



**DEFENCE CONSTRUCTION (1951) LIMITED**

# **Corporate Plan Summary**

## **2009–2010 to 2013–2014**

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2009–2010

**Canada**

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Defence Construction (1951) Limited

# Corporate Plan Summary

2009–2010 to 2013–2014

## Executive Summary

Consistent with its mandate, Defence Construction Canada (the Corporation, or DCC) will provide high quality contracting, construction contract management and other related services to the Department of National Defence (DND) and the Canadian Forces (CF) over the next planning period.

At their 2008 annual strategic planning session, DCC's management team identified and discussed the planning context as well as the various strategic issues that will continue to influence the Corporation's activities for the next three to five years.

The planning context includes Government of Canada priorities, demand for services by DND and the CF, the capacity of the construction industry to respond to needs and requirements, and DCC's internal business management. The strategic issues that were seen as being particularly relevant to DCC's current strategic planning process include growth management, human resources, information technology, communication, and stakeholder relationships.

These five strategic issues are interrelated. They are also, in many ways, similar to the issues that were identified as important in the previous year's Corporate Plan. By building on the initiatives that are currently underway and by establishing some new initiatives, DCC is positioning itself to manage and consolidate growth it has experienced in recent years, anticipate future developments and support a new President and Chief Executive Officer.

The new initiatives for the 2009–10 planning period include: testing the effectiveness of DCC's industrial security initiatives; documenting DCC's human resources strategies and planning practices; completing the development of a records and document management system; and developing a strategic plan for information technology.

DCC is forecasting service revenue of approximately \$70 million for the current year ending March 31, 2009, representing an increase of 26% over the previous year. During the same period, staff strength is expected to increase to 715, representing an increase of 23% over the previous year.

Moving into the 2009–10 planning period, it is expected that demand will continue to be high for services related to infrastructure for new CF equipment, but spending on routine operation and maintenance could be reduced as a result of DND program review.

Beyond 2009–10, the planning assumption is that equipment-driven construction programs will proceed, but more slowly than originally scheduled, due to the DND approval process. At the same time, DCC management assumes that a spending restraint will occur in the foreseeable future, resulting in reduced DND spending on operation and maintenance and on “non-essential” value-added DCC services. While the forecast estimates no real growth from 2010 through to 2014, it nevertheless maintains DCC's operational activity and revenue generation at levels that are higher than the Corporation has experienced in decades.

Notwithstanding the risks and uncertainties in the forecasts and projections used in this Corporate Plan, DCC has created a structure and business model that can react and respond rapidly to changing requirements, and it is well positioned to do so as required as the outlook becomes clearer.





## Corporate Profile

### Service Lines and Practice Areas

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

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

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

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

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

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

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

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

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

## Client

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

DCC provides services to DND and the CF, however, there are a multitude of client groups within those two organizations. DND's Assistant Deputy Minister, Infrastructure and Environment (ADM(IE)) is the senior departmental manager of the DND-DCC relationship, and the Corporation supports the delivery of the capital construction program managed by the ADM(IE) group.

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

The Corporation supports the military engineer components of the operational and support commands in Canada and overseas, as well as Canada's NATO (North Atlantic Treaty Organization) allies, with training programs and facilities in Canada. DCC occasionally responds, within the scope of its mandate, to requests for support from other government departments and agencies involved in defence projects.

## Mandate and Role

### Legislative Framework and Mandate

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

The Letters Patent established DCC's mandate to carry out a wide range of procurement, disposal, construction, operation, maintenance and professional activities required to support the defence of Canada, particularly related to real and personal property, lands, and buildings. DCC's mandate was last formally reviewed in 2001, at which time the Minister of Public Works and Government Services endorsed it without change.

### Public Policy Role

Crown corporations are important instruments of public policy and DCC plays a role in advancing a number of the government's objectives. Specifically, DCC contributes to the results of DND and the CF in the defence of Canada by supporting CF operations, in Canada and overseas, in the areas of construction, maintenance, facility operation and specialized professional services to support project and program delivery.

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

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

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

The benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. Each year DCC makes available business opportunities valued at approximately \$450 to \$550 million. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

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

### Corporate Governance and Structure

DCC has an equity structure that consists of 1,000 authorized shares. Of those, 32 are issued. The Minister of Public Works and Government Services holds the majority of the shares (25), and each of the seven members of DCC's Board of Directors holds one qualifying share.

## Board of Directors and Committees

Appointments to DCC's Board of Directors are made by the Governor-in-Council on the recommendation of the Minister of Public Works and Government Services. DCC's Board is accountable to Parliament through this Minister. When Directors are appointed they sign a declaration regarding the *Conflict of Interest Act*.

As part of its overall stewardship responsibility, the Board of Directors:

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

DCC's Board members represent both public and private sectors and bring varied knowledge and experience to the Board, including engineering and construction, law, finance and federal public sector policy expertise. The Chairperson of the Board is a separate position from that of the President and CEO and the Board is able to conduct its business independently of management. The Chairperson of the Board is responsible for the effective functioning of the Board in the conduct of its overall duties and responsibilities. The Board provides oversight with respect to the Corporation's overall governance, corporate management, management of risk, and operations. It has three committees: the Audit Committee, the Governance Committee and the Nominating Committee.

The mandate of the Audit Committee is to assist the Board in its oversight responsibilities related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, compliance programs, and standards of ethics, integrity and behaviour. Pursuant to the *Federal Accountability Act*, the Audit Committee is independent of DCC management in that no officers or employees of DCC are members of the Committee.

The Governance Committee is responsible for evaluating corporate governance practices, recommending new or improved practices to the Board, and for leading the Board in its annual self-assessment of performance.

The Nominating Committee maintains the Board competency profile and makes recommendations to maintain or enhance compliance with the profile through the appointments of members of the Board. This Committee also makes recommendations regarding the reappointment of the Chairperson and plays an active role in the process to select a new President.

## Organizational and Management Structure

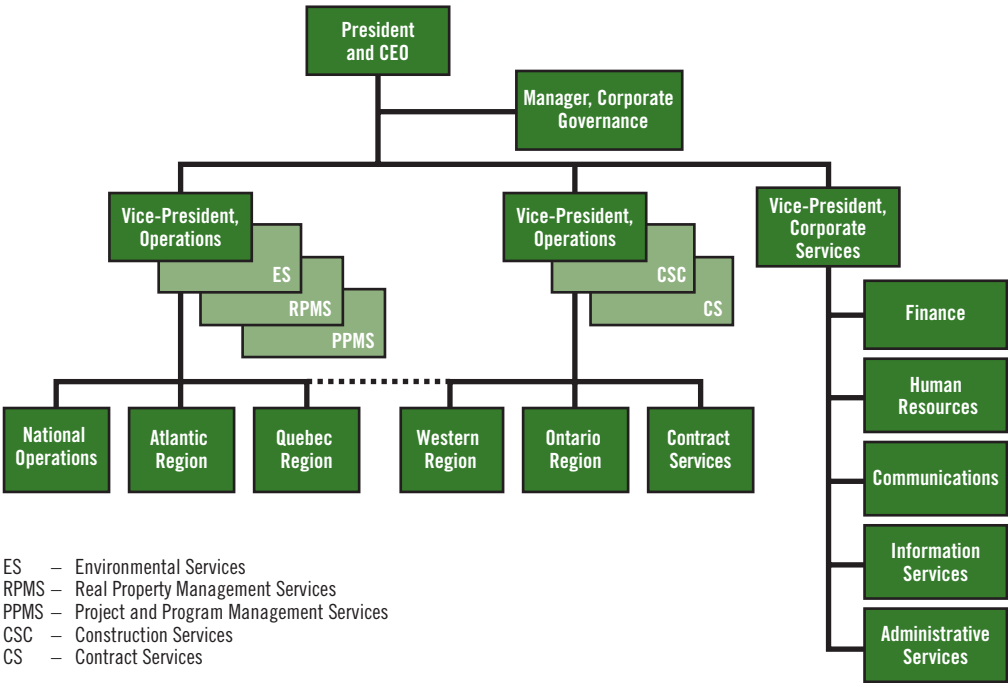
The President, who is also the Chief Executive Officer, is accountable to the Board of Directors for the overall management and performance of the Corporation. The Executive team, made up of the President and three Vice-Presidents, are all located at the Head Office in Ottawa.

