their work. All suppliers who have bid on or have been awarded contracts are required to abide by the obligations since these obligations form part of the contract.

In the first half of 2012–13, the PCC was finalized and posted on the DCC website. In the second half of fiscal 2012–13, the PCC will be incorporated in all contracts and it will be officially launched. DCC will promote the PCC to its industry partners, who, in turn, will communicate with their membership bases. Throughout the balance of the 2013–14 to 2017–18 planning period, DCC will measure the effectiveness and report on the compliance of the PCC and act appropriately.

*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 due to the significant growth and changes in the Corporation's business over the past few years. DCC implemented the newly modified framework as an integrated part of its strategic planning and business management practices. Potential risks are identified and reviewed regionally each quarter, then key risks are reviewed at the corporate level. Risks identified as high are placed on the corporate risk register, as determined by the Executive Management Group. This framework was implemented during the first half of the year. As part of this implementation, the Vice-President, Operations delivered face-to-face training sessions to senior managers across the Corporation. Risk management refresher sessions are scheduled to be delivered in 2013–14 to ensure the integrity of the framework application.

## STRATEGIC MANAGEMENT AND LEADERSHIP INITIATIVES: 2013–2014

DCC has identified the following four corporate initiatives for the 2013–14 planning cycle.

*2013–14 Corporate Plan Initiative: DCC will implement recommendations arising out of the internal audit of performance management.*

In the first half of 2012–13, DCC's internal auditor, Interis Consulting Inc., audited DCC's internal performance management. The audit reported that although DCC has a solid foundation for the practice of performance management, and sufficient systems and processes in place with strong internal monitoring, there was room for improvement. The recommendations ranged from improving the way performance management documentation is stored to developing more robust criteria for performance indicators that clearly indicate how the Corporation is meeting its stated objectives. In 2013–14, DCC will address the recommendations from this audit. By conducting this audit and implementing the subsequent recommendations, DCC will be well positioned to help DND address the recommendations of the Office of the Auditor General regarding the financial and management control framework.

*2013–14 Corporate Plan Initiative: DCC will implement recommendations arising out of the internal audit of delegation of authority.*

In the first half of 2012–13, DCC's internal auditor, Interis, conducted an internal audit on DCC's delegation of authority. Through the delegation of authority, employees are empowered to assume responsibility and accountability for their processes, including those under sections 33 and 34 of the *Financial Administration Act*. DCC recently implemented a new suite of delegated signing authority (DSA) instruments, including a policy, philosophy and comprehensive authority matrix that encompass all types of authorities (e.g., finance and human resources). The new authorities are based on the principle of providing employees with greater accountability and empowerment, rather than managing by checklists.

The audit found that DCC has a strong foundation for its system for delegating signing authority and that the Corporation monitors compliance. Since the system is robust, the recommendations were intended to further strengthen existing practices. Recommendations include noting the DSA in DCC's Code of Business Conduct; updating the employee DSA annually and including a reminder of the risk associated with DSA; including an employee's DSA status in the annual performance review; and linking the required DSA training to the human resources information system (HRIS) database.

*2013–14 Corporate Plan Initiative: DCC will develop a more effective and efficient training framework.*

As DCC's five service lines have matured, they each adapted a corporate training and development framework, which they published several years ago under their individual service lines. Consequently, there is inconsistency across the service lines in the standards for training and development. The goal of this initiative is to develop an enhanced integrated training framework and to define a common training framework structure. At the same time, the training requirements will align with the DSA levels and with the new performance evaluation competencies established for the performance management system. This initiative involves the collaboration of the Operations Group, the Human Resources Department and the IS/IT Department to integrate the training framework into the human resource information system (HRIS). Once implementation is completed in 2013–14,

it will be applied and tested in 2014–15. This new training framework will have a positive impact on DCC's service delivery efforts making for a more efficient ability to deploy people within the service delivery matrix. It will be reviewed and revised accordingly to ensure that it is working as intended during the 2013–14 to 2017–18 planning period.

*2013–14 Corporate Plan Initiative: DCC will develop a corporate social responsibility framework.*

Corporate social responsibility (CSR) refers to an organization's commitment to operating in a socially, economically and environmentally sustainable manner. DCC already conducts many activities that fall under the CSR umbrella. The intent of this initiative is to consolidate this good work into a cohesive framework, similar in format to those that comparable organizations have established. In 2013–14, DCC will formalize this framework, and apply it in 2014–15.

A framework will also guide employees at the regional and site levels when they are approached to participate in potential CSR events. They can refer to the framework to help them decide whether to undertake a certain CSR activity. Starting in 2015–16 and continuing for the planning period, DCC will be able to measure the effectiveness of its corporate social responsibility efforts once this framework is in place, and adjust if required.

## STRATEGIC MANAGEMENT AND LEADERSHIP KEY PERFORMANCE INDICATORS: 2012–2013 RESULTS TO DATE

Under 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 and human resources reports for other government departments, such as Human Resources and Skills Development Canada, Office of the Access to Information Commissioner of Canada, 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 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 Strategic Management and Leadership theme. In the first half of 2012–13, 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 Management Group and the Senior Management Group anchor DCC's governance regime—hence, the strategic objective is **to be recognized as competent and responsive to government priorities, policies and practices.**

## STRATEGIC OUTCOMES

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

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### **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 implemented the recommendations of the Treasury Board of Canada Secretariat review of governance practices from 2008. The Corporation has held three Annual Public Meetings and posted a summary of the proceedings on its website after each event. The summary outlines the discussions. DCC also regularly receives a statement of priorities and accountabilities from the Minister of Public Works and Government Services, also referred to as a letter of expectations.

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#### **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.

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#### **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 supported the CF in Afghanistan from 2006 to 2011. Also, DCC now works with the Communications Security Establishment Canada (CSEC), whose Deputy Head is accountable to the Minister of National Defence. 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.

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#### **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 2012–2013

DCC 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).*

In the 2010 Budget, the Government of Canada announced measures to reduce the rate of growth of its operating expenditures and to 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. These objectives continued in Budget 2011 and Budget 2012.

DCC operates on a fee-for-service basis and its spending is largely determined by the demand for its services from its Client-Partners. However, opportunities to control costs exist and, in keeping with the intent of the Government of Canada 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 2011–12 over the baseline amounts established in 2010–11. 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 in 2011–12.

This success with fiscal restraint continued in the first half of 2012–13. The Corporation achieved the following results: growth in staff was limited to people required to deliver services; discretionary travel was reduced by 15% from 2010–11 levels; spending on conferences was limited to those events that support revenue-generating activities; and total corporate hospitality expenses were maintained at \$30,000, consistent with spending in 2010–11.

