



National Défense
Defence nationale

**Departmental Performance Report
for the fiscal year ending
March 31, 2006**

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Minister's Message

As Minister of National Defence, I am honoured to present to Parliament the 2005–2006 Departmental Performance Report.

The Departmental Performance Report provides a comprehensive overview of activities and expenditures for the reporting period of 2005–2006. The Department of National Defence and the Canadian Forces (DND/CF) are constantly in motion, from conducting operations in Canada, North America and around the world, to continuing the CF transformation and expansion process. Below you will see our progress in some of the most important areas for determining departmental performance.



This report encompasses the 2005–2006 reporting period, during which time criteria for measuring departmental performance evolved from departmental capability programs to the new Treasury Board Secretariat program activity architecture. Also, a change of government initiated in the third quarter necessitated a realistic assessment of the Canadian Forces' situation and an incorporation of the *Canada First* strategy.

The *Canada First* defence strategy strengthens the Canadian Forces independent capacity to defend Canada's security and sovereignty at home and abroad. This means that the capacity to fulfill traditional roles—protecting Canadians at home, defending North America in cooperation with the United States, and defending Canadian interests abroad—is enhanced. Also, in this era of global connectedness Canada must be able to fulfill United Nations and NATO responsibilities, often on multiple continents, often simultaneously.

One of the key objectives of the *Canada First* defence strategy is to increase the level of Regular Force military personnel. The department exceeded recruiting goals by achieving one 100% its target, as a result of efforts made to streamline and reform the recruitment process. There were also advancements in our effort to develop and support a professional, effective, sustainable military establishment. These were visible in the upward trends of morale and levels of experience. Challenges in growing the force, such as attrition and greater training capacity will be addressed as this department works to finalize a recruitment strategy.

One of the most significant achievements of 2005–2006 was establishing the command architecture to guide and implement transformation. Four new Canadian Forces Operational Commands were created and six new regional Joint Task Forces were formed. As well, the departmental management continues to align itself with these recent changes to the Canadian Forces.

The Canadian Forces have begun to reverse the long downward trend in replacing equipment. Recent decisions should see the acquisition rate double in coming months. Likewise increasing



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defence allocations should soon resolve the perennial tension between modernization and sustainability.

The department is to be commended for training, deploying and sustaining a large military task force that brings much credit to Canada for its professional competence in Afghanistan. The department strengthened partnerships with other government departments and agencies, which proved significant in our operations abroad and ensured the success of our ongoing mission of defending Canada.

This fall should see the presentation of the new government's Defence Capabilities Plan. This plan will provide long-term guidance addressing such areas as force expansion, transformation and modernization goals. This will be done in the context of our *Canada First* Defence Strategy of strengthening the Canadian Forces independent capacity to defend Canada's security and sovereignty at home and abroad.

The Department of National Defence and the Canadian Forces provide Canada with respect and acknowledgement. This is a successful department that contributes greatly to Canada's place in the world.

The Honourable Gordon J. O'Connor, PC, MP
Minister of National Defence



Management Representation Statement

I submit for tabling in Parliament, the 2005–2006 Departmental Performance Report (DPR) for the Department of National Defence.

This document has been prepared based on the reporting principles contained in the Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports:

- it adheres to the specific reporting requirements outlined in the Treasury Board Secretariat (TBS) guidance;
- it is based on the department's approved Program Activity Architecture (PAA) as reflected in its Management, Resources and Results Structure (MRRS);
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to DND/CF; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

W.P.D. Elcock
Deputy Minister



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An electronic version of this report is available at: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr_e.asp

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Section I: Departmental Overview

The Defence¹ Mission

The mission of the [Department of National Defence](#) (DND)², the [Canadian Forces](#) (CF)³, and the organizations and agencies that make up the National Defence portfolio is to **“defend Canada and Canadian interests and values while contributing to international peace and security”**.

Under the direction of the Government of Canada, the CF are responsible for:

- protecting Canada;
- defending North America in co-operation with the United States; and
- contributing to international peace and security.

To meet these responsibilities, the CF include a navy capable of operating along Canada’s three coasts and on the high seas, a robust army, a revitalized air force, and four operational commands: [Canada Command](#), [Canadian Expeditionary Force Command](#), [Canadian Special Operations Forces Command](#), and [Canadian Operational Support Command](#).

The Defence Portfolio

The Defence mission is executed by DND, the CF, and a group of related organizations and agencies that includes the [Communications Security Establishment](#) (CSE) and [Defence Research and Development Canada](#) (DRDC).

The CF also maintain:

- a police service comprising the Military Police and the National Investigation Service, operating under the [Canadian Forces Provost Marshal](#);
- a military justice system administered under the superintendence of the [Judge Advocate General](#);
- chaplaincy services;
- extensive communications networks in Canada and abroad;
- firefighting services;
- medical and dental services (CF members are excluded from both the [Canada Health Act](#) of 1984 and the Public Service Health Care Plan);

¹ DND, the CF and the organizations and agencies that make up the Defence portfolio are collectively referred to as Defence. DND and the CF are organized under one strategic headquarters, National Defence Headquarters, in Ottawa.

² DND exists to provide advice to the Minister of National Defence, and to support the CF under the direction of the Deputy Minister.

³ The CF conduct operations, and have their own military chain of command and corresponding accountability under the Chief of the Defence Staff.



- youth programs, specifically the [Canadian Cadet Program](#) and the [Junior Canadian Rangers](#);
- the [Canadian Defence Academy](#);
- the [Canadian Forces Grievance Authority](#);
- the [Canadian Forces Housing Agency](#); and
- the [Canadian Forces Personnel Support Agency](#).

Defence also includes the following organizations that report directly to the Minister of National Defence:

- The Office of the [Judge Advocate General](#);
- The [Office of the Ombudsman for the Department of National Defence and the Canadian Forces](#);
- The [National Search and Rescue Secretariat](#); and
- The [Office of the CSE Commissioner](#).

The [National Defence Act](#) establishes DND and the CF as separate entities operating in close co-operation under the authority of the Minister of National Defence. In addition to his specific responsibilities under the *National Defence Act*, the Minister of National Defence is responsible for the administration of numerous other statutes, regulations and orders (see Appendix C). The *National Defence Act* also designates that the CF are headed by the Chief of the Defence Staff, who is Canada's senior serving officer "and who shall, subject to the regulations and under the direction of the Minister, be charged with the control and administration of the Canadian Forces",⁴ and establishes the office of the Deputy Minister.

Two organizations, the CF Grievance Board and the Military Police Complaints Commission do report to the Minister of National Defence but are not part of the Department of National Defence. This reporting and organizational arrangement and status is designed to ensure accountability while maintaining an 'arms length' relationship. These two organizations submit their own Report on Plans and Priorities (RPP) and Performance Report to Parliament.

Specific accountability for results and associated performance measurement areas at the level of the Assistant Deputy Ministers and the Environmental Chiefs of Staff are detailed in the [Defence Plan On-Line](#). The National Defence Headquarters organization chart is found in Appendix D.

Key Partners and Stakeholders

Defence works with many Canadian and international partners that support and help execute its mission, programs and activities. The broad scope of the Defence mandate is reflected in the complexity and diversity of the partners and stakeholders listed in Appendix B.

Defence partnerships and relationships help support broader government efforts and priorities, and ensure horizontal co-ordination and co-operation on a range of security and public safety issues. In today's security environment, where the distinction between domestic and international

⁴ *National Defence Act*, Article 18(1).



issues is becoming blurred, new and innovative partnerships and approaches are essential to the success of the Defence mission.



Section 2: Summary of Performance

Overall Summary of Performance

During the fiscal year 2005–2006, both the CF and DND were highly successful in fulfilling their mandates and providing value to Canadians. The CF participated in 21 international peace-support and coalition operations with, on average, more than 2,700 personnel deployed at any given time. Canada's contribution to the international campaign against terrorism alone involved the deployment of more than 2,300 personnel on operations in Afghanistan and the Persian (Arabian) Gulf region. On a smaller scale, the DART deployed to Pakistan in October 2005 to contribute much-needed aid to communities affected by the devastating earthquake that wreaked havoc in that country. In each and every case, CF personnel distinguished themselves by their professionalism and dedication while demonstrating that they are among the best-trained and most effective military personnel in the world.

Canada's military activities represented a significant contribution to international efforts to establish peace, security and stability throughout the world. The CF work closely with other government departments and agencies to take a "whole of government" approach to the varied challenges encountered in theatres of operations. Although these missions are carried out far from home, they are instrumental in establishing an environment in which Canada can continue to grow and prosper. Equally important, our military contributions demonstrate Canadian resolve, and thus give our allies confidence that Canada will fulfill its international obligations.

Perhaps more tangible to the average Canadian, Defence provided enormous economic benefits at home. In fiscal 2004–2005, for example, Defence invested more than \$3.2 billion in Canadian defence-related industries such as aerospace, shipbuilding, weapons, armoured vehicles and electronics. Defence also spent about \$4.0 billion on essential services such as construction, fuel supply and transport. DND and the CF are present in nearly every part of Canada, so these expenditures and their resulting economic benefits were distributed among all provinces and regions. Canada's participation in military alliances also benefited the Canadian economy. In 2004–2005, NATO member nations spent approximately \$119.0 million in Canada by participating in bilateral training programs and activities sponsored or conducted by Defence. Finally, by working through international and industrial programs, Defence helped Canadian businesses sell their products all over the world. Defence investment and expenditure support thousands of businesses and help create tens of thousands of jobs throughout Canada.

Summary of Defence Spending

Defence spending during fiscal 2005–2006 on salaries, daily operations, grants and contributions, and capital investment in equipment and infrastructure came to \$14.682 billion, compared to \$13.922 billion spent in fiscal 2004–2005. Overall, Defence spending is projected to increase to about \$20 billion annually by fiscal 2009–2010 due to increases in funding for force expansion, sustainment and re-equipping the CF.



Total Financial Resources: Fiscal 2005–2006

Planned Spending	Authorities	Actual Spending
\$14,279,086,000	\$14,721,638,000	\$14,682,343,000

Achievement of Planned Results

The following summary highlights Defence achievements during fiscal 2005–2006. A more detailed description of initiatives undertaken to achieve Defence strategic outcomes appears in Section 4. Financial tables appear in Section 5. The electronic version of this report also contains many web links to information about specific initiatives that may be of interest.

Generate and sustain relevant, responsive and effective, combat-capable, integrated forces.

<i>Achievements</i>
<ul style="list-style-type: none"> In general, the CF were able to respond well to all assigned missions. Greater logistical challenges were faced, however, when the Government called on the CF to conduct larger, more complex missions.
<ul style="list-style-type: none"> Defence made significant efforts to become fully integrated and unified by aligning its force structure to enhance operational effectiveness. Key initiatives included the stand-up of Canada Command (Canada COM) with six regional Joint Task Forces, Canadian Expeditionary Force Command (CEFCOM), Canadian Special Operations Forces Command (CANSOFCOM), Canadian Operational Support Command (CANOSCOM), and a Strategic Joint Staff.
<ul style="list-style-type: none"> Canada achieved positive outcomes on humanitarian missions in the southern United States and in Pakistan, but in both cases the response was delayed by a lack of strategic airlift. This shortcoming increased the cost and extended the time required to prepare Canada's contribution.
<ul style="list-style-type: none"> The Land Force Managed Readiness Plan proved to be effective when Defence was asked to increase Roto 0 of Operation ARCHER by 600 CF members. Land Force Command met all of its operational tasks, and the Army provided personnel for nine separate missions.
<ul style="list-style-type: none"> CF recruiting intake for fiscal 2005–2006 totalled 5,857, or 105.97 percent of the target (5,527). Intake of non-commissioned members came to 107 percent of the target, and Officer intake came to 102 percent of the target.
<ul style="list-style-type: none"> The Reserve Force proved its value in operations by providing up to 20 percent of deployed contingents for missions in Afghanistan and Bosnia-Herzegovina. In addition to providing a surge capacity for deployed task forces, Reserve units are a significant presence in communities across the country, and maintain the connection between the CF and the people of Canada.



<ul style="list-style-type: none">• Approximately \$1.8 million was allocated through the Recruitment Strategy Investment Fund (RSIF) to help DND organizations conduct hiring campaigns targeting critical shortages in civilian occupational groups. Through the RSIF, DND recruited 635 new civilian employees in fiscal year 2005–2006, an increase of 181 over fiscal 2004–2005.
<ul style="list-style-type: none">• In fiscal 2005–2006, the Materiel Group used the National Procurement Program to spend \$1.96 billion, or 0.05 percent <i>less</i> than was budgeted. During the reporting period, CF operations at home and abroad received sustained support of exceptionally high quality.
<ul style="list-style-type: none">• The Canadian Forces Housing Agency recapitalization program spent about \$27 million to build 60 houses at Camp Wainwright, Alberta and renovate 195 units at ten sites across Canada
<ul style="list-style-type: none">• The results of a series of studies conducted by Defence Research & Development Canada (DRDC) with the Close Action Environment war-game provided the army with the information required to make credible recommendations on the best options to pursue for equipment acquisition and training.

Conduct operations

<i>Achievements: Protecting Canada</i>
<ul style="list-style-type: none">• The CF continued to fulfill their defence objective of conducting surveillance and control of Canadian territory, waters and airspace, while increasing the CF's presence in the North.
<ul style="list-style-type: none">• The CF also responded to a wide range of requests for support from other government departments and agencies for activities such as search and rescue and drug-interdiction operations. In 2005, the joint Canadian Forces/Canadian Coast Guard Rescue Co-ordination Centres handled more than 8,000 aeronautical, maritime and humanitarian incidents, to which air force aircraft responded nearly 1,100 times.
<ul style="list-style-type: none">• The CF deployed a detachment to Kashechewan, Ontario, to help the provincial Emergency Measures Organization by producing enough potable water to meet the community's daily needs during a water-quality crisis, plus a reserve supply for the future.
<ul style="list-style-type: none">• The CF-operated maritime and aeronautical Joint Rescue Co-ordination Centres (JRCCs) responded to 8,015 search and rescue, humanitarian, and aid to civil authorities incidents in 2005, providing assistance to some 28,000 persons.
<ul style="list-style-type: none">• CF aircraft were tasked for search and rescue missions 1,091 times during the reporting period. Although Canadian Coast Guard vessels provided most maritime-surface emergency response, naval vessels were also involved in a number of cases.
<ul style="list-style-type: none">• Naval formations supported the National Search and Rescue Program and fulfilled its obligation to other government departments, especially the Public Safety and Emergency Preparedness Canada and the Department of Fisheries and Oceans by providing a total of 230 frigate sea-days, including 100 sea-days of sovereignty patrols in support of the National Security Policy.



Achievements: Defending North America

- Canada continued to fulfill its responsibilities as a North American security partner through *Operation UNISON 2005*, the CF response to Hurricane Katrina. Using Atlantic Region assets, the brand-new Joint Task Force Atlantic Headquarters planned, assembled and dispatched a shipborne integrated force that left Canadian waters within 96 hours of the operation order, and arrived at Biloxi, Mississippi six days later to deliver aid.
- The CF continued to provide aerospace warning and control of North America through NORAD operations.

Achievements: International Peace and Security

- During the reporting period, the CF successfully conducted 21 international missions and maintained an average deployed strength of more than 2,700 Canadian sailors, soldiers and air force personnel.
- The campaign against international terrorism remained our highest priority with more than 2,300 personnel deployed in Afghanistan and the Persian (Arabian) Gulf Region. This level of commitment means that, at any given time, about 8,000 Canadian Forces members — one third of our deployable force — are preparing for, engaged in, or returning from an overseas mission.
- Defence continued to work under the auspices of international organizations, especially NATO and the UN, to bring security, stability and relief to areas such as Pakistan, Afghanistan and Haiti.
- Defence succeeded in meeting its international commitments and contributed to the US-led campaign against terrorism, working with the US Navy's 5th fleet to conduct surveillance patrols and maritime interdiction operations to ensure safety in the Persian (Arabian) Gulf region, and in the Standing NATO Response Force (NRF) Group, including assuming command in January 2006.
- The CF responded to the Kashmiri earthquake by deploying the DART (*Operation PLATEAU*) within the assigned readiness period. The Canadian response to this demanding emergency was an integrated force of air, land, medical and engineering personnel, and civilians. The humanitarian mission-specific force was delivering survival assistance to the victims well before either Pakistani government aid or non-governmental aid organizations arrived on the scene, thus earning considerable positive recognition for Canada.

For more information on CF operations, see Section 7 and visit:
http://www.forces.gc.ca/site/operations/current_ops_e.asp.



Contribute to Canadian government, society and the international community

<i>Achievements</i>
<ul style="list-style-type: none">• During 2005, Defence used the Procurement Strategy for Aboriginal Business to award more than 800 contracts with a total value of \$56.5 million, of which \$3.35 million worth of contracts was awarded directly by Defence, and the balance was awarded by Public Works and Government Services Canada for Defence clients. This total value exceeded the 2005 Defence target by \$31.5 million, and indicates the support this important federal initiative receives from Defence.
<ul style="list-style-type: none">• Negotiations to renew and expand the North American Aerospace Defence (NORAD) Agreement continued.
<ul style="list-style-type: none">• Defence co-operation with other government departments included providing advice on defence and security issues, and participating in key strategic partnerships such as the “3D+T” approach (defence, diplomacy, development and trade) to operations in Afghanistan, where Defence works most closely with the Department of Foreign Affairs and International Trade and the Canadian International Development Agency.
<ul style="list-style-type: none">• Arms-control verification work by the CF contributed to the containment and reduction of the proliferation of conventional weapons and weapons of mass destruction.
<ul style="list-style-type: none">• Through the Partnership for Peace and Military Training Assistance Plan, Defence supported other nations through diplomatic activities and provided assistance to collective and individual military training.
<ul style="list-style-type: none">• Defence-funded research and innovation enhanced the ability of Canadian industry to share in the development of technologies to meet military and security requirements in Canada, and the member nations of NATO and other alliances.

Executive services

<i>Achievements</i>
<ul style="list-style-type: none">• In response to the Comptroller General’s call to increase internal audits, the Chief of Review Services (CRS) initiated more than 75 percent of the high-priority projects identified in the work plans for 2004–2005 and 2005–2006, exceeding the target.



Section 3:

Influences on Departmental Performance

Influence on Performance

Several trends and developments at home and abroad have affected Defence significantly during this reporting period. The factors that influenced performance most in 2005–2006 were as follows:

- International influences:
 - the international security environment,
 - developments in the United States, and in relations between Canada and the US,
 - developments in the North Atlantic Treaty Organization (NATO),
 - developments in the United Nations (UN),
 - developments in the European Union (EU), and
 - the international campaign against terrorism.
- Domestic influences:
 - the change of government in January 2006,
 - the International Policy Statement and the Defence Policy Statement of April 2005,
 - the expansion of the Canadian Forces,
 - the Defence budget,
 - key legislation — the implementation of the *Public Service Modernization Act*, and
 - demographics and the changing face of Canada;

International Influences

The international security environment

The security environment remained complex and unpredictable throughout fiscal 2005–2006, and presented Canada with several major concerns. Although major inter-state war remained unlikely, regional flashpoints persisted in the Middle East, Africa and Asia. Failed and failing states continued to dot the international landscape, creating regional instability and providing a potential haven for terrorists in Africa, Asia and Latin America. Global terrorist groups have dispersed and are therefore in some ways more difficult to confront. Although anti-terrorism efforts have succeeded in disrupting the leadership of al-Qaeda, international terrorism has evolved into a global movement of militant groups and individuals, and will remain a serious threat for many years to come. There is also a possibility that terrorists will obtain and use weapons of mass destruction in the future, as state and non-state actors continue to seek these weapons to wage asymmetrical attacks against Western targets.



Developments in the United States and in Canada–U.S. relations

Throughout the reporting period, Canada-US defence relations evolved in a number of areas. For example, the two countries worked towards the renewal of the North American Aerospace Defence (NORAD) Agreement in perpetuity and the addition of a bi-national maritime warning function. Plans to disband the Bi-National Planning Group and integrate its remaining defence related functions into a number of other bodies, including the Permanent Joint Board on Defence, the Military Cooperation Committee, Canada Command and US Northern Command, were also developed.

Developments in the North Atlantic Treaty Organization

NATO continued its ambitious transformation process, which is designed to ensure that the alliance possesses the modern forces required to operate in today's security environment. The NATO Response Force (NRF) is expected to reach full operational capability in October 2006. The transformation program increases the alliance's focus on operations outside the North Atlantic region and away from Europe. NATO approved plans to expand the International Security Assistance Force (ISAF), in which Canada is a participant, into southern Afghanistan.

As NATO's sixth-largest financial contributor, Canada is one of the alliance's leading members. General Ray Henault of the Canadian Forces is the Chairman of the NATO Military Committee, and Canada is the third-largest contributor to the NATO Airborne Early Warning Force. Canada has also recently joined other NATO member nations in supporting the acquisition of an Alliance Ground Surveillance system and the launch of a multinational strategic airlift initiative.

Developments in the United Nations

The UN is the best forum through which to authorize and implement peace support operations, although it continues to face significant challenges. In the last year, the UN has undertaken a significant new mission in southern Sudan, following the signing of a comprehensive peace agreement between the Sudanese government and southern rebels. The CF contributed a number of headquarters personnel to the new UN mission, as well as a number of military observers. National Defence closely tracked developments within the UN authorized African Union peace support mission in Darfur and provided important assistance, including 100 armoured personnel carriers, five support vehicles, helmets, protective vests, maps, and planning expertise. At the strategic level, Canada continued to work with like-minded countries to make the UN more effective by promoting the "Responsibility to Protect" concept.

Developments in the European Union

Believing that much can be gained from a stronger, more capable EU, Canada supports the development of EU military policies and capabilities that complement NATO. In December 2005, Canada and the EU entered into a treaty-level framework agreement that will facilitate co-operation in European-led civilian and military crisis-management operations. This framework agreement, which was negotiated by DFAIT in consultation with other government departments including DND, allows Canada to participate in EU-led initiatives through Memoranda of Understanding. The framework agreement shows that Canada is committed to close co-operation with the nations of Europe to achieve international peace and stability.



The international campaign against terrorism

The CF continued their participation in the international campaign against terrorism, including contributions to on-going maritime interdiction operations in the Arabian Sea, increased participation in ground operations as part of Operation Enduring Freedom and NATO's International Security Assistance Force (ISAF) in Afghanistan, and the presence of special forces in Afghanistan. The CF and DND also continued to work closely with other government departments, particularly the Department of Foreign Affairs and International Trade and the Canadian International Development Agency, as part of a “whole of government” approach to the stabilization and reconstruction of Afghanistan.

Domestic Influences

Change of government

The election of the current government on January 23, 2006 had a significant impact on Defence planning. The new government's approach to defence is based on a “Canada First” strategy to strengthen Canada's independent capacity to defend national sovereignty and security. Defence is currently developing a new document, the Defence Capabilities Plan, which will formalize the government's long-term vision for defence, including guidance on the roles and missions of the Canadian Forces and equipment priorities.

The International Policy Statement and the Defence Policy Statement

Many of the risks and challenges associated with the implementation of the IPS and DPS will carry over as Defence implements the new Government's “Canada First” defence strategy. For example, making the CF more relevant to current and future operations will continue to entail tough choices between new capabilities and legacy systems. Defence is acquiring the equipment and other resources needed to support a larger, multi-role, combat-capable defence force. The CF will retire some capabilities, modernize some existing platforms, and acquire new equipment. Defence continued to work towards the completion of the Defence Capabilities Plan to provide a blueprint for this process.

Expansion of the Canadian Forces

Expanding the CF is a complex undertaking that will enhance their sustainability and operational effectiveness at home and abroad. Defence is developing recommendations on the most efficient ways to implement the government's direction to expand the CF by 13,000 Regular and 10,000 Reserve Force⁵ personnel.

In fiscal 2005–2006, the CF worked to resolve two major challenges associated with force expansion:

- Effective, balanced programming of the training flow that accommodates the particular training requirements of specialist occupations; and
- Positioning the infrastructure, funds and equipment required for the recruitment and training of additional personnel.

⁵ Includes the 5K-3K force expansion initiative announced in Budget 2005



While force expansion is under way, and until the effects of recent government investments are realized at the tactical level, the CF are likely to be limited to a single line of operations and smaller-capability contingencies.

The Defence budget

The 2005 federal budget gave Defence a significant injection of new funding specifically directed to improve operational sustainability, replace or acquire new capabilities and to expand the CF. Internal allocations during fiscal 2005–2006 included \$80 million to begin force expansion, and \$420 million for operations, maintenance and infrastructure to improve operational sustainability. The following table summarizes the 2005 federal budget funding allocations for Defence.

Budget 2005 Defence funding

BUDGET 2005 DEFENCE FUNDING (\$ MILLIONS) ON AN ACCRUAL BASIS	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010
Force Expansion (5,000 Regular / 3,000 Reserve)	80	100	500	1,200	1,180
Operational Sustainability	420	500	600	800	900
Capital Investments	0	0	0	125	595
Total Budget 2005 Allocation	500	600	1,100	2,125	2,675
Source: Assistant Deputy Minister (Finance and Corporate Services)					

During fiscal 2005–2006, the Department allocated the Budget 2005 sustainability funding⁶, as proposed in its Treasury Board submission, as follows:

- 40 percent to operating budgets for sustained training and operational readiness, particularly in support of deployed operations.
- 5 percent to enhance continuing efforts to bring military health care to contemporary standards for physical and mental health casualties, in-garrison care and post-deployment treatment. The funding provided to support the Rx 2000 Military health care initiative resulted in improved medical support to operations and enhanced health care for all Canadian Forces members.
- 40 percent in a significant effort to address critical supplies and repair shortages in all areas of the CF. These funds allowed Defence to meet targeted availability rates for selected critical fleets and prolong the sustainability of existing capabilities.
- 15 percent directed to the repair of deteriorating infrastructure and as compensation for increased environmental stewardship costs.

The increases to the operating and infrastructure allocations were insufficient, however, to fully address escalating energy and construction costs or the impact of Expenditure Review Committee (ERC) reductions, which are discussed further in this section. A significant increase in the price of fuels, combined with the continued escalation in the cost of construction materials and labour, eroded the intended benefit of the sustainability injections.

⁶ approximate percentages



The adoption of accrual budgeting for specific new capital equipment and infrastructure was also a departure from the traditional methods of capital acquisition financing and management. The need to determine the cash flows required to execute the projects still exists. Resource allocation planners and managers however, must now accurately project an accrual expense over the useful life of the capital equipment or infrastructure. The incorporation of accrual budgeting for capital projects into resource planning has generated a requirement for new management and tracking procedures. Although these issues did not develop into problems during fiscal 2005–2006, Defence will be more likely to plan and implement new projects on an accrual basis as it authorizes significant new capital expenditures.

Impact of government efficiency initiatives on sustainability

During the same period, however, two significant new Government of Canada efficiency programs, the Expenditure Review Committee (ERC) and the Procurement Program Reform (PPR) initiative, reduced total Defence allocations not only in fiscal 2005–2006 but also in future years. More importantly, the effect of these cuts was felt more in the area of sustainability, because funding for expansion and new equipment was directed to specific equipment and activities. The net result for fiscal 2005–2006 was a reduction of more than 12 percent in the sustainability funding allocated in the 2005 federal budget, and by fiscal 2009–2010 the net reduction in funds for sustainability programming could be as much as 56 percent.

The following table summarizes the net effect of the 2005 federal budget sustainability increases, and the application of the ERC/PPR reductions to the Department.

Potential Impact of ERC and PPR on the 2005 federal budget operational sustainability funding

BUDGET 2005 DEFENCE FUNDING (\$ MILLIONS)	2005–2006	2006–2007
Operational Sustainability	420	500
Less: Department ERC reductions	(34)	(88)
Less: Department PPR reductions	(20)	(62)
Net allocation to Sustainability	366	350
Source: Assistant Deputy Minister (Finance and Corporate Services)		
Note 1: Planned Procurement Review figures for 2007–2008 and future years are notional amounts only as the magnitude of National Defence reductions for PPR are not yet final.		

Balanced investment

The results of program review indicate a downward trend over the last 30 years in funding for capital programs, and an upward trend in funding for human resources programs and operations and maintenance. Defence needs capital investment to support the transformation of the CF, which involves significantly enhanced capabilities, so the downward trend in resources for capital programs is cause for concern. As demands for transformation and new capabilities increase, Defence must prioritize its resource demands (i.e., programs, equipment and infrastructure), and divestment may be necessary to ensure efficiency and effectiveness.



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CAPITAL SPENDING (\$ THOUSANDS)			
Fiscal year	Main Estimates	Authority	Actual Spending
2005–2006	2,247,930	2,247,930	2,237,401
2004–2005	2,158,297	2,193,350	2,174,734
2003–2004 (without OCIPEP) ¹	1,888,962	2,162,000	1,944,000
2003–2004 (with OCIPEP)	1,888,962	2,162,546	1,944,203
2002–2003	2,191,429	1,939,430	1,914,304
2001–2002	2,143,289	2,255,917	2,207,986
Source: Assistant Deputy Minister (Finance and Corporate Services)			
Note 1: On December 12, 2003 the Federal Government announced some restructuring of Federal Departments. At this time, the Office of Critical Infrastructure Protection and Emergency Preparedness (OCIPEP) moved from DND to the Department of Public Safety and Emergency Preparedness. This number shows the revised Authority for DND had OCIPEP moved April 1, 2003.			

The Expenditure Review Committee

Defence complied fully with the ERC program, and only \$20 million of the total departmental reduction target of \$203 million is still to be allocated internally to the appropriate branches. The Assistant Deputy Minister (Information Management) is continuing to study these reductions, which are targeted under the IT Infrastructure Support Outsourcing category, and the phased reductions associated with this study are scheduled to begin in fiscal 2007–2008. All other ERC reductions were included in the forecast allocations, up to and including the baseline reductions as of fiscal 2009–2010. Although the ERC program will be completed when the final \$20 million in cuts is assigned, all Defence organizations will continue to strive for savings to ensure the success of the Operational Sustainability program.

Procurement Program Reform

The Public Works and Government Services Canada (PWGSC) PPR initiative reported that DND could realize savings on non-specialized procurement in the order of 12-15 percent. These funds were to be returned for allocation to other Government priorities. The following table summarizes the PPR assigned reductions to DND funding.

PPR HARVESTING PROFILE ASSIGNED TO DND	2005–2006	2006–2007
(\$ MILLIONS)		
Reduction to DND Allocation ¹	(19.7)	(62.3)
Source: Assistant Deputy Minister (Finance and Corporate Services)		
Note 1: Planned Procurement Review figures for 2007–2008 and future years are notional amounts only as the magnitude of National Defence reductions for PPR are not yet final.		

The Procurement Reform commodity teams were unable to realize the prescribed savings, thereby effectively relegating the initiative to a directed cut exercise with the unintended result of creating additional pressures on sustainability. This fact was partially recognized in an in-year reduction of the DND-assigned target for fiscal 2006–2007 (currently \$62.3M vice \$86.2M), however the full application of the original targets remains a possibility for future years and will effectively decrease the impact of additional sustainability funding.



Key legislation: the *Public Service Modernization Act*

Full implementation of the *Public Service Modernization Act* (PSMA) began in December 2005. As implementation is at its early stage, an impact analysis on its effect on Defence has yet to be conducted.

Demographics and the changing face of Canada

Changes in Canadian demographics are still a concern for Defence, especially in their effect on recruitment and retention. The Canadian population is becoming increasingly diverse, and visible minorities are expected to account for about 20 percent of the Canadian population by 2016.

Although the CF are currently exceeding their recruitment goals, these trends pose recruitment challenges that may increase in the future. In response, Defence continued its proactive recruitment and diversity initiatives to compete for workforce talent and to create workplace conditions that meet the needs of both CF members and Defence civilians.

Fiscal Priorities, Resource Stewardship and Reallocation

Planned vs Allocated Resources

DND uses a Performance Management Framework (PMF) to monitor its spending and the results it obtains for the amounts allocated to each activity. The PMF applies management measures to spending on military and civilian personnel, equipment, infrastructure, information technology, scientific and technological research and development, and the transformation of the CF command and control structure. The PMF also monitors the National Procurement Program because it has a massive impact on the stability and effectiveness of the Defence capital program.

Lapse

The total lapse in DND funding for 2005–2006 is \$25.7 million, comprising \$6.8 million directed by Treasury Board, \$7.4 million in the Employee Benefits Plan, and \$11.4 million in planned spending that has been postponed to fiscal 2006–2007.

Vote 5 (Capital) spending: Actual vs planned

Every year since fiscal 1999–2000, the initial allocation for Vote 5 spending on capital equipment has not been spent; \$1.6 billion was allocated each year for capital equipment, and actual spending averaged \$1.3 billion. This difference means that, over those five years, \$1.5 billion worth of equipment was not delivered. The requirement for that equipment did not go away, however; each year, those acquisitions were postponed to the next year to compete for funding already allocated to other acquisitions. The backlog of unfilled requirements is now restricting the department's ability to start new acquisitions, and increasing demands in other areas. For example, fleet maintenance costs rise if vehicles, ships and aircraft remain in use beyond a certain point in their life cycle.

In the past, the National Procurement Program funded some capital projects as “betterments” that could extend the life of a fleet by many years. These projects will now be funded from the Capital Account, and such spending will be reported as recapitalization.



Capital Investment Plan

Program Management Board submissions

In recent years, 50 to 70 submissions to the Program Management Board (PMB) have been planned annually, while the PMB has actually received only 30 to 40 submissions per year. From now on, the Chief of Programme (C Prog) will track the planning of PMB submissions on a quarterly basis. C Prog will prioritize projects and will publish a PMB schedule that defines which projects will be tabled at scheduled PMBs. This schedule will be aligned with TBS and in-house submission intentions.

Emerging priorities

A program as complex as the recapitalization of the Canadian Forces is under constant pressure to add new priorities. The current practice is to defer some priorities to release funding for new, more urgent requirements, which means simply displacing programs to make room for unexpected demands. Defence has decided that this practice will cease; in future, when new requirements are added, requirements of corresponding value will be removed to keep the Defence program affordable. There are several techniques for managing priorities, including delaying implementation, slowing spending, lowering the priority or removing it from the program. The PMB will be responsible for identifying requirements to be removed from the program when higher-priority requirements are added.

Another problematic aspect of capital projects is the length of time it takes to obtain approvals, within Defence and at higher levels of authority. In future, approval documentation will be tracked to identify and remove bottlenecks, a task made possible by the development of the Strategic Capabilities Investment Plan (SCIP). The most common source of delays is questions about how a project fits into the Defence program, and the information provided by the SCIP will permit Treasury Board, PWGSC and Parliament to link projects through their documentation to a planned program, thus eliminating delays of the type currently experienced. The in-year progress of capital projects is tracked quarterly. Forecast spending will be closely monitored, projected slippage will be analyzed for overall program impact, and any direction to divert funds from reinvestment activity will require full disclosure of the anticipated effect on the program, and an action plan for keeping the SCIP on track.

Accountability

Accountability in Defence is described in [Organization and Accountability: Guidance for Members of the Canadian Forces and Employees of the Department of National Defence](#), a 1999 document that is currently being updated. The Defence Plan outlines specific accountability for results and associated performance measurements at the level of the Assistant Deputy Ministers and the Environmental Chiefs of Staff. The National Defence Headquarters organization chart (see Appendix D in Section 8 of this report) outlines the chain of responsibility.



Section 4:

Departmental Performance by Program Activities

Transition to the Program Activity Architecture

Reporting Approach for Fiscal 2005–2006

The Defence Management, Resources and Results Structure (MRRS) was approved by the Treasury Board Secretariat (TBS) on August 30, 2005. The Defence MRRS comprises three elements:

- a Program Activity Architecture (PAA);
- three clearly defined, measurable strategic outcomes; and
- a description of the current governance structure that outlines the decision-making mechanisms, responsibilities and accountabilities in Defence.

Fiscal 2005–2006 was a transitional year for Defence. Financial reporting in the 2005–2006 Report on Plans and Priorities (RPP) reflected the interim PAA, while the narrative followed the Planning, Reporting and Accountability Structure (PRAS) Defence used in the past. When Defence submitted its initial PAA to TBS, it was an interim structure anticipating more amendments during fiscal 2005–2006. Since the transition to the PAA depends on the planning cycle, the narrative sections in this DPR are based on the PAA of August 30, 2005, but the data set out in the financial tables are organized according to the interim PAA to be consistent with the public accounts for the same period. Defence will use the approved PAA in all its financial reporting in fiscal 2006–2007.

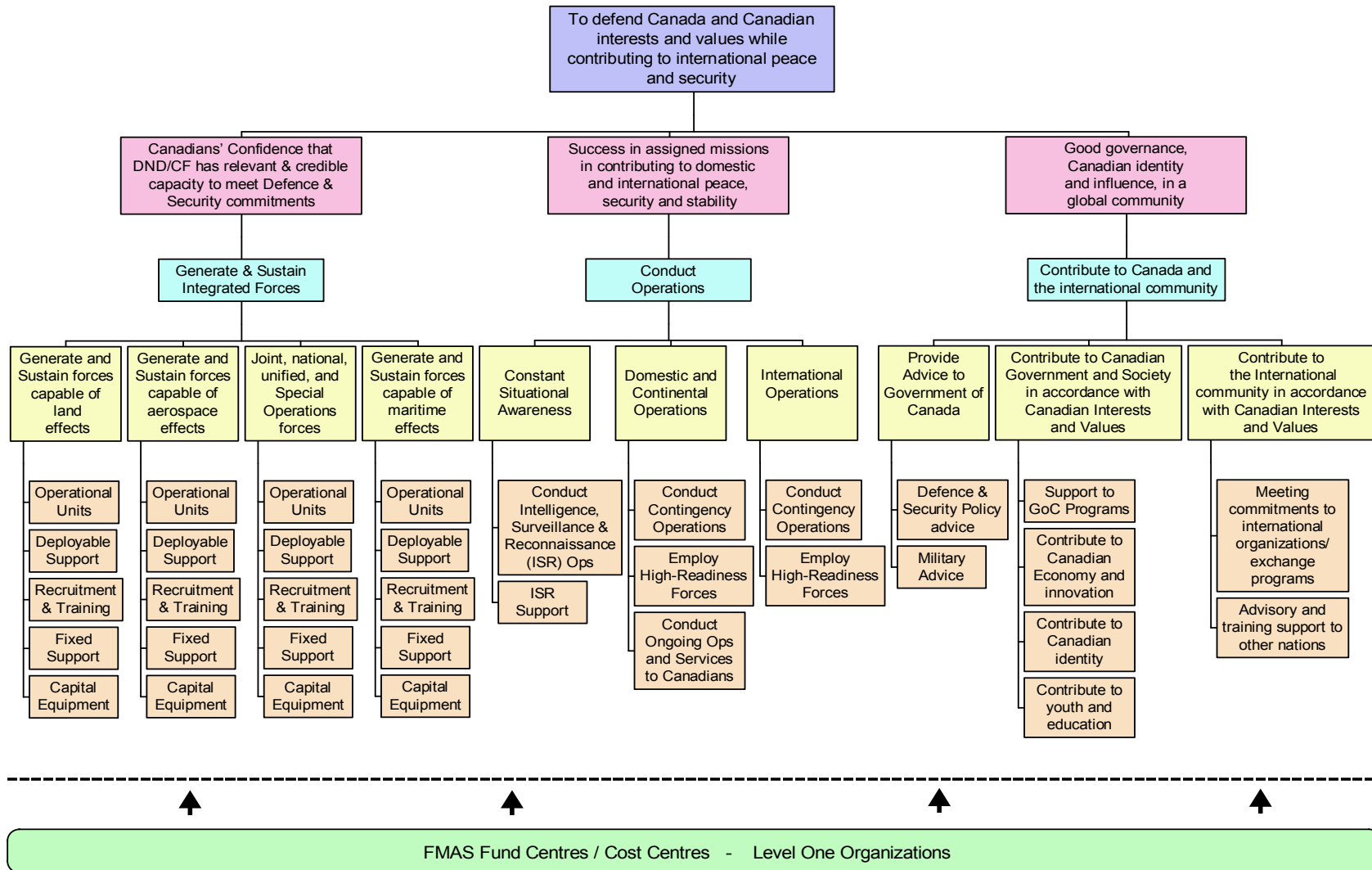
For a comparison of the interim PAA and the approved PAA, including the redistribution of financial resources, see Table 3b in Section 5. For detailed information on the PRAS, visit:

http://www.vcds.forces.gc.ca/dgsp/00native/rep-pub/j-pras01_e.asp

The following chart summarizes the Defence PAA.