The Vice-President, Corporate Services, who is also the Chief Financial Officer, is responsible for DCC's finance, human resources, information services, communications and administrative services functions.



Two Vice-Presidents, Operations, share responsibility for DCC service delivery and business management activities. Directors manage activities in the Western, Ontario, Quebec and Atlantic Regions through regional offices located in Edmonton, Kingston, Montreal, and Halifax. Directors operating in Ottawa manage Contract Services and National Operations activities.

DCC maintains site offices at all active CF establishments in Canada and in Kandahar, Afghanistan, as well as seasonal offices in the Far North as required for work on the Distant Early Warning Line and the North Warning System radar stations.



### Auditor

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

As it does every five years, in 2008 the Office of the Auditor General (OAG) conducted a special examination of DCC’s systems and practices. In particular, the examination reviewed DCC’s corporate governance, risk management, strategic planning, performance measurement and reporting, service delivery, human resources management, information technology management, and environmental management processes and results. The OAG made some recommendations to improve these practices and management has already incorporated actions into its Corporate Plan. DCC is very proud that, once again, no significant deficiencies were reported by the OAG.



## Corporate Planning and Strategic Issues

### Mission, Vision and Values

<b>Mission</b>	To deliver infrastructure and environmental projects and services required for the defence of Canada.
<b>Vision</b>	To be a leading provider of innovative solutions that add value for its client, foster growth in its people and make meaningful contributions to its industry.
<b>Values</b>	
Dedication	DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 57 years, DCC employees have dependably and diligently carried out that mission.
Fairness	DCC deals with its client, contract partners and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.
Competence	DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to the client's needs.

## Corporate Planning Process

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

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

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

The result of this analysis is the Corporate Plan which the Board of Directors reviews and approves at its fall meeting.

## Planning Context

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

**Government priorities:** The November 2008 Speech from the Throne reconfirmed the government's commitment to rebuild and arm the Canadian Forces, providing an indication that major construction programs in support of new equipment purchases will proceed as planned. However, at the same time, the government stated its intent to review all programs carefully to make sure that spending is as effective as possible. This program review could impact DCC if it results in any change to DND priorities and program spending in the 2009–10 defence budget. The Corporation will position itself to be flexible and responsive to fiscal strategies ranging from restraint to stimulation.

The Speech from the Throne stated that the government will strengthen and improve the management of all federal organizations, including Crown corporations, to achieve greater cost effectiveness and accountability. DCC is already well positioned in this regard.

**Service demand:** There is continued strong demand by DND for DCC's current services, as well as backlogged demand for new service offerings. Departmental plans and programs have not changed at the time of writing this plan, however, there is potential for a reassessment of priorities in response to either DND's strategic program review planned for 2009–10 (and its associated changes in funding profile) or to the government's overall fiscal and budget strategies. DND's approval system adds to the difficulty of scheduling and programming the demand for DCC services and will, in itself, moderate potential growth.

**Industry capacity:** The capacity of the industry to respond to design and construction needs of defence programs in a booming economy has been of strategic concern for several years now. The current economic situation will potentially ease the general demand on the construction industry and consequently ease the critical supply of both contractor capacity and skilled labour. Some slowdown has already been seen in some market sectors and in some regions, but not consistently across the country. DCC is entering a business cycle in which contractor performance will become more of a risk due to the limited or impaired financial capacity of individual firms.

**Internal business management:** Both the volume and the diversity of service demand continue to challenge the Corporation's agility and its speed of response to service demand. Despite the potential easing of labour market pressure due to cooling market conditions, workforce demographics and the ongoing requirement for very specialized expertise maintains the Corporate priority of recruitment and retention of skilled professionals in the near to medium future. Efforts will be maintained to adjust DCC process, procedure, controls and systems to suit the new scale of the Corporation. In particular, it will take continued management effort to embed the concept of service line management fully into the DCC culture. Effort will also be required to minimize the potential discontinuity in strategic leadership caused by the retirement of the President in 2009.

**OAG special examination:** The OAG's 2008 special examination played a role in DCC's strategic context and helped inform the Corporation's planning process. The key recommendations arising out of this examination related to three of DCC's corporate strategies: security management; human resources; and information technology. These recommendations have been identified as corporate initiatives and are discussed under the relevant planning themes.

### Managing DCC's Capabilities

The DCC management framework reflects the Corporation's continued focus on providing one sole output: value-added support to its clients. It does this by generating, developing and using its internal capability, when three key inputs – industry capability, clear requirements and necessary resources – are available. At the core of DCC's capability lie its employees with their knowledge, skills, expertise, innovative thinking, motivation and values. Supporting the core are DCC's processes, its structure and governance framework. The diagram below illustrates the relationship between these inputs, DCC capability and output.

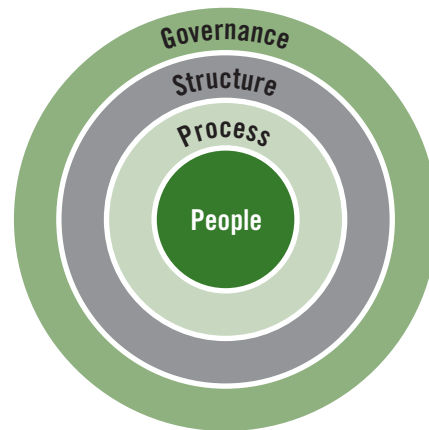
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## INPUTS

Industry  
Capability

DND  
Requirements

DND Resources



## OUTPUTS

Value-Added Support  
Services to DND

|———— DCC Capability ———|

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### Operational Outlook

DCC operations are affected and influenced by all of the factors referenced above, but service demand is driven solely by the requirements of DND/CF. There are many conflicting influences in the current planning horizon which are interpreted by management to have the following effect on the Corporation.

Demand will continue to be high in 2009–10 for services related to infrastructure for new CF equipment (i.e. strategic airlift, tactical airlift upgrades, Maritime helicopters). However, there is a possibility that routine operation and maintenance spending could be reduced as a result of DND program review. DCC's analysis of this scenario results in an estimate that service revenue will increase in 2009–10 by 8.3% over 2008–09, a considerably moderated growth rate compared to the current year.

Beyond 2010, the planning assumption is that equipment-driven construction programs will proceed, but more slowly than originally scheduled, due to the DND approval process. At the same time, DCC management assumes that a spending restraint will occur in the foreseeable future, resulting in reduced DND spending on operation and maintenance and on “non-essential” value-added DCC services. As a result, DCC estimates no real growth from 2010 through to 2014. This forecast maintains DCC operational activity and revenue generation at levels that are higher than the Corporation has experienced in decades.

The Corporation could be subject to significant service demand fluctuations due to the inherent uncertainty in the planning environment and the risks associated with the accuracy of projections in the planning horizon. At this point in time, the likelihood of materially lower activity levels is considered low, in the short term, while there is a low-to-moderate likelihood of somewhat higher activity levels. Planning based on the conservative end of the potential growth spectrum allows management to control overhead cost growth in the short term, a prudent management approach at this time. DCC has created a structure and business model that can respond rapidly to changing requirements and that is well positioned to do so as required when the outlook becomes clearer in 2009.