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

The outcomes of DND's report on 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. DCC remains ready to help its Client-Partner manage changes and was able to provide support in several ways during the first six months of 2012–13. As well as reductions to unexploded explosive ordnance programs, DND announced reductions to or closures of support units or bases in Chilliwack, B.C.; Calgary, Alberta; Moncton, New Brunswick; and North Bay and London, Ontario. DCC is providing support during this time of transition. The Corporation is also helping DND seek efficiencies and reduce administrative burdens that do not directly contribute to operational readiness. As the two organizations work closely together, on a transaction-by-transaction basis, DCC can identify efficiencies for its Client-Partner in areas such as procurement practices or access to technical expertise.

## **CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS INITIATIVES: 2013–2014**

DCC has identified the following three corporate initiatives for the 2013–14 planning cycle to support government policies and practices.

*2013–14 Corporate Plan Initiative: DCC will continue to demonstrate fiscal restraint measures.*

DCC continues 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 savings in operating expenditures, improving productivity, and examining the efficiency and effectiveness of programs. Although DCC is a Crown corporation that does not receive appropriations, it participated in SOR and found ways to provide services to DND/CF more efficiently and 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 and 2014–15.

DCC responded with a proposal to reduce the cost of DCC services to DND/CF, as well as freeze billing rates for the requested time of constraint in application of its financial and cash management policies.

DCC is already adhering to, and will continue to follow the spirit and the intent of, the DRAP. The Corporation is focusing on ways to generate savings from operating expenditures and to improve productivity. During the planning period, DCC will continue to implement its proposal for cost savings and continuously seek efficiencies that will generate additional cost savings for DND/CF. Already, DCC has reduced expenditures on travel, hospitality, relocation costs, office supplies and salaries. This will continue for the three-year lifecycle of the Government of Canada initiative. In its fee-for-service delivery model, DCC strives to provide the Crown with value for money.

*2013–14 Corporate Plan Initiative: DCC will continue to support DND in its implementation of its fiscal restraint measures.*

The outcomes of Transformation 2011, the Strategic Review 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. Additionally, as DCC optimizes its service delivery, DND will benefit from these efficiencies, most notably in DCC's cost of services. 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, developing more efficient procurement practices or realigning technical expertise.

*2013–14 Corporate Plan Initiative: DCC will raise awareness of its value and capabilities among its Client-Partner, industry members, employees and government stakeholders.*

During this period of transition at DND, in the current environment of fiscal restraint, it is important that DCC's client and industry partners—as well as its employees and government stakeholders—understand the benefits of DCC's full range of capabilities. DCC has a strong business model, it provides cost-effective solutions and it has a solid mandate for providing comprehensive infrastructure services. It makes a valuable contribution to Canada and it can do more, based on its past successes. The goal of this initiative is to develop a strategy that raises awareness of DCC's value proposition among the appropriate parties. This strategy will be developed in 2013–14, with annual revisions to the communications plan for each subsequent year in the 2013–14 to 2017–18 planning period.

## CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS KEY PERFORMANCE INDICATORS: 2012–2013 RESULTS TO DATE

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

### HEALTH AND SAFETY REPORTING

Under its Corporate Health and Safety Program, DCC tracks, reports on and follows up on hazardous occurrences, accidents and safety incidents involving its own employees that result in lost work time. Annually, DCC submits a report on the number, severity and outcome of each to Human Resources and Skills Development Canada.

For the purposes of reporting, the following definitions apply.

A hazardous occurrence is defined as an accident/incident, occupational disease or other occurrence arising in the course of or in connection with the employee's work that has caused or is likely to cause injury to the employee or any other person.

An accident is defined as an unexpected and undesirable event that results in an employee injury that requires medical attention from a medical professional (emergency medical technician, medical doctor/specialist) during work-related activities.

An incident is defined as an unexpected and undesirable event that results in an employee injury that requires medical attention from a certified first aid attendant.

The target is to have no lost-time safety accidents or incidents. For the six-month period ended September 30, 2012, there were five DCC employee accidents and five DCC employee incidents. None resulted in hours of lost time. In 2011–12, there were 13 incidents that accounted for 13 days (97.5 hours) of lost time.

### 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, 2012, 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 is DCC's external auditor and it conducts an external audit and it must carry out a special examination at least once every 10 years, at a minimum. DCC's goal is to have no significant deficiencies in its audits. No special examination has been scheduled since the completion of the last one in 2008.

DCC's internal auditor, Interis Consulting Inc., completed two internal audits in the first half of 2012–13: the audit of delegated authority and the audit of performance management. The audit of delegated authority concluded that DCC has a robust system in place for managing the delegated authorities of its employees. The auditors made recommendations to support an already-strong system, and DCC has created an initiative for the coming year to address these recommendations.

Similarly, DCC created an initiative to act on the results of the performance management audit. This second internal audit reaffirmed that performance information drives decision-making throughout DCC, from the President and Vice-Presidents, through service lines and regions, down to the site level.

DCC must also complete Treasury Board of Canada Secretariat 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, DCC made the necessary preparations to meet the *Financial Administration Act* requirement to make 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, to settle its financial obligations as they become due (see cash management policy below), and to maintain sufficient cash reserves to meet operating contingencies that may arise.

The plan presented below, prepared with the assumptions in this policy, considers the Corporation's objectives to:

- ensure value for money to the Department of National Defence/Canadian Forces (DND/CF) by capitalizing on DCC's transformation and optimization initiatives;
- adjust DCC operations to changes in DND/CF program requirements in a timely and effective manner;
- ensure the sustainability of the Corporation as per the cash management policy; and
- adjust DCC operations to manage accumulated earnings and cash balances to targeted levels.

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

## DEFICIT REDUCTION ACTION PLAN

Through the Minister of Public Works and Government Services, the Government of Canada requested that DCC undertake a review of its operations 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 identified and discussed potential savings in the Corporate Plan for 2012–13 to 2016–17 in the areas of corporate services, corporate-wide initiatives, and salaries and benefits. It committed to containing the cost of DCC services to the DND/CF, by freezing billing rates for the next three fiscal years as part of its application of its financial and cash management policies. It also committed to generating a 5% cost saving on services rendered to DND by optimizing its service line processes and practices, with a goal to providing more cost-effective and higher value-for-money services to its Client-Partner, DND.

The Corporation has included its DRAP savings commitments in the 2012–13 to 2017–18 financial projections presented in this section. These projections are based on certain assumptions and expectations regarding 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 increase operating expenses in certain areas.

Based on current results to date and DCC's projections for the remainder of the fiscal year, the Corporation expects to achieve the savings outlined in its DRAP submissions for fiscal 2012–13.

