

Defence Construction (1951) Limited
Corporate Plan
2006–2007 to 2010–2011
including the
Operating and Capital Budgets for the
2006–2007 Budget Year

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Executive Summary

The mission of Defence Construction Canada (DCC, or the Corporation) 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. Staff levels have increased by 20% and DCC forecasts an increase of 14% in revenue by the end of the fiscal year. Both of these increases are the result of a higher volume of work. One of the major growth areas for DCC is the provision of environmental and infrastructure support services for DND.

Looking forward, changes within the CF and DND will have a significant impact on the Corporation. In particular, the CF will redefine its role, capability and structure over the next several years in a process called CF Transformation. DND will eventually realign itself with the outcome of CF Transformation and, consequently, DCC may have to modify the scope, content and structure of its service delivery.

The Corporation's significant growth over the past several years, coupled with the potential impacts of CF Transformation, have led DCC to prepare itself for an evolution in its business structure. The service line matrix initiative, which leverages resources, professional expertise and business line growth along functional lines rather than through a regional geographic management structure, is designed to address any future changes.

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. Halfway through last year, DCC decided to review its job classification system. This decision was due primarily to the sudden growth in the number of DCC employees, particularly in specialty service lines, who were bringing unique and diverse qualifications to the Corporation. The results of this review will be reported in the second half of 2005–06, with implementation in 2006–07.

Good governance, corporate values and ethics remain at the forefront of DCC's planning strategy. In 2006–07, DCC will continue to monitor any government-led changes to the procedure for managing the governance of Crown corporations, and will respond accordingly to ensure continued transparency and accountability.

Corporate Profile

Mission

The primary 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. DCC will support the timely delivery of defined projects or supplies for other government departments and agencies in accordance with its mandate.

Vision

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.

Values

Dedication

DCC is dedicated to supporting the infrastructure and environment requirements of the Department of National Defence. For over half a century, 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 interests 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.

Governing Legislation

Defence Construction (1951) Limited was created under a clause of the *Defence Production Act* and was incorporated by Letters Patent pursuant to the *Companies Act* of 1934. It was granted continuance under the *Canada Business Corporations Act* of 1978. The Corporation is listed in Schedule III, Part I of the *Financial Administration Act*, and DCC follows the governance, planning, reporting, and internal and external audit practices as established in Part X of that legislation. The Corporation, commonly known as Defence Construction Canada or DCC, is accountable to Parliament through the Minister of Public Works and Government Services.

Mandate and Public Policy Role

The Corporation's mandate, set out in its Letters Patent, allows DCC to provide a wide variety of property-related services in support of the timely delivery of defence projects or supplies. The Minister of Public Works and Government Services reviewed this mandate and renewed it without change in 2001. In May 2001, a new memorandum of understanding (MOU) between DND and DCC was signed to update the terms of the working relationship.

DCC's traditional business was focused on services related to construction. However, the Corporation has more completely fulfilled its mandate over the past 15 years by also providing other value-added services, such as project management support, environmental services and operational support services.

DCC plays a role in achieving several key policy objectives of the Government of Canada. First, DCC contributes to the results of DND and the CF in the defence of Canada and of world security. DCC's growth in recent years reflects civilian resources' growing support of CF members. The Corporation supports deployed operations, both domestically and overseas, in the areas of construction, maintenance, environmental project and program delivery, facilities management and the provision of various specialized professional services.

The Corporation plays a role in Canada's sustainable economic growth, particularly by supporting DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings.

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

The Corporation works closely with various levels and sectors of the Canadian construction and consulting industries to ensure alignment with industry trends and standard practices. DCC carries out all of its activities in compliance with law and government policy objectives of a more general application, including those related to corporate governance, innovation, employment equity, official languages, access to information, privacy, transparency, environmental protection, ethics and communications.

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 has 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 Primary Client

Operationally and administratively, DCC deals with many organizations within DND. The Infrastructure and Environment Group (IE) of National Defence Headquarters (NDHQ) is the principal point of contact for centrally managed capital construction 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 contracts for and manages 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. As other government departments and agencies assume roles in Canada's changing defence environment, DCC will be responsive to requests for support within the scope of its mandate.

Contractors and Consultants

Although DCC creates value for the citizens of Canada, the Corporation does not serve the general public directly. Instead, private sector consultants and contractors constitute the specialized "public" that interacts with DCC. For that reason, it is important for everyone at DCC to be aware of what is happening in the industry.

DCC employees interact with contractors on job sites every day. However, there are also frequent, more formal, exchanges with the Canadian Construction Association (CCA) and its provincial and trade counterparts. These interactions help keep DCC abreast of developments in the industry and bring a useful measure of realism to interactions between DCC and its contractors. DCC keeps in touch with the insurance industry to learn of trends in risk

management, and with the surety industry to find out about developments in contract security. Representatives of DCC continue to sit on committees and maintain relationships with such groups as the Association of Consulting Engineers of Canada (ACEC), the Royal Architectural Institute of Canada (RAIC), the Canadian Public Procurement Council (CPPC), and the Canadian Design-Build Institute (CDBI). Keeping current with industry standards is critical to DCC's ability to deliver service. Consequently, DCC encourages its employees to develop their professional skills. The Corporation helps employees maintain industry certifications and designations relevant to their work, such as the CCA Gold Seal and the Project Management Institute's Project Management Professional (PMP) certification.

Service Lines and Practice Areas

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 service lines and practice areas.

Procurement of professional services, construction services, maintenance services and goods, including procurement and solicitation planning, preparation of tender documents, solicitation and evaluation of bids, awarding of contracts, market assessment and bidability reviews.

Contract Management includes administering contract payments, change management, risk management, document and schedule control, quality assurance, quality audit, dispute mitigation and resolution, claims management, performance assessment and warranty management. The following two practice areas fall under contract management.

Commissioning: DCC's capabilities in mechanical, electrical and other infrastructure-related disciplines ensure that building systems are designed, installed, functionally tested and capable of meeting the client's operational needs before the facility is turned over to the client.

