

Defence Construction (1951) Limited
Corporate Plan
2004-2005 to 2008-2009
including the
Operating and Capital Budgets for the
2004-05 Budget Year

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Executive Summary

The mission of Defence Construction Canada (DCC) is to provide high-quality, timely and efficient contracting, contract management and related services to support the Department of National Defence (DND) and the Canadian Forces (CF) in the long-term development and management of facilities infrastructure.

The past year has been a year of growth for the Corporation, which has experienced an increase of 14% in staff and forecasts an increase of 19% in revenue by the end of the fiscal year. Both of these increases are the result of higher volumes of work. One of the more important growth areas for DCC is support for CF deployments overseas in Bosnia–Herzegovina and in Afghanistan, where the Corporation provides on-site support for contract services.

The ongoing effort to improve the identification and reporting of performance information continues to be a service priority, and DCC places a great deal of importance on performance management. This year, a more proactive one-on-one approach was adopted with clients in an effort to obtain more meaningful feedback from clients on performance. So far, the results have been promising and this practice will be continued, given its importance in helping to ensure that managers at all levels continue to focus on those aspects of service delivery that are especially important to the client.

To help employees work more effectively with clients, DCC is developing a comprehensive Business Tool Kit of resources, advice and guidance, which it will officially launch in 2004–05. DCC has also implemented an electronic payment system to reduce the time required to pay supplier invoices. These efforts, together with many other smaller initiatives that have been taken to make the Corporation more efficient and effective, will help ensure that DCC continues to provide high-quality service to DND.

Building on DCC's commitments in the areas of corporate governance and leadership, service delivery, managing stakeholder relationships, and corporate services and support, the Corporation is committing to several key initiatives for 2004–05. They include formalizing the processes for employee orientation and training, improving DCC's internal information service system, and introducing a matrix system of management for DCC's service lines.

Over the past year, DCC has enhanced its corporate communications capacity by introducing a DCC newsletter and by improving the Corporation's Web site. DCC also produced a corporate video to assist in explaining DCC and its services to clients at all levels throughout DND and the CF. The video has also proven useful in recruiting and in helping to explain the Corporation to new employees.

Over the planning period, a number of factors are expected to affect the Corporation's work. These include anticipated increases in spending at DND, the implementation of Canada's Innovation Strategy, labour issues, economic swings and new trends in the construction sector. Business activity in the areas of green construction and green procurement can be expected to increase due to efforts by the federal government to meet its commitments under the Kyoto Accord. Similarly, DND's well-established policy of environmental stewardship remains a primary consideration in service delivery. DCC supports DND in ensuring that work conducted on historically important sites has positive impacts and that environmental and heritage sites are protected throughout all project phases. DCC's efforts in 2003–04 have assisted the Corporation in positioning itself to respond to these changing conditions.

Corporate Profile

Mission

The mission of Defence Construction Canada (DCC) is to provide high-quality, timely and efficient contracting, contract management and related services to support the Canadian Forces (CF) and the Department of National Defence (DND) in the long-term development and management of facilities infrastructure.

Vision

Building on 50 years of partnership in delivering defence projects, Defence Construction Canada's vision is to be the leading provider of innovative solutions that add value for its client, foster growth in its employees and make meaningful contributions to its industry.

Mandate and Public Policy Role

The Corporation, known as Defence Construction Canada under the Federal Identity Program, is accountable to Parliament through the Minister of Public Works and Government Services. DCC was founded in 1951 pursuant to the *Defence Production Act*, was incorporated in accordance with the *Companies Act* of 1934 and was granted continuance under the *Canada Business Corporations Act* of 1978. The Corporation's mandate, in accordance with its letters patent, is to provide procurement, construction, professional, operations and maintenance services in support of the defence of Canada. The prime, but not only, beneficiaries of DCC services have always been DND and the CF. The Corporation is an agent of the Crown and is subject to those portions of the *Financial Administration Act* pertaining to Crown corporations.

DCC plays an important role in implementing government procurement policy. For example, DCC strives to maximize access to government business opportunities and to encourage competition. DCC complies fully with domestic and international trade agreements, such as the Agreement on Internal Trade and the North American Free Trade Agreement.

Corporate Objectives

As a Crown corporation, DCC aims to achieve the following corporate objectives related to governance and leadership, service delivery, stakeholder relationships, and corporate services and support:

1. to implement management practices that encourage value-added, innovative service delivery;
2. to ensure the long-term viability of the Corporation through prudent financial management and the provision of efficient and effective services for DND;
3. to manage industry, organizational and contractual relationships in an ethical, fair and professional manner;
4. to maintain the flexibility of structure, policies and systems necessary to accomplish the corporate mission in the face of changing circumstances and needs;
5. to conduct operations in a way that helps protect the natural environment;
6. to maintain human resources management practices that advocate and advance the well-being of employees, as well as their personal and professional development;
7. to adhere to all statutory requirements and public policy regulations and guidelines; and
8. to make decisions and manage risks in the best interests of the Crown.

History

DCC was created in 1951 to respond to the Government of Canada's need for increased national defence infrastructure. Since that time, DCC has played a major role in projects that have helped shape Canadian history: the construction of the Distant Early Warning (DEW) line across the Arctic in response to Cold War threats; the rapid expansion of military bases across Canada; and the development of military infrastructure in France and Germany, as part of Canada's commitment to the North Atlantic Treaty Organisation (NATO).

Based on its expertise in delivering defence projects, DCC has been asked in the past to help other public organizations manage construction programs, including the construction of the Trans-Canada Pipeline and the 1967 World Exposition (Expo '67). DCC has also supported Canada's strategic defence policy objectives by delivering international aid efforts, such as the construction of hydroelectric developments in South Asia and schools in the West Indies. More recently, DCC has been closely involved in DND's programs to rationalize, consolidate and relocate operating units and to decommission redundant facilities. Over that same period, the Corporation responded to increases in demand for other infrastructure-related services by developing and offering expertise in a number of disciplines, including environmental and facilities management services.

DCC's Client

DCC deals, operationally and administratively, with many organizations within DND. The Infrastructure and Environment Group (IE) of National Defence Headquarters (NDHQ) is the principal point of contact for the centrally managed capital construction program and environmental programs. Since the chiefs of the maritime, land and air staffs are responsible for construction and maintenance programs at their own facilities, DCC also has significant dealings within their organizations, primarily at the base/wing/station level. Finally, DCC also contracts for and delivers consulting, construction and environmental services on behalf of a number of smaller organizations within DND, including the Canadian Forces Personnel Support Agency (CFPSA), the Canadian Forces Housing Agency (CFHA), Defence Research and Development Canada (DRDC), the North Warning System Office (NWSO), the national level joint engineering operations staff (J3 Engineer) and NATO Forces with establishments in Canada.

Services

As a procurement and contract management agency, DCC serves as the intermediary between its client on one side, and consultants and contractors on the other. Private sector firms carry out the actual project work. The following are the Corporation's principal activities:

- procurement of professional services, construction services, maintenance services and goods, including procurement and solicitation planning, preparation of tender documents, solicitation, evaluation and award, market assessment and bidability reviews;
- contract management and administration, including contract payments, change management, cost control, risk management, document and schedule control, quality assurance, quality audit, dispute mitigation and resolution, claims management, performance assessment and warranty management;
- environmental services, including environmental assessments and audits, technical support for environmental remediation, unexploded ordnance clean-up and decommissioning, waste management programs, environmental management systems and hazardous material survey coordination;
- facilities management, including building condition reports, life safety system management, maintenance contract management, utilities management and re-capitalization planning;
- technical support services, including firing range inspection, facility inspection, commissioning, constructability reviews, design coordination, shop drawing reviews, building energy performance services and geographic information services (GIS);
- project management support, including the control of scope, cost and schedule, as well as program planning and preparation of scope documents, such as terms of reference and statements of requirement; and
- support to deployed operations that offer procurement, quality assurance and contract administration for CF overseas missions.