These projections also reflect the Corporation's application of its cash management policy as explained below. Consistent with this policy, the Corporation has projected losses in the fiscal years 2013–14 to 2017–18 in order to reduce its cash reserves by the end of the planning period to a level that is considered appropriate for its operating needs. The Corporation expects to return to a slightly better than break-even operating position in fiscal 2018–19 and beyond in order to meet its operating targets.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDING MARCH 31, 2012, TO MARCH 31, 2018 (IN \$ THOUSANDS)

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
Services revenue	\$111,806	\$115,932	\$110,080	\$112,502	\$115,315	\$119,351	\$122,335
Investment revenue	495	463	460	450	400	350	275
<b>Total revenue</b>	<b>112,301</b>	<b>116,395</b>	<b>110,540</b>	<b>112,952</b>	<b>115,715</b>	<b>119,701</b>	<b>122,610</b>
Salaries and employee benefits	92,610	99,611	101,778	104,072	108,576	112,183	114,735
Operating and administrative expenses	9,477	9,418	9,270	9,363	9,457	9,552	9,648
Depreciation of property, plant and equipment	1,065	1,505	1,379	1,613	1,922	2,058	1,760
Depreciation of assets under finance lease	115	125	125	125	125	125	125
Amortization of intangible assets	117	120	120	120	120	120	120
Finance costs	27	30	30	30	30	30	30
<b>Total expenses</b>	<b>103,411</b>	<b>110,809</b>	<b>112,702</b>	<b>115,323</b>	<b>120,230</b>	<b>124,068</b>	<b>126,418</b>
<b>Profit (loss) for the year</b>	<b>8,890</b>	<b>5,586</b>	<b>(2,162)</b>	<b>(2,371)</b>	<b>(4,515)</b>	<b>(4,367)</b>	<b>(3,808)</b>
<b>Other comprehensive income</b>							
Actuarial gain on employee benefit obligations	98	—	—	—	—	—	—
<b>Total comprehensive income (loss)</b>	<b>\$8,988</b>	<b>\$5,586</b>	<b>\$(2,162)</b>	<b>\$(2,371)</b>	<b>\$(4,515)</b>	<b>\$(4,367)</b>	<b>\$(3,808)</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDING MARCH 31, 2012, TO MARCH 31, 2018 (IN \$ THOUSANDS)

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
Opening retained earnings	\$19,400	\$28,388	\$33,974	\$31,812	\$29,441	\$24,926	\$20,559
Profit (loss) for the year	8,890	5,586	(2,162)	(2,371)	(4,515)	(4,367)	(3,808)
Actuarial gain on employee benefit obligations	98	—	—	—	—	—	—
<b>Closing retained earnings</b>	<b>\$28,388</b>	<b>\$33,974</b>	<b>\$31,812</b>	<b>\$29,441</b>	<b>\$24,926</b>	<b>\$20,559</b>	<b>\$16,751</b>

### SERVICES REVENUE

The Corporation is forecasting services revenue of approximately \$115.9 million for the current year ending March 31, 2013, which represents an increase of approximately 4% from the previous fiscal year. All of the increase is due to an increased volume of work caused by higher client demand for DCC services. As per its DRAP commitment and its application of its financial and cash management policies, the Corporation did not increase billing rates in 2012–13.

For the year ending March 31, 2014, services revenue is expected to decrease by approximately 5% to \$110.1 million. DCC prepared the services revenue projections on the assumption that the Corporation will freeze billing rates for fiscal 2013–14 and 2014–15 at the rates established in fiscal 2011–12. Thus, the projected services revenue decrease in 2013–14 is attributable to an anticipated decrease in business volume of 5% due to anticipated lower program spending by DND.

For fiscal 2014–15, services revenue is projected to increase by approximately 2.2%, due to expected increases in business volume based on the expectation that DND's program spending will increase slightly from the previous year. For fiscal 2015–16, revenue is projected to increase by approximately 2.5%, which represents an expected increase in business volume of 2% due to an expected increase in DND's program spending, combined with an expected increase in billing rates of 0.5%, following three years with no increases in billing rates. For fiscal 2016–17, revenue is projected to increase approximately 3.5%, which represents an increase in business volume of 0.5% and an expected increase in billing rates of 3%. For the final year of the plan, revenue is projected to increase approximately 2.5%, due to an expected reduction of 1% in DND's program spending, offset by an expected increase in billing rates of 3.5%.

Billing rates may have to be adjusted to maintain a sustainable financial position for the Corporation beyond the forecasted period to allow the Corporation to return to a slightly better than break-even operation position.

### 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 \$463,000 for the current year ending March 31, 2013, which is a decrease of approximately 6% from the figure in the previous fiscal year. The decrease is primarily due to the amortization of the investment premium on the investment portfolio.

For the year ending March 31, 2014, investment income is expected to be \$460,000, based on the assumption that interest rates and average cash balances throughout the year will both remain stable. For future years, investment income is projected to decrease to \$450,000 in 2014–15 and to continue to decline year over year to \$275,000 in 2017–18, as the cash held in bank accounts decreases to \$14.1 million in that fiscal year, based on the assumption that interest rates will not change over this period. 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 are forecasted to total approximately \$99.6 million for the current year ending March 31, 2013, representing an increase of approximately 8% over the previous fiscal year, due to staff growth and increases in compensation. The increase in salaries and benefits comprises approximately 3.5 percentage points for staff growth to meet the higher demand for services, as highlighted earlier under Services Revenue, and employee mix; and 4.5 percentage points for increases to wages and benefits and for merit increases under DCC's performance management program. The expected number of full-time equivalents (FTEs) for fiscal 2012–13 is 1,059, which is an increase of 61 or 6% over the number in fiscal 2011–12.

For the year ending March 31, 2014, salaries and employee benefits are projected to total approximately \$101.8 million, an increase of approximately 2% over the current fiscal year forecast. The expected number of FTEs for fiscal 2013–14 is 999, down from the forecast 1,059 FTEs for fiscal 2012–13. For this period, revenue is expected to decrease by 5%, as noted earlier, resulting in salaries and benefits being approximately 7% higher than under the assumptions used to develop the estimates for 2012–13. This increase in salaries and employee benefits is primarily the result of the following:

- a rise of approximately 4 percentage points related to increases in salaries and benefits due to inflationary increases and to merit increases based on DCC's performance management program;
- a reserve for workforce adjustment to reduce the number of full-time equivalents (FTEs), due to an expected decrease in demand for DCC services of approximately 2 percentage points; and
- an increase of approximately 1 percentage point related to a lower utilization rate caused by decreased demand for DCC services, which will slightly increase the overhead component of salaries and employee benefits.

In fiscal 2014–15, salaries and employee benefits are projected to total \$104.1 million, an increase of approximately 2.3%. The number of FTEs in fiscal 2014–15 is expected to remain constant at 999. The increase in salaries and employee benefits consists of the following:

- approximately 4 percentage points for increases in salaries and benefits due to inflationary and merit increases;
- increases of approximately 2 percentage points due to rising client demand for DCC services, as noted earlier under Services Revenue; and
- a drop of approximately 3.7 percentage points because DCC will optimize service delivery (which will decrease the number of employees needed to deliver services) and eliminate the reserve for workforce adjustment.

In fiscal 2015–16, salaries and employee benefits are projected to total \$108.6 million, an increase of approximately 4.3%. The number of FTEs is expected to rise by 12 in fiscal 2015–16 to 1,011, to meet an expected 2% increase in demand from the client. The increase in salaries and employee benefits consists of the following:

- an increase of approximately 4 percentage points for salaries and benefits due to inflationary and merit increases;
- volume increases of approximately 2 percentage points; and
- a decrease of approximately 1.7 percentage points in salaries and employee benefits, because fewer employees will be needed due to continued efforts to optimize service delivery.