Department of National Defence - Program Activity Architecture (PAA)

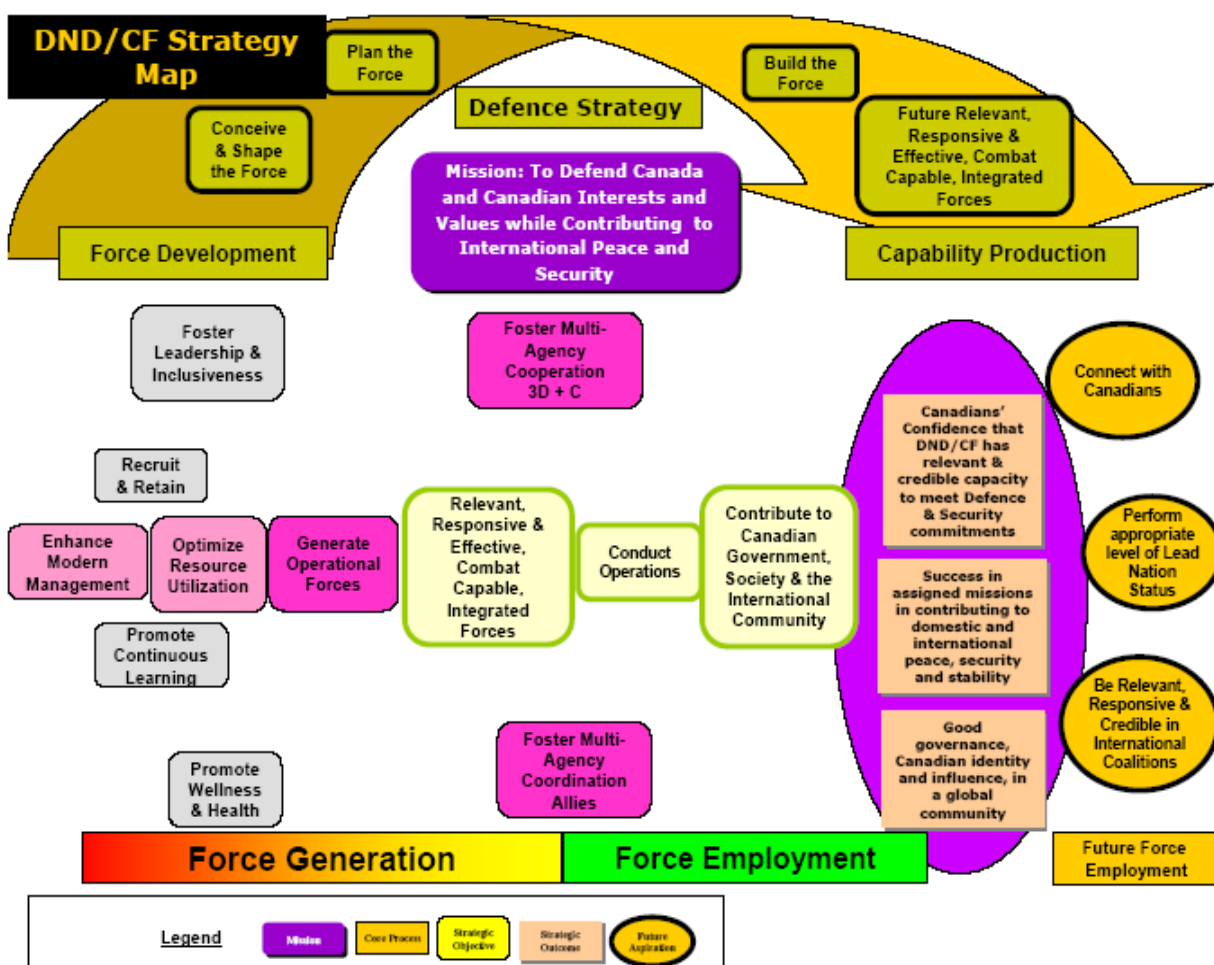




Performance Management in Defence

The Defence Strategy Map

As part of the Performance Management Framework in Defence, the Strategy Map for the Deputy Minister/Chief of the Defence Staff level gives the Defence Management Committee (DMC) a system for tracking, analyzing and effecting departmental performance by translating the departmental mission and vision statements into causally linked strategic objectives. The Strategy Map sets out 15 strategic objectives across five perspectives, using a modified version of the Balanced Scorecard approach to performance management. The strategic objectives drive success in the three main outputs of the Defence PAA that lead to the achievement of the strategic outcomes and the mission. Indicators and measures are being developed for each strategic objective. This developing framework gives Defence an internal picture of performance, and will be used to inform external audiences about the progress Defence is making toward its PAA outputs and outcomes. Defence is also taking steps to align its performance management framework with other government reporting requirements, including the Management Accountability Framework and the PAA. For more information regarding the Strategy Map, visit: http://www.vcds.forces.gc.ca/dgsp/pubs/dp_m/pmdef_e.asp.





The Management Accountability Framework

Modern Management in Defence laid the groundwork for continuing the pursuit of management excellence using the new TBS Management Accountability Framework (MAF).

Maximizing effectiveness in resource management is a priority for Defence. The departmental aim is to support intelligent, forward-looking, effective and efficient management practices consistent with Government of Canada standards. Throughout the reporting period, Defence used modern management practices, and complied with the TBS guidelines set out in the MAF and MRRS. This achievement included taking an integrated approach to risk and performance management within an overall management framework for enhanced decision-making that will be crucial to the success of CF transformation when it is fully implemented. Progress is currently being tracked by means of several performance indicators. (For more information, on Defence performance based on MAF elements, see Section 4.)

Based on the vision of “Results for Canadians”, the MAF presents 10 statements that summarize TBS management expectations. The Deputy Minister of National Defence meets annually with the Secretary of the Treasury Board to discuss the MAF and opportunities to strengthen management capabilities and practices in the context of the MAF.

The following paragraphs highlight some of the MAF elements established at Defence.

Risk management

Defence recently approved a policy document and a guideline document on Integrated Risk Management (IRM). Areas of strategic risk to the department have been identified to help senior business planners create their strategic assessments. Defence has assessed its progress toward full implementation of IRM across the organization to maturity as 4.7 out of 10; despite the very robust risk management processes at the operational level, the corporate levels of Defence have still to integrate risk management information.

In particular, work remains to be done in defining:

- the top-level departmental integrated strategic risks;
- the level of tolerance for managing these integrated strategic risks;
- the associated mitigating strategies; and
- the offices responsible, authorized and accountable for these integrated strategic risks.

Stewardship

- **Audit and Evaluation:** Defence tracks the percentage of recommendations responded to and implemented within a reasonable time. DND scored 8 out of 10 on this measure.
- **Financial Reporting:** Defence performance on the timeliness, accuracy and completion of financial reporting was assessed as “good”.
- **Procurement Program:** A procurement program review committee is in place to ensure a risk-based approach to management, control and accountability. Currently scored as 6 out of 10, work remains in applying a systematic and formalized approach to managing risk in procurement programs.



- **Financial Risk Assessment:** Defence scored 3 out of 5 on conducting financial risk assessments of all investment proposals.
- **Data Integrity:** Defence scored 4 out of 5 on conducting integrity assessments of financial data.
- **Accountability and comptrollership:** Defence tracks its compliance with authorities and delegations by measuring progress toward goals set out in the Comptrollership Action Plan. On this measure, Defence scored 6 out of 10. Improvement of management practices in accordance with TBS guidelines has been established as a Defence corporate priority.

Corporate Priorities for 2005–2006

The Defence corporate priorities for fiscal year 2005–2006 were the following:

- adapt to the evolving security environment and enhance strategic relationships;
- transform and modernize the CF;
- develop and support a professional, effective, sustainable Defence Team; and
- maximize effectiveness in resource management.

The 2005–2006 Defence corporate priorities were established in response to the risks, challenges and opportunities identified by Defence. The corporate priorities reflect strategic choices that cut across the entire Defence portfolio, and areas that the Minister of National Defence and senior Defence leaders have identified as requiring action, development or improvement. The activities and initiatives supporting these priorities are discussed throughout this report.

The following “crosswalk” table shows how corporate priorities relate to program activities. This link ensures that high-level performance-measurement and resource information for corporate priorities and related initiatives is reported through the program activities.



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RELATIONSHIP BETWEEN CORPORATE PRIORITIES FOR DEFENCE AND PROGRAM ACTIVITIES				
	PROGRAM ACTIVITIES			
Corporate Priorities for 2005–2006	Generate and Sustain Integrated Forces	Conduct Operations	Contribute to Canada and the international community	Type of priority
Adapt to the evolving security environment and enhance strategic relationships				
• Contribute to the international campaign against terrorism		■		O
• Support and advance the renewed emphasis on the security of Canada and Canadians		■	▣	N
• Enhance the Defence intelligence capability		■		O
• Contribute to the International Policy Review and conduct the Defence Policy Review in that context			■	O
• Strengthen defence and security arrangements with the U.S., including the Bi-national Planning Group		■	▣	O/N
• Broaden our constituency to engage traditional and non-traditional stakeholders		▣	■	O
• Expand strategic partnerships with other government departments, other levels of government, and the private sector		▣	■	O
• Promote other key international defence and security relationships		▣	■	O
Transform and Modernize the Canadian Forces				
• Focus strategic planning efforts on required capabilities			■	O
• Enhance the capability to operate effectively in joint, interagency and multinational environments		■	▣	O
• Shift resources and effort from lower to higher priority initiatives to accelerate the pace of transformation	■	▣	▣	O/N
• Continue the modernization of the military justice system and complaint mechanisms			■	N
• Significantly advance key capital projects	■			N
Develop and support a professional, effective, sustainable Defence Team				
• Align recruitment and retention processes to improve their ability to meet our needs	■		▣	O
• Modernize human resource management	■		▣	O
• Encourage and support continuous learning	■			O
• Continue to strengthen military health care	■		▣	O
• Advance leadership through the promotion of diversity and inclusiveness in the workplace	■		▣	O
• Improve our bilingual capacity			■	O
• Promote wellness and health			■	O
Maximize effectiveness in resource management				
• Enhance management excellence by implementing the Comptrollership Action Plan ⁷ and a focus on strengthening accountability and controls			■	O/N
• Implement the new information management strategy and governance			■	O
• Pursue a culture of excellence in internal communications			■	O
Legend: O = Ongoing N = New ■ = Primary ▣ = Secondary				

⁷ The Comptrollership Action Plan is now embedded in *Strengthening Accountability and Comptrollership in National Defence*



Outcomes by Program Activity

The Defence PAA supports the Government of Canada outcomes of sustaining Canada's economy, ensuring safe and secure communities and contributing to a safe and secure world. Further details on the role of Defence in achieving government-wide outcomes can be found in the TBS annual report entitled *Canada's Performance*. This section sets out the details of Defence program activities that contributed to the achievement of government-wide outcomes.

Three strategic outcomes were identified to fulfil the Defence mission and achieve results for Canadians. These are:

- Canadians' confidence that DND and the CF have relevant, credible capacity to meet defence and security commitments;
- Success in assigned missions in contributing to domestic and international peace, security and stability; and
- Good governance, Canadian identity and influence in a global community.

Three program activities were identified to align with these strategic outcomes:

- Generate and sustain relevant, responsive, effective, combat-capable integrated forces;
- Conduct operations; and
- Contribute to the Canadian government, society and the international community in accordance with Canadian interests and values.

Generate and Sustain Relevant, Responsive, Effective, Combat-Capable Integrated Forces

Strategic Outcome: Canadians' confidence that DND and the CF have relevant, credible capacity to meet defence and security commitments.

Human Resources

PROGRAM ACTIVITY	ACTUAL 2005–2006
Human Resources: Military FTEs	24,975
Human Resources: Civilian FTEs*	20,951
Source: Chief of Military Personnel and Assistant Deputy Minister – Human Resources (Civilian)	
Note: Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the new PAA structure. Refer to Table 10 Civilian FTEs by Program Activity for additional information.	



Financial Resources

PROGRAM ACTIVITY (\$ Thousands)	ACTUAL SPENDING 2005–2006
Generate and sustain relevant, responsive and effective combat capable, integrated forces	\$12,005,268
Source: Assistant Deputy Minister – Finance and Corporate Services Note: Planned Spending and Total Authorities 2005–2006 are reported under the Interim Program Activity Architecture in accordance with the Estimates approved by Parliament. Table 3a: Comparison of Planned to Actual Spending provides information under the Interim Program Activity Architecture and Table 3b provides a crosswalk of the Actual spending 2005–2006 from Interim Program Activity Architecture to the Program Activity Architecture.	

The focus of the first program activity is to measure the ability of Canada's high-readiness forces to meet defence and security commitments. In support of the corporate priority to transform and modernize the CF, Defence is drafting the CF Campaign Plan (a project management tool that shows the progress being made on various initiatives) to ensure that the deliverables planned for Defence capabilities expected in the future are aligned with the Defence Capabilities Plan. In particular, Defence is ensuring that all elements of each capability (e.g., people, equipment, training, infrastructure) are fielded in accordance with project schedules.

This program activity comprises the following sub-activities that sustain the anticipated operational tempo for both planned and contingency operations at appropriate levels of readiness, and generate surge forces to meet unexpected demands:

- Generate and sustain integrated, operational forces capable of maritime effects;
- Generate and sustain integrated, operational forces capable of land effects;
- Generate and sustain integrated, operational forces capable of aerospace effects; and
- Generate and sustain joint, national, unified and special operations forces.

The following “sub-sub-activities” support the entire program activity:

- Generate military and civilian personnel; and
- Capital equipment.

Generate and sustain integrated operational forces capable of maritime effects

Maritime Command successfully met its international commitments and contributed to US-led operations in the campaign against terrorism, working with the Fifth Fleet of the US Navy and the Standing NATO Response Force (NRF) Group, of which Canada took command in January 2006. The navy also led *Operation UNISON 2005* — Canada's contribution to the effort to clean up after Hurricane Katrina.

Naval formations also supported the National Search and Rescue (SAR) Program and fulfilled Defence obligations under MOUs with other government departments, especially Public Safety and Emergency Preparedness Canada and the Department of Fisheries and Oceans (DFO), by providing a total of 230 frigate sea-days, including 111 sea-days for DFO, 19 sea-days for the RCMP, and 100 sea-days of sovereignty patrols in support of the National Security Policy. The



delay in bringing the Victoria-class submarines to operational readiness affected the navy's ability to carry out the full range of assigned surveillance tasks.

Finally, as part of CF transformation, two regional joint task force organizations — one on each coast — were formed to plan and co-ordinate domestic force employment subordinate to Canada Command in Ottawa. Joint Task Force Atlantic was stood up under Commander Maritime Atlantic during the summer of 2005, and was tasked almost immediately to plan and execute the highly successful *Operation UNISON 2005*.

Generate and sustain maritime effects

The Readiness and Sustainment Policy was implemented to fulfill the navy's mission to generate and sustain integrated operational forces capable of maintaining at the required readiness levels a Composite Contingency Task Group of four high-readiness ships (two on each coast), and a National Task Group on each coast, consisting of the two high-readiness ships and two to three standard-readiness ships.

Canada has now taken delivery of all four Victoria-class submarines with their supporting and associated technical and training capabilities. Three of the four submarines have been extensively Canadianized, and a broad range of operational and training activities have been conducted over the last two years, most notably a national surveillance patrol, exercises with elements of the National Task Group and foreign navies, and recent joint exercises in direct support of CF transformation.

The navy achieved initial operational capability with the Victoria class during fiscal 2005–2006, except for the submarines' heavyweight torpedo firing capability. Defence can take great pride in this accomplishment, especially considering the many challenges that had to be overcome before reaching this point. The most pressing collective task was managing the way forward, which was complicated by the demands made by the repairs to HMCS *Chicoutimi* on an already heavily subscribed engineering and maintenance staff.

Mindful of the limitations on the overall Defence maintenance capacity, engineering support, personnel and materiel resources, Defence has decided to postpone the rest of the repairs to *Chicoutimi* and her consequent re-introduction to service. This decision will allow the navy to concentrate its resources on building a sustainable two-boat operational capability by 2009, when HMCS *Victoria* and HMCS *Windsor* are expected to achieve full operational capacity.

The Chief of the Maritime Staff has also been tasked to begin exploring options for a globally deployable sea-based and sea-borne Standing Contingency Force. The concept of operations is under development, and an Integrated Technical Effects Experiment to be conducted in the fall of 2006 is being prepared.

The Fleet Support Plan

The Fleet Support Plan has been successfully implemented to ensure the maintenance of necessary levels of materiel readiness. Personnel and training plans have also been successfully implemented to support required levels of operational readiness, specifically by maintaining a Composite Contingency Task Group and a National Task Group on both coasts.

In June 2005, the Ship Management Committee (now Fleet Sustainment Planning Board) approved a formal Naval Materiel Support Plan process for a one-year trial, effectively replacing the Fleet Support Plan. The purpose was to continue the harmonization and integration of the



Fleet Support Plan with the Readiness and Sustainment Policy to clarify requirements and performance standards. The Naval Materiel Support Plan will provide senior naval planners with the information they need to allocate resources efficiently. Eventually, it will capture multi-year direction for fleet materiel acquisition and support requirements, encompassing activities provided for by all sources, programs and funds.

Research and development

In response to the increased importance of maritime security and the navy's leading role in this area, Defence Research and Development Canada (DRDC) made the following adjustments to the Maritime R&D Program:

- Discussing the establishment of collaborative R&D opportunities with the US Coast Guard;
- Participating in the Interdepartmental Marine Security Working Group;
- Participating in maritime ISR and force protection activities organized by Maritime Systems Group of the Technical Cooperation Program;
- Starting a maritime force protection project under the Technology Development Program; and
- Participating in the identification and prioritization of collaborative projects under the new Public Security Technical Program.

R&D support of naval requirements focused on maritime command and control; maritime intelligence, surveillance and reconnaissance; maritime above-water and underwater warfare capabilities, and naval platform technology. For example, in October 2005, DRDC led the international Maritime Sensor Integration Experiment (MARSIE) off the coast of Nova Scotia. The objective of this trial, one of the largest of its kind in Canada, was to collect data from sensors that could be used to enhance the surveillance and security of Canada's coastal approaches. During the trial, sensors, aircraft, ships and high-frequency surface-wave radar tracked three simulated smuggling operations from Britain to Nova Scotia. The trial also produced valuable data for scientists and authorities to use in evaluating the effectiveness of current and future technologies in securing Canadian waters.

Generate and sustain integrated operational forces capable of land effects

After its operational pause, Land Force Command (LFC) produced a Managed Readiness Plan (MRP) to allow the army to target the training, operational and reconstitution cycle of each of its units that are required to prepare and sustain a task force. The Managed Readiness Plan showed its effectiveness when the CF were able to provide the 600 additional members required for Roto 0 of *Operation ARCHER*. LFC successfully completed all its operational tasks, and the army provided personnel for nine missions.

Generate and sustain land effects

The army's Managed Readiness Plan (MRP) was developed to impose a degree of predictability on the availability of soldiers, and to maximize the efficiency with which the CF spend money, and trains and employs personnel. This plan has been reviewed and updated to ensure sustainable generation of land forces for domestic and expeditionary operations.



The MRP identifies Immediate Response Units, including support capabilities required to sustain forces deployed from the Regional Land Force Command areas. These requirements are usually embedded among the affected units' annual tasks.

Research and development

DRDC is committed to supporting the evolution of the Land Force. The close co-operation between DRDC and other Defence organizations, especially the Land Staff and Materiel Group, has resulted in an R&D program that is tuned in to the army's transformation, and well placed to contribute to it.

The requirement to work in physically uncomfortable conditions is a reality CF members face every day, especially on operations. To improve the CF cold weather shelter system and survival equipment, DRDC has developed a tent made of light fabric with a zipperless entrance, a convection system to minimize interior frost build-up and temperature gradient, and an LED lighting system. This new tent is now at the prototype stage. DRDC has also developed a sleeping bag that minimizes the accumulation of frost inside, a camouflage material that minimizes the heat signature of the tent and its occupants and a heating vest. In cold conditions, blood rushes from the hands to warm the body. The heating vest tricks the body into believing that the temperature is warmer than it actually is. This way, the blood stays in soldiers' hands enabling them to work longer under cold conditions without additional protection. These research projects will enhance Canadian soldiers' ability to live, move and fight in extreme cold, and help the CF choose their next generation of winter tents, sleeping bags and camouflage equipment.

CF operations that involve urban warfare are complicated and significantly different from operations conducted in open country. Short of combat or full-scale exercises, the only practical way to test new tactics, doctrine and equipment in urban settings is through simulation. In 2005, DRDC completed several studies using the Close Action Environment war-game environment, a high-fidelity "soldier-in-the-loop" simulator that allows players to conduct engagements that could involve an entire company of soldiers, using realistic parameters. The studies examined a variety of new soldier sensors, weapon suites and organizational models, and gave the army useful recommendations on equipment and training.

Knowing how soldiers react to distractions on the battlefield is essential when developing training programs. DRDC conducted a study to measure the impact of noise on a soldier's ability to detect, identify and engage targets. The study examined the differences in performance between individuals and two-man teams in target detection, identification, and marksmanship using the Small Arms Trainer with noise as a stressor. These trials produced evidence that a moderate level of battlefield noise has no impact on a soldier's ability to detect, identify, and engage targets, and that teams engage targets faster than individuals but their marksmanship was less accurate, suggesting that a team situation invokes a competitiveness that favours speed over accuracy, a reversal of individual behaviour. These findings could influence doctrine on soldier training and operational conduct in theatre.



Generate and sustain integrated operational forces capable of aerospace effects

The Air Staff is responsible for development and production of aerospace capabilities as well as for generation, application and sustainment of aerospace power in combat operations in defence of Canada and North America, and abroad, alongside allies or coalition partners.

Generate and sustain air effects

The air force aims for a quality workforce with enough personnel to support and sustain its assigned missions. It embraces the principles of a total workforce and the Defence Team; more specifically, the air force strives for full, seamless integration of Regular and Reserve Force personnel and, where appropriate, Defence civilians.

The Air Force Support Capability (AFSC), currently comprising six mission-support squadrons, provides deployable engineering, logistics and communications support for the air force. These six squadrons are in Phase 1 of a three-phase project. Phase 2 will see the development of the AFSC to include four more mission-support squadrons, the procurement of equipment to support deployments of Air Expeditionary Units, and the construction of buildings at six wings across Canada to house the personnel and equipment of mission-support squadrons. A capital project has been initiated to ensure the timely and effective delivery of this capability. In fiscal 2005–2006, 3 Wing Bagotville was kept at high readiness to support the CF commitment to the NATO Response Force.

Research and development

DRDC supports the science and technology needs of the air force through five “air thrusts”, complemented by activities initiated for other clients that address shared problems. DRDC has designed the management of its Air program to engage the air force in directing the focus of all Air R&D projects.

Complexity, dynamics, and information overload are some of the characteristics of military systems that impose severe constraints on personnel. Some of the critical applications that are affected are piloting displays; sensor operations; tactical management; and intelligence gathering, surveillance and reconnaissance activities, such as controlling a group of uninhabited aerial vehicles (UAVs). To address this issue, DRDC designed and tested advanced intelligent adaptive interface technologies that increase human information-processing capabilities and improve decision-making. This technology offers real potential for improving the effectiveness of aircrews. Its use demonstrated improved situational awareness and reduced workload. Operators were able to work effectively under high stress and complete critical tasks in less time. The results of these tests will help the CF make informed acquisition decisions about the effectiveness of advanced technologies for operator-machine systems.

Generate and sustain joint national, unified and special operations forces

During the reporting period, significant effort was made across Defence to adopt a fully integrated and unified approach by restructuring the Canadian Forces to ensure operational effectiveness. Key initiatives included the stand-up of Canada Command (Canada COM) with six subordinate regional Joint Task Forces; Canadian Expeditionary Force Command (CEFCOM); Canadian Special Operations Forces Command (CANSOFCOM); Canadian



Operational Support Command (CANOSCOM); and the Strategic Joint Staff. This work was accomplished rapidly by reallocating human, materiel and financial resources from areas where the impact of the reductions was deemed acceptable. These initial steps towards CF transformation are being followed by efforts to grow and sustain the organization to meet Canada's security and defence demands.

Generate and sustain joint, national, unified and special operations effects

The establishment of CANSOFCOM on February 1, 2006, created an organization able to deploy integrated counter-terrorism air and land forces rapidly. CANSOFCOM now has detection and counter-measures capabilities to use against chemical, biological, radiological and nuclear (CBRN) threats, and is reinforcing these capabilities with the establishment of the Canadian Special Operations Forces Regiment. The combined capabilities of these units give the CF the ability to engage in many specialized environments.

CANOSCOM assumed responsibility for planning and executing national-level operational support for theatre activation, sustainment and termination of a CF operation. CANOSCOM provides the full range of combat support and combat service support functions, including aspects of military engineering, health services, military police, logistics, land equipment maintenance, personnel support, resource management, and communications and information systems (CIS). Its first task is to generate task-tailored operational support organizations for Canada COM, CEFCOM and CANSOFCOM.

To aid in this task, CANOSCOM assumed command of the Canadian Forces Joint Support Group (CFJSG), the CF Joint Signal Regiment (CFJSR) and J4 Logistics. The CFJSG is a rapidly deployable formation that arranges and provides operational-level support to CF international and domestic operations. The CFJSR provides close signal support and general CIS capabilities for international and domestic contingency operations through a rapidly deployable National Command, Control and Information System (NCCIS). The Canadian Materiel Support Group (CMSG, previously J4 Logistics) co-ordinates national-level logistics support to CF operations, and provides the focal point for materiel and operational logistics support of Canada's current and projected defence commitments. By uniting all operational support organizations under CANOSCOM, the CF quickly and effectively achieves relevant, responsive support to domestic and international operations.

Research and development

CANSOFCOM established a foundation for developing the infrastructure to support special operations requirements. It developed a rigorous force-development program that will put into place the infrastructure and equipment required to support operations. In fiscal 2005–2006, it developed a command structure and pursued a detailed R&D strategy to ensure that the CF have a state-of-the-art special operations capability.

DRDC directly supported deployed operations by focusing on force-protection measures using the Technology Demonstration Program, and several systems have already been fielded in Afghanistan. DRDC supported *Operation ARGUS*, the Strategic Advisory Team assisting the Afghanistan national government in Kabul. A civilian operational analyst deployed to Afghanistan for a year to develop the fundamental analysis and guidance needed to assist in the Afghanistan National Development Strategy and respond to international aid and development proposals in support of national reconstruction. With the assistance of the Information



Management Group, national non-tactical communication services, engineering and integration support for information technology infrastructure projects and related security services, were provided to support DND/CF operations.

Generate military and civilian personnel

Generate military personnel

Performance summary

In the 2005 Speech from the Throne, the government reaffirmed its plan to expand the Regular Force by 5,000 members and the Reserve Force by 3,000 members. Since then, the new government has committed to increase the size of the Regular Force by 13,000 and the Reserve Force by 10,000 members⁸. During fiscal 2005–2006, CF paid strength averaged 61,923, against the planned strength of 62,450. In general this figure results from the reduction in Reservists serving on Class C contracts, due to the operational pause that began early in 2005. CF recruiting for fiscal 2005–2006 totalled 5,857, or 105.97 percent of target (5,527). The recruiting target for non-commissioned members was 107 percent filled, and the officer recruiting target was 102 percent filled.

While the CF are making progress in recruiting numbers, there is still some concern that the best mix of personnel has yet to be achieved, as the gap in Trained Effective Establishment⁹ (TEE) and Trained Effective Strength¹⁰ (TES) continues to grow in some critical military occupations.

The percentage gap between the TEE and TES is the measure used to gauge the interaction between military recruitment, training production and attrition. As a result of expansion, the gap between strength and requirement grew slightly from the previous year from 2.39 percent to 2.74 percent. The positive trend is still evident, however, when the 4.19 percent gap reported in fiscal 2002–2003 is compared with the 2.74 percent gap reported in fiscal 2005–2006.

Recruitment

Much work was done during fiscal 2005–2006 to establish the capability to recruit the personnel needed to expand the CF:

- “E-Recruiting” was launched in October 2005 to allow any Canadian with access to the Internet (including residents of rural and isolated regions) to obtain information about employment with the CF and to submit an application.
- Policy and procedures for component transfers (shifting CF members from the Reserve to the Regular Force or *vice versa*) have been revised and streamlined to reduce processing time and eliminate barriers.

⁸ Includes the 5K-3K force expansion initiative announced in Budget 2005. Budget 2006 was delivered outside the reporting period.

⁹ Trained Effective Establishment (TEE) represents the number of authorized positions in the CF.

¹⁰ Trained Effective Strength (TES) is the number of CF members who have completed the minimum occupational training specified for their occupation and are theoretically fully employable.



- A National Call Centre opened in North Bay, Ontario, to answer recruiting inquiries from across Canada efficiently and consistently.
- Defence entered into an MOU on recruiting co-operation with the RCMP, providing for sharing and exchange of facilities and services.
- A trial was conducted to gauge the effectiveness of and level of risk involved in enrolling Reserve Force applicants initially assessed as medically fit directly after Part 2 of the Medical Evaluation to streamline the application process. This trial was deemed successful and the practice has been formalized and extended to all applicants, both Reserve Force and Regular Force.
- The commanding officers of Canada's 10 Recruiting Centres and 29 Recruiting Detachments conducted a best-practices study that identified several procedures that are now standard across the system. Implementation of these standardized procedures was complicated by the lack of a school where recruiting personnel can learn new procedures and techniques. Establishing a training facility for recruiters will be a priority for fiscal 2006–2007.

The CF continued to monitor “critical” military occupations closely. A military occupation is considered critical if the gap between TES and requirement is greater than 10 percent, and the number of candidates training at the basic level for that occupation is too low to close the gap within two years. Some military occupations are designated critical because of the complexity of their training and employment, and in April 2005, 18 military occupations (MOC) met that criterion. By March 2006, the gap had closed somewhat in 13 of these occupations (naval electronics technicians including acoustic, communications and tactical, electrical and mechanical engineering, signals, fire control systems technician, material technician, physical therapy, pharmacy, medical, nursing, social work and ammunition technician). Five of the 18 MOCs are now below the 10 percent threshold (meteorological technician, medical technician, signal operator, naval weapons technician and intelligence operator).

The CF focused on getting some of these critical military occupations up to strength. The CF Recruiting Group formed a Medical Officer Recruiting Team: two Reservists who used industry-standard methods to approach qualified physicians and recruit them through the Direct Entry Officer Plan. In one year, the Medical Officer Recruiting Team nearly tripled the results of the three previous years, bringing in 14 qualified doctors against a recruiting target of 15, and another recruiting officer has been added to the team for fiscal 2006–2007 to concentrate on recruiting pharmacists, another military occupation on the critical list.

Training

In fiscal 2005–2006, the CF worked to enhance the ability to train additional personnel.

- Work was undertaken to increase the annual capacity of the Canadian Forces Leadership and Recruit School (CFLRS) in Saint-Jean-sur-Richelieu, Quebec. Moving non-CFLRS units and dependencies out of the General Jean-Victor Allard Building (better known as the Megaplex) in fiscal 2005–2006 helped maximize infrastructure potential for recruit training. That project will finish in 2008, when the Saint-Jean detachment of the Canadian Forces Language School moves from the Megaplex upon completion of its new quarters. CFLRS added 55 new instructors to handle the increased teaching load that came with the expansion of the basic military qualification course to 13 weeks from 10 weeks, and the addition of 72 more



instructors has been approved to provide additional capacity for force expansion demands. As well, the Naval Reserve Training Detachment at CFB Borden provided 500 basic military qualification course spaces for Regular Force candidates to deal with the capacity demands.

- The CF completed a proof of concept on software to forecast training production and capacity requirements and seven military occupations were modelled during fiscal 2005–2006: medical technician, military police, mobile support equipment operator, resource management support clerk, cook, artillery soldier, and pilot. Another forecast model was created to project professional development for non-commissioned members. Based on the outcome of the proof of concept, career paths are being mapped for all military occupations by course level, considering the capacity of training establishments. Defence will continue to model training production and capacity, and will evaluate the benefits of the modelling technique for managing training and professional development. The Canadian Defence Academy (CDA) continued to work with the CFTSG at CFB Borden to provide career-flow data and timings for the occupations under study, and maintained close co-ordination with the results of the Strategic Intake Plan and the annual Military Occupational Review to schedule training appropriately.
- Working through the CFTSG, the CDA continued to reduce duplication of effort and improve service by adopting the campus concept. By amalgamating all training development and management elements into one centre for functions such as distance learning, and creating another centre to manage personnel awaiting training, the CDA has reduced the need for each training establishment to maintain expertise in all functions. This rationalization process will continue as the CFTSG addresses the increased demand for training through private-sector training providers and a common scheduling system.
- CFSTG embarked on a trial of contracting out the non-military technical training required for several military occupations. The results of this trial will be used to assess the potential of private-sector training providers to meet the increase in training need anticipated from force expansion.

The Canadian Forces School of Military Intelligence

Through the Canadian Forces School of Military Intelligence (CFSMI), the CDA undertook to increase the efficiency, quantity and quality of intelligence training, and has made headway in all areas. The CFSMI conducts individual military intelligence training in accordance with approved doctrine and standards of command and control. The time required to train entry-level officers and non-commissioned members in intelligence occupations was reduced by almost 50 percent through streamlining and eliminating redundancies. The CFSMI renewal effort, dubbed *Operation PROGRESS*, involved rationalizing and streamlining intelligence courses, increasing training capabilities, and developing capacity for specialty and Reserve Force intelligence training.

Intelligence training in both the Army Reserve and the Naval Reserve is now consistent with training in the parallel Regular Force occupations. By teaching Regular and Reserve candidates on the same courses, greater efficiencies are realized. CFSMI now offers more than 33 courses and teaches more than 350 students at a time, an increase of about six courses and 100 students. Even with all these improvements, however, CFSMI infrastructure still cannot offer all the training within its mandate, or new course offerings. During the reporting period, work continued



toward increasing operational relevancy, interdisciplinary co-operation across the greater intelligence community, and the integration of the intelligence function into the operational levels of the CF.

Military Occupation Structure Analysis, Redesign and Tailoring

The Military Occupation Structure Analysis, Redesign and Tailoring (MOSART) project was designed to create an agile, flexible structure of military occupations. In fiscal 2005–2006, the MOSART project completed the analysis of nearly 3,000 military jobs, completed a database of military job descriptions with over 1,277 military job descriptions, and added policy papers and analysis tools to the CF job analysis capabilities.

Compensation and benefits

Reserve Force Benefits Review Project

Treasury Board has approved pay protection for Reserve Force members serving on Class C contracts, and henceforth the pay offered a Reservist for Class C service must be at or above the rate offered that member for Class A or Class B service at the same rank and in the same occupation. This protection was introduced to remove a barrier to the participation of Reserve Force members in operations.

Canadian Forces Compensation Strategy Review

Policy reviews have been completed on the compensation offered entry-level Pharmacy Officers, the cancellation of performance pay for senior officers, and allowances for civilian dress, alert status, and service with Joint Task Force 2. Continuing initiatives that made progress include a review of the recruitment allowance policy framework, modernization of the environmental allowance policy framework, reviews of entry-level pay, the policy on submarine specialty allowance, and the policy framework supporting acting rank while so employed and acting pay. Work continues toward the creation of an independent military compensation review committee.

Canadian Forces Pension Modernization Project

Modernization of CF pension arrangements — both changes in the existing pension plan and the establishment of a Reserve pension plan — continues. Two sets of legislative amendments, in 1999 and 2003, provided the basis for regulations that are now being developed. During the summer of 2005, the Treasury Board approved the fundamental elements of the Reserve Force Pension Plan in principle, and the regulations for the Reserve plan are now practically complete.

Implementation of the new pension arrangements cannot begin until the pay, pension and human resources systems are in place to support the new regulations. Implementation was scheduled for January 2006, but unexpected difficulties forced postponement to March 2007.

Sustain military forces

Health care

Work to sustain and improve the standard of health care offered to CF members at home and abroad is carried out through the Rx2000 project. It consists of 22 interdependent initiatives in various stages of implementation that, once complete, will ensure that CF members have access to comprehensive primary and occupational health care. The CF will have an improved, effective



Health Services system that responds to training and operational needs, including needs arising from force generation and force employment. Several Rx2000 initiatives continued planned development and implementation during fiscal 2005–2006. Of particular note, preliminary work was undertaken with Veterans' Affairs and the RCMP to co-ordinate the sharing of mental health services to improve management of care for serving and former members of the CF with operational stress injuries.

Quality of life

During fiscal 2005–2006, Defence drafted the Chief of the Defence Staff (CDS) Guidance to Commanders on Personnel Tempo. "Personnel tempo" is defined as the sum of the demands made by military service upon CF members. This document, which is scheduled for completion in October 2006, gives commanders additional guidance on tour lengths and the effects of time away on CF members.

Throughout fiscal 2005–2006, Defence was involved in the review of the New Veterans' Charter and the development of policies to support the new programs and services it introduced. Defence has begun work with Veterans' Affairs Canada to identify initiatives to reach out to military families to ensure that they are fully aware of benefits available to eligible families of CF veterans.

Continuous learning and professional development

Defence continued to support continuous learning and professional development through the following projects.

- Progress was made on the Leading People and Leading the Institutions initiatives during fiscal 2005–2006. Leading People takes a "hands-on", practical approach to leadership and is directed to CF members ranging in rank from Corporal/Leading Seaman to Major/Lieutenant-Commander, while Leading the Institution is directed to Chief Warrant Officers and Chief Petty Officers 1st Class, and commissioned officers ranging in rank from Lieutenant-Colonel/Commander to General/Admiral.
- The Strategic Leadership Writing Project advanced beyond expectations during fiscal 2005–2006. First, the Canadian Defence Academy Press was founded to publish and distribute the results of Canadian military research. Second, the following books were published: *From the Outside Looking In: Media and Defence Analyst Perspectives of Canadian Military Leadership* (French version in copy-editing); *In Harm's Way: On the Front Lines of Leadership* (French version in production); and *Operational Art: Concepts and Theories*. More titles are currently in press for fiscal year 2006–2007: *In Harm's Way: Serving the Greater Cause* (French version in copy-editing); *Operational Art: Command and Leadership*; *The Reluctant and the Unwilling: Disobedience in the Military* (French version in translation); *Loyal Service: Perspectives on French Canadian Military Leadership* (both French and English in production); *Casting Light on the Shadows: Canadian Perspectives on Special Operations Forces* (both French and English in production).
- Continued rationalization and consolidation of the Education Reimbursement Program will give CF members increased and more flexible access to educational opportunities. The new suite of programs was introduced in November 2004. The Individual Learning Plan has permitted both the CF and the prospective student to manage expectations while offering



viable opportunities. Further work has been initiated to ensure coherence of sponsored, un-sponsored, full-time and part-time programs leading to degrees from accredited institutions. In general, more CF members, Regular and Reserve alike, are participating in independent education programs. In addition, discussions with Veterans' Affairs Canada were initiated to align the Skills Completion Program with the Job Placement Initiative under the New Veterans' Charter, and to identify necessary program adjustments.