Quality Audit and Evaluation: DCC uses a comprehensive system to assess project and construction management processes. An integrated series of activities focuses on investigating and confirming whether processes and activities comply with contract and quality requirements. Quality auditing gives the client confidence that the contractor has achieved the quality requirements of the contract. It also identifies potential areas of non-conformance and ensures that they are tracked and corrected.

Environmental Services include 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 includes the control of scope, costs and schedule, as well as program planning and the preparation of scope documents, such as terms of reference and statements of requirement.

Infrastructure Support Services include facilities management, production of building condition reports, life safety system management, maintenance contract management, utilities management and recapitalization planning. The following four practice areas fall under the infrastructure and support service line.

Energy Support Services: DCC provides specialized assistance to bases in the areas of co-generation and analysis of re-capitalization requirements. This assistance includes energy performance contracting services.

Sustainable Practices: DCC provides expert advice on sustainable practices, including green building technologies and LEED certifications.

Real Property Support: This advisory service includes realty asset life cycle management from the time the client identifies a need for such management until the client disposes of the real property.

Deployed Operations Support: DCC offers procurement, quality assurance and contract administration for the CF overseas.

Corporate Funding and Equity Structure

DCC operates under a service billing system and delivers services to DND on a full cost-recovery basis. 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.

Banker: The Royal Bank of Canada

Auditor: The Auditor General of Canada

Governance

Members of the DCC Board of Directors are appointed by the Governor-in-Council on the recommendation of the Minister of Public Works and Government Services, through whom DCC reports to Parliament. The Board's profile reflects public and private sector experience, including engineering and construction, law, finance and federal public sector policy expertise. The Chair of the Board is separate from the CEO and the Board is able to operate independently of management. The Board has designated a lead director for governance issues in recognition of the vital importance of the Board's stewardship responsibilities. An audit committee ensures the efficiency and accuracy of operations, and a nominating committee administers the appointments process.

Success Factors

Five characteristics of DCC's services allow the Corporation to deliver quality service consistently to DND operations. These factors have a direct impact on the viability of the Corporation.

Focus: For over half a century, DCC has had a single focus on a major client and, consequently, has developed an understanding of the client's needs and preferred approaches. This unique characteristic makes DCC unlike any other organization of this size in either the private sector or the public sector.

Service: Standing midway between the public and private sectors, DCC knows how both the construction industry and the government work. This knowledge allows DCC to effectively communicate requirements to both the client and external service providers.

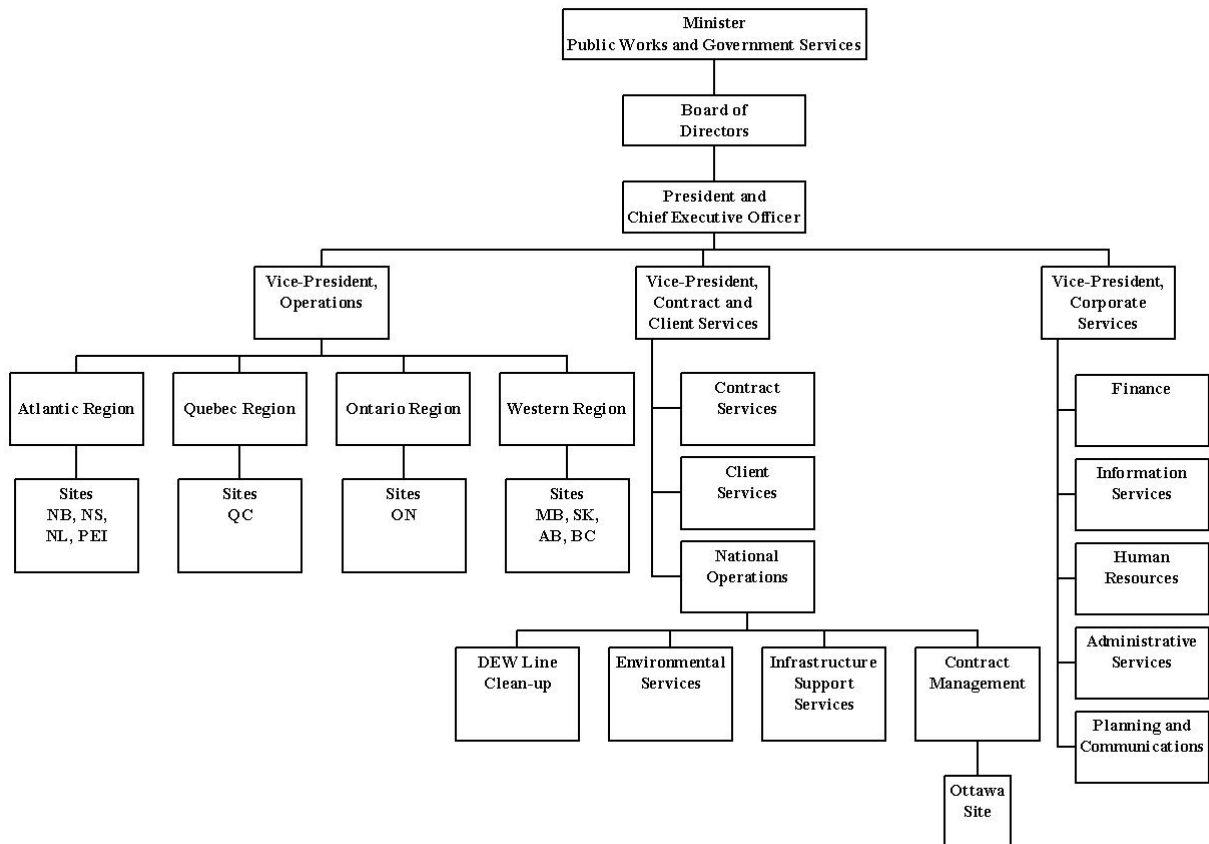
Delivery: DCC provides immediate and reliable access to technical and administrative expertise and, unlike many providers of similar services, does so on a continuing basis at the work site.