In fiscal 2016–17, salaries and employee benefits are projected to total \$112.2 million, an increase of approximately 3.3% over the previous fiscal year. FTEs are expected to decrease to 1,006 during the period. The increase in salaries and benefits is explained by the following:

- an increase of approximately 4 percentage points for salaries and benefits due to inflationary and merit increases;
- a revenue increase of approximately 0.5 percentage points; and
- a decrease of approximately 1.2 percentage points in salaries and employee benefits, because fewer employees will be needed due to continued efforts to optimize service delivery.

In fiscal 2017–18, salaries and employee benefits are projected to total \$114.7 million, an increase of approximately 2.3%. FTEs are expected to decrease to 986 during the period. The increase in salaries and benefits is explained by the following:

- an increase of approximately 4 percentage points for salaries and benefits due to inflationary and merit increases;
- a revenue decrease of approximately 1 percentage point; and
- a decrease of approximately 0.7 percentage points in salaries and employee benefits, because fewer employees will be needed due to continued efforts to optimize service delivery.

## OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are forecasted to total \$9.4 million for the current year ending March 31, 2013, representing a decrease of approximately 2% over the previous fiscal year. The decrease in operating and administrative expenses is attributable to the measures taken to meet the Corporation's DRAP commitments, including a decrease in professional fees of \$49,000.

For the year ending March 31, 2014, operating and administrative expenses are projected to be approximately \$9.3 million, representing a decrease of approximately 1% from the current fiscal year forecast. The decrease is a result of the Corporation continuing to implement its DRAP cost reduction measures, as discussed earlier. The most significant of these measures is the commitment to cut professional fees by 8%.

From fiscal 2014–15 to 2017–18, operating and administrative expenses are projected to increase by approximately 1% year over year to reflect inflationary increases.



## **DEPRECIATION AND AMORTIZATION**

Depreciation and amortization—which includes depreciation of property, plant and equipment, depreciation of assets under finance lease, and amortization of intangible assets—are forecasted to total \$1.8 million in the current year ending March 31, 2013, representing an increase of approximately 35% from the previous fiscal year. This increase is related to higher spending on capital costs, which started in the last fiscal year and continued in the current fiscal year, related to improvements to information technology systems and to leasehold improvements undertaken in the previous year.

For the year ending March 31, 2014, depreciation and amortization are expected to total approximately \$1.6 million, representing a decrease of approximately 7% from the current fiscal year forecast. This decrease is driven primarily by the complete depreciation of recent leasehold improvements, which coincides with the end of a major lease commitment. Future annual projections of capital expenditures, highlighted under Capital Budgets, will also affect the fluctuation in depreciation and amortization over the remaining years of the plan.

## **TOTAL COMPREHENSIVE INCOME (LOSS)**

A net income and comprehensive income of \$5.6 million, or 5% of services revenue, is forecasted for the current year ending March 31, 2013, compared with a net income and comprehensive income of \$9.0 million or 8% of services revenue in the previous fiscal year. The decrease in net income and comprehensive income is due mainly to the Corporation's freezing of billing rates at the 2011–12 level to manage its cash reserves consistent with its financial and cash management policies.

For the year ending March 31, 2014, a net loss and comprehensive loss of \$2.2 million or 2% of services revenue is projected, which represents a decrease of about 139% from the expected net income and comprehensive income for the current fiscal year. The resulting loss in fiscal 2013–14 is due to the expected decreased demand for services from the client—which will result in higher costs for workforce adjustment and lower utilization rates related to the workforce adjustment—and to the billing rate freeze to manage its cash reserves consistent with its financial and cash management policies. From fiscal 2014–15 to 2017–18, losses of \$2.4 million in fiscal 2014–15, \$4.5 million in 2015–16, \$4.4 million in 2016–17 and \$3.8 million in 2017–18 are planned to manage the cash reserves held by the Corporation, in accordance with its financial and cash management policies. Consistent with these policies, the Corporation has projected losses in the fiscal years 2013–14 to 2017–18 in order to reduce its cash reserves by the end of the planning period to a level that is considered appropriate for its operating needs. The Corporation expects to return to a slightly better than break-even operating position in fiscal 2018–19 and beyond in order to meet its operating targets.

# STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDING MARCH 31, 2012, TO MARCH 31, 2018 (IN \$ THOUSANDS)

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
<b>ASSETS</b>							
Cash	\$20,869	\$24,747	\$24,768	\$23,478	\$20,309	\$17,231	\$14,103
Investments	554	900	1,500	1,500	500	500	1,500
Trade receivables	22,812	20,010	19,000	19,418	19,904	20,600	21,115
Prepays and other current assets	977	1,013	962	983	1,008	1,043	1,069
<b>Current assets</b>	<b>45,212</b>	<b>46,670</b>	<b>46,230</b>	<b>45,379</b>	<b>41,721</b>	<b>39,374</b>	<b>37,787</b>
Investments	9,281	9,182	8,810	9,035	10,260	10,485	9,711
Property, plant and equipment	2,167	1,894	2,226	2,363	2,191	1,883	1,873
Assets under finance lease	323	354	350	350	350	350	350
Intangible assets	428	878	1,434	1,814	2,194	2,574	2,954
<b>Non-current assets</b>	<b>12,199</b>	<b>12,308</b>	<b>12,820</b>	<b>13,562</b>	<b>14,995</b>	<b>15,292</b>	<b>14,888</b>
<b>Total assets</b>	<b>\$57,411</b>	<b>\$58,978</b>	<b>\$59,050</b>	<b>\$58,941</b>	<b>\$56,716</b>	<b>\$54,666</b>	<b>\$52,675</b>
<b>LIABILITIES AND EQUITY</b>							
Trade and other payables	\$7,853	\$7,844	\$8,079	\$8,321	\$8,571	\$8,828	\$8,564
Current portion – finance lease obligation	120	107	107	107	107	107	107
Current portion – employee benefits	5,504	450	550	650	800	850	1,050
<b>Current liabilities</b>	<b>13,477</b>	<b>8,401</b>	<b>8,736</b>	<b>9,078</b>	<b>9,478</b>	<b>9,785</b>	<b>9,721</b>
Finance lease obligation	244	247	247	247	247	247	247
Employee benefits	15,302	16,356	18,255	20,175	22,065	24,075	25,956
<b>Non-current liabilities</b>	<b>15,546</b>	<b>16,603</b>	<b>18,502</b>	<b>20,422</b>	<b>22,312</b>	<b>24,322</b>	<b>26,203</b>
<b>Total liabilities</b>	<b>29,023</b>	<b>25,004</b>	<b>27,238</b>	<b>29,500</b>	<b>31,790</b>	<b>34,107</b>	<b>35,924</b>
Authorized – 1,000 shares at no par value							
Issued – 32 shares	–	–	–	–	–	–	–
Surplus	28,388	33,974	31,812	29,441	24,926	20,559	16,751
<b>Total equity</b>	<b>28,388</b>	<b>33,974</b>	<b>31,812</b>	<b>29,441</b>	<b>24,926</b>	<b>20,559</b>	<b>16,751</b>
<b>Total liabilities and equity</b>	<b>\$57,411</b>	<b>\$58,978</b>	<b>\$59,050</b>	<b>\$58,941</b>	<b>\$56,716</b>	<b>\$54,666</b>	<b>\$52,675</b>

## CASH MANAGEMENT POLICY

As previously stated, DCC's financial management policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain adequate cash reserves to meet contingencies that may arise.