- Work continued during fiscal 2005–2006 on modifying the policy governing the Canadian Forces Military Equivalencies Program; publication is scheduled for fiscal 2006–2007. The focus is facilitating formal recognition of the skills recruits bring to the CF on enrolment. Work will continue on developing a database to record equivalencies that the CF grants for non-CF learning and accreditations granted by civilian organizations. An initiative to have CF qualifications recognized by civilian authorities also continues. A three-year (2005–2006 to 2007–2008) interdepartmental project with Human Resources and Skills Development Canada and the Canadian Council of the Directors of Apprenticeship has started reviewing technical military occupations against standards set by the Red Seal Program to determine equivalencies and identify gaps in CF training. Finally, amendments to the Military Civilian Training Accreditation Program made in October 2005 established an annual goal of 20 new accreditations. Eight military occupations were reviewed during 2005, and new contracts have been awarded to keep the work going.
- Current data indicate that about 95 percent of officers at or above the rank of Major/Lieutenant Commander hold university degrees. This percentage is expected to increase as senior officers without degrees retire. CF policy now requires an officer to hold at least a bachelor's degree to qualify for promotion above Captain/Lieutenant (Navy).
- During fiscal 2005–2006, a total of 149 senior officers (at or above Major/Lieutenant Commander) completed courses offered through the Officer Professional Military Education program; of this number, 128 were Regular Force officers and 21 were Reservists.

Reserve Force

The Reserve Force is essential to the CF mobilization plan because it provides the capacity and capabilities required to launch each new stage of mobilization. The primary roles of the Reserve Force are to augment, sustain and support deployed forces and to perform tasks not performed by Regular Force members.

The Reserve Force has four sub-components:

- the Primary Reserve;
- the Supplementary Reserve;
- the Cadet Instructor Cadre; and
- the Canadian Rangers.

The Primary Reserve

The Primary Reserve comprises the Naval Reserve, the Army Reserve, the Air Reserve, the Communication Reserve, the Health Services Reserve, the Judge Advocate General's Primary Reserve List, and the National Defence Headquarters Primary Reserve List. Since the mid-



1950s, the Primary Reserve has augmented the Regular Force, and provided surge capacity and a basis for mobilization in times of crisis. Up to 20 percent of any task force deployed on operations today are members of the Primary Reserve.

NAVAL RESERVE

The Naval Reserve continued to generate ships' companies for the navy's 12 Kingston-class maritime coastal patrol vessels. Naval Reserve crews comprise highly trained teams dedicated to coastal operations, a task that includes port security, mine countermeasures, and naval control of shipping. The Naval Reserve gives the navy a unique relevant capability, and to ensure its long-term viability, the navy has invested in Naval Reserve recruiting, training, long-term retention, leadership, management and public affairs initiatives.

ARMY RESERVE

The Army Reserve achieved its paid-strength target of 16,000 during fiscal 2005–2006. Future expansion up to and beyond 17,300 (a figure that excludes the Health Services Reserve, which is now a separate sub-component) will be subsumed into future force expansion plans.

The Army Reserve made progress on Phase 2 of the Land Force Reserve Restructure program, with the following successes:

- The Army Reserve became the sole generator of personnel deployed in the civil-military co-operation (CIMIC) role.
- Creation of a psychological operations (PSYOPS) capability was successfully developed in Land Force Quebec Area, and will now be implemented in Land Force Western Area, Land Force Central Area, and Land Force Atlantic Area
- The Army Reserve generated soldiers for CF deployments, providing approximately 10 percent of the army contribution to operational rotations.

AIR RESERVE

The air force continued to develop a Reserve employment strategy to foster a Total Force organizational structure with a cadre of Air Reserve personnel and supporting processes and policies to support the broader air force strategy. Currently, Air Reserve strength stands at approximately 2,300 personnel.

COMMUNICATION RESERVE

The Communication Reserve continues to recruit and train reservists for military occupations in the communications field, meeting all production targets. Training for operational employment meets the standards set by and for the Regular Force. At any given time during the reporting period, more than 50 members of the Communication Reserve were deployed overseas on operations.

HEALTH SERVICES RESERVE

Reserve Field Ambulance units and the CF Health Services Group Primary Reserve List recruited an accelerating number of qualified health care professionals, many of them willing to deploy to Afghanistan. As well as normal six-month operational tours, many Health Services Reserve members completed short tours, replaced deployed health-care staff on leave, and



provided aeromedical evacuation support. Several Reserve physicians transferred to the Regular Force. All Health Services Reserve occupational training is now conducted at the Canadian Forces Medical Services and Dental Services School at CFB Borden, Ontario, in modular format to help reservists earn the same qualifications as Regular Force members.

JUDGE ADVOCATE GENERAL'S PRIMARY RESERVE LIST

Reserve Force legal officers are held on the Primary Reserve List of the Judge Advocate General, and are employed on Class A and Class B service as military prosecutors, defending officers and military legal advisors to JAG clients. The JAG manages their careers.

Supplementary Reserve

The Supplementary Reserve is composed of former Regular and Reserve Force members who are no longer active in the CF but are willing to serve in time of need. They are not required to train or perform regular duties. Members who are called out are usually attached to a Regular Force or Reserve Force unit for a specified period of time. Upon completion of this service, they return to the Supplementary Reserve, which currently stands at about 35,000 of all ranks.

The Cadet Instructor Cadre

The Cadet Instructor Cadre consists of officers whose primary duty is to supervise and administer the training of cadets 12 to 18 years of age. Their mandate is to ensure the safety and welfare of cadets while developing in them such worthy characteristics as leadership, citizenship and physical fitness, and stimulating the interest of youth in the sea, land and air activities of the CF.

The Canadian Rangers

The Canadian Rangers provide a military presence in sparsely settled, northern, coastal and isolated areas of Canada that cannot conveniently or economically be covered by other elements of the CF.

The planned transfer of the command and control of the Canadian Rangers to the Deputy Chief of the Defence Staff was overtaken by CF transformation, in which the DCDS group was stood down and replaced by the operational commands. Subsequent reassessment of this plan recommended that responsibility for Canadian Rangers be transferred to the Chief of the Land Staff during the fall of 2006.

Reserve Force Strength				
Sub-Component	Actual 2003–2004	Actual 2004–2005	Planned 2005–2006	Actual 2005–2006
Primary Reserve	22,242	25,633	24,000 ¹	23,902
Supplementary Reserve	45,000	40,000	35,000	35,312
Cadet Instructor Cadre	5,500	7,050	8,300	8,014
Canadian Rangers	4,071	4,179	4,205	4,448
Source: VCDS – Chief of Programme				
Note 1: Primary Reserve reporting, planning and allocations are now calculated on the basis of an Average Paid Strength derived from monthly reports provided by DSFC/DFECS.				



Benefits to Canadians

As the cost of training and paying the Regular Force rises, the Reserve Force has proven to be a cost-effective way to meet Canada's defence needs. With the increase in operational deployments since the early 1990s, the Reserve Force is routinely called on to augment the Regular Force, thereby increasing the overall capability of the CF. Reservists comprise up to 20 percent of task forces deployed on missions in theatres such as Afghanistan and Bosnia-Herzegovina. In addition to providing operational surge capacity, Reserve units distributed in large and small communities across the country contribute a significant military presence and an important way for the CF to stay in touch with the people of Canada. Reservists come from all walks of life and bring the CF substantial additional skills that frequently prove their value. The Reserve is also a significant source of recruits to the Regular Force, since the part-time experience is an excellent indication of what the CF have to offer a full-time member.

For information on the Reserve Employment Support Program visit:

http://www.cflc.forces.gc.ca/pubs/programs/programs_e.asp

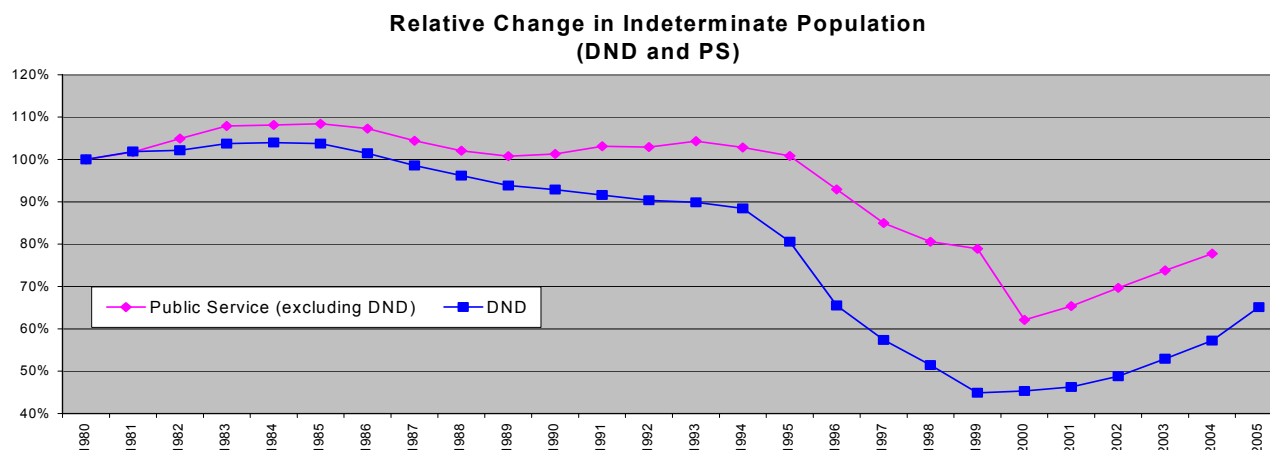
Generate Civilian Personnel

Recruitment and training

Recruitment and retention programs consider future requirements while ensuring that the work force continues to include the competencies and capacity required to provide the services required at affordable costs. With the demographic changes in the civilian workforce, effective and targeted recruitment and retention programs are paramount to the future sustainability of the skill sets required to support the defence mission. Additional information on employment equity can be found later in this section.

The civilian workforce grew by approximately 1,041 employees during fiscal 2005–2006. This change reflects new growth in the workforce above and beyond the intake required to fill vacant positions resulting from attrition, and represents a 5.5% increase in the civilian population over the previous year. Growth has been steady since 1999 with the civilian population increasing by approximately 1,000 to 1,200 new employees each year between 2003 and 2006.

The growth reflects the demand within DND for civilian employees and is offset by a decrease in the use of consultants and contracted work. As noted in the chart below civilian growth within DND has mirrored that of the public service but at a much slower rate.



Note: Data based on calendar year.
Public Service data not available for 2005 and 2006.

Meanwhile, the Department is experiencing a slow but steady increase in the attrition rate for the civilian workforce. At the close of fiscal 2005–2006, the attrition rate was 5.94%, slightly above the three-year average of 5.5%. Like other sectors of the Public Service, DND has an aging workforce and it is anticipated that attrition rates will continue to rise in the short term.

Recruitment strategy

Certain occupational groups within the civilian workforce are experiencing critical shortages as a result of factors such as higher attrition rates and a competitive labour market. During fiscal 2005–2006, Defence allocated approximately \$1.8 million through the Recruitment Strategy Investment Fund (RSIF) to help DND recruit new employees into occupational groups experiencing critical shortages. The following table highlights the recruitment activity for fiscal 2005–2006 for these occupations.

DEFENCE CIVILIAN EMPLOYMENT: RECRUITMENT 2005–2006							
Group or Command	CS	EN	GL	PG	SO	SR	Total
Assistant Deputy Minister (Finance and Corporate Services)	2						2
Assistant Deputy Minister (Human Resources – Civilian)	2						2
Assistant Deputy Minister (Human Resources – Military) [<i>Now Chief of Military Personnel</i>]	20		26				46
Assistant Deputy Minister (Infrastructure and Environment)	1	2					3
Assistant Deputy Minister (Information Management)	55	4					59
Assistant Deputy Minister (Materiel)	5	36	19	35		2	97
Assistant Deputy Minister (Science and Technology)	6	8	5	1			20
Canada Command	1						1
Canadian Operational Support Command	1						1
Chief of the Air Staff	10		46				56
Canadian Forces Housing Agency		1					1
Canadian Forces Legal Advisor	1						1
Chief of the Land Staff	18	1	143				162
Chief of the Maritime Staff	6	7	53	2	4	98	170
Deputy Chief of the Defence Staff	1						1
Judge Advocate General	2						2
Unknown	1		1				2
Vice Chief of the Defence Staff	7		2				9
Total	139	59	295	38	4	100	635

Source: Assistant Deputy Minister (Human Resources – Civilian)



Recruitment into these shortage groups has been steadily increasing. In 2005–2006, 635 new employees were recruited, a 28.5% increase over the previous year's recruitment of 454 new employees.

Additional efforts for targeted recruitment included the use of the Project Management Personnel Requirements (PMPR) program to hire 177 civilian employees in critical occupational groups (133 percent of the 2005–2006 target), and created 189 indeterminate positions to replace contract workers (65 percent of 2005–2006 target).

Civilian employment strategies and programs

With the implementation of the new *Public Service Employment Act* and the *Public Service Modernization Act*, Defence implemented a new staffing framework that includes an overarching policy on civilian staffing and specific policies on area of selection, corrective action and revocation, deployments, criteria for the use of non-advertised appointment processes, a departmental area of selection framework, and guidelines on staffing options.

A business case and framework for the creation of a bank of generic work descriptions was developed, and key policy elements are pending final approval.

Research was conducted on communications requirements related to recruitment, and strategies were tested through outreach activities that targeted critical occupational groups in certain regions. A civilian recruitment strategic communications plan was developed from the findings of this research.

A formal study of Defence civilian apprenticeship programs across groups and commands was completed.

Retention and well-being

During 2005–2006, about 11 percent of Defence civilian employees sought the services of the Employee Assistance Program (EAP) referral agents. EAP is a peer-referral program that helps employees deal with problems affecting their personal and professional lives.

A study of civilian retention was conducted as part of activities under the Well-Being Framework. Follow-on work will enable Defence to develop strategies to improve civilian workforce retention rates.

In March 2006, the Public Service Human Resources Management Agency of Canada administered a new Public Service Employee Survey, and published the results of the survey conducted in 2005. Both the cumulative results for the entire Public Service and the results for Defence are available at: http://www.hrma-agrh.gc.ca/survey-sondage/2005/r-publications/survey_e.asp

The overall response rate at Defence was 50.1 percent, compared to the national government-wide average of 58.9 percent. This is an all-time high, notable for a workforce as geographically dispersed as that of Defence. Defence will now build on these findings in ways that develop, improve and modernize the Public Service of Canada.

Leadership Development Program: Pilot

A pilot Leadership Development Program was launched for “executive feeder” groups, especially those at one level below Executive (EX). Over the next two years, 10 participants will



be selected to receive language training, developmental assignments and classroom learning opportunities to prepare for employment in the EX group.

Labour relations and the Civilian Recourse Registry

Defence developed the policies, guidelines and tools required for implementation of the revised *Public Service Labour Relations Act*, the amendments to the *Financial Administration Act* and the new *Public Service Employment Act* to support the goals of the changes made to the legislation that governs human resources management in the Public Service, and to ensure that the Deputy Minister's responsibilities with respect to accountability are properly carried out.

A Civilian Recourse Registry was established to ensure a more comprehensive and effective disposition of complaints under the *Public Service Labour Relations Act*, the *Public Service Employment Act*, and the *Canadian Human Rights Act*. The registry deals with labour relations, discrimination, classification and deployment grievances, staffing complaints referred to the Public Service Staffing Tribunal, and human rights complaints.

Continuous learning and professional development

Investment in learning

During fiscal 2005–2006, Defence allocated approximately \$2.4 million to the Corporate Civilian Learning Fund to provide civilian employees with learning opportunities. This central fund paid for Defence civilian learning activities such as aligning and rationalizing apprenticeship and development programs, and supporting learning at the group and command level across Defence.

Defence continued to promote and fund continuous learning by civilian employees, and civilian training accounted for 2.6 percent of its Salary/Wage Envelope (86 percent of the 2005–2006 target). In addition, 40.1 percent of Defence civilians (89 percent of the 2005–2006 target) participated in formal learning and professional development activities during the reporting period.

It should be noted, however, that these data do not cover all civilian learning activities, so Defence may have met or exceeded its 2005–2006 target since some job-related training may not be reported as such. Many Defence civilians also pay for their own training and complete it outside of working hours.

Career Assignment Program and the Management Trainee Program

Designed to meet succession planning needs, the Career Assignment Program is an accelerated development program for selected employees in the EX feeder levels of the Public Service who show high potential for employment in the EX group. The program currently has nine active participants, of whom Defence expects to retain half. The program was suspended to await the results of the pilot Leadership Development Program.

The Management Trainee Program offers challenging work assignments accompanied by formal training and support by career development advisors, and gives participants a unique opportunity to develop through acceptance and completion of demanding tasks. The program currently has 20 participants. About 70 percent of these participants have remained employed in DND after completing the program.



Leadership Competency Development Program

Under the Leadership Competency Development (LCD) Program, a pilot Mentoring Project was launched with LCD courses delivered simultaneous with the implementation of a communication strategy that includes a website and LCD kits for employees. Defence reviewed the content of the LCD Program and initiated the development of a “Defence Professional concept” to refocus it to match recent changes in legislation and central agency requirements.

Joint Military and Civilian Initiatives

Defence Learning Network

Defence continued to modernize its learning delivery mechanisms to ensure learning opportunities are available to all CF members and civilian employees, whatever their location or duty schedule. A major initiative was the Defence Learning Network (DLN), which uses a full spectrum of technology-based learning and training tools and services, such as the Learning Management Platform that provides access to “e-learning” across Defence. The DLN also establishes an electronically linked network of learning and career centres. The DLN signals an important shift from an institutional focus on the teaching environment to a participant-centred focus on the learning environment. During fiscal 2005–2006, the project scope was revised, and submission to Treasury Board for approval is scheduled for fiscal 2006–2007.

Defence Integrated Human Resource System

Phase 3 of the G2400 Defence Integrated Human Resource System (DIHRS) Project began in 2004 as a technical upgrade to the joint CF-Public Service personnel records system, from Government of Canada PeopleSoft version 7.5 to Government of Canada PeopleSoft v8.8. In 2005, Defence redefined the scope of the DIHRS project so the Public Service component of the personnel records system would be upgraded to Government of Canada PeopleSoft v8.9, and the CF component would remain on the current Government of Canada PeopleSoft v7.5. A recent draft Statement of Capability Deficiency identifies 14 critical operational deficiencies the CF have with the current version of Government of Canada PeopleSoft v7.5.

Capital Equipment

Progress was made on many projects initiated to modernize and ensure the continued relevance of the CF.

Halifax Class Modernization

The following projects are essential to the modernization of the Halifax-class patrol frigates:

Frigate Life Extension Project

The FELEX project is responsible for integrated risk management for all aspects of the Halifax-class modernization, and the FELEX project management team is also the implementation authority for engineering changes required by all three modernization projects. The team worked with the Halifax-Class In-Service Support Contractor to develop and implement a detailed design-integration process that reduces technical, contract and schedule risks in the project’s definition and implementation phases.



The FELEX project received Preliminary Project Approval from the Treasury Board in February 2005. During the first year of the three-year definition phase, the project has advanced its refit procurement strategy, which is scheduled for review and approval by Treasury Board during the fall of 2006. FELEX also met a remit to Treasury Board for a complete Halifax-Class Modernization update.

Halifax Modernized Command and Control System

The broad objectives of the HMCCS project are to improve information management for coherent picture compilation, to improve operational and tactical planning capabilities to meet continuously changing operational imperatives, and to provide future growth capacity. Currently in the definition phase, the HMCCS project is meeting its milestones. Implementation of this capability is likely to involve the installation of major new equipment in the Halifax-class frigates, and the best time to do that work would be the mid-life refit of these ships under the FELEX project scheduled for 2009–2014.

Halifax Class Radar Upgrade Project

The radar suite of the Halifax-class frigates dates from mid-1980s, and was designed to counter the anti-ship missiles of that era in high-seas operations. An update is required to make this crucial equipment equal to the challenge presented in littoral operations, specifically today's complex, sophisticated anti-ship missiles. Preliminary Project Approval was received on May 5, 2005, and the project is currently in the definition phase. Like the HMCCS project, this one is linked with FELEX, and effective project approval will be sought in 2008.

Joint Support Ship

Progress was made on the Joint Support Ship project, which will deliver three multi-role vessels that are substantially more capable than the Protecteur-class auxiliary oiler replenishment vessels. In addition to refuelling and re-supplying naval task groups at sea, the new vessel will be capable of limited sealift and delivery of support to forces deployed ashore. The Joint Support Ship is a \$2.9 billion project with an acquisition cost of \$2.1 billion, plus an estimated \$800 million in in-service support contracts covering 20 years.

Mobile Gun System Project

The Mobile Gun System project, originally identified as a key element in the plan for the army's transformation and modernization, is now under review, as it may not be the right capability for the current operating environment nor for that envisioned in the future.

Integrated Soldier System Project

The Integrated Soldier System project will produce a modern, integrated system of electronic devices, weapons accessories, operational clothing and personal equipment suited to living, moving and fighting on complex hostile terrain. This project, currently in the option analysis phase, targets the needs of soldiers at the individual and small-team tactical level on the technologically advanced battlefield. Preliminary project approval is expected during fiscal 2006–2007, and the first deliveries are scheduled for 2010, with full operational capability expected in 2017.



Maritime Helicopter Project

The acquisition of new, multi-purpose maritime helicopters to replace the CH-124 Sea King is still one of the CF's most urgent tasks. Working with the contractor in an integrated product team, Defence is making progress: the preliminary design review was completed on schedule, and the critical design review will be completed in 2006. The Maritime Helicopter project is expected to achieve initial operational capability in 2009 with the CH-148 Cyclone built by Sikorsky International Operations Inc. of Stratford, Connecticut.

Fixed-Wing SAR Project

The objective of the Fixed-Wing SAR project is to replace the aging CC-115 Buffalo and CC-130E Hercules aircraft currently flown by the CF on SAR missions with new fixed-wing aircraft.

Incremental Modernization Projects

Phase 1 of the CF-18 incremental modernization project to extend the operational life of the jet fighter to 2017–2020 is complete, and Phase 2 is currently under way. The last of 80 jets is now being modified, and will be returned to the air force in September 2006.

The incremental modernization project for the CP-140 Aurora will significantly upgrade that aircraft's surveillance capabilities. Block 1 modifications were completed in July 2005, and initial operational capability for Block 2 modifications is expected in 2007.

Canadian Advanced Synthetic Environment

By 2009, the Canadian Advanced Synthetic Environment project will implement a modern, networked simulation environment that links military training devices (especially aviation-related simulators) to a high-fidelity terrain and database repository. Air operations and engineering staffs organized several proofs of concept in 2005-2006 that confirmed the feasibility of implementing a Canadian wide-area simulation network connecting aircrew simulators for real time war games. The project is currently in its definition phase, and effective project approval will be sought in 2008.

Chemical, Biological, Radiation and Nuclear Defence Omnibus Project

The CF are working to improve their ability to detect, identify, warn and report on the broad range of chemical warfare agents and toxic industrial chemicals and biological agents that may be encountered during operations at home and abroad. The CBRN Defence Omnibus project includes several sub-projects in the nuclear, biological and reconnaissance capability areas. The sub-projects are in various stages of development; two reached significant milestones during the reporting period.

Chemical Agent Sensor Project

The Chemical Agent Sensor project will deliver chemical agent sensors and related systems capable of detecting, identifying and monitoring a variety of hazardous materials, including chemical warfare agents and toxic industrial chemicals. Project implementation will be conducted in three phases:

- **Phase 1:** delivery of Local Detection and Identification Systems;
- **Phase 2:** delivery of the Personal Detection System; and



- **Phase 3:** delivery of Area Detection Systems that provide stand-off detection.

Preliminary approval for Phase 1 was achieved in August 2005. Phase 2 approval is expected in late 2006, and completion is scheduled for 2012.

Vital Point Bio Sentry Project

The aim of this project is to produce a device capable of protecting static points on land and at sea by detecting, sampling and provisionally identifying biological warfare agents in aerosol form. The definition phase was completed in 2005, and effective project approval for implementation was received during the spring of 2006. Completion is scheduled for 2013.

Project Polar Epsilon

The aim of Project Polar Epsilon is to provide a space-based wide-area surveillance capability that will link into the overall CF command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) program to meet the need for surveillance of Canada's Arctic approaches. Polar Epsilon's space platforms will be RADARSAT 2, and civilian and NASA satellites.

Data-reception sites on the east and west coasts will feed data to CF facilities such as the Marine Security Operations Centres, the Joint Information and Intelligence Fusion Centre, the National Defence Command Centre, and CF Northern Area Headquarters.

Polar Epsilon is currently in its initial definition phase; approval for the next phase will be sought in 2007. Full capability is planned for 2011.

Biological Warfare Threat Medical Countermeasures Project

The objective of the Biological Warfare Threat Medical Countermeasures project is to develop and acquire up to nine next-generation critical medical countermeasures systems to prevent or treat injuries and illness caused by biological warfare agents. Where practical, these countermeasures will be interoperable with systems being developed and acquired by Britain and the US. The following project milestones were attained during fiscal 2005–2006:

- arrangements were initiated through a Canadian pharmaceutical supplier for replenishment of the Vaccinia Immune Globulin developed by the project;
- sources of the remaining essential components of a second-generation smallpox vaccine system were identified;
- Sub-project 2, development of a plague vaccine in partnership with Britain and the US, began; and
- products to meet CF requirements for protection against anthrax and botulinum toxins were defined, and acquisition of initial components of the anthrax and botulinum countermeasures was targeted for 2006-2007.

The factors with the most influence on the outcome of these initiatives are the high cost of vaccine development, which necessitates entering into development partnerships with allies, and the technical risks associated with advanced pharmaceutical development.



National procurement and logistics support

Management of the National Procurement program was very challenging during fiscal 2005–2006. On May 11, 2005, the Program Management Board approved an increase of \$287 million to the National Procurement account at the start of fiscal 2005–2006 to cover unfunded requirements and growing demand, thus bringing the initial allocation to \$1,888.1 million. During the reporting period, the National Procurement program received \$109.8 million more from the DCDS/D Fin Ops Support to Deployed Operations account.

National Procurement Program (\$ Millions)	
Initial allocation	1,888.1
MASOP savings returned to Vice Chief of the Defence Staff	(6.3)
Miscellaneous net transfers into and out of National Procurement	(26.1)
Funding from DCDS/D Fin Ops Support to Deployed Operations account	109.8
Year-end allocation	\$1,965.5

Despite funding challenges and the demands arising from the current high operational tempo, the Materiel Group exercised effective control and prudent management of the National Procurement program and provided exceptionally high-quality sustained support to operations. As a result, the total spending at year-end of \$1,964.6 million varied only 0.05 percent from the approved National Procurement budget of \$1,965.5 million.

Materiel Acquisition and Support Optimization Project

The Materiel Acquisition and Support Optimization Project (MASOP) exceeded its target for recurring annual savings, and efforts are now under way to ensure that the improvements made by the MASOP process are embedded in the CF supply system to become standard practice.

Here is a list of MASOP accomplishments in terms of savings and investments over its three-year term:

- Recurring savings: \$35.5 million
- One-time savings: \$47.6 million
- Investments: \$23 million

The trend since fiscal 2002–2003 clearly indicates that the National Procurement program faces constant funding pressures. Even after the increase to allocation provided for fiscal 2006–2007 and beyond, National Procurement demands in future years are still higher than the budgets allocated for those periods.

MASOP ended on March 31, 2006.



Realty Assets and Infrastructure

The Defence realty asset portfolio is the largest and most complex in the Government of Canada¹¹. The evolution of Defence requirements over more than a century has built the portfolio as it is today: comprising owned and leased buildings (e.g., houses, warehouses, hangars, hospitals, barracks, armouries, gymnasias), works (e.g., roads, parking lots, water lines, steam lines, ranges) and land. Suitable realty assets are essential to support operations, to accommodate and train personnel, to store and protect other essential assets, to project power and, generally, to carry out the Defence mission.

As of March 31, 2006, the Defence inventory of realty assets comprised:

- about 20,925 buildings or 11 million square metres of floor space — an area equivalent to almost 2,200 soccer fields;
- 840 properties totalling 2.3 million hectares of land — an area about half the size of Nova Scotia; and
- more than 15,000 works of various size and length — enough roads to reach from coast to coast.

It is estimated that, if the federal government were to replace the owned portion of Defence realty assets today, it would cost more than \$21 billion.

Defence is still challenged by the overall decline in the condition and suitability of its realty assets¹². Despite spending about \$1.3 billion to plan, operate, maintain, repair, refresh, recapitalize and dispose of realty assets, Defence did not meet the investment target of 2 percent of the realty replacement cost for either maintenance and repairs or recapitalization. This underinvestment continued to affect the condition of realty assets, increased the risk of non-compliance with a wide range of laws and regulations, and reduced the life-expectancy of buildings and facilities so that recapitalization costs can be expected to climb.

REALTY ASSET INVESTMENT AGAINST TARGET: FISCAL 2005–2006					
Type	Realty Replacement Cost	Target		Actual	
		%	Amount	%	Amount
Maintenance and Repairs	\$21,072 million	2%	\$421 million	1.2%	\$250 million
Recapitalization	\$21,072 million	2%	\$421 million	1.6%	\$340 million
Source: Assistant Deputy Minister (Infrastructure & Environment)					
Note: These figures do not include salaries therefore the percentages are lower than they actually are.					

To deal with this problem, Defence established a Realty Asset Management Framework¹³ and started to develop its elements, especially the Realty Asset Strategy to provide the strategic direction and objectives to guide and focus realty asset activities toward a Defence-wide shared

¹¹ By area, Defence has about 33 percent of the federal government inventory of buildings, and 7 percent of the federal land inventory. Defence is also the federal government's largest building owner by quantity (i.e., number of buildings), with more than 43 percent of the inventory.

¹² 81 percent of Defence realty assets were designed, constructed or acquired during the First World War, the Second World War, or the Cold War. Based on a 50-year life cycle, more than 60 percent of Defence realty assets are due for replacement or renewal over the next 10 years.

¹³ The Realty Asset Management Framework includes strategy, governance, management and planning tools and processes, a performance management framework, and realty asset stewardship guidance.



vision, and to manage Defence realty assets as a national portfolio. DND, for example, is developing master long-term development plans for realty assets at 12 installations to describe, align and validate future realty asset investment required to support the Defence mission. The objective is to have development plans for all major installations by 2010.

DND is also developing an Integrated Site Investment program to optimize realty assets, reduce operations and maintenance costs, and increase productivity. The program will be developed during fiscal 2006–2007 and presented for approval during fiscal 2007–2008. DND will monitor and record the progress of the development and implementation of this program.

The Canadian Forces Housing Agency

The [Canadian Forces Housing Agency](#) (CFHA) continued with recapitalization projects at CFB Borden, 4 Wing Cold Lake, 19 Wing Comox, CFB Galetown, CFB Halifax, 22 Wing North Bay, Ottawa, CFB Petawawa, CFB Shilo and Camp Wainwright. Most of the scheduled work was completed by March 31, 2006, but contractual problems delayed work on units in Ottawa, Comox and Cold Lake until summer 2006. The recapitalization program spent about \$27 million, and produced 195 significantly upgraded units and 60 new houses at Camp Wainwright. Construction began in October 2005 on the first 30 units and the associated municipal infrastructure to meet the demand for summer 2006.

CFHA disposed of about 365 units at Aldergrove, 3 Wing Bagotville, CFB Borden, Camp Debert, CFB Esquimalt, CFB Galetown, 5 Wing Gander, CFB Kingston, 22 Wing North Bay, St. John's, and 8 Wing Trenton. As of March 31, 2006, the CFHA portfolio comprised 14,332 units.

CFHA complied with the government-wide Sustainable Development Strategy by including pollution prevention and climate change in its activities, and contributed to the Federal House In Order initiative by having initial EnerGuide for Houses tests performed on 217 housing units. Federal House In Order funding was obtained to help pay for retrofitting 195 units in accordance with the EnerGuide for Houses program. In accordance with government-wide guidelines, CFHA also developed and implemented a national program to assess and manage the vermiculite content of its buildings.

Office of the Judge Advocate General

The Office of the JAG contributed to the Defence mission by providing Canadians with the confidence that Defence has a relevant and credible capacity to meet defence and security commitments.

In fiscal 2005–2006, the JAG:

- offered courses on the law of armed conflict and military justice to ensure that the CF uphold the rule of law when deployed on operations. During fiscal 2005–2006, JAG staff conducted 52 courses, training 1,293 CF personnel. Of these, 49 were Summary Trial Certification Training courses, training 600 presiding officers and 209 NCMs and re-certifying another 354 presiding officers;
- ensured, through the State Aircraft Immunity initiative, that CF aircraft are not billed for air navigation charges by host countries. CF aircraft deployed abroad are now fully exercising their rights with respect to immunity from such fees under international law; and



- provided guidance to commanding officers and unit administration staff on post-court martial administrative procedures pursuant to recommendation 4 of the Chief Review Services (CRS) audit on the status of punishments awarded at courts.



Conduct Operations

Strategic Outcome: Success in assigned missions contributes to domestic and international peace, security and stability.

Human Resources

PROGRAM ACTIVITY	ACTUAL 2005–2006
Human Resources: Military FTEs	36,025
Human Resources: Civilian FTEs*	688
Sources: Chief of Military Personnel and Assistant Deputy Minister – Human Resources (Civilian) Note: Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the new PAA structure. Refer to Table 10 - Civilian FTEs by Program Activity for additional information.	

Financial Resources

PROGRAM ACTIVITY (\$ Thousands)	ACTUAL SPENDING 2005–2006
Conduct Operations	\$1,784,654
Source: Assistant Deputy Minister – Finance and Corporate Services Note: Planned Spending and Total Authorities 2005–2006 are reported under the Interim Program Activity Architecture in accordance with the Estimates approved by Parliament. Table 3a: Comparison of Planned to Actual Spending provides information under the Interim Program Activity Architecture and Table 3b provides a crosswalk of the Actual spending 2005–2006 from Interim Program Activity Architecture to the Program Activity Architecture.	

The ability to conduct operations effectively at home and abroad, through efficient, professional maritime, land, air and special operations forces, is supported by many partners and agencies. It comprises a variety of activities, including international operations in conjunction with NATO, the UN or other coalitions, continental NORAD operations, and domestic operations, such as surveillance and control of Canadian territory.

The “Conduct Operations” program activity is comprised of the following three program sub-activities:

- Constant situational awareness
- Domestic and continental operations
- International operations

Constant Situational Awareness

Great advances in the areas of ‘intelligence’ and ‘combat information’ have been realized. Tactical sensors are now capable of collecting information of value to strategic decision-makers and intelligence analysts, and strategic intelligence-gathering systems such as satellites are increasingly capable of supporting tactical objectives, particularly targeting. Capabilities at all operational levels can be used to provide constant situational awareness to support operations from the planning stage to full implementation.



Collection activities should be tailored to decision-makers' intelligence requirements. Co-ordination of tasking and priority setting is necessary if collection activities from all sources are to meet specific intelligence requirements. The recommendations of the Defence Intelligence Review on improvements to collection co-ordination have been implemented, but more effort is required to improve the use of information networks for disseminating intelligence. To date, personnel shortages have limited advancement in this area.

Conduct Intelligence, Surveillance and Reconnaissance operations

Marine Security Operations Centres

In November 2005, a Project Management Office was established for the interdepartmental Marine Security Operations Centres (MSOC) project with personnel from the Canada Border Services Agency, the Canadian Coast Guard, the RCMP and PWGSC as well as Defence. In December 2005, Smith Carter Architects and Engineers joined the integrated project team as the prime architect and engineering consultant. The Project Management Office has a mandate to deliver the MSOCs complete with the personnel, technology and physical infrastructure they require for their primary mission.

The MSOC project is on schedule. Since December 2005, all stakeholders have been able to share operational and intelligence information with each other. With this interim capability up and running, the next phase of the project is to design and refine interdepartmental procedures and doctrine to counter anticipated threats. The MSOC project continued to face challenges in addressing legal and legislative issues. The project engaged the services of a legal advisor to liaise with the Interdepartmental Marine Security Working Group legal Sub-committee and the Department of Justice to ascertain the level of information sharing capabilities between the core partners.

Intelligence, surveillance and reconnaissance

Defence continued to support ISR capabilities by maintaining operational and intelligence networks, and by continuing ISR and operational information management–information technology projects, such as the Joint Information and Intelligence Fusion Capability, and the CF Command System. Canadian Forces Information Operations Group continued to provide deployed task forces with backplane voice, data and incident-handling support through the Canadian Forces Network Operation Centre.

The Communications Security Establishment

During fiscal 2005–2006, the [Communications Security Establishment](#) (CSE) played a key role in adapting Defence strategic plans and operations to the evolving security environment, promoting and enhancing strategic security relationships, promoting the defence intelligence capability, and supporting the command and control capability program. The CSE signals intelligence (SIGINT) program improved its products and services by integrating them more closely with the Canadian Forces Information Operations Group for delivery in the field, and by improving related technical capabilities. The CSE Information Technology Security (ITS) program increased its efforts to mitigate risks to critical Government of Canada computer networks and associated communications systems, and championed a government-wide crypto-modernization program.



The Land Force Command Support Program

The army's "Advancing with Purpose" strategy, published in 2002, set out a vision of a command-centric, knowledge-based, strategically relevant, tactically decisive Land Force. Essential to the realization of this vision is the Land Force Command Support System, which provides the communications and information system capabilities (including radios and networks), and the automated situation awareness, operations management and operational planning tools required for operations in today's complex battle-space.

In order to balance the need to keep pace with technology and to maintain operational readiness, the Land Force adopted an evolutionary approach to fielding high technology capabilities. The Land Force is currently completing the deployment of satellite communications systems, improved radios, improved GPS receivers, improved data terminals, situational awareness software, and operations management software along with the essential training, to internationally deployed and high readiness domestic land forces. Fielding to the remainder of the Land Force will be completed by December 2006. Work continued to prepare for the next evolution, which will focus on better planning tools and achieving interoperability with coalition partners and allies, other elements of the CF, and federal, provincial, and municipal agencies.

The Canadian Forces Experimentation Centre

Despite construction delays at the new CFEC building the Shirley's Bay campus of the Communications Research Centre, the CFEC organization, orientation, development and experimentation program laid an excellent foundation for promoting the CDS vision and CF transformation during 2005.

At the national level, CFEC promoted interagency activities to support domestic security and defence interests related to command and control, Arctic surveillance and decision support.

With respect to international activities, CFEC co-ordinated Canada's successful participation in two major multilateral activities, the Coalition Warrior Interoperability Demonstration and the Multinational Experiment series, which experimented with network-enabled, effects-based decision-making in international engagements.