Flexibility: As a Crown corporation, DCC can manage its staff and administer projects with efficiency and flexibility equal to that of the private sector.

Value: DCC seeks cost-effective solutions to DND's technical needs and maintains low overhead costs in providing its services.

Organizational Structure

DCC's executive consists of the President and Chief Executive Officer; the Vice-President, Operations, and Chief Engineer; 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 the Contract Services Division, Corporate Services Division and National Operations Group, is located in Ottawa. The Operations Division includes site offices at all active CF establishments in Canada, which are managed by four regional offices (Atlantic, Quebec, Ontario and Western). In addition, DCC maintains seasonal remote offices in the Arctic, as required for the DEW Line Clean-up Project. As part of its support to CF operations deployed abroad, the Corporation establishes site offices on location, as required.



Strategic Issues

There are five areas of the external business environment in which events or evolving situations could have a strategic impact on the Corporation's business in the short or long term.

Changes within the CF and DND remain the most significant of these potential areas. Of particular relevance is that the CF will undergo a redefinition of its role, capability and structure over the next several years in a process called CF Transformation. DND will eventually realign itself with the outcome of CF Transformation and, consequently, DCC may have to modify the scope, content and structure of its service delivery.

DCC has already started a similar type of transformation in response to recent growth in business volume by implementing a matrix style of management of its service delivery process. While the Corporation continues to respond to the needs of the CF and DND, rather than trying to lead change, this growth is expected to continue as DCC responds to the demand for increased levels of service.

Both the public and private sectors in Canada are increasing their focus on effective corporate governance. This is also a strategic priority for both the Board of Directors and management of the Corporation. Recent external events have demonstrated the importance of a sound corporate culture and its associated values and ethics. DCC has an excellent track record in this regard, but the Corporation will be highlighting the importance of values and ethics even more in the short term to reinforce good governance efforts.

Finally, although the Corporation has not had to change its program delivery strategy in recent years, due to the state of the Canadian construction industry, current demand in parts of the country has raised issues of industry supply capacity, productivity and competition. DCC will be considering these factors in its future program delivery planning.

CF Transformation

The nature of DCC's business is intricately linked with that of the CF and DND. Consequently, what lies ahead for Canada's two key defence organizations will have a significant strategic impact on the business of the Corporation.

Over the past several years, there has been a shift in the national and international security environment. The types of threats that have an impact on stability at home and abroad have changed, from the traditional threat of attack by another country by sea, land or air, to threats by groups or individuals who would like to destabilize the world through terrorism tactics and well-armed militias.

It is through CF Transformation that Canada will be able to better defend its interests against these threats. The forces will be restructured into four formations to suit a new focus on joint operations: Canada Command (CANADA COM), accountable for defence in North America; the Canadian Expeditionary Force Command (CEFCOM), responsible for defence outside North America; Canada Forces Special Operations Command (CANSOFCOM), capable of responding

to terrorism threats to Canadians and Canadian interests abroad; and the General Support Formation, accountable for infrastructure and logistical support.

DND is expected to align itself accordingly as transformation proceeds. There undoubtedly will be repercussions for DCC over the next few years as this realignment is completed. The final outcome is not yet defined and DCC will position itself, as always, to provide support to DND when it is required.

Business Growth and Human Resources

As anticipated in past corporate plans, DCC's business has grown on many fronts. Over the past three years, DCC's staff count has increased by 52%. Last year, revenue increased by 18%, continuing the growth trend DCC has experienced over the past several years. Although DND's overall spending on construction and maintenance has remained consistent at approximately \$450 million annually, the Corporation has grown due to increasing demand for specialty services, such as environmental remediation, facilities management and project management support. Last year, 33% of DCC's total revenue came from these service areas.

The increase in staff strength has predictably changed the demographics of the company. At the end of the second quarter of this fiscal year, 62% of DCC employees had been with the Corporation for less than five years. This is a significant number of people without much long-term exposure to the culture, history and practices of the Corporation. A strong and knowledgeable team that understands the scope of its authority is essential to sound leadership for the Corporation. As a result, DCC will increase already augmented resources aimed at strategic recruitment; employee orientation, training and development; internal communications; and succession planning.

Canadian Policy Environment

Over the past several years, events in the private and public sectors have had a significant impact on the way business is conducted. Public stakeholders demand complete transparency and accountability for all operations and management activities. DCC is participating in government-wide policy reviews and strives to ensure that its business practices are in line with the intent of central agencies. The Corporation is committed to implementing promptly and proactively any regulations, guidelines or best practices that result from these reviews.

Recently, there have been several reviews of direct relevance to DCC's business. The Parliamentary Task Force on Procurement Reform concluded that "there is a need for speed, ease, fairness and transparency, cost-effectiveness, in a procurement system, and [it] is based on a foundation of integrity, accountability and transparency." The Task Force also made a number of recommendations regarding personnel who work in contracting. For example, it called for "recognition of the need for appropriate qualifications and abilities, and the establishment of training programs and a centre of knowledge management to ensure ongoing human resource development." DCC has already integrated these elements into its business philosophy and operations.

In fall 2005, the President of the Treasury Board announced key initiatives in the Government of Canada's management improvement agenda. This agenda is aimed at strengthening

accountability, responsiveness and innovation within government, with formal training for public servants to be provided through the Canada School of Public Service. Once again, DCC's philosophy parallels this thinking. Corporation initiatives, particularly the training and development initiative undertaken several years ago, are in accordance with the current policy of the Government of Canada.

Finally, early in 2005, the Minister of the Environment announced the implementation of Project Green, designed to help Canada meet its commitment to climate change prevention, and to create a healthy environment and vibrant economy. This policy delete will have long-term effects for all departments and agencies, as Canada strives to meet its commitments to reduce pollution and environmental contaminants. DCC remains ready to provide DND with any support it needs to fulfill its environmental sustainability commitments.