## Strategic Issues

Through the environmental scan and the analysis of various business inputs during the planning process, DCC senior management identified, assessed and prioritized a number of strategic issues of importance for the Corporation. Those considered to be of strategic importance for this planning period include: the management of growth, human resources, information technology, communications, and stakeholder relationships.

One could characterize the strategic situation as being driven entirely by growth. High DND demand for services in recent years has changed the relationship with client groups, tested DCC's management structure and systems by rapidly increasing the number of DCC employees, and, as a result, has stressed the Corporation's information systems, internal communications capability and human resource management structure. For example, the Corporation's workforce increased from approximately 606 as of March 31, 2008 to 704 at September 30, 2008. These new employees required the right tools to do their jobs and new or expanded enterprise system applications were identified as necessary to carry on business. To date the Corporation has responded very well to these pressures and continues to enhance its management capacity in a larger scale organization.

The DCC planning agenda in the short term will be characterized as one of consolidation of past growth and anticipation of future developments, with no major changes in strategy or policy in the short term. Management will maintain its focus on ensuring that human resources, systems and other elements of the corporate infrastructure meet the new scale requirements of the Corporation and on preparing to support a new President and Chief Executive Officer.

## Planning Themes, Outcomes, Initiatives and Performance Measures

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

Each planning theme has one strategic objective and a number of desired outcomes. There are 14 strategic outcomes and they are numbered consecutively under their relevant planning theme. If there is a strategic risk or opportunity that should be addressed in order to achieve a specific outcome, then a Corporate Plan initiative is identified. Not all strategic outcomes have an initiative.

The initiatives help direct DCC's efforts in the planning period. Some initiatives span more than one planning period and this is noted in the discussion under the relevant planning theme.

The performance measures currently used by the Corporation will be reviewed in the 2009–10 planning period and some changes may be made. This will be discussed in the next Corporate Plan.

As for the performance targets, no changes were made to any of the targets for the current planning period.

The Blueprint clearly sets out DCC's strategic plan overview and is included in the Appendix.

## PLANNING THEME 1: CORPORATE GOVERNANCE AND LEADERSHIP

### Introduction

DCC needs strong corporate governance, structure, policies, stewardship practices and controls in order to function as an effective instrument of public policy. The Board of Directors, Executive and senior management anchor DCC's governance regime, hence the strategic objective: **to provide strong and ethical leadership for the Corporation**. There are four strategic outcomes associated with this objective and one has a corporate initiative.

- 1. The Corporation supports government policies, including those related to employment equity, official languages, environmental stewardship, safety and security.*

In late 2006, the Auditor General and Parliament raised concerns about the management of industrial security on defence construction projects. As a result, in its 2008–09 Corporate Plan, DCC undertook the following initiative:

2008–09: Complete, refine or improve policies, practices and systems required to manage industrial security in accordance with DND requirements and the Government Security Policy.

In satisfying this initiative, DCC developed and implemented a corporate security initiative which included the development of policies and procedures, the preparation of local security plans, the establishment of a security organization and the training of DCC employees.

The Auditor General, in her 2008 special examination of DCC, recognized the effort that the Corporation had made and recommended that DCC management monitor progress and report on it to the Board of Directors.

Recognizing the importance of industrial security management and the need to create a culture of security in the Corporation, DCC has identified the following initiative for the 2009–2010 planning period:

**2009–10: Demonstrate the effectiveness of industrial security by conducting an internal audit and implementing recommendations. The results will be reported to the Board of Directors.**

- 2. The Corporation is accountable to the Government of Canada through transparent, ethical corporate governance and management.*

DCC seeks to apply best practices of corporate governance. In 2009, the Corporation will complete the implementation of the recommendations of the most recent Treasury Board Secretariat review of governance practices by holding its first annual public meeting and by working with the Minister of Public Works and Government Services to obtain planning guidance in the form of a statement of priorities and accountabilities.

In 2009 the President and CEO will retire. This will be a significant event for an organization that has had only four presidents in 57 years. A public selection process to replace the President and CEO will be implemented by the Board of Directors, through its Nominating Committee, in concert with the government.

### *3. Business and decision-making practices utilize the best of the public and private sectors.*

To maintain its strong relationship with the construction industry and to ensure that it continues to have access to the contractors and consultants necessary to satisfy the needs of DND/CF, DCC will ensure that its processes remain effective for industry, while at the same time being in compliance with applicable Government of Canada regulations. Furthermore, DCC will continue to work closely with the various levels and sectors of this industry to ensure alignment with new trends and standards of practice.

### *4. People relate to the Corporation's mission and objectives, and participate in achieving the desired outcomes.*

The challenges associated with the growth of the Corporation have highlighted the need for leadership development and for the empowerment of an emerging cadre of managers. Continued effort to enhance internal communications throughout DCC will enhance employee engagement and the self-directed participation of managers in achieving the strategic outcomes of the Corporation.

## **Key Performance Indicators and Corporate Plan Results for Corporate Governance and Leadership, 2008–2009 (to End of Second Quarter)**

### ***Environmental Incidents***

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

For the period ending September 30, 2008, no worksite environmental incidents resulting from DCC management actions were reported. This result is in line with DCC's target of zero incidents and maintains the record of zero incidents for the past several years.

<b>Work Site Environmental Incidents</b>		
<b>Results, 2007–08 Year-End</b>	<b>Target</b>	<b>Results, 2008–09 End of Second Quarter</b>
0	0	0

### ***Safety Incidents***

DCC tracks, reports and follows up on safety incidents and accidents involving its own employees that result in lost work time under DCC's Corporate Safety Program.

The target is no lost time safety incidents, however for the period ending September 30, 2008 there were four DCC employee safety accidents or incidents that resulted in 85 hours of lost time. This is double the number of incidents over the same period last year and is due in part to increased staff levels and to injuries resulting from weather conditions.

Safety Accidents or Incidents Involving DCC Employees Involving Lost Work Time		
Results, 2007–08 Year-End	Target	Results, 2008–09 End of Second Quarter
5 (63 hours lost)	0	4 (85 hours lost)

#### **Audit Results**

During this reporting period, the internal auditor reviewed the management practices of a number of corporate functions and business units, including Contract Services and Program and Project Management, and found them to be sound. The auditor also followed up on the recommendations for improvement made during previous audits of financial management and human resources. Furthermore, the Auditor General of Canada conducted a special examination of the Corporation. In her final report, a number of recommendations were made, but no significant deficiencies in DCC's operations or practices were found. The target for the number of significant deficiencies is zero and DCC is maintaining this target.

Significant Deficiencies Noted in Internal and external Audits		
Results, 2007–08 Year-End	Target	Results, 2008–09 End of Second Quarter
0	0	0

#### **Employment Equity Rating**

DCC has taken steps to improve its performance with respect to the government's employment equity objectives. The hiring of Aboriginal people has always been a challenge for DCC. In Human Resources and Social Development Canada's *2007 Annual Report on the Employment Equity Act*, DCC's performance rating for this category improved from "poor" to "average to less than average." This is a step in the right direction and DCC is confident that it will see further improvement in the next report.

DCC has carried out an employment equity awareness campaign, which should result in a better understanding of the importance of this program and of the Government's objectives.

Employment Equity Rating		
Category	Results, 2006	Results, 2007*
Women	B	B
Aboriginal people	D	C
Persons with disabilities	D	D
Visible minorities	A	A

\*Source: *Employment Equity Act 2007 Annual Report*, (Ottawa: HRSDC, 2007). This report uses data as at December 31, 2005.