Defence Intelligence Review

In accordance with direction received from the Defence Intelligence Review, Defence strengthened the Chief of Defence Intelligence organization by enhancing the higher levels of the chain of command.

Significant progress was made in integrating the Defence Intelligence Review with activities related to C4ISR (command, control, communications and computers and intelligence, surveillance and reconnaissance) and the Joint Information and Intelligence Fusion Capability (JIIFC). The stand-up of the Director of Intelligence Information Management (D Int IM) under the Chief of Defence Intelligence improved understanding of and integration with Defence, Government of Canada and allied intelligence forums and activities, with concomitant improvements in interoperability.

Joint Information Intelligence and Fusion Capability

The JIIFC Detachment played a key role in development of CF command and control capabilities, including an initiative to manage routine situational awareness displays and time-



sensitive significant-incident reporting of events in Afghanistan. The detachment was also active in improving geospatial intelligence, sensor integration, and command and control training, but lack of trained intelligence personnel has limited the extent of JIIFC integration in the Defence Intelligence Review process.

The objective of the JIIFC project is to provide the best possible situational awareness to all levels of command in the CF, and as much as possible to the Government of Canada. To achieve this objective, the JIIFC project is engaged in enhancing and promoting connectivity within Defence and between Defence and other government departments. Working with the National Defence Command Centre (NDCC) and enhancing the co-ordinated tasking, processing and exploitation of information from multiple sources, the JIIFC Detachment provided a 24/7 global-watch and mission-monitoring capability.

During fiscal 2005–2006, changes to the CF command and control structure and CF transformation priorities caused the pace of the JIIFC project to slacken.

National Defence Command Centre

The expansion of the NDCC was not executed according to the original plan due to the requirement to extend its capabilities to the new operational command headquarters that are housed at 1600 Star Top Road, Ottawa. The NDCC establishment was increased by 24 personnel to provide 24/7 coverage at both 1600 Star Top Road and the Major-General Pearkes Building at 101 Colonel By Drive.

Global Command and Control System

After investigating the possibility of adapting the Canadian Coast Guard Global Command Control System for use in naval vessels, Defence determined that operational requirements would be better served by implementing the products of the Interdepartmental Maritime Integrated Command, Control and Communication (IMIC3) project. The objective of the IMIC3 project is to acquire a deployable information distribution system that Defence and other government organizations can use to enhance situational awareness, improve the delivery of information to decision-makers, and facilitate co-ordinated action. The new system will support the planning and execution of maritime operations, using data and information obtained from the 12 Kingston-class maritime coastal defence vessels and the 66 sea-going vessels of the Canadian Coast Guard.

Domestic and Continental Operations

Canada COM is the unified, joint and integrated command responsible for all domestic routine and contingency operations. Viewing Canada as a single operational area, Canada COM Headquarters exercises command and control through six asymmetric subordinate regional commands. The Commander, Canada COM is responsible for the conduct of all domestic operations and is the national operational authority for the defence of Canada and North America.

CANOSCOM provides all CF task forces with the full range of command support, communications and information systems, as well as services such as health care, military engineering, logistics, land equipment maintenance, and military police.



Conduct contingency operations:

NORAD

The Canadian NORAD Region is responsible for the control and surveillance of Canadian airspace used by commercial aircraft to reach destinations in Canada and the US from Asia and Europe. NORAD employs fighter, tanker and surveillance aircraft and a network of space-based and ground-based sensors co-ordinated by several control centres to ensure the air sovereignty of North America. The mission of the Canadian NORAD Region is to detect, track and characterize all aerospace threats to North America, and to support operations that intercept and negate air threats.

CF-18 Hornet fighters monitored aircraft transiting Canadian airspace on several occasions during this reporting period. Also, operational planning began, on ensuring protection for the greater Vancouver area from possible air attacks during the 2010 Olympics.

Aid of the civil power

Throughout the reporting period, Land Force Command maintained the capability to deploy four Immediate Response Units in case of an emergency so grave that a provincial or territorial government was compelled to ask the CF for help. No such request was received during fiscal 2005–2006.

Assistance to civilian authorities

Municipal, provincial and territorial governments frequently ask the CF for help with local problems, and such assistance operations are usually planned and executed at the regional level. Canada COM Headquarters and its Joint Task Forces support and monitor such operations when they are likely to expand beyond the resources of the local commander.

During the reporting period, CF aircraft were placed on high alert on several occasions, for forest fires in northern Quebec, Saskatchewan and British Columbia, and for floods that threatened villages in the Northwest Territories.

Evacuation of Canadians

Throughout the reporting period, the CF maintained a stand-by capability to evacuate Canadians from a hazardous overseas location. During fiscal 2005–2006, no such emergency arose.

Assistance to other government departments

During the reporting period, the CF participated in two significant operations: *Operation SABOT*, the annual contribution of air and naval forces to the RCMP effort to intercept or destroy illegal drugs destined for or produced in Canada, and *Operation CANOPY*, the deployment of military engineers to Kashechewan, Ontario, to help the provincial Emergency Measures Organization deal with a tainted-water crisis.

On *Operation SABOT*, CH-146 Griffon helicopters flew 600 hours, operating in every province except Newfoundland and Labrador, and more than 163,000 plants were destroyed and 52 growers were arrested. On *Operation CANOPY*, the CF detachment produced enough drinking water to meet the community's daily needs during the crisis, with reserves for the future.



Support to major international events

Defence worked closely with other government organizations, especially Veterans' Affairs Canada, to facilitate the participation of Canadians in events marking the 60th anniversary of the end of the Second World War. Events included the Aboriginal Spiritual Journey in France, and the major commemorations of the liberation of the Netherlands, including the international memorial service at [Groesbeek Military Cemetery](#) and a massive veterans' parade in Apeldoorn during the first week of May 2005. In July 2005, the CF executed *Operation NIJMEGEN*, which sent a large contingent of 12-person teams to participate in the 89th International Four Days' March in Nijmegen, the Netherlands,

Conduct contingency operations in response to any incident within Canada involving:

Nuclear, biological or chemical agents and nuclear emergency situations

Defence has a mandate to support other government organizations in response to any chemical, biological, radiological or nuclear (CBRN) incident.

The Joint NBC Defence Company (JNBCD Coy) is a very-high-readiness unit formed to respond to multiple CBRN events as part of the National CBRN Response Team. In conjunction with NDHQ, the JNBCD Coy conducted planning and operational training in the CBRN defence field with Public Safety and Emergency Preparedness Canada (PSEPC) and the Public Health Agency of Canada.

Since February 1, 2006, the JNBCD Coy has increased its training to maximize interoperability with other units of CANSOFCOM. This training included specialized work with helicopters and maritime counter-terrorism techniques.

In March 2006, the strength of the JNBCD Coy stood at about 100 personnel, and the unit was able to respond either to two brief CBRN incidents or to one sustained CBRN incident. On May 5, 2005, Phase 3 and Phase 4 of the NBCD Services Project received Treasury Board endorsement to increase the JNBCD Coy to about 160 personnel by 2010, and build new facilities.

During the reporting period, Contingency Operations Plan DOMINO was developed at National Defence Headquarters to co-ordinate military support to civilian agencies in the event of a CBRN incident. Domestic CBRN response training exercises were conducted to enhance response and command and control at every level of government from municipal to federal and across a wide spectrum of government and non-government organizations.

Throughout fiscal 2005–2006, the JNBCD Coy continued to train for its no-fail task: supporting the National CBRN Response Team, which comprises elements from the JNBCD Coy, the RCMP and the Public Health Agency of Canada. It completed several exercise scenarios in Ontario, Alberta and British Columbia, and completed its annual training with live agents.

International exercises were conducted with the governments of the United States and Britain to enhance co-ordination and mutual support in the event of a CBRN incident. Exercises *FOLLOW-ON*, *TRIPLE PLAY* and *MARITIME RESPONSE* evaluated joint military and civilian CBRN response, while *Exercise ARDENT SENTRY* focused on Canada-US military co-operation in the case of a CBRN threat to a civilian target, and INEX 3 dealt with international co-ordination in the event of a radiological terrorist event. Military participation in federal-provincial CBRN



working groups provided essential understanding of the role of each participating agency, and the capabilities each would employ in a co-ordinated response to a CBRN incident.

The JNBCD Coy also received many new pieces of equipment, including a complete set of Multi-Agent Tactical Sentries, robot vehicles capable of operating in most environments and equipped with a variety of sensors and cameras. This equipment is now essential to JNBCD Coy operations.

Employ high-readiness forces

Humanitarian assistance

Operation UNISON 2005 was Canada's contribution to Hurricane Katrina relief. In September 2005, HMCS *Athabaskan*, HMCS *Ville de Québec* and HMCS *Toronto* deployed with the Canadian Coast Guard Ship *Sir William Alexander* to the states bordering the Gulf of Mexico to assist in the clean-up and recovery efforts in Mississippi, Louisiana and Alabama. A composite team of navy divers from the Fleet Diving Units in Esquimalt and Halifax, augmented by combat engineer divers from 4 Engineer Support Regiment in CFB Gagetown, was deployed at the same time. In all, more than 35 divers, liaison and administrative staff worked with the 2nd Amphibious Group of the US Navy's Second Fleet.

Another initiative under *Operation UNISON 2005* was the despatch of two CH-146 Griffon helicopters to help the United States Coast Guard provide SAR support in the Boston area, where five of the US Coast Guard station's six H-60 Jayhawk helicopters had been deployed to flood-relief duties in the south. The helicopter detachments embarked in the three Canadian warships provided critical airlift services for Red Cross and DFAIT personnel in the disaster area.

Throughout the reporting period, the navy maintained a Composite Contingency Task Group and a National Task Group on each coast. MARLANT and MARPAC each kept a "vanguard" ship at short notice to deploy abroad in case of an international emergency, and a ready-duty ship at eight hours' notice to deploy on domestic operations.

Conduct ongoing operations and services to Canadians

Surveillance and control of Canadian territory

During fiscal 2005–2006, the CF conducted surveillance patrols of Canada's territory, airspace and ocean approaches, concentrating on areas where Canada's economic interests are most likely to be challenged. Part of this mission is the task of supporting fisheries patrols by the Department of Fisheries and Oceans.

By March 31, 2006, MARLANT had provided not only its original commitment of 125 sea days but also a significant amount of additional frigate sea days to support fisheries patrols and to take part in the Increased Presence Initiative in the NAFO Regulatory Area to prevent over-fishing by foreign vessels. MARPAC provided 33 sea days for security patrols. The east coast flying hours allocation for fiscal 2005–2006 was 540 hours, and more than 98 percent of this amount went to DFO operations, including three seal-counting missions and one mission to monitor Japanese tuna boats.

Joint Task Force North conducted enhanced sovereignty patrols, notably *Operation NUNALIVUT I* to Resolute Bay, Mould Bay and Isachsen, which involved 52 Canadian Rangers



in five patrols who travelled 4,500 kilometres by snowmobile, built airstrips on the sea ice and catalogued buildings encountered along the way.

For more information about these activities, see Section 7 of this report.

Search and Rescue

During the reporting period, the CF-operated maritime and aeronautical Joint Rescue Co-ordination Centres (JRCCs) responded to 8,015 incidents, including search and rescue (SAR), and requests for humanitarian and aid to civil authorities, in which assistance in some form was delivered to about 28,000 persons. CF aircraft were tasked for SAR missions 1,091 times during the year, and although Canadian Coast Guard vessels responded to most maritime surface incidents, naval vessels were involved in several cases.

Availability of the CH-149 Cormorant primary SAR helicopters continued to improve during the reporting period, but the required level of nine aircraft available was not achieved on the sustained basis necessary to permit a return to four main operating bases. The temporary operation of CH-146 Griffon helicopter in place of the Cormorant at 8 Wing Trenton continued to meet most mission requirements, but the lower SAR capability of the Griffon was frequently indicated in mission reports. This situation emphasizes the fragility of the situation pending a return to Cormorant operations at Trenton, which is not anticipated before the spring of 2007.

Despite brisk progress on the project to procure new fixed-wing aircraft to replace the CC-130 Hercules and CC-115 Buffalo aircraft flown by SAR squadrons, the acquisition date has yet to be set.

International Operations

Introduction

The CF contributed to a variety of contingency and international operations during fiscal 2005–2006. A major change occurred in February 2006, when responsibility for the command and control of CF operations outside North America was transferred from the Deputy Chief of the Defence Staff to Canadian Expeditionary Force Command (CEFCOM). Since then, CEFCOM has conducted fully integrated CF operations around the world and across the spectrum from humanitarian assistance to combat, in concert with national and international partners to achieve timely, decisive effects in support of Canada's national interests. During the reporting period, the CF successfully conducted 21 international missions with, on average, about 2,700 Canadian sailors, soldiers and air force personnel deployed overseas at any one time. The international campaign against terrorism was our highest priority, with more than 2,300 personnel deployed in Afghanistan or elsewhere in southwest Asia. With this level of commitment, about 8,000 CF members, or one third of our deployable force, are always preparing for, engaged in or returning from a deployment overseas.

A map showing all CF international deployments during fiscal 2005–2006 appears in Section 7 with a detailed description and list of committed resources for each mission.

International campaign against terrorism

Canadian task forces, working with the U.S.-led coalition conducting *Operation ENDURING FREEDOM* in Kandahar Province and in the Kabul area with the NATO-led International Security Assistance Force (ISAF), played a vital role in the international campaign against



terrorism while helping the Afghan people re-establish a responsible government and a self-sustaining democratic state. The CF led operations in Afghanistan throughout the reporting period. In October 2005, Task Force Afghanistan moved from Kabul to Kandahar, where a Provincial Reconstruction Team had been established during the summer.

From April to October 2005, HMCS *Winnipeg* served with the US Navy's Fifth Fleet as part of the coalition conducting surveillance patrols and maritime interdiction operations to ensure safety and prevent the movement of terrorists and arms in the Persian (Arabian) Gulf region.

Since September 2005, Canada has deployed a 15-member civil-military team of strategic planners in Kabul to help the Government of Afghanistan develop and implement its National Development Strategy and its efforts to reform public administration. CF staff officers are also serving at the two coalition headquarters, and CF instructors are involved in training the Afghan National Army.

In February 2006, Canada took over the command of the Multi-National Brigade in Regional Command South in Afghanistan and deployed a CF battle group to Kandahar for a period of one year (two six-month rotations).

New capabilities deployed with Task Force Afghanistan included tactical "uninhabited aerial vehicles" (UAVs), which carried out more than 100 missions and provided the Multi-National Brigade Headquarters in Kandahar with critical intelligence, reconnaissance and surveillance information.

The Canadian-led "Role 3" hospital opened at Kandahar Airfield in February 2006, with a staff of 114 health-care professionals including 68 CF members. This hospital has two surgical suites offering general, oral-maxillofacial and orthopaedic surgery; a diagnostic imaging department; a full laboratory; an internal medicine department; a dental clinic; a Forward Medical Depot; a primary care section including ground ambulances and an aeromedical evacuation team; a resuscitation and triage section; critical care and intermediate care wards; a physiotherapy department; and mental health services.

Three CC-130 Hercules based in the Persian (Arabian) Gulf region continued to provide Task Force Afghanistan with tactical airlift support.

In response to the Chief of the Defence Staff (CDS) Action Directive on Improvised Explosive Devices, DRDC formulated immediate, short-term and medium-term project proposals, and conducted explosive testing and evaluation at [DRDC Valcartier](#), which continued to support force protection measures through the Technology Demonstration Program. Several systems developed at DRDC centres such as the Improvised Landmine Detection System and the FERRET Sniper Detection System, have been fielded in Afghanistan.

NATO operations

HMCS *Montréal* contributed to Standing NATO Maritime Group 1 (SNMG 1) from January to July followed by HMCS *Halifax* from August to December 2005. During their tour of duty with the squadron, the frigates participated in international exercises and made port visits, of which the most notable was the appearance of HMCS *Montréal* in the International Fleet Review held at Portsmouth on June 28, 2005, in the Queen's presence to mark the 200th anniversary of the Battle of Trafalgar.



In January 2006, Canada assumed command of the SNMG 1, the naval component to the NATO Response Force, in a change of command ceremony held at Kiel, Germany. For one year, Canada will lead the SNMG 1, a NATO squadron consisting of destroyers and frigates from Canada, Germany, the Netherlands, and the United States. The last time a Canadian held this command was in 2000.

The departure of the Iroquois-class destroyer HMCS *Athabaskan* for Germany to become flagship of SNMG 1 was the first time a Canadian naval vessel deployed under command of CEFCON instead of the Chief of the Maritime Staff. In March 2006, HMCS *Athabaskan* led SNMG1 in patrols of the Mediterranean under *Operation ACTIVE ENDEAVOUR* to help prevent terrorist activity in the area. HMCS *Iroquois* will replace HMCS *Athabaskan* for the second six months of the one-year commitment.

Beginning in January 2006, Canada also contributed an Air Expeditionary Unit of six CF-18 Hornet fighters to the NATO Reaction Force, for a six-month tour of duty.

International security and arms-control verification operations

During fiscal 2005–2006, the tempo of arms-control verification operations increased because of changes to Canada's obligations to NATO, the UN and the Organization for Security and Cooperation in Europe (OSCE). Activity is expected to remain at or above current levels, limited mostly by the availability of qualified specialist personnel.

Employ high-readiness forces

Humanitarian Assistance

The Disaster Assistance Response Team (DART) deployed in October 2005 to Pakistan during Operation *PLATEAU* and the Medical Platoon deployed 49 Health Services members. The DART distributed 500 tonnes of humanitarian aid supplies and purified and distributed 3,811,535 litres of drinking water. The Medical Platoon provided treatment to 11,782 people, including 7,000 who received care from mobile medical teams airlifted by helicopter to their isolated communities; 2,637 who received care at the DART clinic in Gahri Dupatta, and 2,145 who were immunized against a variety of contagious diseases. *Operation PLATEAU* was an unqualified success. DART members provided effective assistance while aid organizations moved into the disaster area.

The DART deployed its reconnaissance team to assess the requirement for assistance in response to the Indonesian earthquake. The assessment revealed that sufficient Indonesian resources were already available to provide essential support to earthquake victims and that the main DART would not be required.



Contribute to Canadian Government, Society and the International Community

Strategic Outcome: Good governance, Canadian identity, and influence in a global community.

Human Resources

PROGRAM ACTIVITY	ACTUAL 2005–2006
Human Resources: Military FTEs	923
Human Resources: Civilian FTEs*	1,412
Source: Chief Military Personnel and Assistant Deputy Minister – Human Resources (Civilian) Note: Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the new PAA structure. Refer to Table 10 - Civilian FTEs by Program Activity for additional information.	

Financial Resources

PROGRAM ACTIVITY	ACTUAL SPENDING 2005–2006
Contribute to Canadian Government, society and the international community	\$892,421
Source: Assistant Deputy Minister – Finance and Corporate Services Note: Planned Spending and Total Authorities 2005–2006 are reported under the Interim Program Activity Architecture in accordance with the Estimates approved by Parliament. Table 3a: Comparison of Planned to Actual Spending provides information under the Interim Program Activity Architecture and Table 3b provides a crosswalk of the Actual spending 2005–2006 from Interim Program Activity Architecture to the Program Activity Architecture.	

This program activity supports the Government of Canada outcome “Provide good governance and enhance Canada’s identity and influence in the global community”. It comprises the following program sub-activities:

- Provide advice to the Government of Canada;
- Contribute to Canadian government and society in accordance with Canadian interests and values; and
- Contribute to the international community in accordance with Canadian interests and values.

Provide advice to the Government of Canada

Defence and security policy advice

The International Policy Statement and the Defence Policy Statement

In April 2005, the former government released its International Policy Statement along with separate statements on diplomacy, defence, development and trade. Since then, the current government has articulated its own “Canada First” defence strategy. This new strategy reaffirms the three traditional roles of the Canadian Forces — protecting Canadians at home, defending North America in cooperation with the United States, and defending Canadian interests abroad.



It places a stronger emphasis on the defence of Canada, with several initiatives aimed at increasing the footprint of the CF across the country, including in the Arctic. DND is developing a new document, the Defence Capabilities Plan, that will formalize the “Canada First” defence strategy and provide a long-term plan for defence, including guidance on the roles and missions of the CF and equipment priorities. Defence will continue to provide defence and security advice to the Government of Canada on how best to realize this strategy.

Computers, communications, and information security

The National Security Policy assigns to CSE the following tasks:

- providing advice, guidance and services to help ensure the protection of important government electronic information and information infrastructures; and
- strengthening the federal government approach to computer security.

Foreign intelligence reports provide context for government policy-development and decision-making. During fiscal 2005–2006, CSE strengthened its capacity to predict and prevent attacks on federal government computer systems through improved threat and vulnerability analyses, and an enhanced ability to defend systems and respond to attacks. At the request of the respective ministers, CSE carried out security posture assessments at several government departments. In a 2005 report, the Auditor General referred to CSE as a leader in information technology security across government, and cited these assessments as a powerful security tool.

Defence and security military advice

Strategic partnerships

During the reporting period, Canada and the US laid the foundations for the renewal of NORAD in perpetuity and for the disbandment of the Bi-national Planning Group.

Under the Public Security Technology Program, Canadian and American subject-matter experts were convened from government, industry and academia to address a wide range of topics, including CBRN threats and responses, critical infrastructure protection, border security measures, and emergency response measures. Defence continued to participate in the system development and demonstration phases of the US-led multinational Joint Strike Fighter project, and has been invited to participate in its production, sustainment and follow-on development phases. The renewal of the MOU on the integrated line of communication for the Joint Strike Fighter is scheduled for fiscal 2006–2007, and a decision on Canada’s future involvement in this project is expected by December 2006.

Expanding international partnerships

Defence continued to promote key international defence and security relationships through DRDC’s innovative work. DRDC continued its collaboration with allies on science and technology issues under several international agreements, most notably the Technical Co-operation Program and the NATO Research and Technology Organization.

Defence also enhanced materiel co-operation and exchanges with other countries, especially Australia. Joint Canadian-Australian efforts included a project to produce new multi-purpose displays for the CF-18 Hornet, an approach that reduces expenditures for both countries. Defence is also collaborating with its counterpart organizations in Australia and Britain on submarine



maintenance, and pursued materiel co-operation in such multilateral initiatives as the NATO Airborne Early Warning Program, the NATO Airborne Ground Surveillance Program and the Active Layered Theatre Missile Defence System.

Defence pursued bilateral agreements to enhance relations with several nations in Central America, South America and the Asia-Pacific region during fiscal 2005–2006. Some of these nations have expressed interest in more active defence relationships with Canada, but discussions are still in the early stages.

Arms control and proliferation security

Defence ensured the successful achievement of key arms-control and other proliferation security objectives in close co-operation with DFAIT and NATO. Efforts continued in advancing and consolidating multi-faceted approaches to the prevention, containment and reduction of the proliferation of conventional weapons and weapons of mass destruction. Canada continued to support the Proliferation Security Initiative, the Chemical Weapons Convention, the Biological and Toxin Weapons Convention, the Nuclear Non-Proliferation Treaty, and the G8 Global Partnership Program. Defence continued its lead role in Canada's contribution to UN regulatory activities targeting small arms and light weapons, including work to achieve the ratification of Protocol V (Explosive Remnants of War) to the Convention on Certain Conventional Weapons. Defence also provided essential advice and guidance to the Canadian delegation to the OSCE, leading up to and including Canada's assumption of the chairmanship of the Forum for Security Co-operation.

Throughout fiscal 2005–2006, work on optimizing the planning, co-ordination and execution of international arms-control verification and observation operations accelerated. This allowed Defence to achieve maximum value for the money it spent on meeting Canada's international implementation commitments under the Treaty on Conventional Armed Forces in Europe, the Vienna Document 1999 of the Negotiations on Confidence-and Security-Building Measures, the Dayton Peace Accords, the Treaty on Open Skies, the Chemical Weapons Convention and the Small Arms and Light Weapons initiatives. Specifically, CF capacities were apportioned to ensure the most effective, efficient execution of treaty-mandated on-site and area inspections; reconnaissance, evaluation and escort missions; training and assistance to foreign verification organizations; as well as a range of observation and monitoring functions and military-diplomatic contacts. In addition, planning and preparations progressed in anticipation of forthcoming implementation commitments associated with new non-proliferation, arms-control and disarmament treaties, regimes and agreements. These efforts have been undertaken in keeping with Canada's strategic objectives to reduce and control various categories of weapons, limit and lower the threshold of conflict, and increase trust and security among states.

For more information about arms-control and proliferation security, visit: <http://www.dfait-maeci.gc.ca/arms/menu-en.asp>.

Legislation

A complete set of revised Military Rules of Evidence (MRE) has been prepared and sent to the Regulatory Section of the Department of Justice for formal drafting. The revised MRE will be issued as regulations pursuant to the *National Defence Act*. As required by s. 181(2) of the



National Defence Act, they will be published in the *Canada Gazette* and presented to Parliament before they come in effect, and can be used in courts martial.

In order to ensure consistency between the civilian and military justice systems, work progressed throughout the reporting period to develop legislation to authorize courts martial to order offenders convicted of sexual offences to comply with the registration scheme set out in the *Sex Offender Information Registration Act*. Bill S-39, *An Act to amend the National Defence Act, the Criminal Code, the Sex Offender Information Registration Act and the Criminal Records Act*, was introduced in Parliament on June 7, 2005. A similar bill was re-introduced in Parliament as Bill S-3 on April 25, 2006.

Legal advice was provided to the Government in response to the 57 recommendations of the Lamer Report relating to military justice. Work progressed during the reporting period to draft legislation in response to the policy decisions made. Bill C-7, *An Act to Amend the National Defence Act*, will be introduced in Parliament in April 2006.

Contribute to Canadian government and society in accordance with Canadian interests and values

Support to Government of Canada programs

Official languages

During fiscal 2005–2006, significant work was done to prepare for the new Defence official languages program. A strategic plan entitled *The Official Languages Program Transformation Model*, to be released during fiscal 2005–2006, is intended to improve the alignment of the Defence Official Languages Program with the requirements of the *Official Languages Act* and with the unique administrative organization and operational focus of Defence. The document sets ambitious objectives that will lead to the complete transformation of the program between 2007 and 2012.

Most importantly, it addresses the management of bilingualism in the CF. Specifically, the CF will cease to employ and measure bilingual requirements on a position-by-position basis. Under the functional approach set out in the new plan, the CF will assign a proportion of “bilingual human resources” to units that operate in both official languages. The CF will ensure that units required to perform specific tasks in both official languages have enough bilingual personnel to carry out those tasks. New measures to support this functional approach are now being developed.

More preparation for the forthcoming changes was accomplished under the auspices of the 2003–2006 Official Languages Strategic Plan and the five related ministerial commitments. Defence completed the Phase 1 of the work involved in correcting the baseline for bilingual staffing in CF units, military functions and the civilian positions within those functions. The corrected baseline will allow Defence to establish a results-based official languages performance verification system that will indicate more clearly whether supervision, instruction and services are provided in both official languages when and where required by the *Official Languages Act*.

As of March 31, 2006, 68 percent of newly promoted senior officers had attained the language competency required for their rank. The Transformation Model will extend mandatory official languages objectives to all senior officer ranks.



Performance Measurement Agreements for senior CF officers were eliminated late in 2005, thus removing an important way for senior officers to make formal commitments related to their official languages performance. To replace this function, the Chief of the Defence Staff recently ordered all senior officers to make official languages commitments through the military performance evaluation system.

The current policy requiring cadets at the Royal Military College of Canada to earn a BBB (intermediate) score in their second official language remains in place. As of April 6, 2006, 190 of the 199 members of the class of 2006 had attained a BBB profile.

Mandatory five-year second official language testing remains in place for CF members. During the reporting year, 6,232 English and 6,503 French tests were administered.

Employment equity

Military

Following extensive consultation with the Canadian Human Rights Commission regarding the methodology to be used to estimate labour market availability, the CF drafted a new Employment Equity Plan during fiscal 2005–2006. It will be submitted for approval in September 2006.

The CF continued efforts to increase the representation rates of designated group members. Among the initiatives undertaken was the publication of *Fighting for Canada: Chinese and Japanese Canadians in Military Service*.

The following chart compares the current representation rates for the Regular and Primary Reserve Force with the 2005 goals. The *Employment Equity Act* calls for the CF to make “reasonable progress” toward its representation goals and, although the representation of women in the CF is growing steadily, Defence needs to increase the representation of aboriginal peoples and visible minorities, in particular. To that end, a new outreach project is under way to involve leadership at all levels in attracting and retaining members of these designated groups.

REPRESENTATION OF DESIGNATED GROUPS: CANADIAN FORCES		
Designated Group	Representation as of 31 Mar 06*	2005 Goals
Visible Minorities	2.7 %	8.0 %
Aboriginal Peoples	1.5 %	3.2 %
Women	14.9 %	22.8 %
Source: Chief of Military Personnel		
* current representation includes Regular Force and Primary Reserve		

Civilian

Diversity and employment equity are still high priorities at Defence, and workforce representation objectives are considered central to achieving the Defence mission. Defence continued to support efforts to meet legislated requirements through programs, policies and initiatives targeting the removal of barriers to employment for women, aboriginal peoples, persons with disabilities, and members of visible minorities, and the provision of an inclusive, culturally sensitive work environment.



Overall representation of designated groups at Defence is generally good, and in some cases, representation meets or exceeds workforce availability. Defence continued to focus on attracting visible minorities and women, and on developing strategies to address under-representation in certain occupational groups, particularly in the Scientific and Professional, Technical and Operational categories.

REPRESENTATION OF DESIGNATED GROUPS: DEFENCE CIVILIANS		
Designated Group	Representation 31 Mar 06	Workforce Availability
Persons with disabilities	5.4%	4.0%
Aboriginal peoples	2.3%	2.3%
Visible minorities	4.9%	6.0%
Source: ADM (HR-Civ) Employment Equity Database, 31 March 2006.		
Note: Workforce Availability figures are derived from the 2001 Canada Census.		

In its implementation of Year 1 of a rigorous multi-year Corporate Civilian Employment Equity Action Plan, Defence focused on:

- Integrating employment equity and human resources planning;
- Positioning Defence to capitalize on the flexibilities of the new *Public Service Employment Act* to address representation issues by
 - providing guidance and support on staffing strategies and human resources planning, and
 - developing a Defence Employment Equity Staffing Program;
- Making progress on development of monitoring and reporting capabilities;
- Conducting a comprehensive analysis of diversity and employment equity training needs to Produce a Diversity and Employment Equity Training Strategy and Action Plan; and
- Strengthening management accountability for employment equity results by monitoring the inclusion of related commitments in Performance Management Agreements for the EX group; results are inconsistent, but demonstrate a heightened awareness of the importance of these issues to the organization and EX group's leadership responsibilities. This approach is now taken in performance reporting for all managers.

Detailed performance information was reported in the DND Employment Equity Progress Report for fiscal 2005–2006, which is scheduled for submission to the Public Service Human Resources Management Agency of Canada in June 2006.

Defence Ethics Program

During fiscal 2005–2006, the staff of the Defence Ethics Program continued to provide advice, guidance and support to senior leaders at the level of Assistant Deputy Ministers and Environmental Chiefs of Staff. Ethics Co-ordinators attended a series of orientation seminars and briefing sessions to prepare them for implementation of the Defence Ethics Program in their organizations.

The Defence Ethics Program team also reviewed and validated several course modules and ethics guidance documents for senior leaders, provided input for senior leaders' ethics plans to



ensure consistency with the Defence Integrity Framework, and updated the course manual *Introduction to Defence Ethics*.

Program staff also co-operated closely with the Ethics Advisor to the Chief of the Land Staff on the development of a workshop for Army Unit Ethics Co-ordinators, complete with course learning materials.

The final report of the 2003 Defence Ethics Survey was published in February 2005. A comparison of its results with the results from the 1999 Defence Ethics Survey indicates a general improvement in the ethical climate across Defence, and shows that Defence civilians and CF members have considerable capacity to make ethical decisions. These surveys give senior leaders relevant information that supports their efforts to ensure that ethics is effectively practised throughout the organization.

The Conflict of Interest section of the Defence Ethics Program clarified several interpretations of post-employment policy, and modified the standard Defence acquisition clauses, thus closing a problematic loophole. A number of workshops on conflict of interest were delivered to address concerns raised by Defence civilians and CF members. Finally, the Conflict of Interest section significantly improved its client-response times while managing a 20 percent increase in its caseload.

For more information on the DEP, please visit: http://www.forces.gc.ca/ethics/index_e.asp.

National Search and Rescue Secretariat (NSS) and National Search and Rescue Program

Mandate

The [National SAR Secretariat](#) (NSS) provides leadership to the National SAR Program through the Interdepartmental Committee on Search and Rescue (ICSAR), which comprises representatives from all the federal departments and agencies that contribute to national SAR coverage. The NSS reports directly to the Minister of National Defence, who is the lead minister for SAR. The vision, objectives and long-term direction of the national SAR program are expressed in the NSS report “[Strategic Directions 2005–2009](#)”.

National SAR Program priorities

The 2005 National SAR Program Plan covered several important priorities. The following outcomes show the key results for the period, with a more detailed description contained in the NSS for 2005.

IMPACT OF NATIONAL SECURITY POLICY CHANGES ON THE NATIONAL SAR PROGRAM

Public Safety and Emergency Preparedness Canada (PSEPC) joined the ICSAR and its sub-committees, and NSS representatives joined PSEPC-led interdepartmental committees on public safety to improve co-ordination between the government-wide Public Safety and SAR programs.

ELECTRONIC DISSEMINATION OF WEATHER FORECASTS

The consolidation of weather forecast operations made possible the establishment of five Storm Prediction Centres and two Canadian Meteorological Aviation Centres that are now fully operational, producing forecast information that Environment Canada publishes on its website. This new approach that focuses on better forecasting of high-impact weather events and fast



dissemination of information should reduce the risks to persons served by the SAR system and, consequently the number and severity of incidents.

AVAILABILITY AND QUALITY OF SAR DATA

The CF continued to improve the SAR Mission Management System (SMMS), thus improving the JRCCs' operational capacity. The CASARA Management System, developed by the Civil Air Search and Rescue Association, tracks resources, personnel, training and operational hours. Parks Canada implemented a national Occurrence Tracking System to correct problems related to data-quality and standards.

PLANNING FOR DISASTERS INVOLVING LARGE PASSENGER SHIPS

During the spring of 2005, the Canadian Coast Guard College held a large-scale table-top exercise and seminar to simulate a major maritime incident. In September 2005, *Exercise OCEAN GUARDIAN*, a joint international marine SAR exercise, was held off the Burin Peninsula. The participation of French authorities and SAR units from St. Pierre et Miquelon, and civilian ferry operators made the scenario as realistic as possible. These efforts are improving interoperability among maritime SAR responders, particularly in communications, rescue equipment and procedures.

PERSONAL LOCATOR BEACONS

The NSS drafted a Canadian standard for Class 2 personal locator beacons, previously not available in Canada, in the hope of reducing the use of US-registered beacons in Canada. According to the new NSS standard, the Class 2 beacon is less resistant to extreme cold than the Class 1 beacon, but it is effective and more affordable and consequently more likely to be used. The Canadian standard for Class 1 beacons will be retained for northern conditions.

NSS program activities

RENEWAL OF THE SAR NEW INITIATIVES FUND

The SAR New Initiatives Fund receives \$8.1 million per year to improve SAR prevention and response activities in Canada. In August 2005, the Treasury Board of Canada, in accordance with the Federal Government's initiative to strengthen financial management and comptrollership, approved new terms and conditions for the contribution portion of the SAR NIF. For capital and operating and maintenance projects carried out by federal departments, financial management and authorities for SAR NIF projects were clarified and new processes to strengthen comptrollership were put in place.

During fiscal 2005–2006, 33 new projects totalling more than \$5 million were approved, and 25 projects totalling \$3 million continued from previous years. A comprehensive review of the SAR New Initiatives Fund, completed in June 2005, concluded that it provides incremental funding that is not available from other sources and is essential to the National SAR Program.

COSPAS/SARSAT

Canada is one of the four original founders of COSPAS-SARSAT, the international SAR satellite system, and is still a major user and equipment supplier. The NSS represented Canada at the 36th session of the COSPAS-SARSAT Council in October 2005, and led Canadian delegations in negotiations with the US that led to Canada's commitment to provide repeaters for a new mid-earth-orbit SAR satellite system.



DEPARTMENTAL PERFORMANCE REPORT
FOR THE FISCAL YEAR ENDING MARCH 31, 2006

SAR PROGRAM MANAGEMENT FRAMEWORK

In 2005–2006, the NSS improved the National SAR Program Management Framework by finalizing the Performance Measurement Strategy, which ICSAR approved in December 2005, with performance indicators to be chosen according to feasibility, relevance and availability of data. This improvement to the Program Management Framework will allow expected results and performance measures to be linked to each National SAR Program activity, and eventually lead to more effective use of SAR resources.

CO-ORDINATION WITH PROVINCES AND TERRITORIES

Provincial and territorial governments are responsible for ground SAR, and the NSS supported them by providing secretariat services to the National Ground SAR Council of Canada. During fiscal 2005–2006, the RCMP, Parks Canada and the SAR Volunteer Association of Canada received voting status on the National Ground SAR Council. The addition of these organizations to the Council, all of which are critical to ground SAR, will improve co-ordination among ground SAR organizations in areas such as national standards, volunteerism and prevention programs.

PROGRAM OUTREACH

The NSS supported learning, partnerships and information exchange throughout the Canadian and international SAR community through the SARSCENE workshop and online magazine. SARSCENE 2005, held in Charlottetown, Prince Edward Island, was instrumental in forming a new provincial SAR Volunteer association. The [Canadian SAR Directory](#) section of the NSS website was rebuilt to make it more complete and easier to use.

SAR STAMPS

The NSS helped create a series of stamps launched by Canada Post in June 2005 to commemorate the move of the International COSPAS-SARSAT Secretariat to Canada, and to honour search and rescue providers.

Resources

NATIONAL SEARCH AND RESCUE PROGRAM: PERSONNEL (FTEs)				
Department or Agency	Actual 2003–2004	Actual 2004–2005	2005–2006	
			Planned	Actual
National Search and Rescue Secretariat	21.5	17.3	18	20
Environment Canada (Meteorological Service of Canada)	14	20	17	17
Parks Canada Agency	64	64	64	64
Fisheries & Oceans Canada (Canadian Coast Guard) ¹	N/A	N/A	N/A	N/A
Department of National Defence (Canadian Forces)	781	866	676	699
Royal Canadian Mounted Police ²	N/A	N/A	N/A	N/A
Transport Canada ³	7	N/A	7	N/A
Source: National Search and Rescue Secretariat				
Notes:				
1. FTE figures not available because CCG operations involve multi-tasking.				
2. As the resource allocations for SAR are provided under provincial auspices no figures are available for RCMP federal SAR activity. RCMP supports other departments with multi-tasked assets when required				
3. TC has no mandate for primary SAR and does not identify or dedicate resources to these activities. The level of personnel commitment to prevention work is under review (U/R).				