Ethics and Values

Professional ethics and personal integrity have been keystones of DCC's business conduct for 55 years. Good corporate governance and high expectations in this area are a foundation of daily life at DCC, maintained through internal quality management, auditing and strong leadership. The Auditor General's last three Special Examinations did not identify any significant deficiencies in DCC's business practices. DCC employees are aware of their right to report questionable practices directly to the Board through the disclosure policy of the Code of Business Conduct. In fall 2005, the Parliamentary Standing Committee on Government Operations and Estimates acknowledged the solid performance of the President and Chief Executive Officer and unanimously supported his reappointment for a further four-year term.

The Corporation will continue to monitor changes in government policy, especially those that relate to ethics, and will modify its business procedures as required. In the coming planning period, there may be the opportunity to review additional measures flowing from the *Review of the Governance Framework for Canada's Crown Corporations: Meeting the Expectations of Canadians* is released.

Construction Industry

The construction industry experiences activity cycles related to the economic influences of house building, manufacturing and resource development, to name a few factors. The Canadian industry is currently experiencing a boom, and demand is surpassing supply in some areas of the country. This situation affects the quality and number of contractors who respond to DCC's tenders, so the Corporation is monitoring interest in procurement opportunities to ensure good competition for contracts.

High demand in the industry also affects DCC's ability to recruit and retain qualified staff. Despite increased pressure, particularly in Alberta and British Columbia, DCC has been able to attract and retain adequate staff to fulfill its mandate. Forward-looking research carried out by the Construction Sector Council Labour Market Initiative indicates that competition for skilled labour will continue to be a challenge in the foreseeable future.

Objectives, Outcomes and Performance Measures

Although the scale and scope of business activity at DCC have become much more complex than they were in the 1950s, the strategic priorities and objectives that defined the organization then remain true and relevant for the Corporation today.

Strong, ethical and fair leadership, generating value for the client, interacting with the industry, and keeping the internal structure of the organization efficient and effective are the principles under which all business activity is carried out, from the most senior strategic level to the day-to-day operations of the Corporation.

The four strategic themes of **corporate governance and leadership**, **service delivery**, **managing stakeholder relationships**, and **corporate support and organizational capability** shape all planning at DCC. Each year, as the various levels within DCC engage in the planning process, the process is continually reviewed to ensure that it is achieving the desired outcome. The executive team determines the strategic direction. Team members then develop individual group business plans with their employees to support the strategic direction.

Performance measures are used to demonstrate the Corporation's overall success in achieving each theme's objectives. In most cases, DCC evaluates performance against either a target or benchmark. Where there are no specific quantitative measures, DCC makes a qualitative analysis. The Corporation's planning cycle is based on a fiscal year from April 1 to March 31.

Corporate Governance and Leadership

Operating a business, especially one that is accountable to all Canadians, demands the utmost in accountability, fairness, trust and transparency of operations. Given DCC's status as a Crown corporation, ensuring that ethical and appropriate business practices exist at all levels in the workplace is critical.

The nature of DCC's business sees the Corporation regularly entering into multi-million-dollar contracts with many contractors and consultants. DCC regularly reviews business practices and management procedures to ensure that regulations are strictly followed.

The governance and leadership of DCC remain at the forefront of its planning process and the objective of this theme remains clear: ***to ensure the success of DCC's mission through the strong and ethical leadership of the Corporation***. Success in governance is a concept with many layers. It touches on day-to-day policy and procedural requirements that affect the workplace and the everyday lives of employees. It also affects the way DCC, in its role as a Crown corporation, supports the wide-ranging policy objectives of the Government of Canada, including those fulfilled through the programs and operations of DND and the CF.

Looking at the scope of governance and leadership, DCC has identified eight strategic outcomes that indicate strong governance and leadership capacity. The overall quality of DCC's governance and leadership can be determined by the current status of each of these outcomes. All are important for strong governance and leadership; however, the degree of focus that each receives over the next five years may vary, depending on the current business environment,

external client requirements and internal changes. The Corporation reviews each outcome during the strategic planning process to identify any gaps. Once DCC identifies an area as needing improvement, senior management—overseen by the executive team—implements and manages the action at the business planning level.

DCC recognizes the following outcomes as vital to its corporate governance and leadership capacity.

1. **Efficient and effective business practices that represent a balance of the private and public sectors.** Employing standard procedures that respect regulatory guidelines while meeting client service requirements remains a key component of service delivery.
2. **Compliance with all areas of government policy as they pertain to the Corporation.** Upholding policy requirements, as defined by the Government of Canada for the Corporation, and taking action to close any gaps is a commitment that DCC takes very seriously.
3. **Clear and effective internal communications throughout the Corporation.** Establishing and preserving an open environment among employees at all levels is critical to team development.
4. **Operations conducted in a way that protects both the environment and employee health and safety.** DCC's business practices are designed and carried out with due consideration for environmental stewardship and for the safety of the Corporation's employees, wherever business is conducted.
5. **Active employee support for the Corporation's innovation agenda through regular development of new and creative practices.** The Corporation recognizes and promotes the need to develop systems and ways of doing business that are effective and generate positive benefits for the client and for employees.
6. **Management decisions made with reliable and timely financial, human resources and operational information.** The credibility of an organization rests on its collective intellectual property. Consequently, it remains of strategic importance that there are reliable systems for generating corporate data in place, and that the interests of the Corporation are secured.
7. **Structure and control systems that respond to the increasing diversity and volume of services.** Flexibility in business structure is a key success factor for the Corporation. To maintain this flexibility, there must be a structure in place to handle fluctuations in business, such as growth or downsizing.
8. **Business and management practices that meet government expectations related to values and ethics.** Having effective business practices is only half of the equation when it comes to transacting business. As an agent of the Crown, DCC believes in leading by example. To that end, the Corporation conducts its business both practically and in the spirit of Canadian expectations related to values and ethics.