## PLANNING THEME 2: PEOPLE

### Introduction

As a knowledge-based professional services organization, the primary value of the Corporation is vested in its people. The simple expression of the strategic objective of this theme is **to maintain a skilled, professional workforce** and the people planning theme aims to achieve two strategic outcomes, one of which has a corporate initiative for this planning period.

*5. Human resources policies and practices provide for: a healthy and productive work environment that supports innovation, collaboration and leadership; fair compensation and benefits; and growth and development for its people.*

The Board of Directors discusses strategic human resources issues at each meeting and DCC continuously looks to enhance its human resources policies and practices. Every Corporate Plan in recent years has had a major initiative focused on people, ranging from classification and compensation, to training and development. Growth in the number and diversity of DCC's people presents the greatest challenge for DCC today. In the first two quarters of 2008–09 DCC's staff grew by approximately 16% to 704 employees. With such an influx of employees, it is important to find people who are willing to stay and grow with the organization. It was this rate of growth in a difficult labour market that led to the following 2008–09 Corporate Plan initiative:

2008–09: Implement the recruitment and retention strategy developed in 2007–08, a task that includes integrating career development, training and succession planning into human resources management systems.

The key elements of the DCC strategy include the development of an applicant tracking and candidate relationship management system, a referral incentive program and an employee engagement survey. Progress is being made on all aspects of the initiative. The implementation of the strategy was designed to span several years, therefore, this initiative will continue into 2009–10:

**2009–10: Complete implementation of the recruitment and retention strategy.**

*6. The Corporation's human resources are managed to meet business and operational requirements.*

Operational human resources planning is carried out, for the most part, on a regional basis due to the nature of the work and the geographic source of people with the requisite skills and experience. DCC has been able to respond to the needs of its clients to this point in time, but the Corporation recognizes that the increased scale of operations requires a greater level of corporate human resources planning and support to operations. As a result, DCC will undertake the following initiative in 2009–10:

**2009–10: Document corporate human resources strategies and planning practices.**

DCC will formally document and organize its human resources strategies and planning practices that it currently uses to effectively manage its human resources needs. This initiative arose out of the recent special examination undertaken by the OAG.



## Key Performance Indicators and Corporate Plan Results for People, 2008–2009 (to End of Second Quarter)

### *Employee Retention Rate*

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

For the 2007–08 fiscal year, DCC met its annual target of 90% retention. For the six month period ending September 30, 2008, DCC's retention rate stood at 94%, which is only slightly lower than the 95.2% rate it reported for the same six month period last year. Final full year results will be presented in the Annual Report.

Employee Retention Rate		
Results, 2007–08 Year-End	Target	Results, 2008–09 End of Second Quarter
90.0%	90.0%	94.0%

### *Professional-Development-to-Salary Cost Ratio*

DCC has invested 3% of its annual salary costs in external employee training and development for approximately 20 years. In 2007–08 external training expenditures fell slightly short of that target at 2.5%, and year-to-date expenditures for the six month period ending September 30, 2008 were at 1.7% of salary cost compared to 2.1% for the same six month period in the previous year.

In the last several years the Corporation has invested heavily in the development of a curriculum of internal courses to meet key training and development needs. The general use of these courses is resulting in a reduction in the demand (and therefore the cost) of external training with a concurrent increase in the time spent on internal training. This is a positive return on the investment in course development. However, it also indicates a need to develop a new performance indicator that is not based solely on external training and development costs. DCC will change the primary indicator for 2009–10 to report the total annual investment in professional development, defined as a combination of direct expenditures and the cost of staff time spent on educational activities, expressed as a percentage of total salary costs. The target for 2009–10 will be 5%.

Professional-Development-to-Salary Cost Ratio		
Results, 2007–08 Year-End	Target	Results, 2008–09 End of Second Quarter
2.5%	3.0%	1.7%

## PLANNING THEME 3: STAKEHOLDER RELATIONSHIPS

### Introduction

Doing good work and achieving good results will not lead to success without positive and productive stakeholder relationships. Establishing and maintaining such relationships with partners in DND, industry and government have enabled DCC to successfully meet its objectives for decades. The essence of this strategic objective is **to be recognized for competence and value** by all stakeholders. This planning theme overlaps with the Service Delivery theme because having good stakeholder relationships helps DCC understand client needs and deliver the required services.

The Corporation seeks three strategic outcomes within this planning theme, and no corporate initiatives have been identified for this planning period.

#### *7. Industry seeks to maintain a solid working relationship with DCC.*

DCC maintains productive, interactive relationships with the Canadian Construction Association and its provincial and trade counterparts, the Association of Consulting Engineers of Canada, the Royal Architectural Institute of Canada, the Canadian Public Procurement Council and the Canadian Design-Build Institute. DCC also monitors developments in the insurance and surety industries in order to remain up-to-date on trends in risk management and contract security. Furthermore, DCC encourages its people to maintain industry certifications and designations that are relevant to their work.

DCC cannot satisfy DND's requirement for design, construction and scientific services without leveraging industry capacity. This is best done by maintaining a close working relationship with industry associations and their constituent firms. DCC accomplishes this by active participation in committees and events, assisting with the development of industry standard practices, and conducting procurement and contract management activities in a fair and transparent manner. There is an immediate return on the investment of time and resources in these activities at a time when the buyers of design and construction services are competing for the interest of consultants and contractors.

#### *8. The government recognizes the value of DCC as an agent of the Crown.*

DCC's value to government is manifested in a number of ways. The flexibilities afforded by DCC's Crown corporation status allow the Corporation to respond in a timely manner to the rapidly changing operational requirements of the CF/DND. At the same time DCC facilitates the stimulation of the economy and job creation by expeditiously presenting business opportunities to industry. Also, DCC's close relations with industry allow the Corporation to exercise a leadership role in enhancing industry-government relations by promoting the understanding of policy objectives and facilitating the exchange of ideas and practices.

*9. The CF and DND seek a strong DCC partnership to meet their corporate infrastructure and environmental needs.*

The services being demanded by the CF/DND have continued to grow in terms of quantity and scope. Within the last year, DCC has augmented its support to the real property policy and planning function, program and project management function, and to military operations. At the same time the effort invested in procuring and managing the department's construction programs is increasing. The Corporation is proud to be recognized increasingly as a full member of the Defence team. This strengthened relationship with the DND infrastructure and environment community and the CF military engineer branch has allowed DCC to both enhance its capability and increase its capacity to support the defence of Canada through joint planning, the development of new support services and improving response time to evolving requirements throughout the life cycle of projects, programs and operations.

**Key Performance Indicators and Corporate Plan Results for Stakeholder Relationships, 2008–2009 (to End of Second Quarter)**

In 2008–09, no new initiatives were identified by DCC under this theme, and none are planned for the 2009–10 planning period.

The only performance indicator related to stakeholder relationships is client satisfaction. Since this measure is even more indicative of the quality of service delivery it is reported under the next planning theme.

**PLANNING THEME 4: SERVICE DELIVERY**

**Introduction**

DCC's mission is to deliver the infrastructure and environmental projects and services required for the defence of Canada. DCC strives to ensure that it delivers high-quality, timely and efficient services to DND because achieving excellence in service delivery remains at the forefront of DCC's business strategy. This planning theme is closely linked to the Stakeholder Relations planning theme, because good relationships with both the client and the industry are essential to successful service delivery. The performance indicators for this planning theme are mostly operational ones and they help DCC keep track of various issues, even those that are outside of its control.