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. All of the Corporation's cash is generated from the services it provides to 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. Cash levels are constantly monitored and any cash surpluses judged to exceed operating requirements are reduced through future operating plans and budgets, particularly through the setting of billing rates for ongoing services provided to DND.

In preparing its operating plans, 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. The objective for the cash management policy is to keep available sufficient cash reserves, recognizing the potential for short-term interruptions of collections of receivables, to meet its obligation. Potential obligations considered in the cash management policy include: 1) salary and benefits and other current operating costs for a period of 60 to 90 days; 2) payments of long-term employee benefits, which include employee sick leave cost and health and life insurance benefits for its retirees; and 3) other areas which could include the costs associated with personnel adjustments, relocation costs and additional capital costs to comply with directives from the Government of Canada that arise.

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.

The current ideal cash reserve level is in the \$22 million to \$25 million range. There are several factors which help DCC to determine the adequate cash reserves at any point in time. These are:

1. Working capital: DCC typically has \$10 million to \$15 million in current liabilities which it has to manage on a timely basis.
2. Payroll: The Corporation currently has monthly payroll costs of \$8.5 million. The cash reserves are sufficient to cover three months of payroll. This is seen as an appropriate amount for a viable business to have on hand.

3. **Receivables collection risk:** Although DCC has a secure client base it relies on for regular receivables collections, there are a number of things that can impact the timing of those collections. Routine delays in Client-Partner approvals and processing of invoices can impact collections from time to time, although not for all receivables. Beyond this, however, a greater risk occurs in the situations described below which DCC manages through sufficient cash planning:
  - **Fiscal cycles:** Until DND's operating plans are approved for a fiscal year, its ability to continue its commitments into a new period may be impacted. For example, as of February 2013, there were 60 days left in the current fiscal year and DND had not yet approved the SLAs authorizing DCC's work for 2013–14. This could impact DCC's ability to perform work and collect payments for a period until the operating plans are approved. Sufficient cash needs to be available to sustain required operations during this period.
  - **Approvals process:** DND is undergoing a significant infrastructure and environment transformation process. This includes revisiting of DND approval processes and levels. These changes are being made for good reasons, but create uncertainty around payment approvals and collections, especially for major projects.
  - **Election periods:** During the writ period DND relies on special funding mechanisms (warrants) which allow payments to continue in a 45-day cycle. There can be uncertainty about the timing of these mechanisms and DND's ability to pay any receivables could be easily impacted for a single cycle, which is 45 days or half of the payroll coverage period.
4. **Economic restraint measures:** DND is undertaking a close review of its infrastructure program to meet economic restraint targets. DCC fully supports this action. However, the short-term result is that it is difficult to accurately forecast the DND infrastructure program and plan DCC resources accordingly. The reality is that DCC has not received a firm forecast for expected infrastructure program expenditures for fiscal 2013–14 and beyond. This increases the risk of material fluctuations in demand for DCC services which can require unanticipated investments in adding or reducing resources. Such costs may include recruiting, relocation and training expenses, and conversely, severance and other termination costs. DCC self-funds such costs and must ensure sufficient cash reserves are on hand.
5. **Long-term obligations:** DCC has more than \$16 million in employee future benefits that it has the obligation to fund (including retirement, health and sick leave benefits). These obligations are expected to grow to \$25 million over the next five years. Although DCC has eliminated retirement and resignation allowances, there remains significant liabilities related to employees. There are also other commitments, such as facility leases, which need to be met. DCC cannot predict with certainty when it may be required to pay these liabilities and must ensure that sufficient cash is available for these purposes.
6. **Capital expenditures:** DCC must self-fund all capital expenditures to support IT/IM system modernization investments and other required capital expenditures which total \$11.3 million over the 5-year planning period.

DCC does not expect all of these financial contingencies to be realized at the same time, in which case its current reserves would be grossly inadequate. Instead, DCC relies on prudent forward planning of its resource levels and ongoing active business operations to help ensure that it can meet its obligations.

Cash reserves of \$22 million to \$25 million are regarded as the appropriate level, so that DCC can prudently operate its business. This amount may change over time as DCC's financial position changes.

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 following Capital Budgets section. The Corporation carries a liability on its financial statements for employee benefits. It represents the Corporation's liability for health care benefits for its retirees, as well as the estimated costs of severance accumulation for retirement and resignation benefits for its employees. As discussed below, this liability is projected to reach approximately \$16.8 million by March 31, 2013. 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 their retirement or resignation. In June of 2011 the Government of Canada noted that it intended to eliminate severance accumulation for retirement and resignation in order to align public sector employment contracts with prevailing employment practices in Canada. In her letter of expectations to DCC in December 2011, Minister Ambrose confirmed that the Government expected Crown corporations to support this change and to address this issue by taking the necessary steps to eliminate severance accumulation for retirement and resignation benefits for their employees. DCC's policy on severance upon resignation was eliminated in 1993 and eligible employees maintained their rights under that policy at the time of that change. The amount payable under the resignation policy is thus not a significant liability for DCC. In compliance with the initiative of the Government of Canada, DCC's retirement policy was amended in March 2012 to eliminate the future accumulation of retirement allowance as of April 1, 2012. As part of this policy change, DCC offered employees an early payout of a percentage of the employees' accrued retirement allowance (and resignation severance for eligible employees). In relation to this offer, DCC paid out \$6.4 million in cash to its employees to settle almost 86% of the accumulated severance for retirement and resignation benefits.

Cash may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required as a result of unexpected fluctuations in or changes to DND's infrastructure program. A workforce adjustment is expected in fiscal 2013–14, as demand for services is expected to decline 5%, as stated earlier.

## **CASH AND INVESTMENT BALANCES**

Currently, the Corporation's liquidity and capital resources position represented by its cash and investment balances is strong. The Corporation has identified that its current cash and investment balances are in excess of its operating needs. As such, in accordance with its financial and cash management policies, the cash balance is being managed downward over the planning period to more appropriate levels to meet its operating needs. Cash and investments combined are expected to increase in fiscal 2012–13, due to the Corporation's expectation that it will generate positive net income. Cash and investments are forecasted to peak at \$35.1 million in 2013–14. It is expected that cash and investments will then decrease in the later years of the plan, as the Corporation manages its cash balances in accordance with its financial management policy, primarily through the setting of its billing rates. Cash and investments are expected to total \$25.3 million at the end of the planning period.