Corporate Funding and Equity Structure

DCC delivers its services on a full cost-recovery basis and does not rely on any government appropriations. The Corporation's equity structure consists of 1,000 authorized shares, of which 32 are issued. The Minister of Public Works and Government Services holds the majority (25), with each member of the Board of Directors holding one qualifying share.

Governance

Since DCC is a Crown corporation, a Board of Directors, appointed by the Governor-in-Council on the recommendation of the Minister, governs DCC. The Board's make-up reflects public and private sector experience, including engineering and construction, law, finance and federal public sector policy expertise.

Success Factors

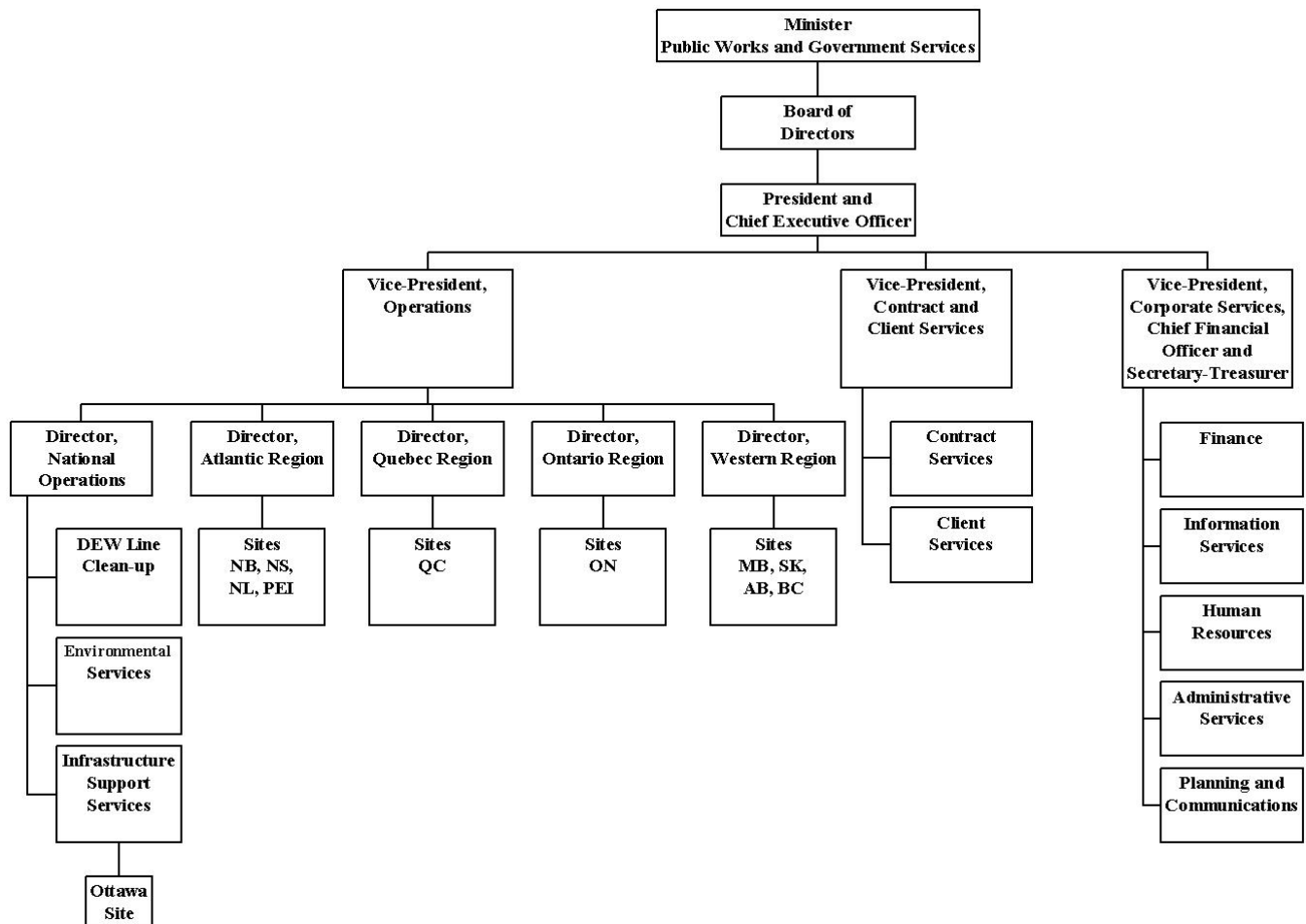
DCC is a service provider. Consequently, the Corporation's success is tied directly to DCC's ability to deliver high-quality service. Five characteristics of DCC's service provision allow for consistent delivery of quality service and contribute to the success of the organization as a whole.

- *Cost effectiveness* — Operating on a fee-for-service basis, DCC's dedicated teams at CF establishments efficiently manage multiple projects and programs cost effectively.
- *Focus* — With a single focus on defence, DCC has developed a unique understanding of the client's needs and represents a significant portion of the DND corporate memory.
- *Delivery* — DCC provides immediate and reliable access to technical and administrative expertise and, unlike many providers of similar services, does so at the location of the work.
- *Service* — Standing midway between the public and private sectors, DCC knows how both the construction industry and the government work, which allows for effective translation of requirements between the client and external service providers.
- *Flexibility* — As a Crown corporation and separate employer, DCC can quickly assign the required number of people with specific skill sets to any project. DCC's mandate allows it to administer and staff projects with efficiency and flexibility equal to that of the private sector.

Organizational Structure

DCC's executive consists of the President and Chief Executive Officer; the Vice-President, Operations; the Vice-President, Corporate Services, who is also the Chief Financial Officer and Secretary-Treasurer; and the Vice-President, Contract and Client Services. DCC's head office, which includes contract services, corporate services and the national operations group, is located in Ottawa. The operations division includes site offices at all active CF establishments, which are managed by the four regional offices.* In addition, DCC maintains seasonal remote offices in the High Arctic, as required for the DEW Line Clean-up Project, and has a presence in Bosnia–Herzegovina and in Afghanistan in support of CF operations abroad.

* In past years, three regional offices administered DCC site offices. To support clients better in light of increased project volume, DCC split the central region into Ontario and Quebec regions. Note that there is a planned realignment of responsibilities for service delivery. This will see the National Operations Group report to the Vice-President, Contract and Client Services, in the upcoming plan year.



Strategic Issues

DCC's Client—the Department of National Defence

DND is evolving to respond to the new world security environment, while working to optimize Canada's defence and security capabilities. According to DND's June 2003 annual report, *A Time for Transformation*, issued by the Chief of Defence Staff, DND's corporate priorities include advancing key capital projects, contributing to the internal campaign against terrorism, providing national leadership on critical infrastructure protection and preparing for a possible defence policy review. Additionally, as a federal department of the Canadian government, DND supports and responds to the policy objectives of the Crown. Depending on the emphasis that the client puts on its corporate objectives, such as the ones mentioned above, as well as any new priorities in federal government policy, there could be ramifications for DCC operations. These effects may include an increase in the volume and diversity of services that DND requires, such as increased support as DND fulfills its environmental stewardship obligations.