NATIONAL SEARCH AND RESCUE PROGRAM COSTS (\$ THOUSANDS)				
Department or Agency	Actual 2003-2004	Actual 2004-2005	2005-2006	
			Planned	Actual
National Search and Rescue Secretariat ¹	11,269	9,993	10,859	5,872
Environment Canada (Meteorological Service of Canada)	1,600	2,100	2,100	2,100
Parks Canada Agency ²	4,929	4,929	4,929	5,959
Fisheries & Oceans Canada (Canadian Coast Guard)	93,393	93,914	93,578	104,131
Department of National Defence (Canadian Forces)	161,589	149,952	98,437	110,876
Royal Canadian Mounted Police ³	N/A	N/A	N/A	N/A
Transport Canada ⁴	985	U/R	N/A	N/A
Total	273,765	260,888	209,903	228,938

Source: National Search and Rescue Secretariat

Notes:

1. SAR New Initiatives Fund spending was lower than planned in fiscal 2005-2006 because inter-departmental transfers through Supplementary Estimates could not be made.
2. Actual spending was higher in fiscal 2005-2006 than in previous years. Parks Canada has put in an improved financial coding system that better defines as illustrated in the table what is included in this cost centre.
3. As the resource allocations for SAR are provided under provincial auspices no figures are available for RCMP federal SAR activity. RCMP supports other departments with multi-tasked assets when required
4. TC has no mandate for and does not identify or dedicate resources to these activities. The level of financial commitment to prevention work is under review (U/R).

Diplomacy, Defence, Development and Trade (3D+T) approach – Whole of Government

The “whole of government” approach to international security issues continues to develop and mature, with National Defence working closely with other Government departments, particularly DFAIT and CIDA, on ways to improve strategic cooperation and operational coherence between departments, as well as to increase the impact Canada has when responding to international crises and security threats. This approach was evident in several high profile cases. In Afghanistan, Canada has an interdepartmental Provincial Reconstruction Team in Kandahar, in addition to a military task force under ISAF auspices. In Kabul, a small team of CF personnel is working effectively with the Government of Afghanistan on strategic planning. Additionally, National Defence is cooperating closely with DFAIT and CIDA in Sudan to provide support to the African Union peace support mission in Darfur, as well as the African Union's headquarters in Addis Ababa. When an earthquake devastated Pakistan, National Defence worked closely with DFAIT and CIDA on the Canadian response to the tragedy. The DART deployed to the region and CF aircraft provided some humanitarian airlift for the Canadian Red Cross under CIDA auspices. Finally, Defence continued to liaise closely with DFAIT and CIDA with respect to on-going developments in Haiti. Other areas of cooperation included security sector reform, civil-military coordination and humanitarian action. DND also remained active in interdepartmental working groups on a number of issues, including arctic security, marine security and the Oceans Action Plan.

The Office of the Ombudsman for the Department of National Defence and the Canadian Forces

The [Office of the Department of National Defence and Canadian Forces Ombudsman](#) exists to give Defence civilians and CF members an independent person of influence to hear their complaints of unfair treatment, investigate them thoroughly, and make recommendations to



resolve the problem related to individuals and systems. Access to the Ombudsman is made as easy as possible, through an electronic complaint form on the Ombudsman's website, outreach efforts on bases and wings across the country and operational missions abroad, and investigators located at regional headquarters.

During fiscal 2005–2006, the Ombudsman received 1,439 new complaints and 75 requests for information, and completed 1,634 cases (some new, others carried over from previous fiscal years). Since 1998, when the first Ombudsman was appointed, the office has received more than 10,000 contacts from CF members, Defence civilians, and members of their families.

The Ombudsman made significant progress on several major projects during the reporting period, including an investigation of the CF recruiting system; a review of CF progress on operational stress injuries such as post-traumatic stress disorder; an investigation into the treatment of soldiers from 1 Combat Engineer Regiment who reported health concerns related to their deployment to Kuwait in 1991; and a review of the treatment received by a group of snipers who served in Afghanistan in 2002.

Contribute to Canadian economy and innovation

[DRDC](#) has a mandate to ensure that the CF are technologically prepared and operationally relevant. To these ends, the agency engages industrial, academic and international partners in generating and commercializing technology. The DRDC Defence Industrial Research Program strengthens and supports defence-related industry in Canada by providing financial and scientific support for eligible industry-initiated research projects relevant to the defence of Canada or our allies.

The objective of the Defence Industrial Research Program is to stimulate research and innovation to increase Canada's share of new technologies to defence requirements. Eligible R&D projects can receive up to 50 percent funding (i.e., DRDC pays up to half the cost). The scope of the projects supported ranges from the laboratory stage to the experimental model or proof of – concept, and intellectual property created under the project remains with the company, but may be used by Defence according to conditions set forth in the contract.

Two examples that illustrate R&D innovation with Canadian industry partners are the Microvariability and Oscillations of Stars (MOST) microsatellite, designed in collaboration with academic and industry partners to monitor low-level brightness variations from sun-like stars, and the Soldier Information Requirements (SIREQ) project, the objective of which was to acquire and integrate the most promising and effective technologies for Canadian soldiers of the future. SIREQ involved the collaboration of several DRDC research centres as well as key industrial partners.

CBRN Research and Technology Initiative

DRDC manages the Chemical, Biological, Radiological and Nuclear (CBRN) Research and Technology Initiative (CRTI), which funds science and technology projects designed to strengthen Canada's preparedness for, prevention of, and response to CBRN terrorist attacks. Under the CRTI aegis, a government-industry partnership has designed a radiological security system capable of detecting high levels of radiation, and of identifying the source as non-typical. The system is intended for field use by first responders and emergency management personnel.



In practice, this surveillance equipment would be able to detect radiological anomalies and illicit sources of radiation before a serious incident.

Comprising 17 federal government departments and agencies, CRTI offers opportunities to share knowledge across organizations and disciplines. It has produced measurable gains in Canada's CBRN response capabilities, in the expertise, knowledge, and capabilities of Canadian CBRN science and technology performers, and in the links between diverse science and security communities, both domestic and international.

In 2005, more than 140 of Canada's top radiological-nuclear experts took part in *Exercise MARITIME RESPONSE*, comprising three days of field training in response to terrorist attacks involving radiological or nuclear sources. The largest CRTI exercise to date, and the first Canadian integrated, national-level radiological-nuclear counterterrorism exercise to involve both federal and provincial partners, *MARITIME RESPONSE* were designed for maximum realism with a wide range of scenarios, including detection of radiological contraband. It also allowed participants to test technologies and systems developed under the CRTI.

Counter Terrorism Technology Centre

The Counter Terrorism Technology Centre (CTTC), located at [DRDC Suffield](#), is Canada's centre of excellence for CBRN training, test and evaluation, and forensic analysis. CTTC capabilities have grown in response not only to Defence needs but also to priorities in other government departments. Its live-agent training facility has allowed staff officers and operators of CBRN detection and decontamination devices to gain confidence in their equipment and skills in a high-fidelity exercise environment. This training is now being extended to NATO and US partners, and other international clients, both military and civilian.

Security Forum

Defence renewed its Security and Defence Forum (SDF) program in October 2005, which is the primary means by which Defence fosters relationships with Canadian defence scholars. Having received Treasury Board approval, the Department has begun the next five-year funding cycle including revised grant levels to university-based SDF centres of excellence.

Procurement reform

Defence is a key supporter of the government-wide procurement-reform initiatives, and will continue this work over the next three years through the following initiatives:

- changes to complex policies on project management, materiel management, asset management and procurement, led by the Treasury Board Secretariat (TBS);
- revision of policies on acquisition cards, led by TBS;
- the PWGSC Way Forward, which includes:
 - mandating use of standing offers and formal supply arrangements,
 - the “deep dive” spending analysis,
 - commodity management,
 - validation of savings made during fiscal 2005–2006, and
 - the Government of Canada Marketplace; and



- incorporation of the TBS-led Professional Development Certification Program for procurement, materiel management and real property into a procurement-training program for which communication and implementation plans are now being developed.

Contribute to Canadian identity

History and heritage

The War Diaries Team at the Directorate of History and Heritage continued their work with deploying units. During pre-deployment training, team members deliver a briefing on writing the war diary, emphasizing the importance of good operational records and, by giving feedback on submissions while units are still overseas, ensured that their war diaries were being written, compiled, maintained and transferred correctly.

The archives staff at the Directorate of History and Heritage continued their efforts to bring all cataloguing up to current standard and to make research tools available on the Internet. Far outweighing the intrinsic worth of conservation and preservation is the immeasurable value added by the promulgation of history and heritage to the Canadian public. As a whole, the Directorate answered more than 2,000 inquiries about Canadian military history and heritage from the general public.

The staff of the Directorate of History and Heritage also helped Veterans' Affairs Canada with the creation, design and content of the Seventh Book of Remembrance, and provided historical and heritage advice and information in support of commemorative events in Canada and abroad.

Contribute to youth and education

The objectives of the Canadian Cadet Program are to develop the attributes of good citizenship and leadership in young men and women, to promote their physical fitness, and to stimulate their interest in CF operations at sea, on land and in the air. It is a federally sponsored national training program for youth between the ages of 12 and 18, conducted by Defence in partnership with the Navy League, the Army Cadet League and the Air Cadet League. The leagues recruit cadets, and organize accommodation and sponsors for each cadet unit. The CF provide personnel from the Regular Force, the Primary Reserve and the Cadet Instructor Cadre (CIC), and uniforms, some infrastructure and other support services such as airlift.

Cadet Activities

Many young Canadians benefited from cadet training, conducted from September to June, under the supervision of the Atlantic, Eastern, Central, Prairie, Pacific and Northern Regional Cadet Support Units in the regions. During the summer of 2005, many cadets attended the 25 Cadet Summer Training Centres located across the country, either as trainees or as Staff Cadets in leadership roles.

CADET TRAINING: DETAILS OF LOCAL AND REGIONAL PARTICIPATION			
	Active units	Participating cadets	Training days
Corps and Squadrons	1,147	58,526	1,726,450
Cadet Summer Training Centres	25	20,806	490,607
Source: Vice Chief of the Defence Staff / Directorate of Cadets			



National activities

Some national activities were organized for cadets from specific environments, while others were organized for all cadets, for example:

- 317 Sea Cadets enrolled in the International Exchange Program competed in the National Regatta held in Kingston, sailed in the US Coast Guard cutter *Eagle* off the U.S. east coast, sailed in a tall ship off Canada's west coast, and took part in the Annual Seamanship Concentration at HMCS *Quadra*, which involves operating a tall ship, motor vessels or sailing cutters;
- 167 Army Cadets enrolled in the International Army Cadet Exchange Program and took part in domestic and international expeditions;
- 111 Air Cadets took part in the International Air Cadet Exchange program in Oshkosh, Wisconsin, or in the Air Cadet Gliding Program; and
- 317 cadets participated in Tri-Element activities such as the Cadet National Marksmanship Championship and the National Biathlon Championship.

Junior Canadian Rangers

The [Junior Canadian Rangers program](#), for youth between the ages of 12 to 18, provides activities that develop traditional, life and Ranger skills. Junior Canadian Ranger patrols are co-located with Canadian Ranger patrols in remote and isolated communities, and Defence delivers the Junior Canadian Ranger program in co-operation with local committees of adult members of the community, often with the direct support of the band, hamlet or municipal council. The communities provide locations for training, screen volunteers and instructors, and schedule training activities, while the CF provide uniforms, training, funding, and administration services. During the reporting period, Regular and Reserve personnel of the CF visited Junior Canadian Ranger patrols regularly to help deliver training, especially field exercises, and to evaluate training.

Through the Junior Canadian Ranger program, the CF also provide members of the Canadian Rangers with opportunities to serve as leaders, facilitators, supervisors and program developers. During fiscal 2005–2006, Defence continued to engage local, regional, provincial, territorial and federal organizations in the Junior Canadian Ranger program, especially Indian and Northern Affairs Canada, which remains a committed partner providing financial support.

Benefits and results for Canadians

Youth participation in development programs contributes to national strategic objectives that the Government of Canada pursues through all its programs and policies. Because youth who join cadet units and Junior Canadian Ranger patrols are, for example, less likely to engage in antisocial behaviour, these programs contribute to community safety, security and vibrancy.

Outreach programs

During the reporting period, the Defence network of regional and national Public Affairs offices organized, co-ordinated and supported thousands of speaking engagements that presented CF members to audiences at schools, colleges and universities across Canada. Activities such as CF presentations and student familiarization visits to CF installations were used to profile key priorities such as CF transformation, CF operations, and the Canada-US defence relationship.



More than 55 of these events provided opportunities to deliver messaging developed by *Operation CONNECTION*, the outreach program of the Chief of the Defence Staff.

Contribute to the International Community in Accordance with Canadian Interests and Values

Meeting commitments to international organizations and exchange programs

Canada helped start the process of rebuilding Afghan capacities in all aspects of security and stability, governance, as well as in social and economic development. The Canadian Forces also took part in whole-of-government efforts to build the capacity of regional governance structures. The CF Strategic Advisory Team deployed to Kabul to assist the Government of Afghanistan also contributed staff to the National Training Centre established for the Afghan National Security Forces. Reconstruction projects completed during fiscal 2005–2006 included the rehabilitation of police stations, development of support infrastructure and provision of equipment — including a prisoner transport vehicle — for the Afghan National Police, and the provision of equipment to the Kabul Fire Department. Task Force Afghanistan also provided a women's prison with an adequate source of drinking water, and developed a multi-national village medical outreach program in which CF health services staff are leading participants.

Defence attachés

Valuable links with Canada's allies, friends and defence partners are forged every day by Canadian defence attachés, liaison officers, and CF personnel on exchange postings with allied armed forces, who also promote awareness of Canada's role in international peace and security.

During fiscal 2005–2006, the Canadian Defence Attaché program was challenged significantly in several of the 129 countries for which it is responsible. The Canadian defence attachés in Sri Lanka, Thailand and Indonesia contributed to *Operation STRUCTURE*, the DART deployment to Sri Lanka after the tragic Asian tsunami. After the devastating earthquake in the Kashmir region, the Canadian defence attaché in Pakistan provided important liaison services between the host country and Canadian relief efforts, especially the DART deployment under *Operation PLATEAU*. Other high-profile events included the completion by the defence attaché in Côte d'Ivoire of pivotal arrangements for *Operation AUGURAL*, the CF deployment to Senegal of a training team to prepare African Union soldiers to operate the Grizzly armoured personnel carriers donated to the peace-support operations in Sudan.

The year also saw the completion of a realignment of resources in response to changes in strategic needs: a Canadian defence attaché has been added to the Canadian Embassy in the United Arab Emirates, and the defence attaché's office in Saudi Arabia has been closed.

Advisory and training support to other nations

NATO exercises

Throughout fiscal 2005–2006, the navy conducted joint and combined exercises with allied ships on both coasts of North America. Participation included embarked helicopter detachments and CP-140 Aurora maritime patrol aircraft on exercises with units from NATO and other alliances, including the US, Britain, Japan, Chile, South Korea and Australia. In some cases, Canadian



ships filled a vital US Navy resource gap, greatly enhancing Canada-US relations and interoperability.

Partnership for Peace

Defence continued to support the Partnership for Peace (PfP) program as part of its efforts to enhance stability and security throughout the Euro-Atlantic area by promoting democratic development and interoperability between NATO and the PfP countries. Through the Military Training Assistance Program, Defence provided training in language skills, peace-support operations, professional development and staff procedures to 13 of the PfP nations (of which 10 are now NATO members), thereby contributing directly to their defence reform efforts and to Canada's goal of promoting international peace and security.

Defence diplomacy

Defence diplomacy remained a key aspect of Defence efforts to contribute to international stability. Bilateral and multilateral contacts, including staff talks, ship and aircraft visits, and participation in military exercises, continued to be important elements of Canada's foreign policy, contributing to Canada's understanding of the evolving security environment around the world while offering indispensable opportunities to promote Canadian influence abroad.

Military Training and Assistance Program

The Military Training Assistance Program (MTAP) allowed Canada to promote democratic civil-military relations and peace-support capabilities in partner countries through language, peace-support, and command and staff training delivered at Canadian and foreign institutions. During fiscal 2005–2006, MTAP trained more than 1,000 officers from its 66 member countries, and welcomed 16 new member countries in Central America, South America, the Balkan region, Central Asia, Africa and the Pacific Rim. MTAP trained 24 officers from the Afghan National Army in support of Canadian operations in Afghanistan, and conducted several “train-the-trainer” projects in Africa in support of international efforts to build an indigenous peace-support capacity on the African continent. For additional information on the MTAP, visit:

<http://www.tbs-sct.gc.ca/est-pre/estime.asp>

Executive and Corporate Services

Executive and Corporate Services is not a PAA program activity; it comprises the activities of directorates that provide corporate governance and strategic management. As the PAA structure matures, this category of information will gradually disappear from departmental performance reporting.

Information Management and Information Technology

Defence began a formal activity to centralize and rationalize financial and human resources devoted to information management and information technology (IM/IT) services. This process, which began in December 2005, includes the review of IM/IT governance as a whole, and by March 2008 will have achieved a new IM strategic plan and a review of the asset management practices used for software and hardware.

The review of IM/IT governance began with consolidation of the Enterprise Resource Planning (ERP) environment. A feasibility study was followed by the commencement of work to plan the



rationalization of the ERP environment into an integrated whole, shifting the focus away from customizing applications to using common processes whenever possible.

Consolidation of the command-and-control environment continued with the integration of applications developed by the Joint Staff, the Maritime Staff, the Land Staff and the Air Staff into a single environment. Work continued on developing and implementing a classified Defence services baseline and common e-mail systems designed to eliminate duplication and customization of applications.

Capability-Based Planning

The capability based planning process is now sufficiently developed to permit the transition to formal implementation, but the scheduled start date was recently postponed to allow the senior leadership time to adapt plans and programs to the new government priorities.

When Capability-Based Planning culminates in the detailed Future Force model, a program- and portfolio-management system will be required to bring the new structures and capabilities into being. Defence does not have this capability yet.

CF transformation requires accelerated procurement cycles and integrated force-management concepts. Defence will begin the immediate implementation of an integrated program-management framework, including the processes, techniques, personnel and tools required to institutionalize it. Effort expended now, while the new program is still at the conceptual stage, will pay dividends over the next few years as the new acquisition program moves into the delivery stage.

Public Affairs

Across Defence, public affairs staff provided strategic direction and guidance for public relations communications planning, programs, products and activities relating to its day-to-day activities, as well as contingency planning for domestic crises and natural disasters in co-operation with other government organizations. These activities were designed to ensure that Canadians received comprehensive, timely information about CF operations at home and abroad. Defence, for example, led the government-wide communication strategy response to operations in Afghanistan, in co-operation with DFAIT and CIDA, and provided communications support for the CF contribution to the earthquake relief efforts in the Pakistan-administered region of Kashmir, and to the southern US to help clean up after Hurricane Katrina.

Chief of Review Services

Integrated Risk Management

The [Chief of Review Services](#) (CRS) supported integrated risk management through its contribution to the development of the Vice Chief of the Defence Staff report “DND Strategic Risk Areas”. During fiscal 2005–2006, CRS produced a risk-based work plan to ensure that resources were devoted to the areas of highest risk at Defence. Most importantly, CRS prepared the report “Chief Review Services: Perspective March 2005”, which assessed risks and opportunities related to the ethics climate and framework, integrated risk management, information for decision-making and accountability, and information on the internal control



framework (stewardship). This key document is available at
http://www.forces.gc.ca/crs/rpt/reports_e.htm - YEAR2005

Audits and evaluations

During the reporting period, the CRS Branch was responsible for internal audit, evaluation and special examinations (such as forensic audits) across Defence. CRS also managed the Internal Disclosure Office and the Defence Ethics Program, including the Conflict of Interest Office. Through delivery of its services, CRS promoted improvements in Defence policies, programs, operations and activities, and enhanced the ability of CF members and DND employees to perform their duties to the highest ethical standard.

Internal audit

CRS responded to the Comptroller General's increased need for internal audits but, despite the provision of significant funding, had trouble attracting enough qualified auditors with appropriate expertise. Faced with stiff competition from the public and private sector, CRS took advantage of the Internal Audit Recruitment and Development Program, and is working with the Treasury Board Secretariat to resolve this government-wide problem. Despite the staff shortage, CRS exceeded its target by initiating more than 75 percent of high-priority projects identified in the 2004–2005 / 2005–2006 Work Plan. For a list of completed internal audits, visit:
http://www.forces.gc.ca/crs/rpt/reports_e.htm.

Evaluations

Evaluation played a key role in ensuring that program activities achieved their objectives and that Defence delivered cost-effective results to Canadians. Despite staff shortages, the CRS evaluation team increased its work in areas pertaining to operations, and helped develop results-based management and accountability frameworks. CRS used the Departmental Management Framework to determine the highest-priority evaluation projects, and liaised with the Treasury Board Secretariat and other government departments to position itself to deliver horizontal evaluations in the future. For a list of completed evaluations, visit:
http://www.forces.gc.ca/crs/rpt/reports_e.htm.

Knowledge transfer and lessons learned

Defence needs an effective system for capturing, managing and transferring the accumulated knowledge and experience of its members and organizations. Knowledge-transfer and lessons-learned activities occur in pockets, but there is no portfolio-wide approach to embedding this discipline across Defence.

A baseline assessment of knowledge management in DND and the CF is currently under way, and a strategy on knowledge transfer and lessons learned has begun with the Strategic Joint Staff and Chief of Force Development. Future measurement will include an assessment of Defence-wide implementation of this strategy.



Section 5: Financial and Human Resource Reporting

Departmental Resource Consumption

Resource Overview for Fiscal 2005–2006

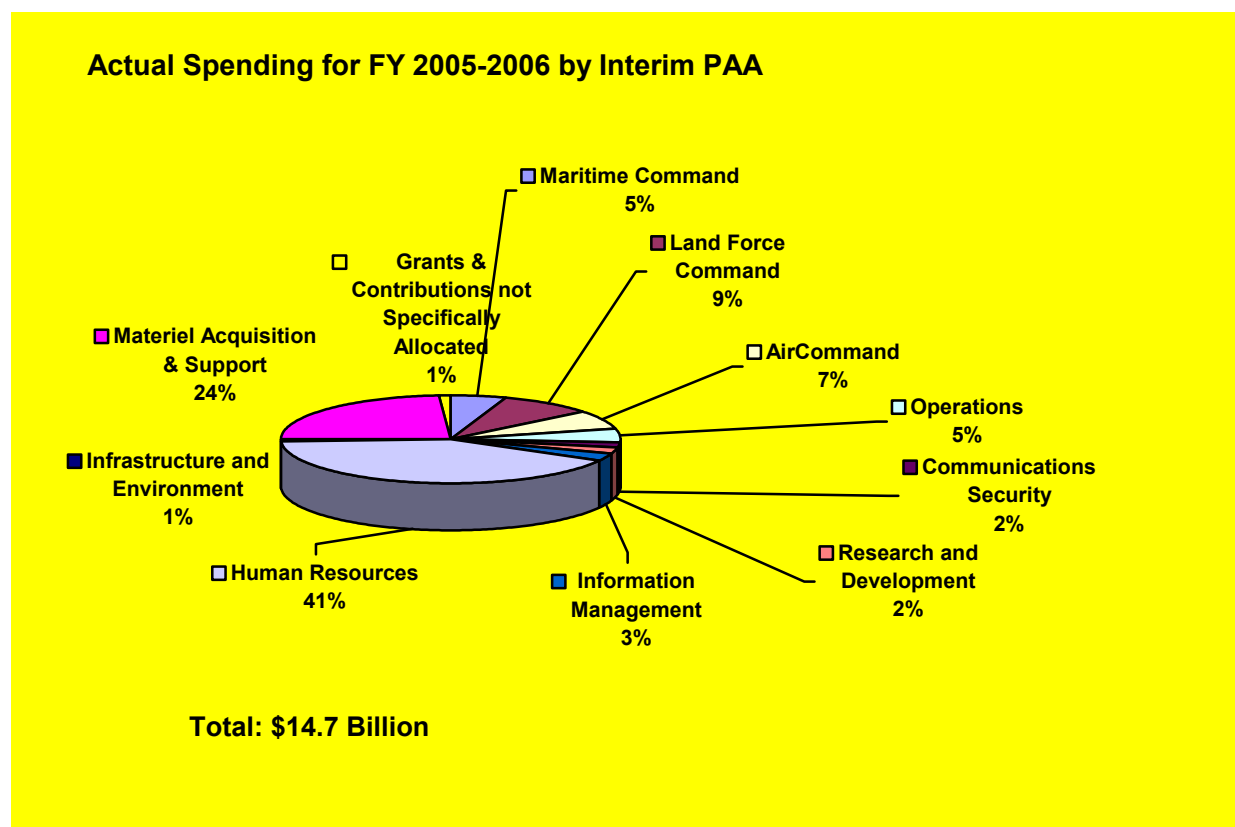




Table 1: Voted and Statutory Items

(\$ thousands)		2005-2006			
Vote or Statutory Item	Description	Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating Expenditures	9,861,479	10,634,585	11,107,947	11,093,092
5	Capital Expenditures	2,247,930	2,253,730	2,247,930	2,237,401
10	Grants and Contributions	187,819	187,819	188,612	188,310
(S)	Minister of National Defence - Salary and motor car allowance	70	70	72	72
(S)	Pensions and annuities paid to civilians	95	95	93	93
(S)	Contributions to employee benefit plans- Members of the Military	875,102	945,005	892,953	892,953
(S)	Contributions to employee benefit plans	240,936	246,183	253,313	253,313
(S)	Payments under Part I-IV of the <i>Defence Services Pension Continuations Act</i> (R.S.,1970 c. D-3)	2,100	2,100	1,664	1,664
(S)	Payments under the <i>Supplementary Retirement Benefits Act</i>	9,500	9,500	7,392	7,392
(S)	Spending of proceeds from the disposal of Crown assets	0	0	21,608	7,999
(S)	Collection Agency Fees	0	0	55	55
	Total Department *	13,425,031	14,279,086	14,721,638	14,682,343

Source: Assistant Deputy Minister – Finance and Corporate Services

* Due to rounding, figures may not add up to totals shown.

Notes:

1. This table explains the way Parliament votes resources to National Defence in a standardized fashion. It also reflects the changes made throughout the fiscal year to the funding levels via Governor General Special Warrants, allotments from the Treasury Board and reallocations resulting from changing priorities and operational pressures.
2. Spending authority was increased through Governor General Special Warrants by \$1,246.5 million for the following: \$418.6 million to address sustainability, \$278.3 million to cover the incremental costs of the Canadian Forces' mission in Afghanistan, \$229.6 million to cover the costs of the military pay and allowances increase, \$200 million as a result of the Department's operating budget carry forward from 2004-05 to 2005-06, \$71.9 million to support the expansion of the Canadian Forces and \$48.1 million to cover other miscellaneous items.



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Table 2: Resources by Program Activity

(\$ Thousands)		2005-2006 Budgetary						
Program Activity			Capital	Grants	Contributions	Total Gross Budgetary Expenditures	Less: Responsible Revenues	Budgetary Expenditures
Maritime Command	-Main Estimates	616,807	89,649	10	0	706,466	40,612	665,854
	-Planned Spending	668,728	89,649	10	0	758,387	40,612	717,765
	-Total Authorities	681,647	89,649	35	0	771,331	48,836	722,495
	-Actual Spending ¹	751,986	69,855	35	0	821,876	48,836	773,040
Land Forces Command	-Main Estimates	1,050,903	99,653	0	0	1,150,556	75,898	1,074,658
	-Planned Spending	1,139,592	102,653	0	0	1,242,245	75,898	1,166,347
	-Total Authorities	1,176,502	99,653	0	0	1,276,155	86,170	1,189,985
	-Actual Spending ¹	1,284,797	156,908	0	0	1,441,705	86,170	1,355,535
Air Command	-Main Estimates	820,850	93,298	1,137	2,457	917,742	118,113	799,629
	-Planned Spending	868,976	93,298	1,137	2,457	965,868	118,113	846,618
	-Total Authorities	907,384	93,298	1,512	2,457	1,004,651	130,401	874,250
	-Actual Spending ¹	1,042,544	114,195	1,509	2,450	1,160,698	130,401	1,030,297
Operations	-Main Estimates	480,646	58,091	0	0	538,737	17,870	520,867
	-Planned Spending	492,434	58,091	0	0	550,525	17,870	532,655
	-Total Authorities	817,781	58,091	0	0	875,872	35,225	840,647
	-Actual Spending ²	671,411	74,535	0	0	745,946	35,225	710,721
Communications Security	-Main Estimates	160,926	74,266	0	0	235,192	4,057	231,135
	-Planned Spending	180,053	77,066	0	0	257,119	4,057	253,062
	-Total Authorities	180,982	74,266	0	0	255,248	4,194	251,054
	-Actual Spending	191,132	30,183	0	0	221,315	4,194	217,121
Research and Development	-Main Estimates	249,081	12,929	0	0	262,010	6,995	255,015
	-Planned Spending	260,203	12,929	0	0	273,132	6,995	266,137
	-Total Authorities	242,421	12,929	0	0	255,350	7,951	247,399
	-Actual Spending	272,360	21,202	0	0	293,562	7,951	285,611
Information Management	-Main Estimates	349,355	27,808	0	0	377,163	5,559	371,604
	-Planned Spending	357,065	27,808	0	0	384,873	5,559	379,314
	-Total Authorities	362,515	27,808	0	0	390,323	5,977	384,346
	-Actual Spending	357,293	46,988	0	0	404,281	5,977	398,304

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(\$ Thousands)		2005-2006 Budgetary						
Program Activity		Operating	Capital	Grants	Contributions	Total Gross Budgetary Expenditures	Less: Respendable Revenues	Total Net Budgetary Expenditures
Human Resources	-Main Estimates	5,421,688	37,076	0	0	5,458,764	39,493	5,419,271
	-Planned Spending	5,848,497	37,076	0	0	5,885,573	39,493	5,846,080
	-Total Authorities	5,871,499	37,076	0	0	5,908,575	44,298	5,864,277
	-Actual Spending	5,976,905	38,048	0	0	6,014,953	44,298	5,970,655
Infrastructure and Environment Programs	-Main Estimates	249,062	92,270	0	5,450	346,782	83,864	262,918
	-Planned Spending	258,280	92,270	0	5,450	356,000	83,864	272,136
	-Total Authorities	289,197	92,270	0	212	381,679	81,408	300,271
	-Actual Spending ³	204,863	81,515	0	0	286,378	81,408	204,970
Material Acquisition and Support	-Main Estimates	1,979,258	1,662,890	0	0	3,642,148	8,528	3,633,620
	-Planned Spending	2,154,150	1,662,890	0	0	3,817,040	8,528	3,808,512
	-Total Authorities	2,213,514	1,662,890	0	0	3,876,404	23,034	3,853,370
	-Actual Spending	1,961,687	1,603,973	0	0	3,565,660	23,034	3,542,626
Other Grants and Contributions not specifically allocated	-Main Estimates	0	0	3,113	187,347	190,460	0	190,460
	-Planned Spending	0	0	3,113	187,347	190,460	0	190,460
	-Total Authorities	0	0	3,504	190,040	193,544	0	193,544
	-Actual Spending	0	0	3,423	190,040	193,463	0	193,463
Totals *	-Main Estimates	\$11,378,576	\$2,247,930	\$4,260	\$195,254	\$13,826,020	\$400,989	\$13,425,031
	-Planned Spending	\$12,227,978	\$2,253,730	\$4,260	\$195,254	\$14,681,222	\$400,989	\$14,279,086
	-Total Authorities	\$12,743,442	\$2,247,930	\$5,051	\$192,709	\$15,189,132	\$467,494	\$14,721,638
	-Actual Spending	\$12,714,978	\$2,237,402	\$4,967	\$192,490	\$15,149,837	\$467,494	\$14,682,343

Source: Assistant Deputy Minister – Finance and Corporate Services

* Due to rounding, figures may not add to totals shown.

Notes:

1. Actual Spending is higher than Total Authorities due to increased costs for support to deployed operations.
2. Actual Spending for Operations is lower than Total Authorities due to some costs being reported under the Commands.
3. Actual Spending is lower than Total Authorities due to deferred spending on capital construction and the cleanups of contaminated sites.



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Table 3a: Comparison of Planned to Actual Spending (including FTEs)

(\$ thousands)	Actual ¹ 2003-04	Actual ^{1 2} 2003-04 without OCIPEP	Actual ¹ 2004-05	2005-2006			
				Main Estimates	Planned Spending	Total Authorities ³	Actual Spending ^{1 4 5}
Maritime Command	625,716	621,119	678,082	665,854	717,765	722,495	773,040
Land Force Command	1,050,301	1,039,456	1,117,486	1,074,658	1,166,347	1,189,985	1,355,535
Air Command	782,208	772,767	817,691	799,629	846,618	874,250	1,030,297
Operations	512,944	505,274	531,817	520,867	532,655	840,647	710,721
Communications Security	242,473	242,257	273,975	231,135	253,062	251,054	217,121
Research and Development	200,881	200,698	235,126	255,015	266,137	247,399	285,611
Information Management	328,665	324,756	362,045	371,604	379,314	384,346	398,304
Human Resources	5,255,074	5,204,243	5,620,731	5,419,271	5,846,080	5,864,277	5,970,655
Infrastructure and Environment Programs	226,413	225,938	248,789	262,918	272,136	300,271	204,970
Material Acquisition and Support	3,779,876	3,720,675	3,843,418	3,633,620	3,808,512	3,853,370	3,542,626
Other Grants and Contributions not specifically allocated	181,064	164,772	193,358	190,460	190,460	193,544	193,463
Total Departmental Expenditures (net of revenues) *	\$13,185,615	\$13,021,955	\$13,922,518	\$13,425,031	\$14,279,086	\$14,721,638	\$14,682,343
Less: Non-Respendable Revenue	16,538	16,538	10,408	N/A	2,025	2,025	12,782
Plus: Cost of Services Received Without Charge	486,669	483,885	537,012	N/A	558,508	569,074	569,074
Total Departmental Cost	\$13,655,746	\$13,489,302	\$14,449,122	\$13,425,031	\$14,835,569	\$15,288,687	\$15,238,635
Full-time Equivalents	84,171	83,952	83,778	N/A	84,697	N/A	85,028
Source: Assistant Deputy Minister – Finance and Corporate Services							
* Due to rounding, figures may not add up to totals shown.							
Notes:							
1. Includes the spending of proceeds from the sale of surplus crown assets.							
2. Actual spending in 2003-2004 without the Office of Critical Infrastructure Protection and Emergency Preparedness (OCIPEP) which was transferred to the Department of Public Safety and Emergency Preparedness Canada.							
3. Total Authorities have been calculated using a provisional methodology developed to provide an indicative distribution of resources under the Interim Program Activity Architecture. National Defence has adopted a final Program Activity Architecture commencing in 2006-07 and will be working to refine reporting under this new format.							
4. Actual Spending is higher than Total Authorities for the Commands due to increased costs for support to deployed operations.							
5. Actual Spending for Operations is lower than Total Authorities due to some costs being reported under the Commands.							



Table 3b: Crosswalk of Actuals for fiscal year 2005–2006 of Interim Program Activity Architecture (IPAA) to Program Activity Architecture (PAA)

(\$ thousands)	Generate and sustain relevant, responsive and effective combat capable, integrated forces	Conduct operations	Contribute to Canadian government, society and international community in accordance with Canadian interests and values	Total
Maritime Command	706,797	23,690	42,553	773,040
Land Force Command	1,225,966	15,425	114,145	1,355,535
Air Command	708,059	68,641	253,597	1,030,297
Operations	109,225	612,286	(10,791)	710,721
Communications Security	3,154	215,657	(1,690)	217,121
Research & Development	254,081	1,717	29,814	285,611
Information Management	301,661	83,139	13,504	398,304
Human Resources	5,298,637	515,459	156,559	5,970,655
Infrastructure & Environment Programs	124,266	5,881	74,823	204,970
Material Acquisition & Support	3,258,429	242,759	41,438	3,542,626
Grants & Contributions not Specifically Allocated	14,994	—	178,470	193,463
Total*	\$12,005,268	\$1,784,654	\$892,421	\$14,682,343

Source: Assistant Deputy Minister – Finance and Corporate Services

* Due to rounding, figures may not add up to totals shown.

Note:

Negative amounts in the “Contribute to Canadian government, society and international community in accordance with Canadian interests and values” Program Activity under the new Program Activity Architecture (PAA) are due to the redistribution of Executive & Corporate Revenues to all the Program Activities as per the redistribution methodology employed under the Interim Program Activity Architecture (IPAA). This anomaly will not occur in the future as all reporting will be in accordance with the final Program Activity Architecture only.



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Table 4: Sources of Respendable and Non-Respendable Revenue

(\$ thousands)	Actual 2003-2004 ¹	Actual 2004-2005	2005-2006			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Respendable Revenues						
Maritime Command						
Recoveries from Members	7,236	6,983	7,538	7,538	7,641	7,641
Recoveries from OGDs	2,039	2,869	2,537	2,537	3,144	3,144
Recoveries from Other Governments/UN/NATO ²	31,690	32,183	26,194	26,194	31,841	31,841
Other Recoveries	4,899	1,496	4,343	4,343	6,211	6,211
Land Force Command						
Recoveries from Members	17,941	17,315	17,357	17,357	17,594	17,594
Recoveries from OGDs	3,537	4,977	3,871	3,871	4,796	4,796
Recoveries from Other Governments/UN/NATO ²	52,880	53,702	43,728	43,728	48,132	48,132
Other Recoveries	11,732	3,583	10,942	10,942	15,647	15,647
Air Command						
Recoveries from Members	9,609	9,274	9,178	9,178	9,303	9,303
Recoveries from OGDs	1,903	2,678	2,097	2,097	2,598	2,598
Recoveries from Other Governments/UN/NATO ²	101,722	103,302	98,049	98,049	105,930	105,930
Other Recoveries	7,818	2,387	8,790	8,790	12,570	12,570
Operations						
Recoveries from Members	1,053	1,016	1,003	1,003	1,017	1,017
Recoveries from OGDs	851	1,197	936	936	1,160	1,160
Recoveries from Other Governments/UN/NATO ²	17,299	17,568	14,301	14,301	30,717	30,717
Other Recoveries	2,200	672	1,630	1,630	2,331	2,331
Communications Security						
Recoveries from Members	211	204	201	201	204	204
Recoveries from OGDs	548	771	587	587	727	727
Recoveries from Other Governments/UN/NATO	3,459	3,513	2,860	2,860	2,678	2,678
Other Recoveries	493	151	409	409	585	585
Research and Development						
Recoveries from Members	177	171	169	169	171	171
Recoveries from OGDs	144	202	158	158	196	196
Recoveries from Other Governments/UN/NATO	2,913	2,959	2,409	2,409	1,492	1,492
Other Recoveries	2,917	891	4,260	4,260	6,092	6,092
Information Management						
Recoveries from Members	321	310	306	306	310	310
Recoveries from OGDs	260	365	286	286	354	354
Recoveries from Other Governments/UN/NATO	5,281	5,363	4,366	4,366	4,452	4,452

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(\$ thousands)	Actual 2003-2004 ¹	Actual 2004-2005	2005-2006			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Other Recoveries	738	225	602	602	861	861
Human Resources						
Recoveries from Members	10,244	9,886	9,834	9,834	9,968	9,968
Recoveries from OGDs	2,512	3,535	2,733	2,733	3,386	3,386
Recoveries from Other Governments/UN/NATO	26,474	26,886	21,910	21,910	23,771	23,771
Other Recoveries	4,926	1,504	5,016	5,016	7,173	7,173
Infrastructure and Environment Programs						
Recoveries from Members	85,132	82,162	81,844	81,844	79,980	79,980
Recoveries from OGDs	828	1,165	887	887	1,099	1,099
Recoveries from Other Governments/UN/NATO	1,092	1,109	903	903	–	–
Other Recoveries	219	67	230	230	329	329
Material Acquisition and Support						
Recoveries from Members	487	470	465	465	471	471
Recoveries from OGDs	556	782	609	609	755	755
Recoveries from Other Governments/UN/NATO ²	8,012	8,137	6,624	6,624	20,619	20,619
Other Recoveries	1,100	336	832	832	1,190	1,190
Total Respendable Revenues	\$433,455	\$412,367	\$400,989	\$400,989	\$467,494	\$467,494
Non-Respendable Revenues						
Maritime Command	2,743	1,676	N/A	245	245	2,128
Land Forces Command	4,571	2,793	N/A	409	409	3,547
Air Command	2,869	1,753	N/A	256	256	2,226
Operations	1,498	914	N/A	134	134	1,161
Communications Security Establishment	300	196	N/A	27	27	760
Research and Development	1,026	920	N/A	23	23	205
Information Management	457	279	N/A	41	41	355
Human Resources	2,286	1,396	N/A	820	820	1,773
Infrastructure and Environment Programs	95	57	N/A	8	8	89
Material Acquisition and Support	694	423	N/A	62	62	538
Total Non-Respendable Revenues	\$16,538	\$10,408	N/A	\$2,025	\$2,025	\$12,782
Total Revenues	\$ 449,993	\$422,775	\$400,989	\$403,014	\$469,519	\$480,276

Source: Assistant Deputy Minister – Finance and Corporate Services

* Due to rounding, figures may not add up to totals shown.