Corporate Governance and Leadership: Performance

It is important to the viability of the Corporation to ensure the presence of sound values and ethics in the workplace. Over the past three years, the size of DCC's workforce has increased by 52%. As a result of this significant growth, many employees do not have long-term exposure to the culture, history and practices of the Corporation. DCC is aware that a strong and knowledgeable team that understands the scope of its authority is a major factor in the Corporation's ability to provide leadership and continuity. New employees need to be brought up to speed quickly on the way DCC conducts business. Consequently, staff training and development related to both technical skills and corporate governance is a priority at all levels.

During the first six months of 2005–06, the Corporation remained committed to nurturing the competency base of its employees and their quality of life on the job. Building on the training and development framework completed in 2004–05, DCC reached several major milestones this year. These milestones included the development of a new formal employee orientation program, an in-house seminar targeting senior managers, several major training modules, and the hiring of training and development coordinators.

In 2006–07, DCC will continue to implement the new course structure and deliver the training and development program. The administration of this program, which was originally conceived to further the concepts of governance and leadership, will move to the theme of corporate support and organizational capability for planning purposes. Once fully established, this training and development program will not only strengthen the organizational leadership of the Corporation but will also build the capacities of individual DCC employees.

In 2006–07, DCC will also develop an internal communications strategy. In some ways, the objective of this initiative is similar to that of the training and development initiative: team and individual employee development. Overall, this initiative is designed to ensure that there are mechanisms in place to ensure the flow of information throughout the Corporation as the numbers of employees and services grow.

DCC regularly monitors the activity of the public service to ensure that the Corporation is in step with Government of Canada policy. The intent of the Corporation's training and development initiative mirrors that of the policy on learning, training and development that the Treasury Board Secretariat announced in 2005. Similarly, there are other areas where DCC activity supports and upholds Government of Canada policy, and where there will be activity in 2006–07.

The Corporation strives to comply fully with the *Employment Equity Act* and the *Official Languages Act*. In some situations, full compliance is a challenge, due to DCC's specialized job requirements and the geographic barriers to workforce mobility. To address those challenges, DCC will review its current recruitment strategy in 2006–07 to determine how it can better reach targeted groups so that the DCC employee population reflects the current profile of the Canadian population. In addition, DCC has engaged Statistics Canada to carry out surveys in selected areas to validate the demand for service in both official languages and to help guide the Corporation in its efforts to maintain appropriate levels of service to the public in French and English. The goal in these two cases is to improve on the ratings attained in previous years.

DCC reports on environmental and safety incidents that occur at its sites, in accordance with established criteria. At the end of the second quarter of 2005–06, there were no environmental incidents to report. As environmental incidents occur, each is documented, analyzed and, if required, made the subject of a lessons-learned communiqué. Part of DCC’s success in minimizing the number of environmental incidents is due to the Corporation’s environmental management framework, which has been fully integrated into the Corporation’s day-to-day operations and administrative procedures. In 2006–07, DCC will further the Corporation’s environmental stewardship goals, and refine the definition of related roles and responsibilities. In particular, DCC will emphasize objectives and targets related to green office practices.

The management of occupational health and safety remains a key concern of the Board and the Environmental, Health and Safety Committee. The goal remains to have no incidents occur. For reporting purposes, the Corporation tracks the number of incidents that result in lost work time. In the first half of 2005–06, there were none. Employees have developed an increasing awareness of health and safety issues and are committed to maintaining a safe work environment. With the safety program for DCC employees already well established, in 2006–07 DCC will review the safety management program as it relates to operational activities, as opposed to corporate activities.

To ensure transparency and public accountability, an external third party carries out the Corporation’s internal audit program. Internal audits of the financial management, administrative and human resources management functions are due to take place in the second half of 2005–06. In addition to the third-party internal audits, DCC employees carry out additional measures and evaluations in the areas of financial management, operations and contracting to foster continuous improvement and policy compliance.

In 2006–07, DCC will continue to monitor any government-led changes to the procedure for managing the governance of Crown corporations and will respond accordingly to ensure continued transparency and accountability.

Corporate Governance and Leadership: Performance Measures and Indicators, 2006–2007

Table 1. Indicators for Corporate Governance and Leadership, 2006–2007

Indicators	Target
Employment equity rating	An improvement or maintenance of last year’s rating of C D D A 4*
DCC site offices in compliance with all requirements of the <i>Official Languages Act</i>	100%
Environmental incidents	0
Safety incidents	0
Significant deficiencies in audit results	0

* Reference: Labour Program, Ministry of Labour, *Annual Report on Employment Equity Act 2004*, p. 51.

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 gained over the past half century. The objective is *to provide innovative solutions and to deliver value-added, high-quality, timely and efficient services in support of defence projects.*

Within the scope of service delivery, DCC has developed three key strategic outcomes, which it has defined in the course of doing business with the client. The three outcomes that define DCC's service delivery capacity are as follows.

1. **Delivery of efficient, effective and value-added services.** Quick, cost-effective service is of utmost importance to any client. DCC, as a Crown representative, needs to administer business deftly while also following all regulatory requirements, with no exceptions. DCC balances these two requirements while looking at ways to improve service to create an even more efficient and barrier-free environment.
2. **Delivery, through all business activities, of high-quality products and services that are regularly assessed.** As part of its service delivery, DCC regularly reviews the Corporation's efficiency and effectiveness and makes adjustments as required. Throughout all levels and modes of planning and operations, this is standard practice at DCC.
3. **Timely responses to client demands for new services, within the Corporation's mandate.** DCC strives to find solutions and new ways of doing business for the benefit of its client.

Service Delivery: Performance

DCC has experienced significant growth over the last few years and needs to manage this growth seamlessly, with no negative impact on the client. In 2004–05, DCC began a multi-year initiative to validate the way it delivers its services.

After reviewing its service delivery methods, DCC saw potential advantages in leveraging resources, professional expertise and business line growth along functional lines rather than through a regional geographic management structure. To that end, the Corporation made a commitment in 2004–05 to review its service delivery model. At the end of 2004–05, DCC launched a new service delivery framework and designated several national service line leaders.