DCC Mandate

In the past 10 years, DCC has exercised its mandate more fully by responding to the need for specialty services that now comprise one third of DCC's business. DND can take advantage of a wide range of DCC's capabilities, and the Corporation stands ready to use the full scope of its mandate to respond to the government's evolving defence and security requirements.

Speech from the Throne

The Speech from the Throne that opened the third session of the 37th Parliament outlined the key strategic objectives of the Government of Canada. DCC supports those objectives that are relevant to its mandate, specifically the encouragement of innovation among Canadians, sustainable development initiatives, and the government's climate change policy and commitments to the Kyoto accord. Through DCC's work, and in partnership with its client, stakeholders and industry partners, the Corporation will strive to help advance these important agendas.

Demand for Innovation

Creating innovative solutions is at the core of DCC's vision. However, over the next few years, several factors will place an increased emphasis on the need for individual employees and for DCC as a whole to innovate.

First, as a service-driven organization, DCC must be ready to respond to the changing needs of its client. An August 2003 report reviewed the efficiency of DND's administrative operations and suggested some major changes within DND that would achieve internal savings—savings that could be reallocated to operations. DCC remains committed to helping DND in this regard and senior DCC managers will be working with their DND counterparts to identify areas where DCC can best support this effort.

Second, DND's annual budget is expected to be subject to ongoing restraint and there will be demands to fund the organization's higher priorities, in part, through an on-going program for the identification of internal savings. DCC will continue to work with DND's infrastructure managers at all levels to identify innovative ways of saving resources in support of this endeavour.

Finally, DCC actively supports the public policies of the federal government, including Canada's Innovation Strategy. This program promotes innovative business practices, the development of a strong workforce, lifelong learning, and ways to do things better and faster. These are already principles of DCC's business, and elements of this policy will reinforce some aspects of DCC's corporate objectives and initiatives.

Accountability to Canadians

In keeping with its original mandate, DCC remains focused on internal Government of Canada clients. The Corporation recognizes that defence and security issues, good government and good corporate governance remain at the forefront of the public interest and that Canadians should be informed regarding the efficiency and effectiveness of the utilization of all Crown resources. The Corporation wants to ensure that information regarding ongoing operations is accessible to the public. Accordingly, the Corporation actively works to meet the terms of the *Access to Information Act*, the *Privacy Act* and the *Financial Administration Act*.

DCC also supports federal policy objectives in the area of official languages. Given the wide geographic distribution of DCC field offices, as well as the very specialized technical skills required for many positions with the Corporation, it remains a challenge to recruit and retain qualified bilingual personnel. The Corporation has maintained a degree of linguistic duality and will strive to maintain its service to the public in both official languages and to ensure that DCC employees can be supervised in the language of their choice.

Industry and Workforce Factors

Several factors in DCC's business environment can affect ongoing operations to varying degrees. New industry trends, labour issues and economic swings in the construction sector can all have an effect on DCC's business. Often, any negative impact on the Corporation is tempered by DCC's niche status as a service provider. Yet, DCC must be sensitive to and quick to identify any changes that could affect its business environment. For example, a recent trend in the construction industry, spurred by the federal government's commitment to the Kyoto Accord, is a greater concern for green construction and green procurement. DCC has developed expertise in these areas and will continue to work to maintain this capability in its service offering.

According to an economic forecast by Informetrica (www.informetrica.com), the national commercial construction sector is expected to remain strong through 2004. Regionally, a construction boom on Canada's West Coast is expected, driven by preparations for the Vancouver 2010 Winter Olympics. Although DCC does not expect these factors to have any drastic impact on its business, management must be aware of and must consider such factors in its human resources planning.

Objectives, Initiatives and Performance Measures

Approach to Planning and Reporting

Last year's plan was the first to use strategic themes for planning and reporting on the progress of all corporate objectives. This year's report follows the same format. The structure is designed to create continuity through all future plans, making it easier to track corporate progress and development.

During the course of its business, DCC consistently keeps in sight the goals of its eight corporate objectives (see page 4 for list). The eight objectives, or combinations thereof, are the pillars of the four strategic themes. These strategic themes are **corporate governance and leadership**, **service delivery**, **managing stakeholder relationships**, and **corporate services and support**. All initiatives in the corporate plan can be defined under one of these themes and are designed to advance one or more of the eight objectives. Performance measures are used to demonstrate the Corporation's success. In most cases, DCC evaluates performance against a target or benchmark. In a few cases where there are no specific numerical measures, DCC makes a qualitative analysis. Note that DCC's planning cycle is based on a fiscal year from April 1 to March 31.

Corporate Governance and Leadership

Good corporate governance is an essential foundation of successful business, especially in the public sector, where the notion of public service demands accountability, fairness, trust and transparency of operations. Given DCC's role as a Crown corporation, ensuring ethical and appropriate business practices remains at the forefront of DCC's strategic priorities. Led by the Privy Council Office and the Treasury Board, DCC supports a number of governance-based initiatives designed to ensure continuing good management and ethical business practices. DCC is proud of its governance record over the years and will continue to demonstrate leadership in this area. The Corporation already has a corporate governance framework, which is reviewed each year by the Board of Directors, and by management in the strategic planning process. Governance concepts such as stewardship, risk management and accountability to stakeholders are pushed from the Board down to management, then to employees.

Corporate Objectives Related to Corporate Governance and Leadership

1. To make decisions and manage risks in the best interests of the Crown.
2. To adhere to all statutory requirements and public policy regulations and guidelines.
3. To maintain the flexibility of structure, policies and systems necessary to accomplish the corporate mission in the face of changing circumstances and needs.
4. To implement management practices that encourage value-added, innovative service delivery.
5. To conduct operations in a way that helps protect the natural environment.

Tracking Past Performance:

Corporate Governance and Leadership Initiatives: 2003–2004

DCC strives for continuous improvement in all aspects of its business, including governance. DCC's initiatives in 2003–04 in the area of corporate governance and leadership could be described by the phrase *validate, communicate and innovate*. One of the initiatives identified in last year's plan was aimed at improving DCC's corporate planning process by validating conclusions from the planning sessions regarding client priorities, as well as evaluating the planning process itself. Employees at all levels of authority who interacted face-to-face with the client conducted the client validation informally throughout the year. DCC collected feedback through client forums, open houses and individual meetings. The Corporation used this feedback, along with comments from the participants in the planning process, to create a more refined, standardized and relevant planning format, which DCC adopted to create this corporate plan.

Bolstering DCC's corporate communications capacity was deemed a priority in last year's plan. Work completed in the last fiscal year included revamping the Web site, which now features a useful and productive careers and recruitment portion, and producing a corporate video to raise general awareness of DCC. Finally, to kick off a formal campaign to encourage innovation among employees, DCC initiated a corporate recognition award and established a fund to encourage innovation in the workplace. The Corporation allocated \$125,000 to support innovative ideas that will advance DCC's service delivery capability.