The strategic objective for this theme is **to ensure client requirements are met**. Ultimately, DCC's goal is to provide the infrastructure solutions to DND and CF requirements – for example, to provide a building, to remediate a contaminated site or to provide policy or project approval documentation. To do so, DCC tailors its services and deliverables so that it can effectively meet the scope, quality and schedule requirements of projects and programs.

There are three strategic outcomes that define DCC's success under this planning theme and no corporate initiatives have been identified for this planning period.

*10. The management and operational frameworks optimize service delivery.*

DCC has implemented a matrix management system over the last two years to effectively manage the larger scale of operations, and, at the same time, enhance the management of the quality of services provided to DND. Service line management processes and systems will contribute to maintaining, if not increasing, an already impressive client satisfaction rating.

DCC continues to review and improve its quality management systems. The Corporation engaged external experts to review the systems and identify further potential changes. DCC will review the recommendations for improvements and will evaluate and implement them as appropriate.

*11. DCC and client planning and information sharing are integrated to respond to client needs.*

This integration is a constant challenge given the number of people, organizational units, geographic locations and types of interactions between DND and DCC. Joint planning and the sharing of information are improving as DCC becomes more closely involved with the program and project management functions. Joint guidance to DND and DCC staff on processes such as industrial security and the preparation of service level arrangements, are examples of the continuing steps toward the integration of systems.

*12. DCC's knowledge of and relationship with industry enables DCC to leverage industry capacity to the client's benefit.*

This outcome relies on achieving the stakeholder relationship objective. DCC has always been well positioned in this respect, but the recent combination of high demand and low supply in the construction industry led DCC to establish the following service delivery initiative in the 2008–09 Corporate Plan:

2008–09: Review industry procurement and contract management needs, and amend DCC policies needed to promote industry interest in, and facilitate access to, defence business opportunities.

For this initiative, DCC has initiated the solicitation of feedback from the architectural, engineering and construction industries to identify barriers to effective partnerships in the delivery of defence projects, as well as to gather any suggestions as to how DCC processes, procedures and practices could be improved to facilitate industry interest in defence business opportunities. DCC will analyze the results and implement any productive recommendations in 2009–10:

**2009–10: Implement recommendations of process review and industry consultations.**

For the 2009–10 planning period, no new initiatives have been proposed. DCC will continue acting on the previous initiative to ensure its policies and practices remain appropriate.

## Key Performance Indicators and Corporate Plan Results for Service Delivery, 2008–2009 (to End of Second Quarter)

### *Timeliness of Procurement*

DND, contractors and consultants all have a common interest in having contracts awarded in an expeditious manner. DCC measures the timeliness of construction and professional service procurement against a number of pre-established performance targets for various solicitation methods. For the period ending September 30, 2008, the targets to have various types of construction contracts awarded within specified timeframes were exceeded by four or five days. For consultant or professional services contracts for the period ending September 30, 2008, the targets were all exceeded. There are a variety of reasons for extended procurement periods including staffing and work-flow changes, the increased complexity of contracts, and more demanding security requirements. A more detailed analysis will be carried out with the full year's experience. Management will revisit performance targets as required, and will revisit the need for revised or different indicators of corporate performance.

#### Timeliness of Procurement: Construction

(Total Days From Initial Contract Request to Award)

Indicator	Results, 2007–08 Year-End (Median)	Target (Median)	2008–09 End of Second Quarter (Median)
Regular tender	36 days	35 days	39 days
Tender Board*	28 days	25 days	30 days
Quick response	14 days	14 days	17 days
Design-build**	n/a	120 days	n/a

\* Tender boards are usually used to procure single trades and for contracts worth less than \$300,000. Quick response tenders are solicited from a pre-established list in cases where the expected contract value is less than \$100,000.

\*\* Design-build contracts are not reported due to the small number of contracts

#### Timeliness of Procurement: Consultant

(Total Days From Initial Contract Request to Award)

Indicator	Results, 2007–08 Year-End (Median)	Target (Median)	2008–09 End of Second Quarter (Median)
SELECT*	29 days	25 days	34 days
One-step proposal	65 days	60 days	104 days
Two-step proposal	162 days	120 days	182 days

\* SELECT is a database of approved suppliers that DCC uses to invite firms to bid on consulting opportunities worth up to \$100,000.



### ***Successful Contract Award***

Firms expect that their investment of time and money to prepare and submit tenders will result in the awarding of contracts at the end of the procurement process. By the end of the second quarter of 2008, 95% of DCC tender calls had resulted in the award of a contract. This figure is tracking well when compared to the successful award of 95.1% for 2007–08 fiscal year as well as to the 95.3% noted for the first two quarters of 2007–08.

<b>Successful Contract Award</b> (Percentage of Tenders Resulting in a Contract Award)		
<b>Indicator</b>	<b>Results, 2007–08 End of Second Quarter</b>	<b>Results, 2008–09 End of Second Quarter</b>
Tenders resulting in contracts	95.3%	95%

### ***Construction Contract Completions***

Once contracts are awarded, client satisfaction is influenced by contractor performance in completing contract work by the specified completion date. DCC works with all project stakeholders to maximize the timeliness of contract completion.

For the first half of 2008, 76% of construction projects were completed on time and 92% were being completed within 30 days of the contractual date. This represents a significant improvement over the same period in 2007.

<b>Construction Completion Timeliness</b> (Percentage of Contracts Finished by the Anticipated Completion Date)		
<b>Indicator</b>	<b>Results, 2007–08 Year-End</b>	<b>Results, 2008–09 End of Second Quarter</b>
Completion on time	68%	76%
Completed within 30 days of expected date	18%	16%
Completed more than 30 days after expected date	14%	8%

### ***Construction Contract Cost Growth***

Delays in the completion of work are commonly caused by contract changes. DCC tracks the sources of these changes and works with all project stakeholders to minimize the number of changes or to implement them in the least disruptive manner. As of September 30, 2008, overall performance for this measure has remained stable.

<b>Cost Growth of Construction Contracts</b> (Value of Contract Changes as a Percentage of Total Contract Value)		
Indicator	Results, 2007–08 Year-End	Results, 2008–09 End of Second Quarter
Changed or unknown site conditions	2.1%	4.7%
Design changes or new requirements	6.2%	5.8%
Other	1.2%	0.8%
<b>Total</b>	<b>9.5%</b>	<b>11.3%</b>

### ***Service Delivery Satisfaction***

Client satisfaction is important to DCC. The related performance indicator is satisfaction with DCC's service delivery. Service delivery satisfaction assessments are scored on a scale of one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." DCC defines satisfied clients as those who provide an overall rating of three or more.

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

## **PLANNING THEME 5: BUSINESS MANAGEMENT**

### **Introduction**

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

This planning theme was previously called Support to Service Delivery. The name was changed at the most recent planning session to better reflect the business activities that it encompasses.

There are two strategic objectives associated with this planning theme, one of which has two corporate initiatives.

*13. Corporate assets are safeguarded by effective internal control systems.*

DCC control systems are well established and have been proven to be reliable. One area for potential improvement is in the management of corporate security and, while not subject to the Government Security Policy (GSP) for non-operational activities, the Corporation is moving expeditiously towards full compliance with the GSP in all respects.

*14. Effective business operations practices, policies and tools support DCC's people and service delivery.*

The capacity of DCC's corporate infrastructure has been challenged in recent years by the rapid growth of the Corporation. The evolving demand for, and reliance on, information technology (IT) solutions are of increasing strategic significance. DCC has a number of IT development projects underway including those that affect business planning, forecasting, service billing and reporting. In the 2008–09 Corporate Plan, DCC identified the following corporate initiative:

2008–09: Undertake a needs analysis of the Corporation's records and document management requirements, keeping in mind future requirements for a knowledge management framework.