This revised model, which updates and consolidates the way DCC delivers services, reflects the client's evolving service requirements and DCC's expertise and capabilities. In the first six months of 2005–06, work has progressed steadily to carry out the management decision. The service line leaders are implementing matrix-style service delivery and management. This task includes developing business plans, based on service lines, as well as rolling out internal communications activities with the employees who comprise each service line. At the end of this year, DCC will evaluate progress, particularly progress on the rollout of two key service lines modelled on the new framework: the environmental service line and the project management

support service line. In 2006–07, this initiative will continue. DCC will review and evaluate the results of the 2005–06 rollout of two service lines, and apply lessons learned from this work to the formal launch of the infrastructure support service line.

Quality assurance, particularly within the theme of service delivery, remains a priority. Over the past several years, the Operations Group at DCC has established an internal compliance review system through which it regulates itself. Through this system, DCC regularly undertakes a program of reviews and modifications to ensure site-level compliance with operational procedures. In 2006–07, DCC will refine the internal compliance review system to ensure that it is delivering results that will help DCC meet its client requirements.

Service Delivery: Performance Indicators, 2005–2006

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 a key performance indicator. DCC intentionally sets aggressive targets for the timeliness of construction and consultant procurement because DND values expediency. Each target represents a reasonable period 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 delays resulting from amendments, budget issues or bid anomalies.

Reporting 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. Tables 2 and 3 show DCC's results at the end of the second quarter of 2005–06 for timeliness of construction and consultant procurement. To date, DCC has not awarded any design-build contracts in 2005–06.

DCC recognizes that the industry expends time and effort to prepare and submit tenders. Consequently, to reduce the risk of a failed tender, DCC screens all projects for bidability. By the end of the second quarter, 94.3% of DCC tender calls had resulted in the award of a contract. This is slightly less than the figure for the same period in 2004–05, when 96% of all tenders resulted in a contract award. The most frequent reason why tenders do not result in contracts is that the price exceeds approved budget amounts.

Table 2. Construction Procurement

		Results, 2004–05				Results, 2005–06		
		To End of Second Quarter		Year End		To End of Second Quarter		
Indicator	Target	Actual Median Number of Days to Award	Number of Contracts	Actual Median Number of Days to Award	Number of Contracts	Target	Actual Median Number of Days to Award	Number of Contracts
Regular tender call	35 days	34 days	63	34 days	152	35 days	35 days	108
Tender boards	25 days	27 days	221	27 days	485	25 days	24 days	224
Quick response tenders	14 days	14 days	83	13 days	264	14 days	13	94
Design-build tenders	120 days	n/a	2	n/a	4	120 days	n/a	0

Table 3. Consultant Procurement

		Results, 2004–05				Results, 2005–06		
		To End of Second Quarter		Year End		To End of Second Quarter		
Indicator	Target	Actual Median Number of Days to Award	Number of Contracts	Actual Median Number of Days to Award	Number of Contracts	Target	Actual Median Number of Days to Award	Number of Contracts
SELECT	25 days	27 days	73	26 days	282	25 days	27 days	167
One-step proposal	60 days	52 days	50	57 days	79	60 days	56 days	57
Two-step proposal	120 days	124 days	3	152 days	5	120 days	189*	3

*Of the three contracts awarded, one was awarded on time, one was delayed by two months due to a tender anomaly and one award was put on hold due to budget issues.

Table 4. Timeliness of Construction Contract Completion

	Results, 2004–05		Results, 2005–06
	To End of Second Quarter	Year End	To End of Second Quarter
Total completed on time	66.0%	72.0%	64.0%
Total completed within one to 30 days of deadline	14.0%	14.0%	18.0%
Total completed more than 30 days after deadline	20.0%	14.0%	18.0%

Schedule control is critical to client satisfaction. DCC monitors the 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.

Table 5. Contract Cost Growth

	Results, 2004–05		Results, 2005–06
	To End of Second Quarter	Year End	To End of Second Quarter
Site conditions and refinements	4.9%	8.3%	5.3%
Design changes	7.4%	8.0%	5.7%
Total	12.3%	16.3%	11.0%

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 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.

Table 6. Utilization Rate

Results, 2004–05			Results, 2005–06	
Target	Actual (to End of Second Quarter)	Actual (Year End)	Target	Actual (to End of Second Quarter)
70.0%	70.8%	72.9%	70.0%	72.3%

The utilization rate describes the hours DCC spends on contract-related functions and shows DND the amount of time DCC spends on client-related work. The target utilization rate is 70%. As the above results show, DCC exceeded its utilization rate target in 2004–05 and continued to do so during the first half of 2005–06, indicating that it continues to provide highly efficient service.

Table 7. Direct Personnel Expense Multiplier

Results, 2004–05			Results, 2005–06	
Target	Actual (to End of Second Quarter)	Actual (Year End)	Target	Actual (to End of Second Quarter)
1.50–1.60	1.48	1.52	1.50–1.60	1.52

The direct personnel expense multiplier (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.

Although a target range for the DPEM is indicated, fluctuations in the actual multiplier from period to period will occur and are partially due to the actual timing and quantity of compensated absences taken by staff, and the timing of billings on certain fixed-fee projects. However, the most significant factor in the fluctuation of the DPEM from period to period is the setting of billing rates, in accordance with DCC's financial management policy. Changes in business volume from year to year have a direct impact on the billing rates used, which, in turn, affects the DPEM.

Table 8. Client Satisfaction

Indicator	Results, 2004–05			Results, 2005–06	
	Target	Actual (to End of Second Quarter)	Actual (Year End)	Target	Actual (to End of Second Quarter)
Client satisfaction	95.0%	97.0%	97.3%	95.0%	100.0%*

*All client satisfaction ratings for projects were rated three or better on a five point rating system, which is described below.