Corporate Governance and Leadership Initiatives: 2004–2005

For the current planning period, DCC will continue to build on the success of some past strategic initiatives in the areas of governance and leadership. DCC has an established track record of devoting resources to developing its people. However, the increasingly complex business environment and the diversification of service lines have created a requirement for a more formal **framework for staff training and professional development**. In 2004–05, the Corporation will begin developing this framework by reviewing existing development systems and practices and identifying needs for various training and development tools and delivery vehicles. Developing standards and implementing programs and systems is a major undertaking and its implementation can be expected to run beyond the upcoming fiscal year.

Performance Indicators: 2003–2004 Results to Date

In 2003–04, DCC reported on the status of environmental and safety incidents resulting from DCC work practices or procedures. Formalized performance measures for reporting these types of occurrences have been developed for use in the future. To date, one new environmental incident has been reported this year. It involves a suspected halocarbon release of refrigerant from a building air conditioning system, which was discovered during the servicing of a building mechanical system. The full details of this incident, including the cause, are still under review.

Performance Indicators and Targets: 2004–2005

DCC will continue to provide an overview of the number and type of environmental and safety incidents that occur throughout the fiscal year. In 2004–05, DCC will introduce two new corporate governance and leadership performance measures: the **percentage of publicly tendered contracts** and a **report on the Corporation's audit activity and results**. The first new indicator demonstrates DCC's commitment to encouraging open and fair access for business through a process of public competitive tender. By reporting on audit activity and results throughout the year, DCC will have an opportunity to communicate that aspect of its performance to its stakeholders.

Corporate governance and leadership performance indicators	Performance Indicator	Target: 2004–05
	Environmental and safety incidents (attributable to DCC work practices or procedures)	No incidents
	Percentage of contracts tendered competitively*	99%
	Report on the Corporation's audit activity and results	No significant deficiencies

*Does not include contracts awarded through Public Works and Government Services Canada's SELECT system.

Service Delivery

Given DCC's mission to deliver high-quality, timely and efficient services to DND, achieving excellence in service delivery remains at the forefront of DCC's corporate strategy. The Corporation continuously strives to improve its service delivery on each successive project and to complement the knowledge of client requirements it has gained over the past half century.

Corporate Objectives Related to Service Delivery

1. To manage industry, organizational and contractual relationships in an ethical, fair and professional manner.
2. To implement management practices that encourage value-added, innovative service delivery.
3. To conduct operations in a way that helps protect the natural environment.

Tracking Past Performance:

Service Delivery Initiatives: 2003–2004

The changing nature of DCC's business and the growth of new service lines led to the need to develop a comprehensive **Business Tool Kit** to facilitate staff interaction with clients. This initiative will see the development of technical information sheets, proposal templates, contact lists, references, business advice and guidance, and a system to allow all employees to draw on the central repository of information. This initiative will constantly evolve over time, with additions, updates and enhancements. By the end of the third quarter of 2003–04, DCC had established a framework for the content of this tool kit. By the end of 2003–04, the basic framework and tools will be established on the intranet and a full production schedule will be in place for new additions.

Service Delivery Initiatives: 2004–2005

DCC will concentrate on two service delivery areas over the planning period to better position the Corporation to meet future client needs. Given the nature of these two initiatives and the fact that they involve engaging the skill sets and leadership abilities of DCC employees, the preceding corporate governance initiative of employee training and development takes on even greater importance.

Maintaining an Effective Business Development Strategy

In 2004–05, DCC will officially launch the Business Tool Kit with internal promotion. The Corporation will continue to develop content, and will track the kit's effectiveness and its use among employees. During 2003–04, DCC finished revamping the process for monitoring client satisfaction. This year, the Corporation will evaluate the effectiveness of the revised system and make any needed refinements.

Organizational Structure and Service Delivery Model Review

It is becoming increasingly obvious that there are advantages to managing resources, professional expertise and business line growth along functional lines rather than through the regional management structure, which has served the Corporation well for half a century. In 2004–05, to maximize the benefits of effective service delivery for its client and to manage internal expertise to the fullest potential, DCC will compare the effectiveness of regionally based service delivery to that of national service delivery based along service lines. Leaders will be identified to champion the growth of each service line using the matrix system of management.

Service Delivery Performance Indicators: 2003–2004

Client Satisfaction

Indicator	Results: 2002–03			Results: 2003–04 (to End of Second Quarter)		
	Survey Return Rate	Client Satisfaction (Target)	Client Satisfaction (Actual)	Survey Return Rate	Client Satisfaction (Target)	Client Satisfaction (Actual)
Client satisfaction	91.7%	95%	99%	100%	95%	94%

DCC regularly tracks client satisfaction as one of its key performance indicators. In the past, DCC has reported consistently high results from its client satisfaction survey, and has sought a means of collecting and reporting on all types of client feedback. In 2003–04, DCC changed the process for collecting client satisfaction data. Originally, the Corporation mailed out surveys and asked clients to return them. This did not guarantee a 100% return rate, so it did not guarantee that DCC would collect all types of feedback. It is likely that some clients with less than favourable feedback chose not to return the surveys. In this fiscal year, DCC personnel started interviewing clients individually. This process of one-on-one interviews guarantees a 100% return rate for the surveys, as well as a more indicative gauge of client satisfaction. At the end of the second quarter of 2003–04, the client satisfaction rating was 94%, a slight decline from the last fiscal year. Cases of repeat problems in specific areas were cause for concern, but they demonstrated more useful feedback from the revised client survey procedure. For example, in one region, a labour shortage specific to the local economy resulted in missed delivery deadlines. These and any other issues are being investigated. DCC site personnel will be in a position in the future to act on all problems that arise during the one-on-one survey process. At the end of this fiscal year, when a broader range of survey data is available, DCC will report the survey results by service line. A more indicative picture of DCC client service delivery is expected to emerge by the end of the fiscal year.

Timeliness of Procurement

Client groups within DND want to begin project work as soon as possible after receiving internal approval. Since timeliness of contract award is important both to DND and to contractors and consultants, this measure is reported as a key performance indicator. DCC intentionally sets aggressive targets for the timeliness of construction and consultant procurement because DND values expediency. The target represents a reasonable length of time from the time DCC receives the notice of proposed procurement from the client, to the time that DCC awards the contract to the contractor or consultant. Targets do not include additional time that may be required as a result of amendments, budget issues or bid anomalies.

Reporting, which began in last year's corporate plan, is based on the median number of days it takes to award a contract in each of the categories. During the procurement process, unforeseen circumstances or market factors often cause delays. DCC believes that reporting the median number of days for each category provides an objective measure of performance. The following two tables show DCC's progress at the end of the second quarter of 2003–04 for timeliness of construction and consultant procurement. Of note is that design-build contracts have suffered significant delays for specific project reasons that were beyond the control of the Corporation.

DCC recognizes the time and effort that industry expends on the preparation and submission of tenders. Consequently, to reduce the risk of a failed tender, DCC screens all projects for bidability. By the end of the second quarter, 97.3% of DCC tender calls resulted in the award of a contract (consistent with the results achieved at the end of 2002–03). The most frequent reason why tenders do not result in contracts is that the price exceeds approved budget amounts.