Notes:

1. In fiscal year 2003–2004 there was no impact on revenues following the Office of Critical Infrastructure Protection and Emergency Preparedness (OCIPPEP) transfer to the Department of Public Safety and Emergency Preparedness (PSEP).
2. Actual revenues exceed Planned due to increased recoveries from other governments and NATO allies for training and fuel.



Table 5: Services Received Without Charge

Services Received Without Charge	
(\$ thousands)	2005–2006
Accommodations provided by Public Works and Government Services Canada	71,032
Contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat (TBS) (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	484,074
Workers' Compensation paid without charge by Human Resources and Skills Development Canada	11,258
Salary and associated expenditures of legal services provided by Department of Justice Canada	2,711
Total 2005–2006 Services received without charge	\$569,074
Source: Assistant Deputy Minister – Finance and Corporate Services	
* Due to rounding, figures may not add up to totals shown.	

Table 6a: Summary of Transfer Payment Programs

				2005-2006			
(\$ thousands)	Actual 2003–2004	Actual ¹ 2003–2004 without OCIPEP	Actual 2004–2005	Main Estimates	Planned Spending	Total Authorities	Actual
GRANTS							
Maritime Command	10	10	10	10	10	35	35
Air Command	1,137	1,137	1,133	1,137	1,137	1,512	1,509
Other Grants not specifically allocated	2,956	2,915	3,269	3,113	3,113	3,504	3,423
Total Grants	4,103	4,063	4,412	4,260	4,260	5,051	4,967
CONTRIBUTIONS							
Land Force Command	50	50	–	–	–	–	–
Air Command	2,309	2,309	2,380	2,457	2,457	2,457	2,450
Infrastructure and Environment Programs	26	26	1,209	5,450	5,450	212	–
Other Contributions not specifically allocated	283,731	157,798	144,344	187,347	187,347	190,040	190,040
Total Contributions	286,116	160,183	147,933	195,254	195,254	192,709	192,490
Total Transfer Payments	290,219	164,246	152,346	199,514	199,514	197,760	197,458
Source: Assistant Deputy Minister – Finance and Corporate Services							
*Due to rounding, figures may not add up to totals shown.							
Note 1: Actual spending in 2003-2004 without the Office of Critical Infrastructure Protection and Emergency Preparedness (OCIPEP) which was transferred to the Department of Public Safety and Emergency Preparedness Canada.							



Table 6b: Details on Transfer Payments Programs Over \$5 Million

Description of Transfer Payment (\$ Thousands)	Type of Transfer Payment	Actual Spending 2003-2004	Actual Spending 2003-2004 without OCIPEP*	Actual Spending 2004-2005	Planned Spending 2005-2006	Total Authorities 2005-2006	Actual spending 2005-2006	Variance(s) Between Planned and Actual Spending 2005-2006
Infrastructure and Environment Programs								
Contributions in Support of the Capital Assistance Program (CAP)	C	25.7	25.7	1,209.4	5,450.0	211.7	–	5,450.0
Transfer Payment not Specifically Allocated								
Supplementary Retirement Benefit Act (SRBA) Payments	S	8,808.3	8,808.3	8,091.5	9,500.0	7,391.5	7,391.5	2,108.5
Contribution Program for the Promotion of the Defence Diplomacy Objectives Implemented by the Military Training Assistance Programme	C	1,836.1	1,836.1	2,182.4	3,300.0	9,304.7	9,304.7	(6,004.7)
Contribution to the provinces and municipalities pursuant to the Emergency Preparedness Act	C	9,260.6	–	–	–	–	–	–
Contribution to the provinces for assistance related to natural disasters	C	116,672.2	–	–	–	–	–	–
NATO Airborne Early Warning Mid Term Modernization Program	C	49,210.4	49,210.4	40,339.0	63,743.0	68,893.2	68,893.2	(5,150.2)
NATO Military Budget	C	41,747.9	41,747.9	37,839.0	47,257.0	47,295.9	47,295.9	(38.9)
NATO Security Investment Program	C	46,555.6	46,555.6	44,564.1	50,700.0	43,166.5	43,166.5	7,533.5
Subtotal Transfer Payments Over \$5 Million		\$274,116.8	\$148,184.0	\$134,225.5	\$179,950.0	\$176,051.8	\$176,051.8	\$3,898.2
Total Transfer Payments		\$290,218.8	\$164,245.5	\$152,345.5	\$199,513.7	\$197,759.7	\$197,457.6	\$2,056.0
Percentage of Transfer Payment over \$5M		94.5%	90.2%	88.1%	90.2%	89.1%	89.2%	
Grand Total for the Interim PAA categories								
Maritime Command		10.3	10.3	10.3	10.3	34.9	34.9	
Land Force command		50.0	50.0	–	–	–	–	
Air Command		3,446.2	3,446.2	3,513.8	3,594.2	3,969.2	3,959.3	
Infrastructure and Environment Programs		\$25.7	\$25.7	\$1,209.4	\$5,450.0	\$211.7	–	
Transfer Payment not Specifically Allocated		\$286,686.7	\$160,713.4	\$147,612.1	\$190,459.2	\$193,544.0	\$193,463.4	
Total		\$290,218.8	\$164,245.5	\$152,345.5	\$199,513.7	\$197,759.7	\$197,457.6	
Source: Assistant Deputy Minister (Finance and corporate Services)								
* Due to rounding, figures may not add up to totals shown.								
Legend: S = Statutories C = Contributions								
*OCIPEP was transferred to the Department Public Safety and Emergency Preparedness (PSEP) in December 2003.								



Table 6c: Detailed information on Transfer Payments (Grants and Contributions) over \$5 Million

National Defence is responsible for the following Transfer Payment Programs:

- NATO Security Investment Programme
- NATO Military Budget
- NATO Airborne Early Warning Mid Term Modernization Program
- Contribution Program for the Promotion of Defence Diplomacy Objectives Implemented by the MTAP Military Training Assistance Programme (MTAP)
- Contributions in Support of the Capital Assistance Program (CAP)
- Supplementary Retirement Benefit Act (SRBA) Payments

Supplementary information on the transfer payment projects listed above can be found at: <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.



Table 7: Loans, Investments and Advances (Non-Budgetary)

(\$ Thousands)	2005-2006					
	Actual	Actual	Main	Planned	Total	
	2003-2004	2004-2005	Estimates	Spending	Authorities	Actual
Maritime Command						
Imprest Accounts, Standing Advances and Authorized Loans ¹	153	(360)	–	4,350	4,982	220
Land Force Command						
Imprest Accounts, Standing Advances and Authorized Loans ¹	262	(617)	–	7,250	8,632	377
Air Command						
Imprest Accounts, Standing Advances and Authorized Loans ¹	212	(500)	–	4,550	6,624	306
Operations						
Imprest Accounts, Standing Advances and Authorized Loans ¹	137	(322)	–	2,375	5,921	197
Communications Security						
Imprest Accounts, Standing Advances and Authorized Loans ¹	39	(92)		475	1,342	56
Research and Development						
Imprest Accounts, Standing Advances and Authorized Loans ¹	56	(131)		400	1,783	80
Information Management						
Imprest Accounts, Standing Advances and Authorized Loans ¹	73	(171)		725	2,683	105
Human Resources						
Imprest Accounts, Standing Advances and Authorized Loans ¹	1,220	(2,866)		3,625	43,423	1,754
Infrastructure and Environment Programs						
Imprest Accounts, Standing Advances and Authorized Loans ¹	42	(98)		150	2,158	60
Canadian Forces Housing Projects ²	84	(272)		(48)	14,164	(48)
Material Acquisition and Support						
Imprest Accounts, Standing Advances and Authorized Loans ¹	400	(941)		1,100	16,279	576
Loans, Investments and Advances not Specifically Allocated						
NATO Damage Claims ³	7	(14)		10	0	29
Total	\$2,686	\$(6,383)	–	\$24,962	\$107,991	\$3,712

Source: Assistant Deputy Minister – Finance and Corporate Services

Notes:

1. This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and (d) authorized recoverable advances to establish military messes and canteens. The total amount authorized to be outstanding at any time is \$120,000,000 as last amended by National Defence Vote L11b, Appropriation Act No. 4, 2001-2002.
2. Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.
3. Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force involved. This account is charged with the amount recoverable from other states, for claims for damages amount recoverable from other states, for claims for damages that took place in Canada, and is credited with recoveries.



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Table 8a: User Fees Act

A. User Fee	Fee Type	Fee Setting Authority	Date Last Modified	2005-2006					PLANNING YEARS		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i> (ATIA)	Other products and services (O)	<i>Access to Information Act</i>	1992	10.0	8.7	5,119.0	Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request. The Access to Information Act provides fuller details.	The most common performance measurement is the percentage of "on-time" responses as stipulated by the performance standard. For this reporting period those are 79.3% for the <i>Access to Information Act</i> and 68.8% for the <i>Privacy Act</i> .	2006-2007	10.0	5,000.0
									2007-2008	10.0	5,000.0
									2008-2009	10.0	5,000.0
Total				\$10.0	\$8.7	\$5,119.0				\$30.0	\$1,500.0
B. Date Last Modified: N/A											
C. Other Information: During this reporting period, DAIP was affected by a number of detrimental factors that resulted in decreased performance. The first was the physical move of the directorate and the resulting technical problems relating to scanning documents. There were also significant numbers of requests related to Herbicide Spraying (Agent Orange) and HMCS Chicoutimi. Consultations from other departments consisted of some 20,000 pages of documents. Finally, DAIP has suffered from significant staff turnovers that have resulted in a loss of productivity, which is compounded by the necessity to train replacements. Source: Assistant Deputy Minister – Finance and Corporate Services											



Table 8b: Policy on Service Standards for External Fees

A. External Fee	Service Standard	Performance Result	STAKEHOLDER CONSULTATION
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i> (ATIA)	<p>Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request.</p> <p>The <i>Access to Information Act</i> provides fuller details.</p>	The most common performance measurement is the percentage of “on-time” responses as stipulated by the performance standard. For this reporting period those are 79.3% for the <i>Access to Information Act</i> and 68.8% for the <i>Privacy Act</i> .	The service standard is established by the <i>Access to Information Act</i> and the <i>Access to Information Regulations</i> . Consultations with stakeholders were undertaken by the Department of Justice and the Treasury Board Secretariat for amendments done in 1986 and 1992.
B. Other Information: N/A			
<p>Source: Assistant Deputy Minister – Finance and Corporate Services</p> <p>Note: The Department of National Defence is charging landing fees to commercial aircraft at the following locations, Cold Lake, Comox, Bagotville, and Goose Bay. Information relating to landing fees will be incorporated into the next fiscal year Departmental Performance Report.</p>			



Planned Full-Time Equivalents

Table 9: Military (Regular Force) FTEs by Program Activity

by Program Activity	Actual 2003–2004	Actual Without OCIPEP 2003–2004	Actual 2004–2005 ⁴	Planned 2005–2006 ³	Actual 2005–2006 (See note 1 & 2)
Generate and Sustain Integrated Forces	24,514	24,514	24,313	N/A	24,975
Conduct Operations	36,539	36,539	36,449	N/A	36,025
Contribute to Canada and the International Community	959	959	953	N/A	923
Total	62,012	62,012	61,715	62,450	61,923

Source: Chief of Military Personnel (CMP) (Formerly Assistant Deputy Minister (Human Resources - Military))
Notes:

1. Actual Military (Regular Force) FTEs for fiscal year 2005–2006 reflect the Regular Force Expansion of 5,000 announced in Budget 2005 and includes Class C Reserves.
2. Planned Military (Regular Force) FTEs for fiscal 2005–2006 is higher than Actual 2005–2006 due to the reduction in Reservists serving on Class C contracts as a result of the operational pause that began early in 2005, even though CF recruiting was over target in 2005–2006.
3. Military (Regular Force) FTEs were not broken down according to the PAA structure.
4. A structural change related to Class C vs. Class B Reserve employment took place in 2004-2005 and accounts for the decrease in FTEs from 2003-2004 to 2004-2005. Force Expansion FTEs will be depicted more accurately in 2006-2007 once the new members have been on strength for a whole year.

Table 10: Civilian FTEs by Program Activity

by Program Activity	Actual 2003–2004	Actual Without OCIPEP 2003–2004	Actual 2004–2005	Planned 2005–2006	Actual 2005–2006
Generate and Sustain Integrated Forces	19,721	19,530	20,019	20,165	20,951
Conduct Operations	591	591	622	628	688
Contribute to Canada and the International Community	1,417	1,417	1,426	1,440	1,412
Total ²	21,729	21,538	22,067	22,233	23,051
Total ¹(as reported in the RPP/DPR)	22,159	21,940	22,063	22,247	23,051

Source: Assistant Deputy Minister – Human Resources (Civilian)

Notes:

1. Differences in totals between this table and previous RPP/DPR input, as well as Table 13 (FTE by occupational group) are due to missing cost centres and a move to the new PAA structure.
2. Some of the FTE's, in the missing cost centres, have been accounted for by estimating the FTE's in these areas and attributing them to Generate and Sustain Integrated Forces. CSE is included with Generate and Sustain.
3. As a result of the Government's December 12, 2003 decision, OCIPEP transferred 219 FTEs to Public Safety and Emergency Preparedness Canada.



Table 11: Combined Military (Regular force) and Civilian FTEs

by Program Activity	Actual ³ 2003–2004	Actual Without OCIPEP 2003–2004	Actual 2004–2005	Planned 2005–2006	Actual 2005–2006
Generate and Sustain Integrated Forces	44,235	44,044	44,332	N/A	45,926
Conduct Operations	37,130	37,130	37,071	N/A	36,713
Contribute to Canada and the International Community	2,376	2,376	2,379	N/A	2,335
Total ²	83,741	83,550	83,782	–	84,974
Total ¹(as reported in the RPP/DPR)	84,171	83,952	83,778	84,697	84,974

Source: Chief of Military Personnel (CMP) and Assistant Deputy Minister – Human Resources (Civilian)

Notes:

1. Differences in totals between this table and previous RPP/DPR input, as well as Table 13 (FTE by occupational group) are due to missing cost centres and a move to the new PAA structure.
2. Some of the FTE's, in the missing cost centres, have been accounted for by estimating the FTE's in these areas and attributing them to Generate and Sustain Integrated Forces. CSE is included with Generate and Sustain.
3. As a result of the Government's December 12, 2003 decision, OCIPEP transferred 219 FTEs to Public Safety and Emergency Preparedness Canada.
4. Actual without OCIPEP

Table 12: Summary of Military (Regular Force) FTEs by Rank

	Actual 2003–2004	Actual 2004–2005	Actual 2005–2006
General/Lieutenant-General; Admiral, Vice-Admiral	11	11	12
Major-General; Rear-Admiral	20	23	21
Brigadier-General; Commodore	42	38	44
Colonel; Captain (Navy)	313	325	330
Lieutenant-Colonel; Commander	1,061	1,090	1,115
Major; Lieutenant-Commander	3,185	3,192	3,247
Captain; Lieutenant (Navy)	5,788	5,840	5,882
Lieutenant, Second-Lieutenant; Sub-Lieutenant, Acting Sub-Lieutenant	1,829	1,952	2,068
Officer Cadet; Naval Cadet	1,687	1,749	1,720
Chief Warrant Officer; Chief Petty Officer 1 st Class	668	668	674
Master Warrant Officer; Chief Petty Officer 2 nd Class	1,774	1,803	1,861
Warrant Officer; Petty Officer 1 st Class	3,677	3,682	3,726
Sergeant; Petty Officer 2 nd Class	6,758	6,760	6,802
Master Corporal, Corporal; Master Seaman, Leading Seaman	25,319	24,632	24,681
Private, Private (Recruit); Able Seaman, Ordinary Seaman	9,880	9,950	9,742
Total	62,012	61,715	61,923

Source: Chief of Military Personnel

Note: A structural change related to Class C vs. Class B Reserve employment took place in 2004-2005 and accounts for the decrease in FTEs from 2003-2004 to 2004-2005. Force Expansion FTEs will be depicted more accurately in 2006-2007 once the new members have been on strength for a whole year.



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Table 13: Summary of Civilian FTEs by Occupational Group

CAPABILITY PROGRAM	2003-2004			2004-2005 ACTUAL	2005-2006 PLANNED	2005-2006 ACTUAL
	ACTUAL	TRANSFERRED *	ACTUAL WITHOUT OCIPEP			
OIC Appointments	3	-	3	4	4	3
Executive	121	14	107	102	102	104
Scientific and Professional	1,852	21	1,831	1,870	1,858	1,993
Administrative and Foreign Service	4,777	155	4,622	4,948	4,902	5,328
Technical	2,119	6	2,113	2,171	2,162	2,299
Administrative Support other than Clerical	615	1	614	630	666	601
Clerical and Regulatory	3,489	22	3,467	3,256	3,272	3,398
Operational other than General Labour and General Services	2,276	-	2,276	2,290	2,287	2,370
General Labour and Trades	3,073	-	3,073	3,032	3,053	3,106
General Services	2,357	-	2,357	2,188	2,219	2,214
Other (Students, Minister's Staff, Unknown)	237	-	237	148	176	139
Communications Security Establishment (CSE) staff - (executives and non-executives)	1,240	-	1,240	1,424	1,546	1,492
Total	22,159	219	21,940	22,063	22,247	23,047

Source: Assistant Deputy Minister – Human Resources (Civilian)

Notes:

1. Data for fiscal year 2003–2004 and 2004–2005 are taken from the table published in the DPR 2004–2005.
2. Differences between this table and Table 10 (Civilian FTEs by Program Activity) for 2005–2006 planned and actual totals are due to missing cost centres, and the estimate introduced in Table 10, as well as a move to the new PAA structure.
3. HRMS was used to provide the numbers for the DPR 2004–2005, while PWGSC data was used in the current table.



Capital Spending

Table 14: Details on Capital Projects (Equipment) Spending over \$30 Million

Projects listed in Table 14 have been identified as either: (1) projects in which the estimated expenditure exceeds the approval authority granted to DND by the Treasury Board (\$30 million *with substantive cost estimates*), or (2) projects in which the risk is particularly high, regardless of the estimated amounts. The list of projects has been divided according to the Interim PAA structure.

Project Number	Project Title (\$ Thousands)	Project Phase	Total Estimated Cost	Current Estimated Total Cost	Previous Expenditures to March 31, 2005	Planned Spending 2005–2006	Actual Spending 2005–2006	Variance (Planned vs Actuals) 2005–2006
	Maritime Command							
1495	Canadian Patrol Frigate	Close out	8,966,906	8,928,900	8,925,133	12,000	3,467	8,533
1700	DDH – 280 Tribal Class Update and Modification Program	Close out	1,381,936	1,381,800	1,380,900	488	400	88
2549	Submarine Capability Life Extension	Implementation	857,828	896,772	637,507	65,000	64,193	807
2551	Auxiliary Oiler And Replacement Close-In Weapon System	Close out	31,777	31,539	31,537	151	2	149
2622	Active Phased Array Radar	Close out	53,086	53,076	53,076	10	0	10
2640	Evolved Sea Sparrow Missiles	Implementation	513,772	503,059	384,772	60,000	48,552	11,448
2664	Advanced electro Optic Sensor	Definition	37,060	204,414	36,183	1,757	9,497	(7,740)
2673	Joint Support Ship	Definition	73,481	49,228	1,150	21,449	5,209	16,240
2573	Maritime Environmental Protection Project	Implementation	55,507	54,266	40,295	2,484	3,341	(857)
2783	Identification Friend or Foe Mode S/5	Implementation	38,176	38,176	33	4,513	230	4,283
2796	YAG 300 Training Vessel Replacement	Implementation	68,662	70,310	1,682	8,643	24,773	(16,130)
	TOTAL MARITIME COMMAND		\$12,078,191	\$12,211,540	\$11,492,268	\$176,495	\$159,664	\$16,831



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Project Number	Project Title (\$ Thousands)	Project Phase	Total Estimated Cost 2005–2006	Current Estimated Total Cost	Previous Expenditures to March 31, 2005	Planned Spending 2005–2006	Actual Spending 2005–2006	Variance (Planned vs Actuals) 2005–2006
	Land Force Command							
58	Wheeled Light Armoured Vehicle Life Extension	Implementation	215,267	159,865	60,225	15,003	7,071	7,932
84	Army GPS Equipment Replacement	Implementation	50,698	50,211	10,385	20,193	1,734	18,459
276	Intelligence, Surveillance, Target Acquisition & Reconnaissance	Definition	46,432	134,700	58,378	21,103	16,022	5,081
731	Mobile Gun System	Definition	157,652	157,713	2,287	42,000	8,332	33,668
1574	Tactical Command, Control & Communication System	Implementation	1,927,698	1,913,200	1,885,212	42,882	27,988	14,894
1656	Land Force Command System	Implementation	178,386	176,820	174,163	4,223	2,657	1,566
2058	Weapons Effect Simulator	Implementation	119,093	128,181	44,804	49,150	27,988	21,162
2349	Light Utility Vehicle Wheeled	Implementation	306,833	297,400	180,940	72,174	61,460	10,714
2625	Vehicles - Lynx Replacement Project	Close out	883,686	877,491	876,310	6,226	1,150	5,076
2637	Armoured Personnel Carriers	Implementation	2,355,707	2,321,350	1,914,600	194,404	112,600	81,804
2684	Improved Landmine Detection Capability	Close out	32,526	33,662	30,998	1,528	234	1,294
2731	Armoured Personnel Carriers Life Extension	Implementation	365,300	345,722	293,300	27,000	14,892	12,108
XXXX	Clothe The Soldier (Omnibus Project)	Implementation	244,875	246,254	129,041	83,431	35,672	47,759
	TOTAL LAND FORCE COMMAND		\$6,884,153	\$6,842,569	\$5,660,643	\$579,317	\$317,800	\$261,517
	Air Command							
86	Operational Flight Program	Implementation	111,580	111,520	23,200	16,284	9,091	7,193

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Project Number	Project Title (\$ Thousands)	Project Phase	Total Estimated Cost 2005–2006	Current Estimated Total Cost	Previous Expenditures to March 31,2005	Planned Spending 2005–2006	Actual Spending 2005–2006	Variance (Planned vs Actuals) 2005–2006
113	Advanced Distributed Combat Training System	Implementation	187,743	187,742	103,825	34,256	35,700	(1,444)
180	CF-18 Multi-purpose Display Group Project	Implementation	98,759	98,759	61,630	662	461	201
273	CF-18 Advanced Multi-role Infrared Sensor	Implementation	186,060	186,059	74	25,002	159	24,843
295	Aurora Communication Management System Replacement	Implementation	89,746	89,745	51,735	14,075	2,494	11,581
317	Aurora Electro-optical System Replacement	Close out	46,924	49,162	39,290	7,150	5,342	1,808
410	Aurora - Flight Deck Simulator	Close out	39,885	40,862	31,173	8,712	2,658	6,054
423	Aurora - Electronic Support Measures Replacements	Implementation	177,194	177,208	63,369	48,198	27,447	20,751
428	Aurora - Imaging Radar Acquisition	Implementation	254,820	255,120	64,012	50,816	42,799	8,017
451	Primrose Lake Evaluation Range TSPI System	Implementation	63,150	42,615	801	26,286	12,953	13,333
480	Integrated Clothing Ensemble	Close out	32,856	33,610	28,162	4,694	5,448	(754)
536	Aurora – Operator Mission Simulator	Implementation	44,633	44,633	5,745	17,306	0	17,306
583	CF18 - Engineering Change Proposal 583	Implementation	1,009,308	987,308	736,753	81,655	58,330	23,325
1399	North American Air Defence Modernization	Close out	1,054,877	1,055,101	1,054,732	145	369	(224)
1686	CF18 - Advanced Air to Air Weapon - Short Range (B)	Implementation	183,813	36,679	20,492	19,217	105	19,112
2320	Military Automated Air Traffic System	Implementation	169,162	168,600	138,247	19,694	7,453	12,241
2370	CC-130 Avionics Upgrade	Close out	95,593	93,755	93,754	1,839	1	1,838
2371	Advanced Navigation and	Implementation	98,562	97,830	49,045	18,987	9,216	9,771



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Project Number	Project Title (\$ Thousands)	Project Phase	Total Estimated Cost 2005–2006	Current Estimated Total Cost	Previous Expenditures to March 31, 2005	Planned Spending 2005–2006	Actual Spending 2005–2006	Variance (Planned vs Actuals) 2005–2006
	Precision Approach Phase II							
2517	Canadian Forces Utility Tactical Transport Helicopters	Implementation	1,093,093	1,093,098	1,064,148	13,698	6,352	7,346
2526	Region/Sector Air Operations Centre	Implementation	134,668	134,668	102,314	27,905	17,669	10,236
2619	Air Combat Manoeuvring Instrumentation System	Implementation	33,289	33,289	31,240	1,129	366	763
2657	CC-150 Strategic Air-to-Air Refuelling (SAAR)	Implementation	106,016	96,369	88,100	17,916	8,269	9,647
2678	Canadian Search and Rescue Helicopter	Implementation	778,773	774,400	756,545	11,414	3,955	7,459
2680	Maritime Helicopter Project	Implementation	3,160,300	3,160,300	141,406	338,600	281,466	57,134
2754	CF-18 Advanced Air-to-Air Weapon - Medium Range	Implementation	138,489	138,489	32,695	38,201	34,510	3,691
5832	CF-18 - Engineering Change Proposal - Phase 2	Implementation	423,281	423,280	0	14,655	49,675	(35,020)
	TOTAL AIR COMMAND		\$9,812,574	\$9,610,201	\$4,782,488	\$858,494	\$622,288	\$236,206
	Human Resources							
439	Allied Vaccine Development Project	Implementation	37,964	31,684	17,074	8,160	1,298	6,862
2400	Defence Integrated Human Resource System	Implementation	94,598	84,137	65,751	16,548	7,586	8,962
2536	Role Three Health Support	Close out	40,434	38,119	36,148	4,286	1,971	2,315
2800	Canadian Forces Health Information System	Implementation	70,994	44,462	29,317	17,474	15,145	2,329
	TOTAL HUMAN RESOURCES		\$243,990	\$198,402	\$148,290	\$46,468	\$26,000	\$20,468

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Project Number	Project Title (\$ Thousands)	Project Phase	Total Estimated Cost 2005–2006	Current Estimated Total Cost	Previous Expenditures to March 31,2005	Planned Spending 2005–2006	Actual Spending 2005–2006	Variance (Planned vs Actuals) 2005–2006
	Information Management							
224	Defence Information Broker	Implementation	52,646	31,379	4,962	13,595	3,999	9,596
2475	Defence Message Handling System	Implementation	135,875	123,475	117,791	10,677	9,575	1,102
2535	Classified Electronic Key Management System	Close out	38,624	37,370	37,370	1,254	0	1,254
2803	Protected Military Satellite Communication	Implementation	551,972	552,000	224,703	66,109	82,697	(16,588)
	TOTAL INFORMATION MANAGEMENT		\$779,117	\$744,224	\$384,826	\$91,635	\$96,271	\$(4,636)
	Operations							
2469	Canadian Forces Command System I (CFCIS)	Close out	57,775		51,754	6,021		6,021
	TOTAL OPERATIONS		\$57,775		\$51,754	\$6,021		\$6,021
	Materiel Acquisition and Support							
1947	Canadian Forces Supply System Upgrade	Close out	304,060	303,312	302,241	1,819	1,071	748
2272	Materiel Acquisition and Support Information System	Implementation	181,821	182,300	166,616	18,083	10,184	7,899
	TOTAL MATERIEL ACQUISITION & SUPPORT		\$485,881	\$485,612	\$468,857	\$19,902	\$11,255	\$8,647
	TOTAL PROGRAM		\$30,341,681	\$30,092,548	\$22,989,126	\$1,778,332	\$1,233,278	\$545,054

Source: Assistant Deputy Minister - Materiel



Table 15: Details of Capital Projects (Construction) Spending Over \$60 Million

Projects listed in Table 15 have been identified as either: (1) projects in which the estimated expenditure exceeds the approval authority granted to DND by the Treasury Board (\$60 million), or (2) projects in which the risk is particularly high, regardless of the estimated amounts. All major capital construction projects fall under the Sustain Forces capability program. For fiscal year 2005-2006, actual spending on major capital construction projects represented **11.6** percent of total expenditures for capital spending on construction.

Project #	Project Name	Total Project Amount	Past year Expenditures	Planned Spending 2005-2006	Actual Spending 2005-2006	Planned Future 5-year Spending
	British Columbia					
0221	Replace "B" Jetty (PPA) (PD)	199,760(I)	480(I)	0	0	4,400 (I)
4360	FMF Cape Breton (EPA) (PI)	136,471(S)	78,736 (S)	15,336	11,244 0	0 (I)
4451	Colwood Refueling Facility (EPA) (PI)	69,930 (S)	64,629 (S)	0	0	5,300
	New Brunswick					
0344	RTA Sedimentation Remediation (Gagetown) (PPA) (PD)	100,000(I)	1885 (S)	1,000	1,565	17,900 (I)
	Québec					
0683	Infrastructure Modernization (DRDC Valcartier) (PPA) (PD)	100,000(I)	390	0	0	0
	Ontario					
0411	RMC Kingston Dormitories (EPA) (PI)	63,870 (S)	13,550	17,549	6,780	43,540
0402	Joint Experimentation Centre Ottawa	63,920	11,891	2,323	20,743	14,000
	Total	\$733,913	\$171,561	\$36,208	\$40,332	\$85,140

Source: Assistant Deputy Minister (Infrastructure and Environment)

Note: Past years expenditures are as of March 31, 2006.



Table 16: Status Summary of Major Crown Projects

The following is a summary listing of Major Crown Projects ongoing in National Defence.

- Submarine Capability Life Extension
- Canadian Patrol Frigate (CPF)
- Tribal Class Update and Modernization Project (TRUMP)
- Maritime Helicopter Project
- Armoured Personnel Carriers
- Mobile Gun System (MGS)
- Tactical Command, Control and Communications System (TCCCS)
- Light Utility Vehicle Wheeled (LUVW)
- Intelligence Surveillance, Target Acquisition and Reconnaissance (ISTAR)
- Lynx Replacement
- Canadian Forces Utility Tactical Transport Helicopter (CFUTTH) Project
- Canadian Search and Rescue Helicopter Project
- Military Automated Air Traffic System (MAATS) Project
- North American Air Defence Modernization (NAADM) Project
- Canadian Forces Supply System Upgrade
- Protected Military Satellite Communications (PMSC)
- Materiel Acquisition and Support Information System (MASIS)

Supplementary information on these can be found at: http://www.tbs-sct.gc.ca/rma/dpr1/05-06/index_e.asp.

Other Financial Information

Table 17: Alternative Service Delivery (ASD)

The Department of National Defence will be renewing existing ASD initiatives for the following programs and/or services.

- Contracted Airborne Training Services (CATS)
- Wheeled Light Armoured Vehicle (WLAV) Life Cycle Support Project
- Canadian Forces Station Alert Modernization Project
- 202 Workshop Depot
- DND/Montfort Hospital Collaborative Arrangement
- Information Management Services Transformation Project

Further information on these ASD initiatives can be found at: <http://www.tbs.sct.gc.ca/est-pre/estime.asp>.

Table 18: Financial Statements for the Department of National Defence

The financial statements were prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in the DPR was prepared on a modified cash basis of accounting in order to be consistent with appropriations-based reporting. Note 3 on page 11 of the financial statements below reconciles these two accounting methods.



Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provide a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, assets are safeguarded, transactions are in accordance with the *Financial Administration Act* and are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the Department have not been audited. There is no current requirement for National Defence to have these statements audited.

Ward Elcock
Deputy Minister
Ottawa, Canada

Rod Monette
Senior Financial Officer

Date: August 3, 2006



Statement of Operations (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2006	2005
Expenses (Note 4)		
Maritime Command	804,313	773,448
Land Forces Command	1,379,916	1,321,223
Air Command	1,111,365	997,515
Operations	733,443	419,534
Communications Security	213,256	198,731
Research and Development	289,359	292,726
Information Management	409,727	359,633
Human Resources	6,468,387	6,330,471
Infrastructure and Environment Programs	370,968	131,699
Material Acquisition and Support	3,617,392	3,852,948
Transfer Payments Not Specifically Allocated	193,463	147,612
	15,591,589	14,825,540
Revenues (Note 5)		
Maritime Command	52,361	46,370
Land Forces Command	92,627	91,338
Air Command	136,210	127,279
Operations	36,493	38,894
Communications Security	4,803	4,702
Research and Development	8,076	10,685
Information Management	6,131	6,500
Human Resources	45,496	46,928
Infrastructure and Environment Programs	81,593	47,172
Material Acquisition and Support	32,378	27,015
	496,168	446,883
Net Cost Of Operations	15,095,421	14,378,657

The accompanying notes form an integral part of these financial statements.



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Statement of Financial Position (Unaudited)

As at March 31

<i>(in thousands of dollars)</i>	2006	2005
Assets		
<i>Financial Assets</i>		
Receivables (Note 6)	634,186	233,427
Loans and Advances (Note 7)	29,942	26,230
	664,128	259,657
<i>Non-Financial Assets</i>		
Prepaid Expenses (Note 8)	517,512	480,855
Inventories (Note 9)	4,955,682	4,900,363
Tangible Capital Assets (Note 10)	25,921,679	25,995,225
	31,394,873	31,376,443
	32,059,001	31,636,100
Liabilities		
Accounts Payable and Accrued Liabilities	1,732,901	1,947,064
Vacation Pay and Compensatory Leave	168,072	221,350
Deposits and Trust Accounts (Note 11)	2,215	2,551
Deferred Revenue (Note 12)	61,886	76,849
Environmental Liabilities (Note 16b)	442,977	447,338
Canadian Forces Pension and Insurance Accounts (Note 13)	42,720,547	41,730,570
Lease Obligations for Tangible Capital Assets (Note 14)	832,612	917,542
Severance Benefits (Note 15b)	1,271,768	1,138,177
	47,232,978	46,481,441
Equity of Canada	(15,173,977)	(14,845,341)
	32,059,001	31,636,100

Contingent Liabilities (Note 16)

Contingent Gain (Note 17)

Contractual Obligations (Note 18)

The accompanying notes form an integral part of these financial statements.



Statement of Equity of Canada (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2006	2005
Equity of Canada, beginning of year	(14,845,341)	(13,175,648)
Net Cost of Operations	(15,095,421)	(14,378,657)
Current Year Appropriations Used (Note 3a)	14,682,343	13,922,518
Revenue Not Available for Spending	(132,002)	(68,864)
Change in Net Position in the Consolidated Revenue Fund (Note 3c)	(352,630)	(1,681,704)
Services Provided Without Charge by Other Government Departments (Note 19a)	569,074	537,014
Equity of Canada, end of year	(15,173,977)	(14,845,341)

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2006	2005
Operating Activities		
Net Cost of Operations	15,095,421	14,378,657
Non-Cash Items Included in Net Cost of Operations:		
Amortization of Tangible Capital Assets	(1,748,330)	(1,746,655)
Gain or Loss on Disposals/Adjustments of Tangible Capital Assets	(290,416)	(496,315)
Services Provided Without Charge by Other Government Departments	(569,074)	(537,014)
Variations in Statement of Financial Position		
Increase (decrease) in Receivables and Advances	404,471	(166,815)
Increase (decrease) in Prepaid Expenses	36,657	59,397
Increase (decrease) in Inventories	55,319	252,116
(Increase) decrease in Liabilities, net of Capital Lease Obligations	(836,464)	(1,462,317)
Cash Used by Operating Activities	12,147,584	10,281,054
Capital Investment Activities		
Acquisitions of Tangible Capital Assets (Note 10)	1,983,092	1,845,172
Proceeds on Disposal of Surplus Assets	(17,895)	(20,174)
Payments against / Adjustments to Capital Lease Obligations	84,930	65,898
Cash Used by Capital Investment Activities	2,050,127	1,890,896
Financing Activities		
Net Cash Provided by Government of Canada	(14,197,711)	(12,171,950)

The accompanying notes form an integral part of these financial statements.



Notes to the Financial Statements (Unaudited)

Note 1: Authorities and Objectives

Authorities

The Department of National Defence (DND) was established by the *National Defence Act* (NDA). Under section 3 of the Act, the Minister of National Defence (MND) presides over the Department. Under section 4 of the *NDA*, the Minister has the management and direction of the Canadian Forces (CF).

Objectives

The Defence mission is to defend Canada and Canadian interests and values while contributing to international peace and security. Under Canadian defence policy, the CF are called upon to fill three major roles: protecting Canada, defending North America in co-operation with the United States, and contributing to international peace and security. The Defence mission is delivered through ten Program Activities and an item for miscellaneous grants and contributions, which are as follows:

(A) MARITIME COMMAND

Maritime Command generates and maintains combat capable, multi-purpose maritime forces to meet Canada's defence capability requirements.

(B) LAND FORCES COMMAND

Land Forces Command generates and maintains combat capable, multi-purpose land forces to meet Canada's defence objectives.

(C) AIR COMMAND

Air Command generates and maintains combat-capable, multi-purpose air forces to meet Canada's defence capability requirements, including: fighter, long-range patrol, maritime aviation, land aviation, air, transport, search and rescue, air demonstration, aerospace support, and contributions to the NATO Airborne Early Warning Force.

(D) OPERATIONS

The Deputy Chief of the Defence Staff (DCDS) is the focus for integrated military planning and operations. DCDS exercises command and control of non-routine and contingency operations on behalf of the Chief of the Defence Staff (CDS); ensures the effective production and dissemination of defence intelligence including imagery, geomatics, and meteorological and oceanographic services; maintains operational nuclear, biological and chemical response capabilities; oversees joint responsibilities, such as activities outside Canada, joint capabilities development, joint programs and common doctrine; and provides joint force elements to joint and combined operations. In February 2006 DCDS was replaced by the newly formed Canada Command, Canadian Expeditionary Force Command (CEFCOM), Canadian Operational Support Command (CANOSCOM) and Canadian Special Operations Forces Command (CANSOFCOM).



Notes to the Financial Statements (Unaudited)

(NOTE 1 CONTINUED...)