The needs analysis related to this project has been completed and DCC has identified certain IT solutions and tools that could be utilized to meet its business needs. The options analysis will be completed and the procurement and implementation of the selected system will begin in 2009–10. Therefore, for the 2009–10 planning period, the related corporate initiative is as follows:

**2009–10: Complete the development of the records and document management system.**

DCC intends to select an IT solution and to implement the policies and systems necessary to meet business requirements.

The scope and importance of IT support are such that DCC will also undertake the following initiative in 2009–10:

**2009–10: Develop an information technology strategic plan.**

A separate IT strategic plan is deemed necessary because of the complexity of the IT operational support requirement, the broad range of potential technology solutions, the speed of change of technology and the magnitude of investment in terms of both capital and labour. This plan will guide DCC in the identification and assessment of future IT requirements. This initiative arose out of the recent special examination undertaken by the OAG.

## Corporate Plan Results and Key Performance Indicators for Business Management, 2008–2009 (to End of Second Quarter)

### *Utilization Rate*

The utilization rate represents the hours DCC employees spend on contract-related functions (i.e. billable hours) as a percentage of total paid hours. It provides a measure of employee productivity and operational efficiency that can be compared to industry benchmarks. For the six month period ending September 30, 2008, DCC's utilization rate was 73.3% compared to 70.3% for the same period last year and 71.4% for the 12 month period ending March 31, 2008. DCC's annual target utilization rate is 70%. The improved efficiency was achieved through significant effort by management and staff in the current fiscal year to date.

<b>Utilization Rate</b> (Percentage of Employee Time Charged to Client Work)		
<b>Results, 2007–08 Year-End</b>	<b>Target</b>	<b>Results, 2008–09 End of Second Quarter</b>
71.4%	70.0%	73.3%

### *Direct Personnel Expense Multiplier*

The Direct Personnel Expense Multiplier (DPEM) is the factor by which a firm multiplies direct personnel expenses (i.e. billable hours) to recover all overhead costs. This factor is a key determinant of billing rates. DCC's DPEM for the six month period ending September 30, 2008 was 1.42, and was 1.41 for the same six month period last year, and was 1.40 for the year, ending March 31, 2008. A DPEM below the target range of 1.50 to 1.60 indicates an increase in efficiency and business volumes. The DPEM will likely remain below the target range for the remainder of the fiscal year 2008–09.

<b>Direct Personnel Expense Multiplier</b>		
<b>Results, 2007–08 Year-End</b>	<b>Target</b>	<b>Results, 2008–09 End of Second Quarter</b>
1.40	1.50–1.60	1.42



## Financial Plan

### Financial Management Policy

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

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 future operating plans and budgets.



## STATEMENT OF OPERATIONS

For the years ending March 31, 2008 to March 31, 2014 (in \$ thousands)							
	Actual March 31/08	Estimated March 31/09	Planned March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14
<b>Revenue</b>							
Services	\$ 55,458	\$ 69,816	\$ 75,631	\$ 77,900	\$ 80,237	\$ 82,644	\$ 85,123
Interest	258	222	294	365	431	487	531
	55,716	70,038	75,925	78,265	80,668	83,131	85,654
<b>Expenses</b>							
Salaries and employee benefits	49,343	60,144	66,082	68,064	70,106	72,209	74,375
Operating and administrative expenses	6,228	7,231	7,889	8,126	8,370	8,621	8,880
Amortization of property, plant and equipment	851	1,052	1,230	1,392	1,675	1,857	1,908
	56,422	68,427	75,201	77,582	80,151	82,687	85,163
<b>Net income (loss) and comprehensive income (loss)</b>	\$ (706)	\$ 1,611	\$ 724	\$ 683	\$ 517	\$ 444	\$ 491
<b>Retained earnings at beginning of year</b>	4,092	3,386	4,997	5,721	6,404	6,921	7,365
<b>Retained earnings at end of year</b>	\$ 3,386	\$ 4,997	\$ 5,721	\$ 6,404	\$ 6,921	\$ 7,365	\$ 7,856

The Corporation is forecasting services revenue of approximately \$69.8 million for the current year ending March 31, 2009, which represents an increase of approximately 26% from the previous year. About 3 percentage points of this increase are due to an average increase in billing rates and approximately 23 percentage points to an increase in work volume due to higher client demand for DCC services.

For the year ending March 31, 2010, services revenue is expected to increase by approximately 8% to \$75.6 million. The Corporation expects to increase billing rates in fiscal 2009–10 by approximately 4%. The remainder of the projected services revenue increase is attributable to anticipated increases in work volume and billable time.

For future plan years, revenue is projected to increase year over year by approximately 3%, in line with expected increases in salaries and benefits, with the goal of achieving close to break-even results. Business volume is assumed to remain constant over this period.

Interest revenue, which is generated from cash reserves, is forecasted to total approximately \$222,000 for the current year ending March 31, 2009, which is a decrease of approximately 14% over the previous year. The decrease is primarily the result of lower interest rates throughout the year.

For the year ending March 31, 2010, interest income is expected to be \$294,000 on the assumption that interest rates will remain constant but that the average cash balance throughout the year will increase. For future years, interest income has been projected to fluctuate based on anticipated cash levels, with no projected change in interest rates. Temporary cash surpluses are invested in accordance with the Corporation's investment policies, as approved by the Board of Directors.

Salaries and employee benefits expenses are forecasted to total approximately \$60.1 million for the current year ending March 31, 2009, representing an increase of approximately 22% over the previous year. This increase comprises approximately 4 percentage points for increases to wages and benefits and approximately 18 percentage points for staff increases related to higher levels of business activity, as discussed under services revenue (above) and staff strength (below).

For the year ending March 31, 2010, salaries and employee benefits expenses are projected to total approximately \$66.1 million, representing an increase of approximately 10% over the current year forecast. This increase comprises approximately 5 percentage points for increases in salaries and benefits and approximately 5 percentage points for staff increases related to the anticipated increase in services revenue and for additional support staff. For future years, the Corporation's financial forecasts assume an increase in salaries and benefits of approximately 3% year over year, with staff strength assumed to remain constant over this period.

Operating and administrative expenses are forecasted to total \$7.2 million for the current year ending March 31, 2009, representing an increase of approximately 16% over the previous year. Inflationary increases and DCC's growth have affected operating and administrative expenses. Some of the more significant changes include an increase in rent expense of \$309,000 or 21%, due to the Corporation's need for additional office space to accommodate employee growth across the regions and at head office and an increase in relocation expense of \$195,000 or 53%, due to an increase number of staff relocations to meet business requirements. Costs for office furniture and equipment, and computer hardware and software costs combined are also forecasted to increase by \$151,000 or 98% due to the increase in staff.

For the year ending March 31, 2010, operating and administrative expenses are projected to be approximately \$7.9 million, representing an increase of approximately 9% from the current year forecast. Some of this increase is due to inflationary adjustments to costs and the projected growth in business activity. On an individual item basis, employee training and development costs are projected to increase by 25%, due to staff increases and increased spending on these activities to reflect more traditional levels following a decrease in spending in the current fiscal year. Rent is expected to increase by 15%, due to a combination of higher rental fees, full year rental on new office space added during the previous fiscal year and anticipated requirements for additional office space to accommodate staff growth. Professional fees are projected to increase by 13%, in anticipation of higher spending on services related to the Corporation's enterprise resource planning (ERP) system, on consultants for special projects and on internal audit services. Business travel costs are expected to increase by 8% due to higher business activity.

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 property, plant and equipment is forecasted to total \$1.1 million in the current year ending March 31, 2009, representing an increase of approximately 24% from the previous year. This increase is related to the higher level of capital expenditures forecasted for the current year over the previous year, as noted below.