DCC regularly tracks client satisfaction as one of its key performance indicators. Over the past several years, the Operations Division has worked to develop a meaningful and relevant method for collecting client feedback. DCC staffers interview clients individually, in person, once a year. Each client has the opportunity to comment on the service DCC provided on all projects that the client was involved in. Overall, the data and feedback show that DND is satisfied with the quality of DCC service delivery. At the end of the second quarter of 2005–06, DCC’s client satisfaction rating was 100%.

This number is derived from limited data, since regions conduct client satisfaction reviews on a flexible schedule that reflects the progress of project work in each region and the client’s schedule. Three regions completed the client satisfaction surveys in the first half of 2005–06, while the Western Region will complete the surveys in the second half of the year.

Client satisfaction reports are scored based on a scale of one to five. A score of three meets expectations, and a score of four or five surpasses expectations. Data collected during 2004–05 shows that 63% of all surveys received a rating of four to five, 34% of all surveys received a rating of three to four, and 3% of all surveys received a rating of less than three.

DCC considers all feedback received during this process and when required, especially for those surveys who receive a score of less than three, swift action is taken. Each year, it receives a range of feedback. Overall, surveys so far in 2005–06 have shown that DCC construction contracting and contract management met expectations overall, but the client did suggest that DCC could improve the speed of some of its processes, and in one case the client expressed concern over issues related to deficiencies and warranties. By year end, once all of the client satisfaction surveys have been completed, a more meaningful picture of DCC performance in 2005–06 can be drawn.

Table 9. Service Delivery: Performance Measures and Indicators, 2006–2007

Indicators		Target
Client satisfaction		95.0%
Timeliness of construction contracting	Regular tender call	35 days
	Tender boards	25 days
	Quick response tenders	14 days
Timeliness of consultant procurement	SELECT	25 days
	One-step proposals	60 days
	Two-step proposals	120 days
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)		1.50–1.60
Percentage of contracts tendered competitively		99.0%

Effective Stakeholder Relationships

In the early days of DCC, the Corporation operated simply and under these basic rules: deliver the best quality work possible and treat everyone the Corporation deals with fairly and reasonably. Although the business has grown into a much more complex operation than it was in the 1950s, these principles remain the foundation of business practices at DCC.

Since that time, DCC has articulated a more formal policy based on these ideas. Consequently, an important corporate objective is *to be an organization that fosters industry, organizational and contractual relationships in an ethical, fair and professional manner*. DCC believes its business can succeed only when the individuals and groups with which it deals benefit by being associated with DCC. This objective covers the broader strategic aspects of corporate social performance involving those groups affected by DCC's corporate objectives, and not only the client–DCC service delivery relationship.

To that end, DCC pursues three outcomes, at all levels of the Corporation, that reflect the organization's ability to maintain effective stakeholder relationships.

1. **Planning decisions that take into account stakeholder strategic situations and positions.** All corporate planning, from the senior strategic planning process down through individual business unit planning, takes into account the perspectives of internal and external stakeholders. This integrated planning includes all aspects of the DND client base, local and national communities, parties who carry out work for the Corporation and employees.
2. **Established and effective relationships with industry partners in all areas of business.** On national, regional and local levels, employees, business units and the Corporation as a whole strive to keep in touch with all relevant individuals and groups affected by DCC's business. Through this industry interaction, DCC is able to remain aware of and sensitive to the constraints and needs of these stakeholders.
3. **A highly satisfying work environment for employees.** DCC acknowledges that its chief asset is people and that corporate success is built on employee ability and commitment. To that end, DCC strives to foster a satisfying and positive work environment for its employees, which in turn benefits the Corporation as a whole.

Effective Stakeholder Relationships: Performance

DCC believes strongly in supporting and participating in its industry and communities. Consequently, maintaining positive and transparent relationships with its stakeholders remains a strategic priority. In the first half of 2005–06, the Corporation continued to encourage its employees to become involved in their industries and to keep up to date on industry trends. In addition, the Corporation remained open to any opportunities for DCC to enhance a sense of community and partnership with DND and relevant industry associations.

Approximately 10% of all DCC employees are involved in some way with their relevant industry association. The nature of these organizations reflects the skill base of the Corporation and includes engineering, technical, scientific and administrative organizations. Examples of technical, professional and industry organizations include Construction Specifications Canada

(CSC), the Canadian Public Procurement Council (CPPC), the Royal Architectural Institute of Canada (RAIC), the Association of Consulting Engineers of Canada (ACEC) and the Canadian Design-Build Institute (CDBI). Also, growing numbers of employees across the country have attained certification with the Project Management Institute. Some of the administrative organizations include the Human Resources Professionals Association of Ontario (HRPAO), the Information Systems Audit and Control Association (ISACA) and the International Association of Business Communicators (IABC).

In addition, employees from across the Corporation sit on committees and working groups in various construction associations and government organizations. Some examples of these are Public Works and Government Services Canada's Sustainable Buildings Task Group and Treasury Board Secretariat's Internet Advisory Committee. This work will continue through 2006–07, and the Corporation will encourage employee involvement in this area at all levels.

Effective Stakeholder Relationships: Performance Indicators, 2005–2006

Table 10. Employee Retention Rate

Results, 2004–05			Results, 2005–06	
Target	Actual (to End of Second Quarter)	Actual (Year End)	Target	Actual (to End of Second Quarter)
90.0%	97.3%	93.9%	90%	94.5%

DCC regularly reviews the percentage of employees who voluntarily leave the Corporation for other career opportunities. Monitoring this percentage, along with the reasons that individuals choose to leave, allows senior managers to assess where the Corporation stands on labour trends in relation to similar organizations. DCC also uses the employee retention rate to measure employee satisfaction with DCC's working environment. 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. The Corporation expects to retain 90% of its employees each year. In both 2004–05 and the first half of 2005–06, DCC surpassed this target. By the end of the second quarter of 2005–06, 5.5% of DCC's employees had decided to leave voluntarily to pursue other career options. DCC believes that its high retention rate is an indication of the quality of DCC's working environment and employees' satisfaction with that environment.