(E) COMMUNICATIONS SECURITY

The Communications Security Establishment provides advice, guidance and services to help ensure the protection of Government of Canada electronic information and information infrastructures. The Communications Security Establishment also provides technical and operational assistance to federal law enforcement and security agencies and acquires and provides foreign signals intelligence.

(F) RESEARCH AND DEVELOPMENT

Defence Research and Development Canada facilitates and enhances the ability of decision makers to make informed decisions on defence policy, force generation, and procurement by providing expert scientific and technological knowledge. The Agency contributes to the success of military operations by pursuing Research and Development activities that provide improved support, knowledge, protection, and response to potential threats. It enhances the preparedness of the CF by assessing technology trends, threats and opportunities and by exploiting emerging technologies.

(G) INFORMATION MANAGEMENT

The Information Management Group provides leadership, strategic direction, products and services needed to manage information as a mission critical corporate resource.

(H) HUMAN RESOURCES

To provide military and civilian human resource management through the development and implementation of human resource plans, policies and programs to recruit, develop, and retain military and civilian personnel to effectively support the CF in operations and meet the Defence mission.

(I) INFRASTRUCTURE AND ENVIRONMENT PROGRAMS

The Infrastructure and Environment activity is responsible for providing DND/CF with leadership, policy, planning, advice, oversight, support to operations and services in matters of military engineering, realty assets, architecture and engineering, environment, nuclear safety and fire service.

(J) MATERIAL ACQUISITION AND SUPPORT

The Materiel Group serves DND/CF as a central service provider and authority for all defence materiel and equipment programs in addition to providing logistics planning for military operations.

(K) TRANSFER PAYMENT NOT SPECIFICALLY ALLOCATED

This represents the grant and contribution programs that cannot be attributed to any one activity.



Notes to the Financial Statements (Unaudited)

Note 2: Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

(A) PARLIAMENTARY APPROPRIATIONS

The Department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(B) REPORTING ENTITY

The reporting entity hereafter referred to, as the Department, is comprised of DND, the CF and several related organizations and agencies in the Defence Portfolio, which carry out the Defence mission and are part of the Defence Services Program. The Canadian Forces Grievance Board and the Military Police Complaints Commission are excluded from the reporting entity because these organizations are not part of the Defence Services Program, although they fall under the responsibility of the Minister of National Defence. Organizations and agencies that are part of the reporting entity include the following:

- Canadian Cadet Program and the Junior Canadian Rangers;
- Communications Security Establishment;
- Canadian Forces Housing Agency;
- Defence Research and Development Canada;
- Office of the Communications Security Establishment Commissioner;
- Office of the Department of National Defence and Canadian Forces Ombudsman;
- Office of the Judge Advocate General; and
- National Search and Rescue Secretariat.

All revenue and expense transactions and any related asset and liability accounts between organizations within the Defence Services Program have been eliminated.

(C) NET CASH PROVIDED BY THE GOVERNMENT OF CANADA

The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements made by the Department are paid from the CRF. Net cash provided by the Government is the difference between all cash receipts and cash disbursements including transactions between departments of the federal government.



Notes to the Financial Statements (Unaudited)

(Note 2 continued...)

(D) CHANGE IN NET POSITION IN THE CONSOLIDATED REVENUE FUND

Change in net position in the CRF is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(E) REVENUES

- Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.
- Revenues that have been received but not yet earned are recorded as deferred revenues.

(F) EXPENSES

Expenses are recorded on an accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants, which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, Worker's Compensation coverage and legal services are recorded as operating expenses at their estimated cost.

(G) EMPLOYEE FUTURE BENEFITS

(i) Pension Benefits

Eligible civilian employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. Contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Department to make contributions for any actuarial deficiencies of the Plan.

The Government of Canada sponsors a variety of employee future benefits such as pension plans and disability benefits, which cover members of the Canadian Forces. National Defence administers the pension benefits for members of the Canadian Forces. The actuarial liability and related disclosures for these future benefits are presented in the financial statements of the Government of Canada. This differs from the accounting and disclosures of future benefits for military members presented in these financial statements whereby pension expense corresponds to the Department's annual contributions toward the cost of current service. In addition to its regular contribution, current legislation also



Notes to the Financial Statements (Unaudited)

(Note 2 continued...)

requires the Department to make contributions for actuarial deficiencies in the Canadian Forces Pension Plan. These contributions are expensed in the year they are credited to the Plan. This accounting treatment corresponds to the funding provided to departments through Parliamentary appropriations.

(ii) Severance Benefits

Employees and military members are entitled to severance benefits, under labour contracts or conditions of employment. These benefits are accrued as employees and military members render the services necessary to earn them. The obligation relating to the benefits earned by civilian employees and Canadian Forces members is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(H) RECEIVABLES

Receivables are stated at amounts expected to be ultimately realized. An allowance for bad debts is made for external receivables where recovery is considered uncertain.

(I) LOANS AND ADVANCES

Loans and advances are stated at amounts expected to be ultimately realized; a provision is made where recovery is considered uncertain.

(J) INVENTORIES

Inventory consists of consumables (such as non-repairable spares, uniforms and clothing, medical and other equipment and machine tools) and ammunition (including bombs and missiles). Consumable inventories are valued using a moving weighted average price methodology. Some items classified as repairable ammunition (e.g. missiles and torpedoes) are valued using a standard price. Inventory managed by contractors and not held in the Canadian Forces Supply System (CFSS) is valued based on contractor-supplied records. DND reviews its inventory on a periodic basis. Items identified for disposal are excluded from the value of inventory.

(K) TANGIBLE CAPITAL ASSETS

All tangible capital assets, having an initial cost of \$30,000 or more, including capital leases, repairable assets, betterments and leasehold improvements, are recorded at their acquisition cost. Capitalization threshold values lower than \$30,000 may apply to certain assets such as vehicles.

Capital assets do not include intangible assets, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on First Nations Reserves and museum collections.



Notes to the Financial Statements (Unaudited)

(Note 2 continued...)

(L) AMORTIZATION OF TANGIBLE CAPITAL ASSETS

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Buildings	10-40 years
Works	5-40 years
Machinery and Equipment	3-30 years
Informatics Hardware	3-30 years
Informatics Software	2-12 years
Arms and Weapons	3-30 years
Other Equipment	5-30 years
Ships and Boats	10-30 years
Aircraft	20-40 years
Non-military Motor Vehicles	2-30 years
Military Vehicles	3-25 years
Other Vehicles	4-25 years
Leasehold Improvements	Lesser of useful life of the improvement or term of lease
Leased Tangible Capital Assets	Economic life or term of lease

(M) CONTINGENT LIABILITIES – CLAIMS AND LITIGATIONS

Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. (refer to Note 16(a) of these financial statements)

(N) ENVIRONMENTAL LIABILITIES

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance (UXO) affected sites. Based on management's best estimates, a liability is accrued and an expense recorded when a site becomes contaminated or affected or when the Department becomes aware that the site has become contaminated or affected and is obligated, or is likely to be obligated, to incur such costs. If the likelihood of the Department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements. (refer to Note 16(b) of these financial statements)



Notes to the Financial Statements (Unaudited)

(NOTE 2 CONTINUED...)

(O) FOREIGN CURRENCY TRANSACTIONS

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the rate of exchange in effect on 31 March. Gains resulting from foreign currency transactions are included as revenues in Gains on Interest and Foreign Exchange in Note 5 and losses from foreign currency transactions are included in Other Expenses in Note 4.

(P) MEASUREMENT UNCERTAINTY

The preparation of these financial statements, in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimates. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.



Notes to the Financial Statements (Unaudited)

Note 3: Parliamentary Appropriations

The Department receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current and future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Note 3 (a): Reconciliation of Net Cost of Operations to Current Year Appropriations Used

<i>(in thousands of dollars)</i>	2006	2005
Net Cost of Operations	15,095,421	14,378,657
<i>Adjustments for items affecting Net Cost of Operations but not affecting Appropriations</i>		
Amortization of Tangible Capital Assets	(1,748,330)	(1,746,655)
Services Provided Without Charge by Other Government Departments	(569,074)	(537,014)
Severance Benefits	(133,591)	(61,443)
Refund of Previous Year's Expenses	104,707	38,624
Vacation Pay and Compensatory Leave	53,278	16,135
Gain or Loss on Disposals and Adjustments of Tangible Capital Assets	(290,416)	(496,315)
Return on Investments	19,330	495
Other Revenues	12,782	10,408
Justice Canada Fees	(5,314)	(4,525)
Environmental Liabilities and Other Allowances	8,384	137,672
Allowance of Bad Debts	(3,548)	(36,030)
Sale of Real Property through Canada Lands Company	0	388
Miscellaneous	5	(81)
	(2,551,787)	(2,678,341)
<i>Adjustments for items not affecting Net Cost of Operations but affecting Appropriations</i>		
Tangible Capital Assets Acquisitions (excluding capital leases)	1,983,092	1,845,172
Payments Against Capital Lease Obligations	85,410	66,355
Inventory Purchases Net of Usage and Adjustments	55,320	252,116
Net Variation Prepaid Expenses	36,657	59,397
Revenues Collected from Prior Year Receivables	(21,770)	(838)
	2,138,709	2,222,202
Current Year Appropriations Used	14,682,343	13,922,518



Notes to the Financial Statements (Unaudited)

Note 3 (b): Source and Disposition of Authorities (Appropriations)

<i>(in thousands of dollars)</i>	2006	2005
Operating expenditures – Vote 1	9,861,479	10,669,994
Capital Expenditures – Vote 5	2,247,930	2,193,350
Grants & Contributions – Vote 10	187,819	143,316
Governor General Special Warrants – Vote 1	1,246,468	0
Governor General Special Warrants – Vote 10	793	0
	13,544,489	13,006,660
Lapsed Appropriations	25,686	215,402
	13,518,803	12,791,258
Statutory Amounts:		
Contributions to Employee Benefit Plan - Members of the Military	892,953	878,164
Contributions to Employee Benefit Plan - Civilians	253,313	222,281
Spending of Proceeds from the Disposal of Surplus Crown Assets	7,999	20,654
Payments under the <i>Supplementary Retirement Benefits Act</i>	7,392	8,092
Payments under Parts I-IV of the <i>Defence Services Pension Continuation Act</i>	1,664	1,842
Pensions and Annuities Paid to Civilians	93	90
Minister's Salary and Motor Car Allowance	72	93
Collection Agency Fees	54	44
Current Year Appropriations Used	14,682,343	13,922,518

Note 3 (c): Reconciliation of Net Cash Provided by Government to Current Year Appropriations Used

<i>(in thousands of dollars)</i>	2006	2005
Net Cash Provided by Government	14,197,711	12,171,950
Revenue Not Available for Spending	132,002	68,864
Change in Net Position in the Consolidated Revenue Fund		
Variations in Canadian Forces Pension and Insurance Accounts	989,977	1,175,587
Variations in Accounts Payable and Accrued Liabilities	(84,932)	220,177
Variations in Accounts Receivable and Advances	30,413	152,831
Other Adjustments	(582,828)	133,109
	352,630	1,681,704
Current Year Appropriations Used	14,682,343	13,922,518



Notes to the Financial Statements (Unaudited)

Note 4: Expenses

The following table presents details of expenses by category:

<i>(in thousands of dollars)</i>	2006	2005
Operating		
Salary and Employee Benefits	7,718,642	7,370,925
Professional and Special Services	1,657,319	1,310,771
Amortization	1,748,330	1,746,655
Repair and Maintenance	953,861	979,637
Expenses Related to Tangible Assets*	936,181	872,479
Materials and Supplies	735,432	455,449
Transportation and Communication	579,884	633,896
Other Services	269,313	272,162
Loss on Disposals and Write-offs and Write-downs of Tangible Capital Assets**	219,013	532,552
Utilities	144,293	139,615
Equipment and Other Rentals	156,645	104,342
Accommodation	125,888	121,321
Interest on Capital Lease Payments	48,309	49,567
Advertising, Printing and Related Services	36,453	27,931
Bad Debts	3,548	36,030
Other Expenses	63,662	19,875
	15,396,773	14,673,207
Transfers		
Transfers to Other Countries and International Organizations	172,625	128,296
Transfers to Non-Profit Organizations	9,905	9,832
Transfers to Individuals	9,163	10,038
Transfers to Other Levels of Government	3,123	4,167
	194,816	152,333
	15,591,589	14,825,540
<p>* The expenses related to tangible assets include those assets (machinery, equipment, buildings and works) that were not capitalized because they were lower than the capitalization threshold established by the Department. (Refer to note 2(k) of these financial statements)</p> <p>** The total loss for 2005-2006 included \$195.95 million for repairable asset pools and \$14 million for aircraft. The total loss for 2004-2005 included \$253.3 million for a ship (HMCS Huron, which was decommissioned), \$161.3 million for repairable asset pools, \$60 million for inventory and \$22.8 million for aircraft.</p>		



Notes to the Financial Statements (Unaudited)

Note 5: Revenues

The following table presents details of revenues by category:

<i>(in thousands of dollars)</i>	2006	2005
Sale of Goods and Services	430,759	425,508
Gains on Interest and Foreign Exchange	24,660	5,679
Gains on Disposals of Assets	12,999	19,266
Other	27,750	(3,570)
	496,168	446,883

Note 6: Receivables

The following table presents details of accounts receivable:

<i>(in thousands of dollars)</i>	2006	2005
Other Government Departments*	520,810	95,861
External Clients	242,817	264,076
Gross Receivables	763,627	359,937
Less: Allowance for Doubtful Accounts on External Receivables	129,441	126,510
Net Receivables	634,186	233,427
* The increase in the receivables from other government departments for 2005/2006 is mainly due to a timing difference in the year-end clearing of \$447 million in receivables from Canada Revenue Agency (CRA) relating to the refund of goods and services tax.		

Note 7: Loans and Advances

<i>(in thousands of dollars)</i>	2006	2005
Imprest Accounts, Standing Advances and Authorized Loans to CF Members	29,904	26,172
Advances to NATO Personnel for Recoverable Damage Claims	38	10
Canadian Forces Housing Loans	0	48
	29,942	26,230



Notes to the Financial Statements (Unaudited)

Note 8: Prepaid Expenses

The following is a breakdown of prepaid expenses recorded by the Department as of 31 March:

<i>(in thousands of dollars)</i>	2006	2005
Sea Sparrow Missiles	189,401	118,027
Foreign Military Purchases	159,289	158,350
Joint Strike Fighter Development	90,273	96,067
NATO Flying Training Canada (NFTC)	39,712	35,503
Cooperative Logistics Arrangements	9,641	5,236
Military Salaries	5,254	5,241
Other Purchases	23,942	62,431
	517,512	480,855

Note 9: Inventories

<i>(in thousands of dollars)</i>	2006	2005
Ammunition, Bombs and Missiles	3,043,517	3,129,867
Uniforms and Clothing	335,957	299,965
Engineering, Test and Technical Equipment and Machine Tools	222,608	218,638
Communication and Informatics Equipment	214,794	247,075
Land Equipment Spares	211,103	196,372
Aircraft Spares	193,056	184,094
Contractor Held Inventory	151,309	122,489
Ship Spares	132,841	128,626
Medical Equipment	59,371	49,036
Miscellaneous	391,126	384,201
Allowance for Items Identified for Disposal	0	(60,000)
	4,955,682	4,900,363



Notes to the Financial Statements (Unaudited)

Note 10: Tangible Capital Assets and Accumulated Amortization

Tangible Capital Assets

<i>(in thousands of dollars)</i>	Balance Beginning of Year	Current Year Adjustments	Acquisitions	Disposals	of Year
<i>Land, Buildings & Works</i>					
Land	76,462	0	0	0	76,462
Buildings	5,247,458	160,363	105,777	(192)	5,513,406
Works	1,437,899	53,540	31,556	(1,774)	1,521,221
	6,761,819	213,903	137,333	(1,966)	7,111,089
<i>Machinery & Equipment</i>					
Machinery and Equipment	1,932,364	(34,379)	64,227	(20,682)	1,941,530
Informatics Hardware	3,428,086	(78,226)	102,939	(229)	3,452,570
Informatics Software	231,973	1	3,795	0	235,769
Arms and Weapons	4,915,967	(82,990)	164,275	(35,208)	4,962,044
Other Equipment	39,280	1,330	9,990	(1,393)	49,207
	10,547,670	(194,264)	345,226	(57,512)	10,641,120
<i>Ships, Aircraft & Vehicles</i>					
Ships and Boats	12,493,274	(81,525)	72,091	(3,828)	12,480,012
Aircraft	12,008,471	(197,246)	363,568	(37,970)	12,136,823
Non-military Motor Vehicles	503,440	(1,439)	43,569	(34,612)	510,958
Military Vehicles	1,242,425	(4,159)	81,163	(19,310)	1,300,119
Other Vehicles	146,803	(1)	4,560	(2,783)	148,579
	26,394,413	(284,370)	564,951	(98,503)	26,576,491
<i>Leasehold Improvements</i>					
Leasehold Improvements	11,945	(257)	1,461	0	13,149
<i>Leased Tangible Capital Assets</i>					
Buildings	87,819	0	0	0	87,819
Informatics Hardware	2,910	0	0	0	2,910
Ships and Boats	383,940	(4,600)	0	0	379,340
Aircraft	788,459	0	0	0	788,459
	1,263,128	(4,600)	0	0	1,258,528
<i>Work in Progress</i>					
Buildings	683,335	(150,423)	147,366	0	680,278
Engineering Works	114,717	(50,983)	21,192	0	84,926
Informatics Software	387,902	0	94,338	0	482,240
Equipment	1,912,186	103	671,225	0	2,583,514
	3,098,140	(201,303)	934,121	0	3,830,958
Gross Tangible Capital Assets	48,077,115	(470,891)	1,983,092	(157,981)	49,431,335



Notes to the Financial Statements (Unaudited)

Accumulated Amortization

<i>(in thousands of dollars)</i>	Balance Beginning of Year	Current Year Adjust- ments	Current Year Amorti- zation	Disposals	Balance End of Year	Net Book Value 2006	Net Book Value 2005
Buildings & Works							
Land						76,462	76,462
Buildings	2,250,901	0	150,691	(55)	2,401,537	3,111,869	2,996,557
Works	924,842	0	45,508	0	970,350	550,871	513,057
	3,175,743	0	196,199	(55)	3,371,887	3,739,202	3,586,076
Machinery & Equipment							
Machinery and Equipment	1,329,442	(3,339)	74,199	(19,368)	1,380,934	560,596	602,922
Informatics Hardware	1,486,644	(42,610)	211,422	(229)	1,655,227	1,797,343	1,941,442
Informatics Software	43,847	0	26,318	0	70,165	165,604	188,126
Arms and Weapons	2,091,001	(60,540)	207,889	(29,569)	2,208,781	2,753,263	2,824,966
Other Equipment	25,405	2,331	2,385	(1,393)	28,728	20,479	13,875
	4,976,339	(104,158)	522,213	(50,559)	5,343,835	5,297,285	5,571,331
Ships, Aircraft & Vehicles							
Ships and Boats	5,074,403	(10,190)	414,338	(3,828)	5,474,723	7,005,289	7,418,871
Aircraft	7,411,619	(71,448)	440,740	(22,759)	7,758,152	4,378,671	4,596,852
Non-military Motor Vehicles	312,734	(433)	48,056	(31,201)	329,156	181,802	190,706
Military Vehicles	844,056	(4,148)	70,040	(19,097)	890,851	409,268	398,369
Other Vehicles	69,459	(186)	8,653	(2,502)	75,424	73,155	77,344
	13,712,271	(86,405)	981,827	(79,387)	14,528,306	12,048,185	12,682,142
Leasehold Improvements							
Leasehold Improvements	881	0	999	0	1,880	11,269	11,064
Leased Tangible Capital Assets							
Buildings	21,597	0	3,309	0	24,906	62,913	66,222
Informatics Hardware	1,132	0	970	0	2,102	808	1,778
Ships and Boats	5,820	0	4,650	0	10,470	368,870	378,120
Aircraft	188,107	0	38,163	0	226,270	562,189	600,352
	216,656	0	47,092	0	263,748	994,780	1,046,472
Work in Progress							
Buildings						680,278	683,335
Engineering Works						84,926	114,717
Informatics Software						482,240	387,902
Equipment						2,583,514	1,912,186
						3,830,958	3,098,140
Total	22,081,890	(190,563)	1,748,330	(130,001)	23,509,656	25,921,679	25,995,225

Amortization expense for the year ended March 31, 2006 is \$1,748 million (2005 – \$1,747 million)



Notes to the Financial Statements (Unaudited)

Note 11: Deposits and Trust Accounts

The following table presents details of deposits and trust accounts:

<i>(in thousands of dollars)</i>	2006	2005
Contractor Security Deposits		
Deposits, beginning of year	2,430	1,956
Deposits received	5,336	2,941
Refunds	(5,765)	(2,467)
Contractor Security Deposits, end of year	2,001	2,430
Trust Account, Estates – Armed Services*		
Trust Account, beginning of year	121	457
Funds received	1,667	994
Payments	(1,574)	(1,330)
Trust Account, Estates – Armed Services, end of year	214	121
	2,215	2,551

* The trust account for Estates – Armed Services was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Note 12: Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenue stemming from funds received from foreign governments, to cover expenditures to be made on their behalf in accordance with agreements with the Government of Canada, and from funds received for other specified purposes. Details of the transactions related to this account are as follows:

<i>(in thousands of dollars)</i>	2006	2005
Foreign Governments		
Beginning of Year	61,305	59,998
Funds Received	94,378	124,571
Revenue Earned	(111,257)	(123,264)
Foreign Governments, end of year	44,426	61,305
Other Specified Purposes		
Beginning of Year	15,544	11,933
Funds Received	6,948	6,734
Revenue Earned	(5,032)	(3,123)
Other Specified Purposes, end of year	17,460	15,544
	61,886	76,849



Notes to the Financial Statements (Unaudited)

Note 13: Canadian Forces Pension and Insurance Accounts

The Department maintains accounts to record the transactions pertaining to the Canadian Forces Pension Plan, which comprise the Canadian Forces Superannuation Account, the Canadian Forces Pension Fund Account and the Retirement Compensation Arrangement Account. These accounts record transactions such as contributions, benefit payments, interest credits, refundable taxes and actuarial debit and credit funding adjustments resulting from triennial reviews and transfers to the Public Sector Pension Investment Board.

The value of the liabilities reported in these financial statements for the Canadian Forces Pension Plan accounts do not reflect the actuarial value of these liabilities determined by the Chief Actuary of the Office of the Superintendent of Financial Institutions nor the investments that are held by the Public Sector Pension Investment Board. The Department also maintains the Regular Forces Death Benefit Account, which provides life insurance to contributing members and former members of the Canadian Forces. This account records contributions, premiums, interest, and benefit payments.

The following table provides details of the Canadian Forces Pension and Insurance Accounts:

<i>(in thousands of dollars)</i>	2006	2005
<i>Canadian Forces Superannuation Account</i>		
Beginning of Year	41,350,714	40,251,700
Funds Received and other credits	3,158,617	3,183,679
Payments and other charges	(2,146,559)	(2,084,665)
Canadian Forces Superannuation Account, end of year	42,362,772	41,350,714
<i>Canadian Forces Pension Fund Account</i>		
Beginning of Year	88,851	37,578
Funds Received and other credits	827,503	809,318
Payments and other charges	(57,747)	(37,380)
Transfers to the Public Sector Pension Investment Board	(827,734)	(720,665)
Canadian Forces Pension Fund Account, end of year	30,873	88,851
<i>Retirement Compensation Arrangements Account*</i>		
Beginning of Year	94,907	72,807
Funds Received and other credits	64,875	35,819
Payments and other charges	(30,112)	(13,719)
Retirement Compensation Arrangements Account, end of year	129,670	94,907
<i>Regular Forces Death Benefit Account</i>		
Beginning of Year	196,098	192,898
Funds Received and other credits	31,315	30,616
Payments and other charges	(30,181)	(27,416)
Regular Force Death Benefit Account, end of year	197,232	196,098
	42,720,547	41,730,570



Notes to the Financial Statements (Unaudited)

* The Retirement Compensation Arrangement (RCA) account records transactions for pension benefits that are provided in excess of those permitted under the Income Tax Act. The RCA is registered with Canada Revenue Agency (CRA) and a transfer is made annually between the RCA Account and CRA to either remit a 50-per-cent refundable tax in respect of the net contributions and interest credits or to be credited a reimbursement based on the net benefit payments. As at March 31, 2006 the total refundable tax transferred amounts to \$29 million (\$13 million in 2005).

Note 14: Lease Obligations for Tangible Capital Assets

The department has entered into agreements for buildings, aircraft, ships and boats and informatics hardware under capital lease. (Refer to Note 10 of these financial statements) The obligations for the upcoming years include the following:

	Total Future Minimum Lease Payments	Imputed Interest	Balance of Obligations 2006	Balance of Obligations 2005
<i>(in thousands of dollars)</i>				
Buildings	124,691	(48,204)	76,487	78,631
Aircraft	953,621	(299,819)	653,802	684,727
Ships and Boats	101,573	0	101,573	152,458
Informatics Hardware	759	(9)	750	1,726
	1,180,644	(348,032)	832,612	917,542

Future Minimum Lease Payments

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2012 and Thereafter
<i>(in thousands of dollars)</i>						
Buildings	6,487	6,487	6,487	6,487	6,491	92,252
Aircraft	70,106	70,106	70,106	70,106	70,106	603,091
Ships and Boats	42,428	46,284	12,861	0	0	0
Informatics Hardware	759	0	0	0	0	0
	119,780	122,877	89,454	76,593	76,597	695,343



Notes to the Financial Statements (Unaudited)

Note 15: Employee Benefits

(a) Pension benefits:

i) The department's Public Service employees participate in the Public Service Pension Plan, which is sponsored by the Government of Canada. Pension benefits accrue up to a maximum of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. The expense for the period from April 1, 2005 to March 31, 2006 amounts to \$187.5 million (\$162.9 million in 2004-05), which represents approximately 2.6 times the contribution by employees.

The Department's responsibility with regard to the pension Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii) The members of the Canadian Forces (Regular Force) participate in the Canadian Forces Pension Plan, which is sponsored by the Government of Canada and administered by the Department. Pension benefits accrue up to a maximum of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plan benefits and are indexed to inflation.

Both the members and the Department contribute to the cost of the Plan. The expense for the period from April 1, 2005 to March 31, 2006 amounts to \$685 million (\$650 million in 2004-05), which represents approximately 3.5 times the contribution by employees.

The Department is responsible for providing program management and the day-to-day administration of the plan. The actuarial liability and actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance Benefits:

The Department provides severance benefits to its Public Service employees and Canadian Forces members based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

<i>(in thousands of dollars)</i>	2006	2005
Public Service Employees		
Accrued benefit obligation, beginning of year	212,877	204,034
Expenses for the year	69,639	23,226
Benefits paid during the year	(17,748)	(14,383)
Accrued benefit obligation, end of year	264,768	212,877
Canadian Forces Members		
Accrued benefit obligation, beginning of year	925,300	872,700
Expenses for the year	170,477	137,984
Benefits paid during the year	(88,777)	(85,384)
Accrued benefit obligation, end of year	1,007,000	925,300
	1,271,768	1,138,177



Notes to the Financial Statements (Unaudited)

Note 16: Contingent Liabilities

Contingent liabilities arise in the normal course of the operations of the Department and their ultimate disposition is unknown. The Department is involved in two categories of contingent liabilities: claims and litigations; and environmental liabilities.

(a) Claims and Litigations

Claims have been made against the Department in the normal course of operations. Legal proceedings for claims totalling approximately \$12.474 billion (\$11.852 billion in 2004-05) were still pending at March 31, 2006. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

The *Public Sector Pension Investment Board Act* that received Royal Assent in September 1999 amended the CFSA to enable the federal government to deal with the excess amounts in the Canadian Forces Superannuation Account and the Canadian Forces Pension Fund. The legal validity of these provisions has been challenged in the courts. The outcome of these lawsuits is not determinable at this time.

(b) Environmental Liabilities – Contaminated and UXO Sites

Liabilities are accrued to record the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance (UXO) affected sites, where the Department is obligated or likely to be obligated to incur such costs. The Department has identified approximately 286 sites (259 sites in 2004-05) where such action is possible and for which a liability of \$443 million (\$447 million in 2004-05) has been recorded. The Department has estimated additional contingent liabilities of \$1,670 million (\$1,616 million in 2004-05) for mitigation costs that are not accrued, as these are not considered likely to be incurred at this time. The Department's ongoing effort to assess contaminated and UXO sites may result in additional environmental liabilities related to newly identified sites, or changes in assessments or intended use of existing sites. These liabilities will be accrued by the Department in the year in which they become known.

Note 17: Contingent Gain

DND entered into a contract to obtain military flying training over a 20-year term as part of the NATO Flying Training in Canada (NFTC) program. Among other services, the prime contractor provides aircraft by leasing them for the life of the program from a non-profit company, which was set up to finance the acquisition of aircraft. The contractor for the NFTC program experienced difficulties in meeting various deliverables for the period following implementation of the contract in February 2000 until December 2002. A settlement was reached in December 2005 for compensation to DND. It includes additional Phase II flying training and additional Phase II flying slots for sale to foreign forces, which will be available for implementation over the life of the program to 2020. In addition, any surplus funds remaining in the accounts of the non-profit company will eventually accrue to the Government of Canada, once the asset purchase period has been completed for the acquisition of aircraft and excess funds have been declared surplus.



Notes to the Financial Statements (Unaudited)

Note 18: Contractual Obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments when the services/goods are received. Contractual obligations over \$10 million that can be reasonably estimated are as follows:

<i>(in thousands of dollars)</i>	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 and thereafter	Total
Fixed Assets	904,000	622,000	869,000	569,000	2,969,000	5,933,000
Purchases	1,307,000	850,000	551,000	503,000	3,529,000	6,740,000
Operating Leases	6,000	6,000	8,000	5,000	1,000	26,000
	2,217,000	1,478,000	1,428,000	1,077,000	6,499,000	12,699,000

Note 19: Related Party Transactions

The Department is related as a result of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Department enters into transactions with these entities in the normal course of business and on normal trade terms. Also during the year, the Department received services which were obtained without charge from other Government departments as presented in part (a).

Note 19 (a): Services Provided Without Charge by Other Government Departments

Throughout the year, the Department received without charge from other Departments, employer's contribution to the health and dental plans, accommodations, Worker's Compensation coverage and legal services. These services listed below have been recognized in the Department's Statement of Operations as follows:

<i>(in thousands of dollars)</i>	2006	2005
Employer's Contributions to the Health and Dental Plans Paid by Treasury Board Secretariat	484,074	463,665
Accommodation Provided by Public Works and Government Services Canada	71,031	60,156
Worker's Compensation Coverage Provided by Human Resources and Social Development	11,258	10,407
Legal Services Provided by Justice Canada	2,711	2,786
	569,074	537,014

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so one department performs these on behalf of all departments and agencies without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as expenses in the Department's Statement of Operations.



Notes to the Financial Statements (Unaudited)

Note 19 (b): Payables and Receivables Outstanding at Year-End with Related Parties

<i>(in thousands of dollars)</i>	2006	2005
Accounts Receivable with Other Government Departments and Agencies	520,810	95,861
Accounts Payable to Other Government Departments and Agencies	92,097	58,628

Table 19: Response to Parliamentary Committees and Audits and Evaluation

RESPONSE TO PARLIAMENTARY COMMITTEES
<p>The Government of Canada responded to the Standing Committee on National Defence and Veterans Affairs (SCONDVA) report entitled “Procurement of Canada’s Victoria Class Submarines”.</p> <p>The report and response can be found on the Government of Canada Website on the page for the 38th Parliament, first session:</p> <p>Standing Committee on National Defence and Veterans Affairs: Report 1 - Procurement of Canada’s Victoria Class Submarines (Adopted by the Committee on April 13, 2005; Presented to the House on April 18, 2005)</p> <p>Government Response: First Report of the Standing Committee on National Defence and Veterans Affairs, “Procurement of Canada’s Victoria Class Submarines (Presented to the House on September 26, 2005)</p>
RESPONSE TO THE AUDITOR GENERAL INCLUDING TO THE COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT (CESD)
<p>AUDITOR GENERAL</p> <p>During the period under review, the Auditor General tabled one Chapter in Parliament that included recommendations directed at the Department of National Defence and the Canadian Forces. The Chapter was tabled in April 2005 and was entitled, “Chapter 4 – National Defence: C⁴ISR Initiative in Support of Command and Control”.</p> <p>This Chapter examined initiatives to improve the way information is gathered, processed, and used. These initiatives are commonly referred to by the acronym C⁴ISR which stands for ‘Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance’. The Auditor General’s Chapter concludes that National Defence has made a good start in managing C⁴ISR but cautions that some of the key elements required to ensure successful implementation are not yet in place. In particular, the Chapter states that priority must now be given to producing a joint C⁴ISR doctrine, a concept of operations, and a clear definition of interoperability to better guide C⁴ISR development.</p>



This Chapter, including departmental responses to the six audit recommendations contained within the Chapter, can be found on the Auditor General's website here: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/05menu_e.html

The Auditor General tabled two other Chapters in 2005-2006 that involved the Department of National Defence and the Canadian Forces. These two Chapters are entitled:

Chapter 2 – National Security in Canada – The 2001 Anti-Terrorism Initiative: Air Transportation Security, Marine Security, and Emergency Preparedness

Chapter 8 – Other Audit Observations – Downsview Park

These two Chapters can be accessed on the Auditor General's website here: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/05menu_e.html

COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

In September 2005, the Commissioner of the Environment and Sustainable Development tabled four Chapters in Parliament that involved the Department of National Defence and the Canadian Forces. None of the recommendations contained in these Chapters were directed at National Defence. The titles of these four Chapters are as follows:

Chapter 4 – Safety of Drinking Water: Federal Responsibilities

Chapter 6 – Green Procurement

Chapter 7 – Sustainable Development Strategies

Chapter 8 – Environmental Petitions

These four Chapters can be found on the Commissioner's website here: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c2005menu_e.html

External Audits: None

Internal Audits or Evaluations

All published audits and or evaluations can be found at http://crs.mil.ca/rpt/reports_e.htm
Various (18) forensic audits and special examinations were conducted principally addressing allegations pertaining to contracting, conflict of interest and management practices.

Source: Chief Review Services



Table 20: Sustainable Development Strategy

The following table includes some commitments made by National Defence to green its operations. At a government-wide level, these activities are coordinated by the Office of Greening Government Operations (OGGO) at PWGSC, which includes work toward common governance, measurement and reporting methods across departments.

National Defence	
Points to Address	Departmental Input
1. What are the key goals, objectives, and/or long-term targets of the SDS?	<p>The key goals are to:</p> <ul style="list-style-type: none">• protect the health of ecosystems through the sustainable use of training areas;• protect human health and the environment through responsible management of hazardous materials by:<ul style="list-style-type: none">◦ reducing the quantity of disposable waste fuel;◦ reducing the impact of releases of select National Pollutant Release Inventory substances;◦ reducing contaminated sites liability; and◦ reducing the liability associated with petroleum fuel storage infrastructure and distribution assets, in general, and aviation fuel in particular;• protect the atmosphere through reduction in the Ozone Depleting Potential of in-service systems and equipment using halocarbons and reduce Green House Gas emissions; and• integrate environmental considerations fully into Defence management processes, systems and activities through integration of sustainable buildings concepts into the design process, and promulgate a Defence Green Procurement policy.



National Defence	
Points to Address	Departmental Input
2. How do your key goals, objectives, and/or long-term targets help achieve your department's strategic outcomes?	Defence SDS 2003 looks further out than the 3-year cycle of the strategy itself. The target on sustainable military training areas for instance spans the period 2003 to 2010 demonstrating the Department's continuing support of resource conservation, sound environmental stewardship and good governance. Defence is the government's largest employer and consumer of goods and services and is one of the largest landholders. As such, the Department acts in compliance with the Government of Canada administrative and governance policies legislation and regulations and contributes to broader government priorities through responsible stewardship of the assets with which it has been entrusted.
3. What were your targets for the reporting period?	11 targets are set out in Table 1 of the Defence SDS 2003 supporting the key goals listed above.
4. What is your progress to date?	2 targets exceeded (B.4 Reduce the contaminated sites liability by 4% per year and C1 Reduce the Ozone Depleting Potential of in-house systems and equipment using halocarbons by 5%), the remaining 9 are on track (For details see Item 3 above).
5. What adjustments have you made, if any?	With the first year of the three-year reporting cycle for SDS 2003 completed, the Department is looking at a combination of business planning and functional guidance tools to promote innovative activities such as sustainable building, and cost-saving and environmentally sound activities such as energy performance contracting. National Defence will also address problematic areas such as the rationalization and upgrading of fuel storage tanks.



Table 21: Procurement and Contracting

Department / Agency: DND	
Points to address:	Organizations input:
1. Role played by procurement and contracting in delivering programs.	Procurement and contracting play a key role in the program delivery of this department. Particularly, procurement allows the department to obtain highly specialized research and analytical advice in support of its policy and program delivery. Contracting allows the department to not only achieve operational requirements, but also to spur economic growth within the Canadian economy.
2. Overview of the contracting management processes and strategy within the department.	The Department has a decentralized system across Canada and in deployed units. Policy and overall management oversight resides with Headquarters. Delegated contracting authority is managed within headquarters and delegations are controlled through departmental directives and instructions. While limited contract authority has been delegated to the field, a central agency has been established to manage the contracting authority within the Department and is available to all authorized individuals. Delegation of contracting authority for services is closely monitored and all contracting between \$25,000 and \$2,000,000 is managed by the central agency, which also provides advice, guidance and policy interpretation and procedures.
3. Progress and new initiatives enabling effective and efficient procurement practices.	<p>The contract oversight and compliance services team has reviewed the departmental database for contracts and identified areas of concern. Recommended locations for site visits were identified with one Site Assistance Visit conducted. The team also consolidated the policy and process standards necessary for site visits and kicked off an exploration of mandatory training to be taken prior to the use of contract authority.</p> <p>The Department developed a WEB-based tool to ensure those raising contracts under the authority of the Minister of National Defence (MND) are aware of and comply with Government Contracting Regulations. Implemented in April 2005, the tool is also an accurate and reliable mechanism for the creation of the annual report to the Treasury Board (TB) of MND contracting. The Department has developed and documented the procurement process in the Procurement Administrative Manual (PAM) which describes in detail the roles and responsibilities of the procurement officers, the step by step activities to be completed in the procurement process and how they should be done, and provides the tools, guidance, policy and templates necessary. This has never been done to this level of detail. The PAM should be completed in fiscal year 2006–2007.</p>



Department / Agency: DND	
Points to address:	Organizations input:
	<p>The Department is also now in the process of standardizing not only the practices through the PAM but also the tool. To that effect, the Department is in the process of standardizing the Procurement Business Process and procedures as part of the EPM Optimization Initiative. This is done in the interest of achieving effective implementation of MASIS reducing business costs and maximizing ERP benefits. Once this is complete, MASIS Complex Contracting will be mandated as the Enterprise Resource Program (ERP) tool for procurement except for Canadian Forces Supply System (CFSS) users. This will enable DND to automate reporting requirements and quickly capture data for TBS report. DMPP has also developed a two-day course that will be proposed as mandatory training prior to delegating contracting authority. The course will be piloted in the fall 2006 and implemented soon thereafter.</p> <p>As part of the ADM(Mat) led initiative on procurement and financial renewal, a mandatory 3 hour finance and contracting training program for supervisors and holders of delegations was developed and implemented. 10 sessions were held in Feb 2005 and the program has been incorporated as part of the ADM (Mat) MA&S training program run every year at the Materiel Management Training centre at Asticou.</p>



Table 22: Storage Tanks

Status of Fuel-Storage Tanks on DND Land

As required under the *Canadian Environmental Protection Act (CEPA), Part IV, Registration of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations*, this report provides the information set out in Schedule II of the aforementioned regulation, updated to December 31, 2004.