## TRADE RECEIVABLES

Trade receivables are expected to vary 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, and 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 system.

The value of property, plant and equipment, assets under finance lease, and intangible assets for the current year ending March 31, 2013, is expected to increase from the value in the previous fiscal year by 7%. For the year ending March 31, 2014, the value of property, plant and equipment, assets under finance lease, and intangible assets is expected to increase by a further 28%. 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*.

## TRADE AND OTHER PAYABLES

Trade and other payables for the current year ending March 31, 2013, are expected to remain almost the same as those in the previous fiscal year, and to increase by 3% in the year ending March 31, 2014. 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 to the anticipated timing of payments to creditors.

## EMPLOYEE BENEFITS

Employee benefits represent the Corporation's liability for the estimated costs of severance for its employees and 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 the actuarial assumptions used. Employee benefits, including the current portion, are expected to total \$16.8 million at March 31, 2013, representing a decrease of approximately 19% over the figure in the previous fiscal year, due to the payout of most of the liability for retirement allowance, as discussed earlier. For the year ending March 31, 2014, the provision is expected to increase by 12%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 8% to 12%. 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 minor anticipated changes in business activity, which means additional copiers and printers 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, 2012, TO MARCH 31, 2018 (IN \$ THOUSANDS)

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
<b>CASH FLOWS FROM OPERATIONS</b>							
Total comprehensive income (loss)	\$8,988	\$5,586	\$(2,162)	\$(2,371)	\$(4,515)	\$(4,367)	\$(3,808)
Items not requiring cash							
Employee benefits	3,396	(4,000)	2,000	2,020	2,040	2,060	2,081
Depreciation of property, plant and equipment	1,065	1,505	1,379	1,613	1,922	2,058	1,760
Depreciation of assets under finance lease	115	125	125	125	125	125	125
Amortization of intangible assets	117	120	120	120	120	120	120
Amortization of investment premiums	120	120	120	120	120	120	120
Increase (decrease) in non-cash working capital balances related to operations	(4,054)	2,744	1,296	(197)	(261)	(474)	(806)
<b>Net cash flows provided by operating activities</b>	<b>9,747</b>	<b>6,200</b>	<b>2,878</b>	<b>1,430</b>	<b>(449)</b>	<b>(358)</b>	<b>(408)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>							
Acquisition of investments	(362)	(400)	(350)	(350)	(350)	(350)	(350)
Acquisition of property, plant and equipment	(1,016)	(1,232)	(1,711)	(1,750)	(1,750)	(1,750)	(1,750)
Acquisition of intangible assets	(175)	(570)	(676)	(500)	(500)	(500)	(500)
<b>Net cash flows used in investing activities</b>	<b>(1,553)</b>	<b>(2,202)</b>	<b>(2,737)</b>	<b>(2,600)</b>	<b>(2,600)</b>	<b>(2,600)</b>	<b>(2,600)</b>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>							
Interest on finance leases	27	30	30	30	30	30	30
Repayment of finance lease obligations	(141)	(150)	(150)	(150)	(150)	(150)	(150)
<b>Net cash flows used in financial activities</b>	<b>(114)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>
Increase (decrease) in cash during the period	8,080	3,878	21	(1,290)	(3,169)	(3,078)	(3,128)
<b>Cash at the beginning of the period</b>	<b>12,789</b>	<b>20,869</b>	<b>24,747</b>	<b>24,768</b>	<b>23,478</b>	<b>20,309</b>	<b>17,231</b>
<b>Cash at the end of the period</b>	<b>\$20,869</b>	<b>\$24,747</b>	<b>\$24,768</b>	<b>\$23,478</b>	<b>\$20,309</b>	<b>\$17,231</b>	<b>\$14,103</b>

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 depreciation and 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) are subtracted, to arrive at the net change in cash during each fiscal year.

## STAFF STRENGTH

FOR THE YEARS ENDING MARCH 31, 2012, TO MARCH 31, 2018

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
Employees based on full-time equivalents	998	1,059	999	999	1,011	1,006	986

Staff strength, which is presented on a full-time-equivalent basis, is projected to be 1,059 for the current year ending March 31, 2013. This figure represents an increase of approximately 6% from the previous fiscal year. Staff levels are expected to rise to support the increase in work volume forecasted for the current year.

The full-time-equivalent staff strength for the year ending March 31, 2014, is projected to be 999, representing a decrease of approximately 6% over the current year forecast. This decrease is due to DCC's planned optimization of service delivery under the Deficit Reduction Action Plan and to workforce adjustments as a result of an expected decrease in the client's demand for services. For the remaining plan years, staff strength is expected to vary by approximately 1% to -2% annually to match the expected increase or decrease in business volume and the optimization of service delivery, as highlighted earlier in the services revenue and the salaries and employee benefits discussions.

## CAPITAL BUDGET—COMPARISON TO PLAN

FOR THE YEAR ENDING MARCH 31, 2013 (IN \$ THOUSANDS)

	ESTIMATED	PLANNED	
	March 31/13	March 31/13	Variance
Office furniture and equipment	\$330	\$281	\$49
Computer systems hardware	766	866	(100)
Leasehold improvements	136	126	10
Intangible assets	570	710	(140)
	<b>\$1,802</b>	<b>\$1,983</b>	<b>\$(181)</b>

The Capital Budget table above compares the latest estimated capital expenditures for the current year ending March 31, 2013, with planned expenditures. It shows that overall estimated expenditures are 9% below plan and that there are variations and adjustments within categories of capital expenditures due to changing requirements. Lower expenditures are forecasted for computer hardware, due to the lower-than-anticipated costs for information technology (IT) hardware projects and replacements. Intangible asset costs related to IT projects are expected to be lower 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 fiscal year are occurring this year. Expenses for leasehold improvements are projected to be slightly higher than planned, due to higher-than-anticipated costs for fit-ups of office space.

## CAPITAL BUDGET

FOR THE YEARS ENDING MARCH 31, 2012, TO MARCH 31, 2018 (IN \$ THOUSANDS)

	ACTUAL	ESTIMATED	PLANNED	PLANNED	PLANNED	PLANNED	PLANNED
	March 31/12	March 31/13	March 31/14	March 31/15	March 31/16	March 31/17	March 31/18
Office furniture and equipment	\$81	\$330	\$476	\$500	\$500	\$500	\$500
Computer systems hardware	770	766	988	750	750	750	750
Leasehold improvements	165	136	247	500	500	500	500
Intangible assets	175	570	676	500	500	500	500
	<b>\$1,191</b>	<b>\$1,802</b>	<b>\$2,387</b>	<b>\$2,250</b>	<b>\$2,250</b>	<b>\$2,250</b>	<b>\$2,250</b>

Capital expenditures for the current year ending March 31, 2013, are currently forecasted to be \$1.8 million, representing an increase of approximately 51% over the previous fiscal year. This increase is primarily the result of increases in spending on office furniture and equipment and on intangible assets.