Construction Procurement

		Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Type of Procurement	Target Number of Days to Award	Number of Contracts	Median Number of Days to Award	Number of Contracts	Median Number of Days to Award
Regular tender call	35 days	96	40	67	42
Tender boards	25 days	351	26	214	26
Quick response	14 days	290	14	103	15
Design-build	120 days	8	130	4	193

Consultant Procurement

		Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Type of Procurement	Target Number of Days to Award	Number of Contracts	Median Number of Days to Award	Number of Contracts	Median Number of Days to Award
SELECT	25 days	194	29	85	30
1-step proposal	60 days	48	55	28	57
2-step proposal	120 days	19	120	9	116
NAFTA	95 days	N/A	N/A	N/A	N/A

Timeliness of Construction Contract Completions

	Results: 2002–03	Results: 2003–04 (to End of Second Quarter)
Total completed on time	64%	61.4%
Total completed within one to 30 days after deadline	18%	20.9%
Total completed later than 30 days after deadline	18%	17.7%

Schedule control is critical to client satisfaction. DCC monitors timeliness of construction contract completions and works with the client to minimize slippage. When it does occur, DCC ensures that DND knows the reasons. Although formal targets are not set for this indicator, DCC tracks this information to keep the client informed of overall schedule performance.

Another issue critical to the client is the quality of the work that is performed. In some cases, the quality of the finished product delivered to the client is less than what was expected, even though the finished job meets the technical specifications of the original proposal. This feedback on the performance of third-party efforts is another element discussed during the client satisfaction process and the complaints often arise due to factors beyond the control of the Corporation.

Contract Cost Growth

	Results: 2002–03	Results: 2003–04 (to End of Second Quarter)
Site conditions/ errors/omissions	4.6%	6.2%
Design changes	6.1%	5.6%

Changes can have a negative effect on a project's schedule and can result in cumulative cost impacts. Consequently, DCC manages contracts in a way that is designed to minimize both the number and the cost of contract changes. Although DCC considers this percentage of changes to be in line with industry standards, it has not been able to identify a reliable source of benchmarking information.

Performance Indicators and Targets, 2004–2005

The table below lists DCC's performance indicator targets for service delivery in 2004–05. Traditionally, management has set the target length of time to put contracts in place as the ideal duration of the procurement process. DCC will continue to analyze the delivery of contracts that exceed the target timeframes to determine the cause of the delays and any corrective action that may be required.

Service delivery performance indicators	Performance Indicator		Target: 2004–05
	Client satisfaction		95.0%
	Timeliness of construction contracting	Regular tender call	35 days
		Tender boards	25 days
		Quick response tenders	14 days
		Design-build	120 days
	Timeliness of consultant procurement	SELECT	25 days
		1-step proposals	60 days
		2-step proposals	120 days

Managing Stakeholder Relationships

DCC needs to maintain positive relationships with government, its client, industry and professional associations to operate effectively. The quality of these relationships can have a major impact on business outcomes. This section covers the broader strategic aspects of corporate social performance involving those groups affected by DCC's corporate objectives, and not specifically the client-DCC service delivery relationship.

Corporate Objective Related to Managing Stakeholder Relationships

1. To manage industry, organizational and contractual relationships in an ethical, fair and professional manner.

Tracking Past Performance:

Managing Stakeholder Relationships Initiatives: 2003–2004

In last year's corporate plan, DCC committed to remaining open to any opportunities where its participation would enhance a sense of community and partnership with DND and relevant industry associations. DCC's senior management was actively involved in all the major industry associations. The Vice-President, Contract and Client Services, finished his term as President of the Canadian Public Procurement Council and continued to serve on the Council's Board of Directors. DCC also participated in local industry events that supported DND and the construction industry.

Also, in the past year, many DCC employees remained active in professional associations and client-related organizations, including the Project Management Institute, the Royal Architectural Institute of Canada, local administrative associations, the Alberta Society of Professional Biologists and many local construction associations across Canada, to name a few. For the current planning period, the Corporation will maintain its ongoing program of **industry and association involvement**. DCC will reinforce the importance of this initiative among employees, encouraging them to become active in their areas of practice and to be productive members of their professional and industry communities.

Performance Indicators and Targets: 2004–2005

To date, DCC has no performance measures for its corporate social performance. In 2004–05, the Corporation will make a more concerted effort to collect detailed information from all regions and sites, and will report in greater detail on the extent of corporate involvement in industry and government associations at all levels. While no specific targets will be established, the reporting of this information will enable the Corporation to provide its stakeholders with a clearer picture of DCC's efforts to maintain effective liaison with its industry and government partners.

Stakeholder relationship performance indicators	Performance Indicator	Target: 2004–05
	Evaluation of DCC corporate social performance in support of corporate objectives	Text-based reporting

Corporate Services and Support

DCC has well-established systems for managing its day-to-day operations, human resources, and financial and information systems. DCC's internal administrative ability touches all aspects of the business and is the key to success in maintaining high-quality service to DND. Consequently, DCC strives to keep up to date with new business methods, regulatory practices and technology, all of which affect the quality of its service delivery.

Corporate Objectives Related to Corporate Services and Support

1. To maintain the flexibility of structure, policies and systems necessary to accomplish the corporate mission in the face of changing circumstances and needs.
2. To maintain human resources management practices that advocate and advance the well-being of employees, as well as their personal and professional development.
3. To adhere to all statutory requirements and public policy regulations and guidelines.
4. To make decisions and manage risks in the best interests of the Crown.

Tracking Past Performance:

Corporate Services and Support Initiatives: 2003–2004

Efficiency and cost effectiveness of operations, as well as the need to keep up to date with industry technology, were the catalysts of several corporate services initiatives in 2003–04.

To reduce the length of time suppliers wait to receive payment on invoices, DCC implemented an electronic payment system. Not only does this system make it easier for suppliers to do business with DCC, it reduces the cost and work associated with generating cheques. Ease of access to common documents also came into play with the initiative to create a common server/file repository, which was implemented in the last half of 2003–04. This electronic business process allows DND and DCC to share service, billing and other contract information faster, which makes administrative procedures more efficient.

Since DCC is offering a greater range of services, the Corporation needs to ensure that its human resources administrators have sufficient resources and authority to recruit, develop, promote and retain staff, in light of business trends and labour market conditions.

The management team reviewed the management level and structure of the DCC human resources function. Given the geographic spread of DCC offices and the day-to-day functions of each, DCC decided to maintain practical authority for human resources at the regional and site level. In addition, the central human resources team was examined to determine whether it had sufficient capability to support the regional and site offices. It was determined that the central human resources team could bolster its recruitment capability and the team created a position for a human resources administrator with recruitment skills.

Corporate Services and Support Initiatives: 2004–2005

DCC corporate services provide the administrative support for DCC operations. The service delivery business units have adopted quality management systems to measure and improve their processes, and corporate services will move in the same direction by **identifying new management performance measures** in all sections of the division.

It is important that DCC keep up to date with advances in information technology. This task includes keeping a watchful eye on Government On-Line initiatives and advances in industry that affect how the Corporation administers its business electronically. In 2004–05, DCC will begin a **strategic review of its information services capacity**. In the past, DCC upgraded its enterprise resource planning system to make operations more efficient. The new initiative is more global in its approach. The goal is to determine whether DCC's existing electronic information systems will adequately meet future operational needs, and what changes may be required for DCC's electronic systems in light of expanding service lines and increasing business levels.

Corporate Services and Support Performance Indicators: 2003–2004

To track the performance of its business operations and corporate support functions, DCC has established three main indicators: the utilization rate, the direct personnel expense multiplier (DPEM) and the employee retention rate.