The following number of *above-ground* storage tanks systems:

Are registered with DND: 966 (DND owned 941, non-DND 25).

DND owned systems that comply with the *Federal Aboveground Storage Tank Technical Guidelines*: 209

DND owned systems that do not comply with the *Federal Aboveground Storage Tank Technical Guidelines*: 203

The following number of *underground* storage tank systems:

Are registered with DND: 934 (DND owned 188, non-DND 746).

DND owned systems that comply with the *Federal Underground Storage Tank Technical Guidelines*: 91

DND owned systems that do not comply with the *Federal Underground Storage Tank Technical Guidelines*: 42

Explanatory Note: DND maintains a consolidated record of all registered storage tanks in a national database. Due to data gaps in this consolidated record, it was not possible to determine compliance with the applicable Technical Guidelines for 529 aboveground tanks and 55 underground tanks (DND owned).



Section 6: Financial Tables for Selected Defence Portfolio Organizations

Table 1: Reserve Force

PRIMARY RESERVE FINANCIAL RESOURCES

The Primary Reserve accounts for **7.9%** of the total Defence Services Program. The expenditures are divided into four categories: direct, indirect, attributed and capital costs. This method of reporting is intended to provide greater clarity on the makeup of the total costs of the Primary Reserve.

Direct expenditures include funds specifically budgeted for the Primary Reserve such as pay, travel and goods and services which are locally procured.

Indirect expenditures reflect the Primary Reserve share of departmental resources, which are controlled centrally. Included are ammunition, equipment operating costs, clothing and the cost of maintaining facilities such as armouries.

Attributed expenditures are departmental overhead costs, which are allocated, for reporting purposes, to all activities including the Primary Reserves. In reality, these costs do not vary directly as a function of activity and would largely be incurred whether the Primary Reserve existed or not.

Capital expenditures are shown for the year in which payments have been made, and do not reflect an amortization of cost over the life of the asset. The capital expenditures can vary significantly from one year to the next, depending on priorities established within the capital equipment plan and the cash flow requirements of individual projects.



DEPARTMENTAL PERFORMANCE REPORT
FOR THE FISCAL YEAR ENDING MARCH 31, 2006

PRIMARY RESERVE PLANNED EXPENDITURES

Type of Expenditures (\$ thousands)	Actual Spending 2003-2004	Actual Spending 2004-2005	Planned Spending 2005-2006	Actual Spending 2005-2006
Direct Expenditures				
Reserve Pay ¹	431,618	484,016	472,320	538,570
Regular Support Staff	121,282	129,579	129,782	138,140
Reserve Operating	64,159	57,285	64,076	82,757
Subtotal ²	\$617,059	\$670,880	\$666,178	\$759,467
Indirect Expenditures				
Ammunition	19,372	12,917	34,199	17,277
Equipment Usage	70,390	71,466	84,411	64,799
Clothing	11,073	11,516	11,296	12,625
Facility Operating	30,067	31,917	31,047	29,166
Subtotal	\$130,902	\$127,816	\$160,953	\$123,867
Attributed Expenditures				
Base Support	160,598	180,558	179,599	191,294
Training	7,196	7,025	7,370	7,853
Subtotal	\$167,794	\$187,762	\$186,969	\$199,147
Subtotal Primary Reserve				
Operating Costs	\$915,755	\$986,458	\$1,014,100	\$1,082,481
Capital Expenditures				
Dedicated Capital	10,515	4,709	11,108	18,408
Shared Capital	44,228	97,749	58,949	58,094
Subtotal	\$54,743	\$102,458	\$70,057	\$76,502
Budget 2005 Announcement			\$20,000	
Total Primary Reserve Costs	\$970,498	\$1,088,916	\$1,104,157	\$1,158,983
Source: Assistant Deputy Minister (Finance and Corporate Services)				
Notes:				
1. Pay expenditures in 2005-06 were increased due to initial training for members recruited as part of the Reserve Force Expansion of 3,000 announced in Budget 2005, stand up of the Second Line of Operations in the Army Managed Readiness Plan, increased Support to Deployed Operations.				
2. Direct pay and operating amounts do not reflect spending involving members of the Canadian Rangers, the Cadet Instructors Cadre or the Supplementary Reserve sub-components. They do however include the cost of employing Primary Reservists in positions that would normally be occupied by the Regular Force.				



CANADIAN CADET PROGRAM FINANCIAL RESOURCES

The Canadian Cadet Program expenditures for fiscal 2005–2006 amounted to **\$177.3M**. The following table provides expenditures by allotment over the past three years.

Financial Resources by fiscal year				
(\$ thousands)	Actual Spending 2003–2004	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
VOTE 1 - PERSONNEL	97,568	101,760	103,911	102,519
VOTE 1 - OPERATING AND MAINTENANCE	67,181	65,671	69,027	70,133
SUB-TOTAL	\$ 164,749	\$ 167,431	\$ 172,928	\$ 172,652
VOTE 10 – GRANTS AND CONTRIBUTIONS	750	990	1,140	1,140
VOTE 5 - CAPITAL	3,423	4,970	3,409	3,485
TOTAL	\$ 168,913	\$ 173,391	\$ 177,487	\$ 177,277
Source: Vice Chief of the Defence Staff – Directorate of Cadets				

JUNIOR CANADIAN RANGERS PROGRAM FINANCIAL RESOURCES

The Junior Canadian Rangers Program expenditures for fiscal 2005–2006 amounted to **\$7.9M**. The following table provides expenditures by allotment over the past three years.

Financial Resources by fiscal year				
(\$ thousands)	Spending 2003–2004	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
VOTE 1 - PERSONNEL	2,889	2,930	3,190	3,116
VOTE 1 - OPERATING AND MAINTENANCE	2,754	3,937	5,000	4,868
SUB-TOTAL	\$5,643	\$6,867	\$ 8,190	\$ 7,984
VOTE 5 - CAPITAL	327	14	0	0
TOTAL	\$5,980	\$6,881	\$ 8,190	\$ 7,984
Source: Vice Chief of the Defence Staff – Directorate of Cadets				



Table 2: Communications Security Establishment

Human Resources

	Actual 2003–2004	Actual 2004–2005	Planned 2005–2006	Actual 2005–2006
Civilian FTEs	1,218	1,424	1,546	1,492
Source: Communications Security Establishment				

Financial Resources

Financial by Fiscal Year				
(\$ Thousands)	Actual Spending 2003–2004	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
Vote 1 - Salary and Personnel ¹	81,162	105,146	99,212	117,824
Vote 1 - Operating and Maintenance	50,923	69,465	48,275	62,973
Sub-total Vote 1	\$132,085	\$174,611	\$ 147,487	\$180,797
Vote 5 - Capital	37,114	34,649	72,011	29,963
Grand total ²	\$169,199	\$ 209,260	\$ 219,498	\$ 210,760
Source: Communications Security Establishment (CSE) and Assistant Deputy Minister (Finance and Corporate Services)				
Notes: The difference between Planned Spending and Actual Spending for 2005–2006 is due to the following:				
1. Salary and Personnel: Actual spending is higher than planned due to a rapid workforce increase with the Public Security and Anti-Terrorism (PSAT) and National Security Policy (NSP) initiatives.				
2. A carry forward of \$7.7M was declared for activities related to Support for Lawful Access (SLA).				

Table 3: Office of the Judge Advocate General

Human Resources

	ACTUAL 2003–2004	ACTUAL 2004–2005	PLANNED 2005–2006	ACTUAL 2005–2006
Civilian FTEs	93	87	85	84
Source: Assistant Deputy Minister (Human Resources – Civilian)				

Financial Resources

Financial by Fiscal Year				
(\$ Thousands)	Actual Spending 2003–2004	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
Vote 1 - Salary and Personnel ¹	4,686	4,339	4,621	4,494
Vote 1 - Operating and Maintenance ²	3,042	2,896	4,331	2,475
Sub-total Vote 1	7,728	7,235	8,952	6,969
Vote 5 - Capital	141	204	–	–
Grand total ²	7,869	7,439	8,952	6,969
Corporate Account				
Vote 1 – Crown Liabilities	202	170	219	215
Grand Total	8,071	7,609	9,171	7,184
Source: Office of the Judge Advocate General and Assistant Deputy Minister (Finance and Corporate Services)				
Notes:				
The difference between Planned Spending and Actual Spending for 2005–2006 is due to the following:				
1. Civilian staffing – due to vacancy of permanent positions.				
2. Less travel expenditures due to fewer Court Martial trials, as well as a reduction of in-house managed Legal training.				



Table 4: Office of the Ombudsman for the Department of National Defence and the Canadian Forces

Human Resources

	ACTUAL 2003–2004	ACTUAL 2004–2005	PLANNED 2005–2006	ACTUAL 2005–2006
Civilian FTEs	45	42.5*	42	46
Source: Assistant Deputy Minister (Human Resources – Civilian)				
*does not include 1 FTE seconded into the Department and 3 FTE's seconded out of the Department				

Financial Resources

Financial by Fiscal Year				
(\$ Thousands)	Actual Spending 2003–2004	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
Vote 1 - Salary and Personnel ¹	2,830	2,822	3,584	3,388
Vote 1 - Operating and Maintenance ²	1,923	2,241	2,527	1,998
Sub-total Vote 1	\$4,753	\$5,063	\$6,111	\$5,386
Vote 5 – Capital ³	233	86	184	54
Grand total	\$4,986	\$5,149	\$6,296	\$5,440
Source: Office of the Ombudsman for National Defence and the Canadian Forces and Assistant Deputy Minister (Finance and Corporate Services)				
Notes: The difference between Planned Spending and Actual Spending for 2005–2006 is due to the following:				
1. A surplus of \$196K was due to a delay in staffing key positions. The Ombudsman's position was vacant for almost 6 months. Following the departure of the former Ombudsman, other key players also left the organization.				
2. Since the office was not fully staffed over the course of the year, a lot of expenditures such as travel, IT equipment, printing, and cell/phone expenditures did not occur resulting in a surplus of \$529K.				
3. A project to upgrade server Phase I was completed and Phase II and III were delayed to fiscal year 2006–2007, due to Information Management rationalization resulting in a surplus of \$130K.				



Table 5: Defence Research and Development Canada

Human Resources

	ACTUAL 2003–2004	ACTUAL 2004–2005	PLANNED 2005–2006	ACTUAL 2005–2006
Civilian FTEs	1,395	1,379	1,369	1,418
Source: Assistant Deputy Minister (Human Resources - Civilian)				

Financial Resources

Financial by Fiscal Year				
(\$ Thousands)	Actual Spending	Actual Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
Vote 1 - Salary and Personnel ¹	95,364	96,451	88,553	102,139
Sub-total Vote 1 Salary and Personnel	95,364	96,451	88,553	102,139
Vote 1 - Operating and Maintenance ²	30,744	25,873	43,061	35,306
Vote 1 – Research & Development Contracts ³	81,528	94,237	85,773	90,964
Vote 1 - Environment	1,364	1,654	2,200	1,488
Vote 1 – Canadian Centre for Mine Action Technologies (CCMAT)	2,378	2,115	2,500	2,399
Vote 1 – Chemical, Biological, Radiological and Nuclear (CBRN) Research and Technology Initiative (CRTI)	19,222	30,417	29,500	29,158
Vote 1 - Revenue			(4,000)	(4,687)
Sub-total Vote 1 Operating and Maintenance	135,236	154,296	159,034	154,628
Sub-total Vote 1	230,600	250,747	247,587	256,767
Vote 5 – Capital ⁴	11,093	13,492	7,471	13,216
Vote 5 - Counter Terrorism Technology Centre (CTTC) ⁵	–	1,500	–	5,300
Vote 5 – Chemical, Biological, Radiological and Nuclear (CBRN) Research and Technology Initiative (CRTI)	7,754	2,954	3,000	2,501
Sub-total Vote 5	18,847	17,946	10,471	21,017
Grand total	249,447	268,693	258,058	277,784

Source: Defence Research and Development Canada and Assistant Deputy Minister (Human Resources - Civilian) and Assistant Deputy Minister (Finance and Corporate Services)

Notes: The difference between Planned Spending and Actual Spending for 2005–2006 is due to the following:

1. Planning numbers do not include in-year transfers, such as Terminable Allowances paid to Defence Scientists \$6M and salary increases. Number of Full Time Equivalent employees was higher than the planned amount by 78.
2. Funds were reallocated to R&D Contracts due to a change in scope during the year.
3. Higher spending in R&D is due to completion of R&D contracts earlier than originally anticipated.
4. Expenses on Capital equipment were completed as planned however, there were more construction projects started than anticipated.
5. Construction on the CTTC building is ahead of schedule due to the relatively mild winter experienced in Suffield.



Table 6: National Search and Rescue Secretariat

Human Resources

	ACTUAL	ACTUAL 2004–2005	PLANNED 2005–2006	ACTUAL 2005–2006
Civilian FTEs	21.5	17.3*	18	20
Source: Assistant Deputy Minister (Human Resources - Civilian)				
* Does not include 2.5 FTEs seconded into the department.				

Financial Resources

Financial by Fiscal Year				
(\$ Thousands)	Actual Spending 2003–2004	Spending 2004–2005	Planned Spending 2005–2006	Actual Spending 2005–2006
Vote 1 - Salary and Personnel ¹	1,376	1,364	1,486	1,227
Vote 1 - Operating and Maintenance ²	856	995	963	876
Sub-total Vote 1	\$2,232	\$2,359	\$2,449	\$2,103
Vote 5 – Capital ³	7,352	4,452	6,695	104
Vote 10 – Grants and Contributions ⁴	1,685	3,182	1,715	3,665
Grand total	\$11,269	\$9,993	\$10,859	\$5,872
Source: National Search and Rescue Secretariat and Assistant Deputy Minister (Finance and Corporate Services) and Assistant Deputy Minister (Human Resources - Civilian)				
Notes: The difference between Planned Spending and Actual Spending for 2005–2006 is due to the following:				
1. Actual Spending reflects a continuing difficulty in staffing NSS permanent positions, thus an under spending in the Salary and Personnel.				
2. The fact that permanent positions are not being filled impacts on the workflow and resulted in lower expenses for Operation and Maintenance.				
3. Planned Spending included amounts to be transferred to Other Government Departments for the purchase of Search and Rescue equipment. As a result of the change in Government in December 2005, no transfers were made during fiscal year 2005–2006, as interdepartmental transfers were not allowed under the Governor General Special Warrant process.				
4. Actual Spending is greater than Planned Spending as additional projects under the Contribution Program in Support of Search and Rescue - New Initiative Fund (NIF) were approved during the year, therefore more approved expenses were reimbursed. Level of spending authority was adjusted accordingly during the year.				



Section 7: Canadian Forces Operations

CF International Operations

Follow this link to see a [map of CF deployments](#) around the world.

CF Missions in Europe

Operation BOREAS and *Operation BRONZE* are Canada's contribution to the enforcement of the General Framework Agreement on Peace in Bosnia-Herzegovina. The 11 CF members deployed on *Operation BOREAS* serve with the Liaison and Observation Teams fielded by the European Union Force to: work with mayors, community leaders and units of the Bosnian army; conduct searches and reconnaissance missions; and monitor troop movements and watch arms stores to support the rule of law and prevent smuggling. Under *Operation BRONZE*, Canada maintains a contingent of up to 10 staff officers at NATO Headquarters in Sarajevo, which supports defence reform in Bosnia-Herzegovina under the NATO Partnership for Peace program. It also conducts counter-intelligence tasks and apprehends persons indicted for war crimes. During fiscal 2005–2006, *Operation BRONZE* averaged eight deployed personnel.

CF Missions in the Middle East

Operation CALUMET is Canada's contribution to the Multinational Force and Observers (MFO), the non-UN peacekeeping mission established in 1979 to monitor compliance by Israel and Egypt with the Camp David Accords. During fiscal 2005–2006, Canada scaled back its contribution to the MFO, and the mission complement averaged 30 personnel.

Operation DANACA was Canada's contribution to the UN Disengagement Observer Force (UNDOF) that supervises the cease-fire between Syria and Israel and maintains a buffer zone between the two countries on the Golan Heights. By March 2006, when *Operation DANACA* ended, about 12,000 Canadian sailors, soldiers and air personnel had served in the Golan Heights.

Under *Operation GLADIUS*, two senior officers are deployed to the Golan Heights to serve at UNDOF Headquarters.

Operation JADE, Canada's contribution to the United Nations Truce Supervision Organization (UNTSO), has its roots in the phase of Middle East hostilities that ended in 1948 with the creation of the state of Israel. In 1954, Canada began deploying United Nations Military Observers (UNMOs) to serve with UNTSO on the Golan Heights, in south Lebanon, and in the Sinai area. Today, the CF maintain a contingent of seven UNMOs in UNTSO. During fiscal 2005–2006, Canada also deployed a Lieutenant-Colonel to serve as a liaison officer. *Operation JADE* is now Canada's oldest overseas commitment.

Operation PROTEUS is the deployment of four staff officers to the office of the U.S. Security Co-ordinator for the Middle East Peace Process to assist in its most critical capacity-building aspect, the reform of the Palestinian Authority's security sector.

Operation SNOWGOOSE is Canada's participation in the United Nations Force in Cyprus (UNFICYP), which was established in 1964 (with Canada as one of the original troop contributors) to monitor the cease-fire between Greek and Turkish Cypriots and to patrol the demarcation line across the island. To date, more than 25,000 Canadian sailors, soldiers and air



personnel have completed peacekeeping tours in Cyprus. Today, Canada maintains one staff officer at UNFICYP Headquarters in Nicosia.

CF Missions in Asia

The Persian (Arabian) Gulf region

Operation FOUNDATION is the deployment of four liaison personnel to U.S. Central Command (CENTCOM) Headquarters in Tampa, Florida, and three to CENTCOM's naval headquarters (US NAVCENT HQ) in Bahrain, to facilitate Canadian operations in the CENTCOM area of responsibility.

Operation IOLAUS is Canada's participation in the United Nations Assistance Mission for Iraq (UNAMI), a Chapter VII mission authorized by UN Security Council Resolution 1500 to help the people and government of Iraq to form the institutions required for representative government. Under *Operation IOLAUS*, one CF officer is deployed as one of the Assistant Military Advisors to the Special Representative of the Secretary-General who leads UNAMI.

Afghanistan

The overwhelming focus of the CF overseas effort is Afghanistan, where four operations with distinct but complementary mandates related to the international campaign against terrorism were conducted during the reporting period.

Task Force Afghanistan worked with both the coalition force deployed on the U.S.-led *Operation ENDURING FREEDOM* (*Operation ARCHER*) and the NATO-led International Security Assistance Force (ISAF) (*Operation ATHENA*) to continue the international campaign against terrorism while assisting the Afghan people to establish a responsible government in a self-sustaining state. Under *Operation ARGUS*, the CF deployed a team of 15 strategic planning experts to assist reform efforts in the Government of Afghanistan. In general, CF operations in Afghanistan concentrated on providing a safe and secure environment for development activities, representing the main Government of Canada effort there.

Operation ARCHER began during the summer of 2005, when Task Force Afghanistan shifted the focus of its operations from Kabul to Kandahar Province. This transfer began in July with the construction of Camp Nathan Smith in downtown Kandahar to house a new Canadian provincial reconstruction team (PRT), and ramped up in August when the new PRT achieved operational status and accepted the transfer of authority from the departing U.S. PRT. Meanwhile, a massive effort was under way to move the bulk of Canadian assets and some 2,000 troops from Camp Julien and Camp Warehouse in Kabul to Kandahar Airfield by road. That operation was completed at Kandahar Airfield in October 2005, with the achievement of full operational status by the National Command Element, the National Support Element, an infantry battle group, and a brigade headquarters. In February 2006, a Canadian brigadier-general assumed the command of the Multi-National Brigade (South), which comprises troops from Britain, Canada, the Netherlands and the U.S. Also in February 2006, a Canadian-led "Role 3" hospital opened at Kandahar Airfield to provide resuscitation, initial surgery, post-operative care, and short-term in-patient care for surgical and medical cases. The new hospital has 114 health-care professionals on staff, including 68 CF members, and offers two surgical suites for general, oral-maxillofacial and orthopaedic surgery; a diagnostic imaging department; a medical laboratory; an internal medicine department; a dental clinic; a Forward Medical Depot; a primary care section with



ground ambulances and an aeromedical evacuation team; a resuscitation and triage section; critical care and intermediate care wards; a physiotherapy department; and mental health services for all members of the multinational force based at Kandahar Airfield including Afghan soldiers fighting alongside Canadians, and in particularly urgent humanitarian cases.

The final component of *Operation ARCHER* was the provision of CF trainers and equipment to the Afghan National Training Centre in Kabul to facilitate the development of an effective, professional Afghan National Army.

Operation ALTAIR is the deployment of single ships (usually patrol frigates) to the Persian (Arabian) Gulf to be integrated into a suitable U.S. Navy carrier strike group under *Operation ENDURING FREEDOM*. HMCS *Winnipeg* deployed on *Operation ALTAIR* from April to October 2005, and operated with the Fifth Fleet of the U.S. Navy, conducting surveillance patrols and maritime interdiction operations to ensure safety in the region.

CF Missions to Africa

Operation AUGURAL is the CF component of Canada's participation in the African Union Mission in Sudan (AMIS). In co-operation with DFAIT and CIDA, the CF are playing a key role in providing this support to the AU mission. Since September 2004, DFAIT, CIDA and the CF have put \$218 million worth of humanitarian aid and peace-building assistance into the efforts led by the African Union to resolve the conflict in Darfur (western Sudan). *Operation AUGURAL* comprises the 15 CF personnel deployed in Sudan to provide AMIS with advice and training support, and the sustainment support required for the Grizzly armoured personnel carriers Canada donated to the mission.

Operation SAFARI is the deployment of 32 CF personnel to Sudan to serve with the United Nations Mission in Sudan (UNMIS): seven staff officers assigned to UNMIS Headquarters in Khartoum, and 25 UN Military Observers who monitor and verify compliance with Comprehensive Peace Agreement, investigate violations, and monitor the movement of armed groups and the redeployment of forces in contested areas.

Operation CROCODILE is the deployment of nine CF members to Kinshasha to serve on the headquarters staff of the Mission des Nations Unies en République Démocratique du Congo (MONUC), and Kisangani to serve at the Division and Sector 2 headquarters of the MONUC military forces. MONUC has a mandate to monitor compliance by the various parties to Congo's long civil war with the Lusaka Ceasefire Agreement signed in July 1999.

Operation SCULPTURE is the deployment of 11 CF members to Sierra Leone to serve with the British-led International Military Advisory Training Team, which has a mandate to provide training services and advice to the armed forces of the Republic of Sierra Leone.

CF Missions to Central America and the Caribbean

Operation HAMLET is the deployment of six CF members to Port-au-Prince to serve with the Mission des Nations Unies pour la stabilisation en Haïti (MINUSTAH), which has a mandate to support a process of national dialogue and reconciliation by providing a safe and secure environment for free and fair municipal, parliamentary and presidential elections, and establishing comprehensive and sustainable programs for disarmament, demobilization and reintegration of belligerent forces.



Cost of CF International Operations

Operations (\$ Millions)	Planned spending 2005–2006		Actual spending 2005–2006			
	Full DND Cost*	Incremental DND Cost**	Full DND Cost*	Incremental DND Cost**	Est UN Revenue to CRF***	Est UN/MFO Revenue to DND***
AFRICA						
UNAMSIL – Op REPTILE (Sierra Leone)	0.3	0.1	0.2	0.1	0.0	0.0
IMATT – Op SCULPTURE (Sierra Leone)	4.0	0.4	1.6	0.5	0.0	0.0
MONUC – Op CROCODILE (DRC)	1.3	0.3	1.2	0.4	0.0	0.0
UNAMIS – Op SAFARI (Soudan)	0.2	0.1	4.9	2.0	(0.1)	0.0
AMIS – Op AUGURAL (Addis Ababa)	0.4	0.2	50.2	49.0	0.0	0.0
Sub-total: Africa	6.2	1.1	58.1	52.0	(0.1)	0.0
PERSIAN (ARABIAN) GULF REGION AND SOUTHWEST ASIA						
Op ATHENA (Kabul, Afghanistan)	150.6	87.5	316.4	87.5	0.0	0.0
Op ARCHER (Kandahar, Afghanistan)	0.0	0.0	749.2	314.2	0.0	0.0
Op ALTAIR (South-west Asia)	56.7	15.6	23.5	10.5	0.0	0.0
UNAMI – Op IOLAUS (Iraq)	0.2	0.1	0.2	0.1	0.0	0.0
DART – Op PLATEAU (Pakistan)	0.0	0.0	25.0	9.6	0.0	0.0
Sub-total: Persian (Arabian) Gulf Region and Southwest Asia	207.5	103.2	1,114.3	421.9	0.0	0.0
CENTRAL AMERICA AND THE CARIBBEAN						
MINUSTAH – Op HAMLET (Haiti)	0.1	0.0	0.1	0.0	0.0	(2.1)
Op UNISON (USA, Hurricane Katrina)	0.0	0.0	17.4	6.7	0.0	0.0
Op FOUNDATION (US CENTCOM Tampa)	0.8	0.4	0.8	0.5	0.0	0.0
Sub-total: Central America and the Caribbean	0.9	0.4	18.3	7.2	0.0	(2.1)
EUROPE						
Op BRONZE (Bosnia)	1.5	0.5	1.3	0.5	0.0	0.0
Op BOREAS (Bosnia)	8.6	2.2	5.2	2.2	0.0	0.0
Op SEXTANT (HMCS Athabaskan)	0.0	0.0	15.4	7.3	0.0	0.0
Sub-total: Europe	10.1	2.7	21.9	10.0	0.0	0.0
MIDDLE EAST						
UNTSO – Op JADE (Middle East)	1.5	0.7	0.9	0.1	0.0	0.0
UNDOF – Op DANACA (Golan Heights)	28.6	6.6	16.0	3.2	(3.2)	(0.5)
MFO (Multinational Force & Observers) – Op CALUMET (Sinai)	3.0	1.0	3.3	0.4	0.0	0.0
Op PROTEUS (Jerusalem)	0.0	0.0	0.2	0.1	0.0	0.0
UNFICYP – Op SNOWGOOSE (Cyprus)	0.3	0.1	0.2	0.1	0.0	0.0
Sub-total: Middle East	33.4	8.4	20.6	3.9	(3.2)	(0.5)
COMMON COSTS						
Others****	0.2	0.1	1.6	1.6	0.0	0.0
Sub-Total: Common costs	0.2	0.1	1.6	1.6	0.0	0.0
CLOSED MISSIONS						
Op APOLLO	0.0	0.0	9.4	9.4	0.0	0.0
Op PALLADIUM	0.0	0.0	12.5	12.5	0.0	0.0
Op HALO	0.0	0.0	1.8	1.8	0.0	0.0
Op SIRIUS	0.0	0.0	0.4	0.4	0.0	0.0
Op STRUCTURE	0.5	0.5	0.6	0.6	0.0	0.0
Sub-Total: Closed Missions	0.5	0.5	24.7	24.7	0.0	0.0
Total: Operations	\$258.8	\$116.4	\$1,259.5	\$521.3	\$(3.3)	\$(2.6)

Source: Canadian Expeditionary Force Command (CEFCOM) and Assistant Deputy Minister (Finance and Corporate Services)

Notes:

* “Full DND Cost” is the cost to DND for the operation. It includes civilian and military wages, overtime pay and allowances; the full costs of petroleum products, spares, and contracted repair and overhaul; and depreciation and attrition of all equipment involved.

** “Incremental DND Cost” is the cost to DND that exceeds the costs of personnel and equipment involved of they had not been deployed on the operation. It is derived from the “Full DND Cost” by subtracting the costs (e.g. wages, equipment depreciation and attrition) that would otherwise have been spent on normal activities and exercises.

*** Reimbursement for personnel costs accrues to the Consolidated Revenue Fund, and reimbursement for Operations and maintenance costs accrues to DND.

**** Common costs are expenses related to more than one mission and therefore cannot be captured separately under a specific operation.



CF Domestic and Continental Missions

Operation HUDSON SENTINEL was the deployment in August 2005 of the Kingston-class maritime coastal defence vessels HMCS *Glace Bay* and HMCS *Shawinigan* to the Arctic Ocean for a five-week patrol. The objective of *Operation HUDSON SENTINEL* was to increase the CF presence in the Arctic and to develop military skills required for operations in remote areas. The ships embarked members of several Canadian Ranger Patrols and combined patrols ashore with community visits. The climax of *Operation HUDSON SENTINEL* was a SAR exercise conducted with the Canadian Coast Guard and the RCMP.

Operation UNISON 2005 was the deployment in September 2005 of HMCS *Athabaskan*, HMCS *Ville de Québec* and HMCS *Toronto* with the Canadian Coast Guard Ship *Sir William Alexander* to the southern U.S. to help clean up the damage done by Hurricane Katrina in Mississippi, Louisiana and Alabama. It also included a composite dive team made up of clearance divers from the Fleet Diving Units in Esquimalt and Halifax, and combat engineer divers from 4 Engineer Support Regiment in CFB Gagetown. In all, more than 35 divers, liaison and administrative staff worked with the 2nd Amphibious Group of the U.S. Navy's Second Fleet. Defence also sent two CH-146 Griffon helicopters to Boston, Massachusetts to help the U.S. Coast Guard provide SAR coverage when their own helicopters were dispatched to flooded areas in the south.

Operation CANOPY was the deployment of a Reverse Osmosis Water Purification Unit (ROWPU) detachment with Canadian Rangers and army reservists to Kashechewan, Ontario, from October 30 to December 17, 2005, to help the provincial Emergency Measures Organization deal with a tainted-water crisis. The ROWPU detachment produced enough safe drinking water to meet the community's daily needs during the crisis, and a reserve supply.

Operation NUNALIVUT I was the deployment from March 22 to April 13, 2006 of 52 Canadian Rangers in five patrols to conduct a major sovereignty patrol covering Resolute Bay, Mould Bay and Isachsen. The Canadian Rangers travelled 4,500 kilometres by snowmobile, built airstrips on the sea ice and catalogued buildings encountered along the way.

Operation SABOT is the CF participation in the annual RCMP marijuana-eradication program. CF helicopters provide observation platforms for RCMP teams hunting for grow sites, and airlift ground teams to grow sites to seize and remove marijuana plants. During the reporting period, CH-146 Griffons helicopters flew 600 hours on *Operation SABOT*, and were active in every province except Newfoundland and Labrador, where the potential harvest does not justify the cost of fuel to cross the Cabot Strait. More than 163,000 plants were destroyed (a 7 percent drop from last year) and 52 growers were arrested as a result of investigations terminated with CF support.



Section 8: Other Information

Appendix A: Recognizing Individuals and Team Achievements

Defence is committed to its employees and recognizes the tremendous efforts made by individuals and teams in the accomplishment of their goals and their courage and commitment in the line of duty. A listing of recipients of Honours, Awards and External Awards can be found at: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2006/recAndAch_e.asp

Appendix B: List of key Partners and Stakeholders

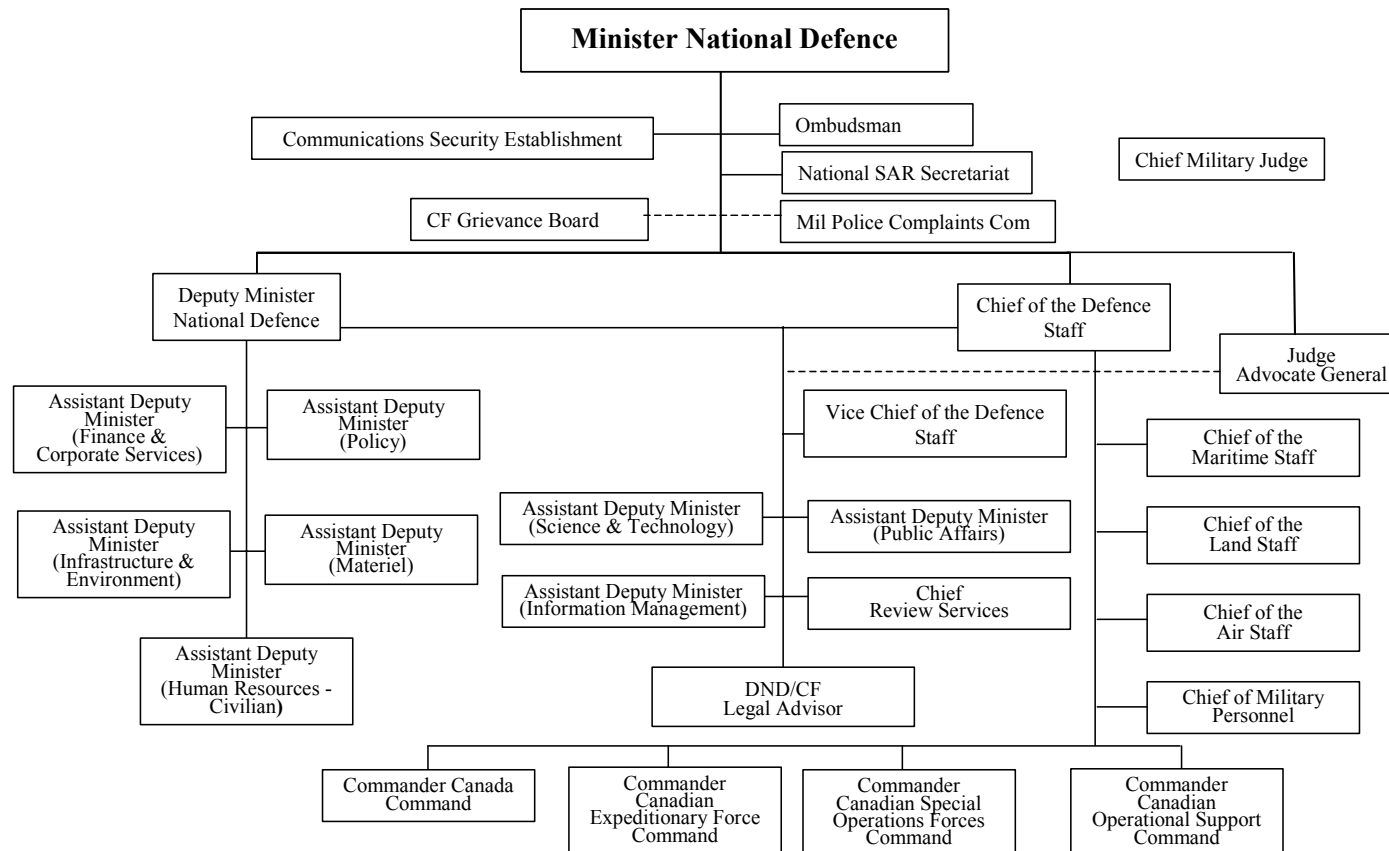
DNC and the CF work with many partners in Canada and abroad that help support the Defence mission, programs and activities. The broad scope of the Defence mandate is reflected in the complexity and diversity of its partners and stakeholders. To view the comprehensive list of key partners and stakeholders visit: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2006/keyPar_e.asp

Appendix C: Legislation and Regulations Administered

The Minister of National Defence is responsible to Parliament for many statutes, and is assigned relevant responsibilities in the administration of many laws and regulations. A comprehensive list is available at: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2006/legReg_e.asp



Appendix D: Organization Chart



NOTE: CMS, CLS, CAS and CMP are also Commanders of Maritime, Land Force, Air and Military Personnel Commands respectively.



Appendix E: Contact Information

Plans and Priorities Information

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General Inquiries

Public Inquiries Office Mr. Ken Ready Assistant Deputy Minister (Public Affairs) National Defence Headquarters 101 Colonel By Drive Ottawa, Ontario K1A 0K2	Telephone: (613) 996-0562 Facsimile: (613) 995-2610 Email: information Ready.KF@forces.gc.ca
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Internet sites on the World Wide Web

Department of National Defence	http://www.forces.gc.ca
Office of the Judge Advocate General	http://www.forces.gc.ca/jag/main_e.asp
Office of the Ombudsman for National Defence and the Canadian Forces	http://www.ombudsman.forces.gc.ca/
National Search and Rescue Secretariat	http://www.nss.gc.ca/
Defence Research & Development Canada	http://www.drdc-rddc.gc.ca
Communications Security Establishment	http://www.cse-cst.gc.ca/
Defence Planning and Management	http://http://www.vcds.forces.gc.ca/dgsp/pubs/dp_m/management_e.asp
Defence Plan On-Line	http://www.vcds.forces.gc.ca/DPOnline/main_e.asp



Appendix F: List of Abbreviations

A

ASD Alternative Service Delivery

C

C4ISR Command, Control, Communications, Computers, Intelligence,
Surveillance and Reconnaissance
CANOSCOM Canadian Operational Support Command
CANSOFCOM Canadian Special Operations Forces Command
CBRN Chemical, Biological, Radiological and Nuclear
CDS Chief of the Defence Staff
CEFCOM Canadian Expeditionary Force Command
CF Canadian Forces
CFSS Canadian Forces Supply System
CIDA Canadian International Development Agency
CIS Communication and Information System
COSPAS-SARSAT Cosmicheskaya Sistyema Poiska Avariynich Sudov – Search and Rescue
Satellite-Aided Tracking
CRS Chief Review Services
CSE Communications Security Establishment
CTTC Counter-Terrorism Technology Centre

D

DEP Defence Ethics Program
DFAIT Department of Foreign Affairs and International Trade
DM Deputy Minister
DND Department of National Defence
DRDC Defence Research and Development Canada

E

EE Employment Equity

F

FMF Fleet Maintenance Facility
FTE Full Time Equivalent

G

GL General Labour and Trades Group

H

HMCS Her Majesty's Canadian Ship



HR Human Resources

I

ICSAR Interdepartmental Committee on Search and Rescue
IM Information Management
IRM Integrated Risk Management
IS Information System
ISR Intelligence, Surveillance and Reconnaissance
IT Information Technology
ITI IT Infrastructure

J

JAG Judge Advocate General

L

LFC Land Force Command

M

M Million
MARCOM Maritime Command
MASIS Material Acquisition and Support Information Management System
MH Maritime Helicopter
MRP Managed Readiness Plan
MRRS Management, Resources and Results Structure

N

NATO North Atlantic Treaty Organization
NBCD Nuclear, Biological and Chemical Defence
NDHQ National Defence Headquarters
NORAD North American Aerospace Defence Command
NSS National Search and Rescue Secretariat

O

OGD Other Government Department

P

PAA Program Activity Architecture
PWGSC Public Works and Government Services Canada

R

R&D Research and Development
RCMP Royal Canadian Mounted Police
RPP Report on Plans and Priorities



DEPARTMENTAL PERFORMANCE REPORT
FOR THE FISCAL YEAR ENDING MARCH 31, 2006

S

SAR	Search and Rescue
SARSAT	Search and Rescue Satellite-Aided Tracking
SDS	Sustainable Development Strategy
Supp Res	Supplementary Reserve

T

TBS	Treasury Board Secretariat
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U

UAV	Uninhabited Aerial Vehicle
UK	United Kingdom
UN	United Nations
U.S.	United States

V

VCDS	Vice Chief of the Defence Staff
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