For the year ending March 31, 2014, capital expenditures are projected to be \$2.4 million, representing an increase of approximately 32% over the forecast for the current fiscal year. This increase is due to anticipated higher spending on computer hardware to replace aging computer systems, on software related to corporate reporting and on new technologies, including tablet computing, to increase staff efficiency as part of the DCC optimization of service delivery.

For the year ending March 31, 2015, capital expenditures are projected to be \$2.3 million, representing a decrease of approximately 6% over the previous fiscal year's plan. This decrease is due to lower anticipated spending on new technologies following the investment in tablet computing in 2013–14. 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.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING MARCH 31, 2013—COMPARISON TO PLAN

FOR THE YEAR ENDING MARCH 31, 2013 (IN \$ THOUSANDS)

	ESTIMATED	PLANNED	
	March 31/13	March 31/13	Variance
Services revenue	\$115,932	\$122,307	\$(6,375)
Investment revenue	463	450	13
<b>Total revenue</b>	<b>116,395</b>	<b>122,757</b>	<b>(6,362)</b>
Salaries and employee benefits	99,611	106,120	(6,509)
Operating and administrative expenses	9,448	9,465	(17)
Depreciation and amortization	1,750	1,634	116
<b>Total expenses</b>	<b>110,809</b>	<b>117,219</b>	<b>(6,410)</b>
<b>Net income and comprehensive income</b>	<b>\$5,586</b>	<b>\$5,538</b>	<b>\$48</b>

The Statement of Comprehensive Income table compares estimated operating results with planned results for the current year ending March 31, 2013. Services revenue is expected to be approximately 5% below plan. The decrease is related to lower-than-anticipated business volume, due to the deferral of some DND projects to the next fiscal year. Investment revenue is expected to be approximately 3% above plan, due to a higher average cash balance throughout the year.

Salaries and employee benefits are expected to be approximately 6% lower than plan. The decrease is due to the deferral in hiring for projects that have been deferred to the next fiscal year.

In spite of the lower-than-planned business activity, cost containment measures introduced in 2012–13 under the DRAP proposal are expected to keep operating and administrative costs at planned levels. Depreciation and amortization are expected to be approximately 7% above plan. The small increase is due to the fact that more capital expenditures were at the beginning of the year than the end as depreciation starts in the month of acquisition.

The forecasted net income and comprehensive income is expected to be \$5.6 million, versus a planned net income and comprehensive income of \$5.5 million. This minor variance is due primarily to lower operating and administrative costs.

# APPENDIX

## CORPORATE PROFILE

### MANDATE AND OPERATING PRINCIPLES

#### Mandate

- a) The principal mandate of DCC, pursuant to the *Defence Production Act*, is to meet the infrastructure and environmental needs of DND/CF by providing quality services. 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.
- b) DCC is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The *Defence Production Act* defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of or dealing in defence projects.
- c) DCC is permitted to perform and/or contract out real property duties—in particular, to manufacture or otherwise produce, finish, assemble, process, develop, repair, maintain or service defence supplies; or to manage and operate facilities; and to arrange for the performance of professional or commercial services.
- d) The *Defence Production Act* also mandates DCC to do all such things that are incidental to, or necessary to or expedient for, the matters referred to in the above paragraphs, with respect to the procurement, construction, or disposal of defence supplies or defence projects.
- e) DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, lease, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings.
- f) DCC is governed by the provisions of Part X of the *Financial Administration Act*. DCC adheres to the governance, planning, reporting and audit practices established in that legislation.
- g) DCC reports to Parliament through the Minister of Public Works and Government Services.

### Relationship with DND/CF

- a) DCC contributes to the results of DND/CF in the defence of Canada by supporting CF operations, and DND/CF project and program delivery, in Canada and overseas, in the areas of construction, maintenance, facility operation, environmental and other specialized professional services.
- b) 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, at home and abroad, including knowledge related to its support of the CF mission in Afghanistan.
- c) 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.
- d) The Communications Security Establishment Canada (CSEC) is Canada's national cryptologic agency which is a stand-alone agency reporting directly to the Minister of National Defence. As the contracting authority for DND, DCC is working with CSEC on its long-term accommodation project (LTAP) in Ottawa. Built using a public-private partnership (P3), this 30-year, design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements.
- e) Since 1951, the working relationship between DND and DCC has been defined in a continuous series of memoranda of understanding (MOUs). The MOUs describe the operational, administrative and financial framework within which the two organizations do business.

### Relationship with Industry

Because DCC works closely with private sector consultants and contractors, it is vital that the Corporation stay abreast of trends in the construction industry. In addition to maintaining formal exchanges with the Canadian Construction Association, and its provincial and trade counterparts, and other relevant associations, DCC employees interact with contractors on job sites every day. These discussions help keep DCC informed of industry developments and provide a useful forum through which the Corporation connects with its industry partners.

DCC also maintains relations with other groups, such as the Association of Consulting Engineering Companies—Canada, Architecture Canada, the Canadian Public Procurement Council and the Canadian Design-Build Institute, as well as industry organizations for a variety of related services.

### Operating Structure

DCC maintains site offices at all active CF establishments in Canada and abroad, as required, and its Head Office is located in Ottawa. The Corporation maintains five regional offices (Atlantic, Quebec, Ontario, Western and National Capital Region), as well as 47 site offices located at CF bases, wings and area support units. In addition, DCC maintains remote offices in the Arctic, as required for the DEW Line Clean-Up, and for eight years maintained site offices in Kabul and Kandahar, Afghanistan. With the CF leaving Kandahar, Afghanistan, in December 2011 and DCC's infrastructure support work ending, DCC closed its site office in Kandahar in October 2011 and closed the site office in Kabul in September 2011. All DCC employees have returned home from these deployments. DCC stands ready to support future CF operations abroad or at home in Canada, as required.



## Business Model

- a) DCC's business model is to maintain core professional capabilities and leverage them to the maximum extent with industry capacity. The Corporation balances the needs of private sector contractors and consultants while remaining fully compliant with all relevant regulations and guidance of the Government of Canada.
- b) Operating on a fee-for-service and not-for-profit basis, DCC does not receive any appropriations from the Government of Canada. It generates revenue through fees charged to the Client-Partner, DND/CF, for infrastructure and environmental support services linked to the full lifecycle management of Crown assets for which DND/CF is the custodian.
- c) DCC staff provides the services that are most appropriately and/or most effectively carried out by the Crown. The balance of activities—those related to programs and projects—are carried out by private sector consultants and contractors engaged by DCC.
- d) DCC has cost-effective, fair and transparent procurement processes in place.
- e) DCC is committed to supporting DND through DND's Canada First Defence Strategy.
- f) DCC is focused on delivering value for money to DND/CF and the Government of Canada.