Utilization Rate

Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Target	Actual	Target	Actual
70.0%	73.3%	70.0%	72.3%

The utilization rate describes the hours DCC spends on contract-related functions, and demonstrates to DND the amount of time DCC spends on client-related work. The target for the utilization rate in 2002–03 and 2003–04 was 70%. As the above results show, DCC exceeded its utilization rate target in 2002–03 and continued to do so during the first half of 2003–04, indicating that it continues to provide highly efficient service. The slight decrease in the actual utilization rate in the current year as compared to the previous year is not considered significant.

Direct Personnel Expense Multiplier

Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Target	Actual	Target	Actual
1.5–1.6	1.55	1.50–1.60	1.51

The DPEM is the factor by which DCC multiplies direct project personnel expenses to cover overhead costs. Direct project personnel expenses include salary costs and a mark-up factor to account for benefits and compensated absences, such as vacation, sick days, holidays and professional development time. This multiplier is used to establish billing rates for DCC services. Fluctuations in the actual multiplier from period to period are due to the timing of billings on certain fixed-fee projects, as well as to the method of financial planning, in accordance with DCC's financial management policy. This planning allows for adequate operating contingency funds to account for unexpected fluctuations in the client's construction program.

The target range for 2002–03 and 2003–04 was 1.50 to 1.60. Overall salary costs over the past year have risen faster than revenues. As a result, the DPEM for the first half of 2003–04 was lower than the DPEM in 2002–03, although it remained within the targeted range.

Employee Retention Rate

Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Target	Actual	Target	Actual
90.0%	93.2%	90%	96.6%

DCC regularly reviews the percentage of employees who voluntarily decide to leave the Corporation for other career opportunities. Monitoring this percentage, along with the reasons why individuals chose to leave, allows senior managers to assess where the Corporation stands on labour trends in relation to similar organizations. Some employee turnover is expected and is regarded as healthy, since it allows the Corporation to replenish its skill base and to rejuvenate its employee population. DCC also uses the employee retention rate as a measure of employee satisfaction with DCC's working environment. The Corporation expects to retain 90% of its employees each year. Both last year and in the current year to date, DCC has surpassed this target. By the end of the second quarter of 2003–04, 3.4% of DCC's employees had decided to leave voluntarily to pursue other career options. This high retention rate is an indication of the quality of DCC's working environment and employees' satisfaction with that environment.

Professional Development to Salary Cost Ratio

Results: 2002–03		Results: 2003–04 (to End of Second Quarter)	
Target	Actual	Target	Actual
3.0%	3.3%	3%	3.1%

DCC acknowledges that its ability to service its client is dependent upon the skill set of its employees. In recognition of this, DCC has set a target for the expenditure that it makes on training and professional development relative to total salary costs. In 2003–04, this target was 3% of salary cost. Both in 2002–03 and at the end of the second quarter of 2003–04, DCC surpassed its target, a factor which is indicative of a supportive work environment as well as an educated staff ready to meet the challenges of its professional environment.

Performance Indicators and Targets: 2004–2005

In 2004–05, DCC will continue to report on its existing performance indicators. The table below lists the corporate services and support performance indicator targets set for 2004–05.

Corporate services and support performance indicators	Performance Indicator	Target: 2004–05
	Utilization rate (percentage of employee hours spent on client contract work)	70.0%
	Direct personnel expense multiplier (ratio of services revenue to direct payroll costs, including benefits and compensated absences)	1.5–1.6
	Employee retention rate	90.0%
	Professional development to salary cost ratio	3.0%

Summary of Strategic Initiatives, 2004–2005

DCC Strategic Initiatives: 2004–05		
Corporate Governance and Leadership	Service Delivery	Corporate Services and Support
Establish framework for staff training and professional development	Maintain an effective business development strategy	Develop management performance measures
	Review organizational structure and service delivery model	Conduct strategic review of information services capacity

Financial Management

Financial Management Policy

The Corporation's financial management policy is based on a fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. The Corporation operates on a fee-for-services basis. Its financial management policy is to generate sufficient cash to meet its anticipated operating and capital requirements and to settle its financial obligations as they become due.

In determining the amount of cash reserves carried for operating needs, DCC also considers the planning and operating risk inherent in its operations, particularly the risk associated with potential and unanticipated changes to the amount or timing of construction project expenditures by DND. In preparing its financial plan, the Corporation has allowed for reasonable levels of contingencies in its financial projections to ensure that it can continue to fulfill its mandate and serve its client in an effective and timely manner. Cash levels are constantly monitored and any surpluses or shortfalls that may occur from time to time during certain operating periods are taken into account in planning future operating plans and budgets.

Years Ending March 31, 2003 to March 31, 2009

Appendix A: Statement of Operations

The Corporation is forecasting services revenue of approximately \$28.9 million for the current year ending March 31, 2004, which represents an increase of approximately 19% from the previous year. Approximately 14% of this increase is attributable to increases in work volume and billable time and approximately 5% is due to billing rate increases. For the year ending March 31, 2005, services revenue is expected to increase by approximately 6% to \$30.8 million. Approximately 4% of this increase is expected to reflect an increase in billable time and 2% to an increase in billable rates. For future years, revenue is projected to increase year over year by rates varying from 2% to 3%, with a view to maintaining the Corporation's underlying financial management policy and objectives, as discussed above.

Interest income, which is generated from cash reserves, is forecasted to total approximately \$114,000 for the current year ending March 31, 2004, which is approximately the same as for the previous year. For the year ending March 31, 2005, interest income is expected to rise to approximately \$118,000, representing an increase of approximately 4%. For future years, interest income has been projected to fluctuate based on anticipated cash levels and on the assumption that interest rates remain at current levels. Temporary cash surpluses are invested in accordance with the Corporation's investment policies, as approved by the Board of Directors.

Salary and benefit expenses are forecasted to total \$23.4 million for the current year ending March 31, 2004, representing an increase of approximately 21% over the previous year. This increase comprises approximately 6% for wage increases and approximately 15% for staff increases related to rising activity levels. For the year ending March 31, 2005, salaries and benefits expense is projected to total \$25.5 million, representing an increase of approximately 9% over the previous year. This increase comprises approximately 4% for wage increases and approximately 5% for staff increases related to projected rises in work and billable time. For future years, the Corporation's financial forecasts assume an increase in salary levels and inflation of approximately 3% year over year, with staff strength remaining constant.

Operating and administrative expenses are forecasted to total \$4.4 million for the current year ending March 31, 2004, representing an increase of approximately 28% over the previous year. Approximately 3% of the increase is attributable to inflation; 4% to certain costs associated with the relocation of head office, including higher rental costs; and approximately 19% to a combination of factors, including the increase in business activity and increased spending on certain discretionary items, particularly employee relocation, business development, professional fees, and employee training and development.

For the year ending March 31, 2005, operating and administrative expenses are projected to be \$4.3 million, representing a decrease of approximately 2% from the previous year. This decrease is the net result of inflationary increases and higher rent at the head office location, offset by projected lower spending levels on certain discretionary

items such as relocation, business development, recruiting, and miscellaneous computer and office equipment and supplies. For future years, operating and administrative expenses have been projected to increase by approximately 3% year over year, primarily to cover projected inflation increases.