For the year ending March 31, 2010, amortization of property, plant and equipment is expected to total approximately \$1.2 million, representing an increase of approximately 17% from the current year forecast. This increase is primarily driven by the anticipated 16% increase in capital expenditures forecasted for the year ending March 31, 2010, as highlighted under the Capital Budgets section (below). Future annual projections for capital expenditures, also highlighted under Capital Budgets, will also affect the fluctuation in amortization over the remaining years of the plan.

A net income and comprehensive income of \$1.6 million is forecasted for the current year ending March 31, 2009, compared to a net loss and comprehensive loss of \$706,000 in the previous year. The improvement is mainly due to an increase in staff utilization rate and higher business volumes due to increased client demand for DCC services.

For the year ending March 31, 2010, a net income and comprehensive income of \$724,000 is projected which represents a net margin of less than 1% of revenues and is essentially a break-even result. For future years, the Corporation is planning to remain close to the break-even position.

## BALANCE SHEET

For the years ending March 31, 2008 to March 31, 2014 (in \$ thousands)							
	Actual March 31/08	Estimated March 31/09	Planned March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14
<b>Assets</b>							
Current:							
Cash	\$ 6,135	\$ 7,905	\$ 10,154	\$ 12,719	\$ 15,121	\$ 17,252	\$ 18,902
Due from related parties	9,500	12,050	13,054	13,446	13,849	14,265	14,692
Prepays, advances and accounts receivable	347	437	473	487	502	517	533
	15,982	20,392	23,681	26,652	29,472	32,034	34,127
Property, plant and equipment	1,529	1,820	2,149	2,357	2,382	2,325	2,417
	<b>\$ 17,511</b>	<b>\$ 22,212</b>	<b>\$ 25,830</b>	<b>\$ 29,009</b>	<b>\$ 31,854</b>	<b>\$ 34,359</b>	<b>\$ 36,544</b>
<b>Liabilities</b>							
Current:							
Accounts payable and accrued liabilities	\$ 4,074	\$ 4,730	\$ 5,160	\$ 5,315	\$ 5,474	\$ 5,638	\$ 5,807
Due to related parties	38	38	38	38	38	38	38
Current portion – provision for employee future benefits	228	278	428	628	928	1,328	1,828
	4,340	5,046	5,626	5,981	6,440	7,004	7,673
Provision for employee future benefits	9,785	12,169	14,483	16,624	18,493	19,990	21,015
	<b>14,125</b>	<b>17,215</b>	<b>20,109</b>	<b>22,605</b>	<b>24,933</b>	<b>26,994</b>	<b>28,688</b>
<b>Shareholders' equity</b>							
Share capital:							
Authorized – 1,000 common shares of no par value							
Issued – 32 common shares	–	–	–	–	–	–	–
Retained earnings	3,386	4,997	5,721	6,404	6,921	7,365	7,856
	<b>3,386</b>	<b>4,997</b>	<b>5,721</b>	<b>6,404</b>	<b>6,921</b>	<b>7,365</b>	<b>7,856</b>
	<b>\$ 17,511</b>	<b>\$ 22,212</b>	<b>\$ 25,830</b>	<b>\$ 29,009</b>	<b>\$ 31,854</b>	<b>\$ 34,359</b>	<b>\$ 36,544</b>

## LIQUIDITY AND CAPITAL RESOURCES

As noted earlier, the Corporation operates on a fee-for-services basis and receives no funding through government appropriations. 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 it 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.

The value of property, plant and equipment for the current year ending March 31, 2009, is expected to increase from the previous year by 19%. For the year ending March 31, 2010, the value of property, plant and equipment are expected to increase a further 18%. These fluctuations, and those for the remaining plan years, are directly tied to the projected levels of capital spending, as highlighted under the Capital Budgets section (below), and the amortization amount from year to year, based on the Corporation's amortization policies, as described in its annual report.

Accounts payable and accrued liabilities for the current year ending March 31, 2009, are expected to increase by approximately 16% from the previous year, and to increase by 9% in the year ending March 31, 2010. These fluctuations, and those of the subsequent plan years, are for the most part, tied to changes in the level of operating expenditures from year to year and the anticipated timing of payments to creditors.

The provision for employee future benefits represents the Corporation's liability for the estimated costs of severance for its employees, as well as health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and actuarial assumptions used. The provision for employee future benefits, including the current portion, is expected to total \$12.4 million at March 31, 2009, representing an increase of 24% over the previous year. For the year ending March 31, 2010, the provision is expected to increase by a further 20%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 7% to 16%. 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.

## STATEMENT OF CASH FLOWS

For the years ending March 31, 2008 to March 31, 2014 (in \$ thousands)							
	Actual March 31/08	Estimated March 31/09	Planned March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14
<b>Operating activities</b>							
Net income (loss) and comprehensive income (loss)	\$ (706)	\$ 1,611	\$ 724	\$ 683	\$ 517	\$ 444	\$ 491
Items not requiring cash:							
Provision for employee future benefits	2,027	2,662	2,742	2,769	2,797	2,825	2,853
Amortization	851	1,052	1,230	1,392	1,675	1,857	1,908
Employee severance and other benefits paid	(327)	(228)	(278)	(428)	(628)	(928)	(1,328)
Net increase (decrease) in non-cash working capital balances related to operations	(2,770)	(1,984)	(610)	(251)	(259)	(267)	(274)
	(925)	3,113	3,808	4,165	4,102	3,931	3,650
<b>Investing activities</b>							
Acquisition of property, plant and equipment	(785)	(1,343)	(1,559)	(1,600)	(1,700)	(1,800)	(2,000)
Increase (decrease) in cash during the year	(1,710)	1,770	2,249	2,565	2,402	2,131	1,650
Cash at beginning of the year	7,845	6,135	7,905	10,154	12,719	15,121	17,252
<b>Cash at the end of the year</b>	<b>\$ 6,135</b>	<b>\$ 7,905</b>	<b>\$ 10,154</b>	<b>\$ 12,719</b>	<b>\$ 15,121</b>	<b>\$ 17,252</b>	<b>\$ 18,902</b>

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 each fiscal year.



## STAFF STRENGTH

For the years ending March 31, 2008 to March 31, 2014							
	Actual March 31/08	Estimated March 31/09	Planned March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14
Employees based on full-time equivalents	583	715	748	748	748	748	748

Staff strength, which is presented on a full-time equivalent basis, is projected to be approximately 715 for the current year ending March 31, 2009. This figure represents an increase of approximately 23% from the previous year and is due to the increase in work volume and in the levels of business activity forecasted for the current year.

The full-time equivalent staff strength for the year ending March 31, 2010, is projected to be approximately 748 representing an increase of approximately 5% over the current year forecast. This increase is due to the projected increase in business activity and increases to support staff as mentioned above. Staff strength has been assumed to remain constant for the remaining years of the plan.

## CAPITAL BUDGETS

For the year ending March 31, 2009 (in \$ thousands)			
	Estimated March 31/09	Planned March 31/09	Variance
Office furniture and equipment	\$ 410	\$ 275	\$ 135
Computer systems hardware and software	641	950	(309)
Leasehold improvements	292	100	192
	<b>\$ 1,343</b>	<b>\$ 1,325</b>	<b>\$ 18</b>

The above table compares the latest estimated capital expenditures for the current year ending March 31, 2009, to planned expenditures. The schedule shows an expected overspending variance of \$18,000 or approximately 1%, due to the higher overall spending forecasted, in particular higher expenditures are forecasted for office furniture and equipment and leasehold improvements due to the higher than anticipated staff growth. Spending on computer systems hardware and software is projected to be lower than planned as certain planned systems improvement projects will be delayed until the next fiscal year.