## Statement of Priorities and Accountabilities

The most influential factors on DCC's business are Government of Canada priorities, articulated in the Statement of Priorities and Accountabilities that DCC receives 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 2012 and is focused on generating savings within its operations, where possible, to support the Government's objective 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 September 2011, DCC completed a review with a focus on reducing operating expenditures and improving productivity, while examining the efficiency and effectiveness of programs. The cost-saving opportunities DCC identified 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.

## LEGISLATIVE POWERS AND OBLIGATIONS

### Legislative Framework

Defence Construction (1951) Limited was created pursuant to the *Defence Production Act* for the specific purpose of procuring for and delivering 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 by implementing 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 ensuring 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 of Business Conduct 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.

DCC's Procurement Code of Conduct is aligned with the PWGSC Code of Procurement Conduct.

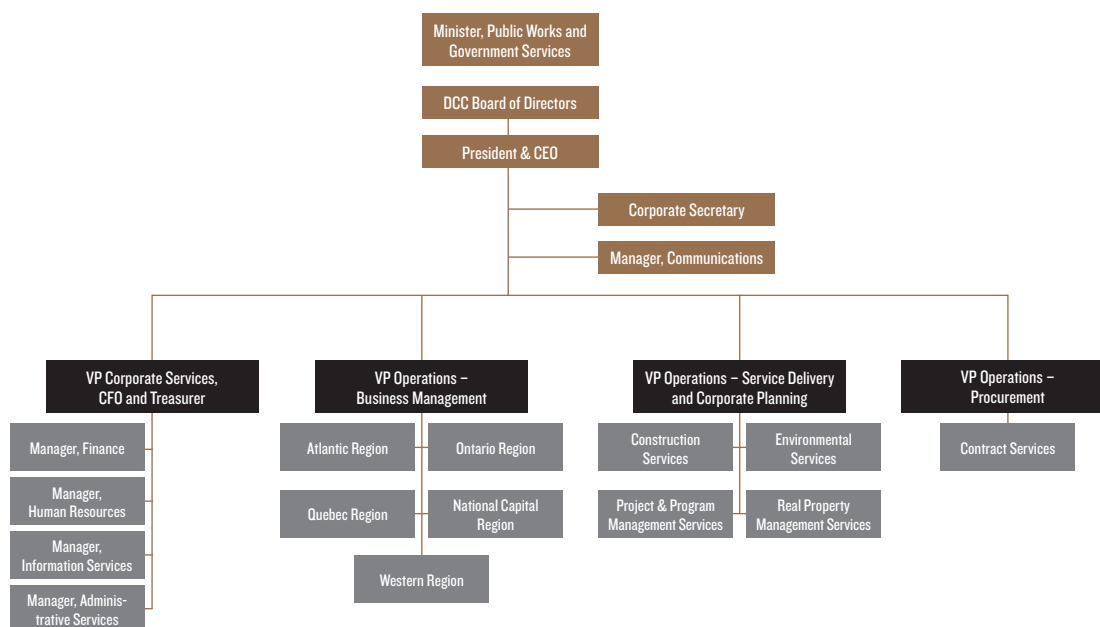
### Accountability to Parliament

Created in 1951, DCC is a Crown corporation that provides a wide variety of infrastructure-related services to support the defence of Canada. The prime focus and beneficiaries of DCC's services are DND/CF operations, both domestic and overseas. DCC is accountable to Parliament through the Minister of Public Works and Government Services.

### Contracting Policies

- a) DCC is fully compliant with Government of Canada contracting regulations pursuant to the *Financial Administration Act* and is committed to ensuring a secure, efficient and fair process for the procurement and management of DND infrastructure projects. Its business is to solicit, award and manage infrastructure and environment contracts on behalf of DND.
- b) DCC adheres to the objective of government procurement contracting, which is to acquire goods and services in a manner that enhances access, competition and fairness and that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people, while meeting the essential operational requirements of its Client-Partners.
- c) Using DCC's ISO-9001 certified quality program, the Contract Services service line ensures consistent delivery, enhanced client input and continuous improvement.

## CORPORATE GOVERNANCE AND STRUCTURE



### Board of Directors

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 their obligations under 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 remain as board members until successors are appointed.

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 DCC 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.

As appropriate, the Chair of the Board communicates regularly with the Minister of Public Works and Government Services, and reports on issues to board members. The Board also receives regular reports on the stakeholder engagement and relationship management activities of the President, as well as of each member of DCC's Executive Management Group.

### Board and Committee Structure

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 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 effectiveness assessment questionnaire 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 the Privy Council Office'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.

## 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 Team—made up of the President and CEO, and four Vice-Presidents (three for operations, one for corporate services)—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, they meet regularly as the Executive Management Group (EMG), supported by the Corporate Secretary, to review strategic, operational and financial matters for the Corporation.

Three Vice-Presidents, Operations, are responsible for DCC service delivery, corporate planning, business management and procurement activities. The Vice-President, Operations – Business Management is responsible for the business management of all the regions and is the executive sponsor for the Construction Services service line. The Vice-President, Operations – Service Delivery and Corporate Planning is responsible for service delivery for the Construction Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's Corporate Plan. This Vice-President also acts as the Corporate Security Officer. The Vice-President, Operations – Procurement is accountable for the leadership and oversight of the procurement function across the Corporation and as part of the Executive Management Team. The Vice-President, Corporate Services is also the Chief Financial Officer and Treasurer, and is responsible for DCC's Corporate Services Division, including human resources, finance, information technology and administrative services.

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.

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

The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.

## Ethical Business Conduct

DCC's employees are aware of expectations placed on them in such areas as codes of ethics, disclosure of wrongdoing, and compliance with legislation and governmental policies. In addition to applying the *Public Servants Disclosure Protection Act*, DCC has its own Code of Business Conduct. DCC's Board monitors compliance with the Code, as well as policies and legislation related to business and employee conduct, through regular reports.



Each year, DCC personnel are required to review their obligations under the Code and to reply to an annual electronic reminder of their responsibilities. This electronic system ensures that DCC keeps accurate records of responses and that there is appropriate follow-up. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board regarding code compliance matters as they arise and provides an annual update as well. In this way, the Board ensures that DCC maintains its good practices regarding programs and policies related to values and ethics. In 2011–12, all DCC personnel responded to the annual request for review and all new hires completed the required test.

Board members adhere to the requirements of the *Conflict of Interest Act*. Each year, they sign a declaration regarding the *Conflict of Interest Act*, which ensures they are aware of the requirements of this Act and confirms they will continue to comply with them. In 2011–12, all board members signed the declaration.

## Audit

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

In 2011–12, DCC's Board of Directors approved a revised five-year audit plan developed by Interis. The audit plan objectives are aligned with the strategic initiatives set out in this Corporate Plan.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General must carry out a special examination of DCC 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.

## FINANCE

### Investments

The Corporation currently invests in listed bonds, guaranteed investment certificates and mutual funds that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

### Legal Claims

In accordance with the memorandum of understanding between DCC and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by DCC. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on DCC. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