Amortization of capital assets is forecasted to total \$851,000 in the current year ending March 31, 2004, representing a decrease of 33% from the previous year. This decrease is the result of the exceptionally high amortization charge during the previous year resulting from management's review of the estimates of useful lives that were being used to amortize certain capital assets. As a result of this review, management decided to change the estimates of useful lives for computer hardware and software, as well as for leasehold improvements. The change resulted in a one-time additional amortization charge in the previous year ending March 31, 2003, of approximately \$600,000. Excluding this one-time charge, amortization expense for the current year ending March 31, 2004, would show an increase of 28%. This increase is related to the higher levels of capital expenditures in both the previous fiscal year and in the current year, as discussed later in this section under the heading "Capital Budgets." Projections for capital expenditures, highlighted in Appendices E and F, will affect the fluctuation in amortization over the remaining years of the plan.

Appendix B: Balance Sheet

As noted earlier, in determining the amount of cash reserves carried for operating and capital needs, the Corporation considers the planning risk inherent in its operations and thus has allowed for a reasonable level of contingency. Currently, the Corporation's liquidity and capital resources position is strong and is projected to remain that way for the planning period. There are no restrictions on the use of the Corporation's funds and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

Amounts due from related parties are expected to increase during the plan years in direct proportion to the fluctuations in revenue from year to year. Average days-sales outstanding are projected to remain constant over the plan years.

Capital assets for the current year ending March 31, 2004, are expected to increase by approximately 37%. This large increase is primarily due to fit-up and related costs associated with the head office move to new office space, as discussed below under "Capital Budgets." For the remaining plan years, the fluctuations in capital assets from year to year are directly tied to the levels of capital spending, as highlighted in appendices E and F.

Accounts payable and accrued liabilities for the current year ending March 31, 2004, are expected to increase by approximately 8% and to decrease by approximately 2% in the year ending March 31, 2005. These fluctuations, and those of the subsequent plan years, are tied to the changes in the level of operating expenditures from year to year.

The provision for future benefits for employees includes the liability for accrued severance benefits, as well as accruals for vacation, overtime and furlough benefits. The accrued severance benefit represents the Corporation's liability for the estimated cost of severance for its employees, as well as health care benefits for its retirees. This amount is actuarially determined. The provision for employee future benefits, including the current portion, is expected to total \$4.4 million at March 31, 2004, representing an increase of 15% over the previous year. For the year ending March 31, 2005, the provision is expected to increase by a further 12%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 9% to 11%. The liability for accrued severance benefits is largely long term. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due.

Appendix C: Statement of Cash Flows

The statement of cash flows details the sources and uses of cash and the net change in the Corporation's cash balance from year to year. Non-cash expenses included in earnings, such as amortization and the provision for employee benefits, are added back, and cash disbursements not included in earnings, such as payments for capital expenditures and future benefits for employees, are subtracted, to arrive at the net change in cash during the course of each fiscal year.

Appendix D: Staff Strength

Staff strength, which is presented on a full-time-equivalent basis, is expected to be approximately 324 for the current year ending March 31, 2004. The increase of 40 from the previous year is due to the increase in work volume forecasted for the current year. Staff strength for the year ending March 31, 2005, is projected to be 344, representing an increase of 20 over the current year projection. This increase is due to the projected increases in work volume and business activity. Staff strength has been assumed to remain constant for the remaining years of the plan.

Appendices E and F: Capital Budgets

Capital expenditures for the current year ending March 31, 2004, are currently forecasted to be \$1.5 million, an increase of 60% over the previous year. This large increase is due to fit-up and related costs associated with the head office move to new office space. The current space is unsuitable and cannot be expanded, so DCC has found it necessary to relocate its head office to satisfy immediate and foreseeable future business requirements. Fit-up and other costs associated with the move are projected to total approximately \$700,000 in the current fiscal year. Excluding this one-time expenditure, other capital expenditures are expected to decrease over the previous year by approximately \$150,000 or 17%. This decrease is the result of lower levels of spending on information technology network infrastructure and related software, as well as decreased spending on the upgrade of the Corporation's enterprise resource planning system (JD Edwards–One World), which is expected to be substantially complete by the end of the current fiscal year. In anticipation of the projected significant increase in capital expenditures for the current year compared to the original plan, as noted in Appendix E, the Corporation submitted a revised capital budget for the year ending March 31, 2004, which was approved by Treasury Board on November 18, 2003.

For the year ending March 31, 2005, capital expenditures are projected to be \$996,000, representing a decrease of 31% over the forecast for the current year. Excluding the one-time expenditures for the head office move, capital expenditures are projected to increase for the year ending March 31, 2005, by approximately \$246,000 or 33%. This increase is due primarily to a combination of spending on application and network software updates expected in the new year; replacement of older computer equipment, systems and software to deliver training and development programs to employees; leasehold improvements; and additional office furniture and equipment for certain site and regional offices, as well as for head office. Capital expenditures for the fiscal years ending March 31, 2006, and March 31, 2007, are expected to level off to reflect ongoing requirements to update and replace network and computer equipment and software, as well as office furniture and equipment. Increased spending is projected in the fiscal years ending March 31, 2008, and March 31, 2009, in anticipation of major upgrades to the Corporation's computer systems and software applications.

Appendix G: Operating Budget for the Year Ending March 31, 2004

This schedule compares estimated operating results to planned results for the current year ending March 31, 2004. Services revenue is expected to be approximately 13% above plan. The increase is related to higher than anticipated project spending by DND. Interest revenue is expected to be approximately 6% above plan due primarily to higher average cash balances.

Salary and benefit costs are expected to be approximately 14% above plan. The increase is related to a combination of increased staff levels, due to higher work volume, and higher than projected salary increases.

Amortization of capital assets is expected to be approximately 26% above plan. The majority of this increase is the result of the higher than expected level of capital expenditures in the current year. These expenditures are projected at \$1.5 million, compared to planned expenditures of \$499,500. This increase is largely due to fit-up costs associated with the head office move, which were not foreseen in the original plan, and higher than expected spending on computer equipment and software due to higher staffing levels related to increased business activity.

Appendix A

Defence Construction (1951) Limited

Statement of Operations

For the years ending March 31, 2003 to March 31, 2009

(in \$ thousands)

	<u>Actual March 31/03</u>	<u>Estimated March 31/04</u>	<u>Planned March 31/05</u>	<u>Planned March 31/06</u>	<u>Planned March 31/07</u>	<u>Planned March 31/08</u>	<u>Planned March 31/09</u>
Revenue							
Service	\$ 24,422	\$ 28,948	\$ 30,761	\$ 31,377	\$ 32,161	\$ 33,126	\$ 34,120
Interest	113	114	118	130	135	130	115
	<u>24,535</u>	<u>29,062</u>	<u>30,879</u>	<u>31,507</u>	<u>32,296</u>	<u>33,256</u>	<u>34,235</u>
Expenses							
Salaries and benefits	19,274	23,363	25,463	26,228	27,014	27,825	28,659
Amortization of capital assets	1,262	851	873	935	1,027	1,147	1,375
Operating and administrative expenses	3,476	4,446	4,342	4,472	4,606	4,745	4,887
	<u>24,012</u>	<u>28,660</u>	<u>30,678</u>	<u>31,635</u>	<u>32,647</u>	<u>33,717</u>	<u>34,921</u>
Net Income (Loss)	\$ 523	\$ 402	\$ 201	\$ (128)	\$ (351)	\$ (461)	\$ (686)
Surplus, beginning of the year	<u>2,075</u>	<u>2,598</u>	<u>3,000</u>	<u>3,201</u>	<u>3,073</u>	<u>2,722</u>	<u>2,261</u>
Surplus, end of the year	\$ 2,598	\$ 3,000	\$ 3,201	\$ 3,073	\$ 2,722	\$ 2,261	\$ 1,575