## CAPITAL BUDGETS *(continued)*

For the years ending March 31, 2008 to March 31, 2014 <i>(in \$ thousands)</i>							
	Actual March 31/08	Estimated March 31/09	Planned March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14
Office furniture and equipment	\$ 97	\$ 410	\$ 462	\$ 450	\$ 400	\$ 400	\$ 400
Computer systems hardware and software	679	641	787	1,000	1,200	1,300	1,500
Leasehold improvements	9	292	310	150	100	100	100
	<b>\$ 785</b>	<b>\$ 1,343</b>	<b>\$ 1,559</b>	<b>\$ 1,600</b>	<b>\$ 1,700</b>	<b>\$ 1,800</b>	<b>\$ 2,000</b>

Capital expenditures for the current year ending March 31, 2009 are currently forecasted to be \$1.3 million, representing an increase of approximately 71% over the previous year. This increase is primarily the result of significant increases in spending for office furniture and equipment and for leasehold improvements, as a result of higher staff levels and the need for additional office space.

For the year ending March 31, 2010, capital expenditures are projected to be \$1.6 million, representing an increase of 16% over the forecast for the current year. This increase is due to anticipated higher spending on office furniture, office equipment, and computer software and hardware to accommodate staff growth, and anticipated spending on new software applications and tools. For the remaining plan years, increases from year to year ranging from 3% to 11% are forecasted. These forecasts reflect anticipated life-cycle replacement and upgrade of office accommodations, furniture and equipment, computer hardware systems, software and information technology infrastructure over the planning period.

## OPERATING BUDGET

For the year ending March 31, 2009 (in \$ thousands)			
	Planned March 31/09	Estimated March 31/09	Variance
<b>Revenue</b>			
Services	\$ 62,672	\$ 69,816	\$ 7,144
Interest	277	222	(55)
	<b>62,949</b>	<b>70,038</b>	<b>7,089</b>
<b>Expenses</b>			
Salaries and employee benefits	54,776	60,144	5,368
Operating and administrative expenses	7,072	7,231	159
Amortization of property, plant and equipment	1,154	1,052	(102)
	<b>63,002</b>	<b>68,427</b>	<b>5,425</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ (53)</b>	<b>\$ 1,611</b>	<b>\$ 1,664</b>

This schedule compares estimated operating results to planned results for the current year ending March 31, 2009. Services revenue is expected to be approximately 11% above plan. The increase is related to higher than anticipated business volume. Interest revenue is expected to be approximately 20% below plan, due to lower than anticipated interest rates throughout the year.

Salaries and employee benefits are expected to be approximately 10% above plan. The increase is due to higher than anticipated staffing levels needed to handle a higher volume of work, as previously discussed.

Operating and administrative expenses are expected to be approximately 2% above plan. The increase is due to the higher than anticipated level of business activity, which resulted in increased spending on various operating and administrative expenses, particularly for rent and relocation costs.

Amortization of property, plant and equipment is expected to be 9% below plan. Although capital expenditures are forecasted to be slightly higher than plan, the amortization is lower due to the distribution of expenditures among the various asset categories, which have different amortization rates.

The forecasted net income and comprehensive income is expected to be \$1.6 million versus a planned net loss and comprehensive loss of \$53,000. This significant variance is due primarily to improvements in the staff utilization rate, which is a measure of efficiency, and to higher business volumes.

## APPENDIX

# DEFENCE CONSTRUCTION CANADA STRATEGIC PLAN OVERVIEW, BLUEPRINT 2009–2010 TO 2013–2014

Government of Canada Key Policy Areas and Outcomes that DCC Supports									
SUSTAINABLE ECONOMY				CANADA'S SOCIAL FOUNDATIONS	CANADA'S PLACE IN THE WORLD	MANAGEMENT IN THE GOVERNMENT OF CANADA			
Sustainable economic growth	An innovative and knowledge-based economy	A fair and secure marketplace	A clean and healthy environment	An inclusive society that promotes linguistic duality and diversity	A safe and secure world	Crown corporation governance reform	Transparency (access to information and privacy)	Values and ethics in the public service	Government communications strategy

Mission	Vision
To deliver infrastructure and environmental projects and services required for the defence of Canada.	To be a leading provider of innovative solutions that add value for its client, foster growth in its people and make meaningful contributions to its industry.

Strategic Objectives and Outcomes, 2009–2014					
PLANNING THEME	Corporate Governance and Leadership	People	Stakeholder Relationships	Service Delivery	Business Management
STRATEGIC OBJECTIVE	To provide strong and ethical leadership for the Corporation.	To maintain a skilled, professional workforce.	To be recognized for our competence and value.	To meet client requirements.	To support service delivery capability.
STRATEGIC OUTCOMES AND 2009–2010 CORPORATE PLAN INITIATIVES	<ol style="list-style-type: none"> <li>The Corporation supports government policies, including those related to employment equity, official languages, environmental stewardship, safety and security.</li> </ol> <p><i>2009–10 Corporate Plan Initiative: DCC will demonstrate the effectiveness of industrial security by conducting an internal audit and implementing its recommendations. The results will be reported to the Board.</i></p> <ol style="list-style-type: none"> <li>The Corporation is accountable to the Government of Canada through transparent, ethical corporate governance and management.</li> <li>Business and decision-making practices utilize the best of the public and private sectors.</li> <li>People relate to the Corporation's mission and objectives, and participate in achieving the desired outcomes.</li> </ol>	<ol style="list-style-type: none"> <li>Human resources policies and practices provide for: <ul style="list-style-type: none"> <li>a healthy and productive work environment that supports innovation, collaboration and leadership;</li> <li>fair compensation and benefits; and</li> <li>growth and development for its people.</li> </ul> </li> <li>The Corporation's human resources are managed to meet business and operational requirements.</li> </ol> <p><i>2009–10 Complete implementation of the recruitment and retention strategy</i></p> <p><i>2009–10 Corporate Plan Initiative: Document DCC's human resources strategies and planning practices.</i></p>	<ol style="list-style-type: none"> <li>Industry seeks to maintain a solid working relationship with DCC.</li> <li>The government recognizes the value of DCC as an agent of the Crown.</li> <li>The CF and DND seek a strong DCC partnership to meet their corporate infrastructure and environmental needs.</li> </ol>	<ol style="list-style-type: none"> <li>The management and operational frameworks optimize service delivery.</li> <li>DCC and client planning and information sharing are integrated to respond to client needs.</li> <li>DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity to the client's benefit.</li> </ol> <p><i>2009–10 Implement recommendations of process review and industry consultations</i></p>	<ol style="list-style-type: none"> <li>Corporate assets are safeguarded by effective internal control systems.</li> <li>Effective business operations practices, policies and tools support DCC's people and service delivery.</li> </ol> <p><i>2009–10 Corporate Plan Initiative: Complete the development of the records and document management system.</i></p> <p><i>2009–10 Corporate Plan Initiative: DCC will develop an IT strategic plan.</i></p>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Environmental incidents</li> <li>Safety incidents</li> <li>Audit results</li> <li>Employment equity rating</li> </ul>	<ul style="list-style-type: none"> <li>Employee retention rate</li> <li>Professional-development-to-salary cost ratio</li> </ul>		<ul style="list-style-type: none"> <li>Timeliness of procurement</li> <li>Successful contract award</li> <li>Construction completion timeliness</li> <li>Construction contract cost growth</li> </ul>	<ul style="list-style-type: none"> <li>Utilization rate</li> <li>Direct personnel expense multiplier</li> </ul>