Appendix B

Defence Construction (1951) Limited
Balance Sheet
March 31, 2003 to March 31, 2009
(in \$ thousands)

	Actual	Estimated	Planned	Planned	Planned	Planned	Planned
	March 31/03	March 31/04	March 31/05	March 31/06	March 31/07	March 31/08	March 31/09
Assets							
Current:							
Cash	\$ 4,232	\$ 4,075	\$ 4,273	\$ 4,671	\$ 4,900	\$ 4,700	\$ 4,191
Due from related parties	4,227	5,011	5,324	5,430	5,567	5,734	5,906
Prepays, advances and accounts receivable	342	406	430	440	451	464	478
	8,801	9,492	10,027	10,541	10,918	10,898	10,575
Capital Assets	890	1,489	1,611	1,611	1,519	1,707	1,967
	\$ 9,691	\$ 10,981	\$ 11,638	\$ 12,152	\$ 12,437	\$ 12,605	\$ 12,542
Liabilities							
Current:							
Accounts payable and accrued liabilities	\$ 3,105	\$ 3,372	\$ 3,291	\$ 3,390	\$ 3,493	\$ 3,598	\$ 3,706
Due to related parties	189	242	236	244	251	258	266
Current portion - provision for employee benefits	267	291	300	309	318	328	341
	3,561	3,905	3,827	3,943	4,062	4,184	4,313
Provision for employee future benefits	3,532	4,076	4,610	5,136	5,653	6,160	6,654
	7,093	7,981	8,437	9,079	9,715	10,344	10,967
Capital Stock and Surplus							
Capital Stock							
Authorized - 1,000 shares at no par value	-	-	-	-	-	-	-
Issued - 32 shares	-	-	-	-	-	-	-
Surplus	2,598	3,000	3,201	3,073	2,722	2,261	1,575
	2,598	3,000	3,201	3,073	2,722	2,261	1,575
	\$ 9,691	\$ 10,981	\$ 11,638	\$ 12,152	\$ 12,437	\$ 12,605	\$ 12,542

Defence Construction (1951) Limited
Statement of Cash Flows
For the years ending March 31, 2003 to March 31, 2009
(in \$ thousands)

	<u>Actual</u> <u>March 31/03</u>	<u>Estimated</u> <u>March 31/04</u>	<u>Planned</u> <u>March 31/05</u>	<u>Planned</u> <u>March 31/06</u>	<u>Planned</u> <u>March 31/07</u>	<u>Planned</u> <u>March 31/08</u>	<u>Planned</u> <u>March 31/09</u>
<u>Operating Activities</u>							
Net income (loss)	\$ 523	\$ 402	\$ 201	\$ (128)	\$ (351)	\$ (461)	\$ (686)
Items not requiring cash							
Provision for employee benefits	556	835	835	835	835	835	835
Amortization	1,262	851	873	935	1,027	1,147	1,375
Net increase (decrease) in non-cash working capital balances related to operations	<u>676</u>	<u>(528)</u>	<u>(424)</u>	<u>(9)</u>	<u>(38)</u>	<u>(68)</u>	<u>(70)</u>
	3,017	1,560	1,485	1,633	1,473	1,453	1,454
<u>Financing Activities</u>							
Employee benefits paid	<u>(140)</u>	<u>(267)</u>	<u>(291)</u>	<u>(300)</u>	<u>(309)</u>	<u>(318)</u>	<u>(328)</u>
	\$ <u>2,877</u>	\$ <u>1,293</u>	\$ <u>1,194</u>	\$ <u>1,333</u>	\$ <u>1,164</u>	\$ <u>1,135</u>	\$ <u>1,126</u>
<u>Investing Activities</u>							
Acquisition of capital assets	<u>(904)</u>	<u>(1,450)</u>	<u>(996)</u>	<u>(935)</u>	<u>(935)</u>	<u>(1,335)</u>	<u>(1,635)</u>
Increase (decrease) in cash during year	1,973	(157)	198	398	229	(200)	(509)
Cash at beginning of year	<u>2,259</u>	<u>4,232</u>	<u>4,075</u>	<u>4,273</u>	<u>4,671</u>	<u>4,900</u>	<u>4,700</u>
Cash at end of year	\$ <u>4,232</u>	\$ <u>4,075</u>	\$ <u>4,273</u>	\$ <u>4,671</u>	\$ <u>4,900</u>	\$ <u>4,700</u>	\$ <u>4,191</u>

Appendix D

Defence Construction (1951) Limited

Staff Strength

For the years ending March 31, 2003 to March 31, 2009

	<u>Actual March 31/03</u>	<u>Estimated March 31/04</u>	<u>Planned March 31/05</u>	<u>Planned March 31/06</u>	<u>Planned March 31/07</u>	<u>Planned March 31/08</u>	<u>Planned March 31/09</u>
Employees based on full-time equivalents	284	324	344	344	344	344	344

Appendix E

Defence Construction (1951) Limited

Capital Budget

For the year ending March 31, 2004

(in \$ thousands)

	Estimated Actual March 31/04 (See Note 1)	Planned March 31/04	Variance
Office furniture and equipment	\$ 150	\$ 75	\$ (75)
Computer systems hardware and software	600	375	(225)
Leasehold improvements	<u>700</u>	<u>50</u>	<u>(650)</u>
	\$ <u>1,450</u>	\$ <u>500</u>	\$ <u>(950)</u>

- (1)** Given the significant variance in planned capital spending compared to the original plan, the Corporation submitted a revised capital budget for the year ending March 31, 2004, to the appropriate Minister for approval by the Treasury Board in November 2003 for approval. The revised capital budget, as shown above, was approved by the Treasury Board at its meeting on November 18, 2003.

Defence Construction (1951) Limited

Capital Budget

For the years ending March 31, 2003 to March 31, 2009
(in \$ thousands)

	<u>Actual March 31/03</u>	<u>Estimated March 31/04</u>	<u>Planned March 31/05</u>	<u>Planned March 31/06</u>	<u>Planned March 31/07</u>	<u>Planned March 31/08</u>	<u>Planned March 31/09</u>
Office furniture and equipment	\$ 148	\$ 150	\$ 208	\$ 125	\$ 125	\$ 125	\$ 125
Computer systems hardware and software	685	600	768	800	800	1,200	1,500
Leasehold improvements	71	700	20	10	10	10	10
	<u>\$ 904</u>	<u>\$ 1,450</u>	<u>\$ 996</u>	<u>\$ 935</u>	<u>\$ 935</u>	<u>\$ 1,335</u>	<u>\$ 1,635</u>

Appendix G

Defence Construction (1951) Limited

Operating Budget

For the year ending March 31, 2004

(in \$ thousands)

	Plan	Estimated	
	March 31/04	Actual	Variance
	March 31/04	March 31/04	
Revenue			
Services	\$ 25,584	\$ 28,948	\$ 3,364
Interest	107	114	7
	25,691	29,062	3,371
Expenses			
Salaries and benefits	20,526	23,363	2,837
Amortization of capital assets	677	851	174
Operating and administrative expenses	4,118	4,446	328
	25,321	28,660	3,339
Net Income	\$ 370	\$ 402	\$ 32