Table 11. Effective Stakeholder Relationships: Performance Measures and Indicators, 2006–2007

Indicators	Target
Employee retention rate	90%

Corporate Support and Organizational Capability

The quality of an organization's administrative structure is often an indicator of the state of health of the entire business. Stakeholders will perceive that an organization is stable and credible if the systems in place for running and managing the business are reliable and accurate.

DCC's internal administrative ability touches all aspects of the business and is the key in maintaining high-quality service to DND. Without high-quality corporate support systems in place, business groups within DCC would not be able to perform their functions effectively. The following groups provide this type of support are: Finance, Information Services, Human Resources, Administrative Services, and Planning and Communications.

The objective of the corporate support and organizational capability theme is ***to ensure that the human resources, financial and administrative policies, and business systems, are in place to support fully DCC's capability to meet corporate and government objectives.***

DCC has well-established human resources, financial and information systems for managing day-to-day operations. The Corporation strives to keep up to date on new business methods, regulatory practices and technology, all of which affect the quality of its service delivery.

The Corporate Services Division comprises the five groups mentioned above. Like other service-oriented business units, it strives to improve continuously so that the client can benefit from cost-efficient and streamlined operations. Ultimately, the Corporate Services Division forms the backbone for the administrative capability of the Corporation. To that end, the following outcomes have been identified to indicate the health of this structure.

1. **Electronic information services and associated business practices that are up to date and well aligned to support management and service delivery requirements.** Contractors, consultants, the client and employees all want to conduct business with DCC easily and efficiently. Most often, this means using technology to facilitate business processes.
2. **Human resources policies, practices and tools that support short- and long-term requirements.** DCC's ability to serve the client depends on the skill set and bench strength of its employee base, as well as the Corporation's ability to deploy this resource effectively. It is critical that DCC have the human resources capacity to provide administrative and strategic support, now and in the long term.
3. **A well-structured training and career development framework that supports both corporate and individual career development needs.** DCC has always put a lot of energy and resources into developing its employees. Now that over 60% of DCC's employees have been with the Corporation for less than five years, this objective has become more important than ever.
4. **Control systems that ensure that corporate and public assets are safeguarded.** With the Corporation's primary client responsible for national defence and security, it is critical that business operations not be interrupted—or, if they are, that operations resume quickly, with minimal loss of corporate information. Additionally, it is vital to ensure that the intellectual property of the Corporation—which is, to a certain extent, the corporate memory for DND infrastructure projects—remain protected.

Corporate Support and Organizational Capability: Performance

In 2004–05, DCC decided to conduct a strategic review of its information services (IS) capacity. With growth in staff and increasingly diverse service lines, the Corporation needs to know that it is on the right technology path to meet the demands of future operations. At the end of last year, a three- to five-year road map was developed to transform the IS Group into an internal strategic partner with closer working relationships with the other business units at DCC through a professional services delivery model. In the first six months of 2005–06, DCC made good progress in implementing the recommendations of the roadmap. In preparation for moving the IS Group to a professional services mode of operation, DCC developed a short-term strategy to deal with issues requiring immediate attention, prior to the full transition. In 2006–07, DCC will continue to implement the IS roadmap.

Also in 2006–07, the Corporation will further refine the structure and delivery of the training and development program, as discussed in the Corporate Governance and Leadership section of this plan. As this initiative moves toward the full implementation stage, DCC will report on its progress in the Corporate Support and Organizational Capability section of future corporate plans.

Halfway through 2005–06, DCC recognized a need to review its job classification system. This need was due primarily to sudden growth in the number of DCC employees, particularly in the specialty service lines, who were bringing unique and diverse qualifications to the Corporation. DCC will communicate the results of this review in the second half of 2005–06 and implement related recommendations in 2006–07.

Corporate Support and Organizational Capability: Performance Indicators, 2005–2006

Table 12. Professional-Development-to-Salary Cost Ratio

Results, 2004–05			Results, 2005–06	
Target	Actual (to End of Second Quarter)	Actual (Year End)	Target	Actual (to End of Second Quarter)
3.0%	1.48%	1.8%	3.0%	2.0%

DCC acknowledges that its ability to serve its client depends on the skill set of its employees. In recognition of this fact, DCC has set an expenditure target for training and professional development relative to total salary costs. The standard target for this indicator is 3% of salary cost, which DCC believes indicates a supportive work environment. Last year, a portion of that allocation was redirected from direct training to the design and development of a comprehensive training and development framework. As a result, the actual year-end amount fell below target. At the end of second quarter of 2005–06, the actual rate was at 2%, due mainly to the timing of training and development activities. DCC expects that the rate will be close to the target by the end of the fiscal year.

Table 13. Corporate Support and Organizational Capability: Performance Measures and Indicators, 2006–2007

Indicators	Target
Professional-development-to-salary cost ratio	3% of salary cost



**DEFENCE CONSTRUCTION CANADA
DCC STRATEGIC PLAN, BLUEPRINT 2006–2011
AS OF JANUARY 23, 2006**

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
Vision				Mission		Values			
Building on 50 years of partnership in delivering defence projects, Defence Construction Canada's (DCC'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.				The primary mission of 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. DCC will support the timely delivery of defined projects or supplies for other government departments and agencies in accordance with its mandate.		Dedication DCC is dedicated to supporting the infrastructure and environment requirements of DND. For over half a century, 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 interests 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.			
PLANNING THEME	Corporate Governance and Leadership (Lead – President and CEO)			Effective Stakeholder Relationships (Lead – Vice-President, Contract and Client Services)		Service Delivery (Co-Leads – Vice-President, Operations, and Vice-President, Contract and Client Services)		Corporate Support and Organizational Capability (Lead – Vice-President, Corporate Services)	
FIVE-YEAR OBJECTIVE	To ensure the success of DCC's mission through the strong and ethical leadership of the Corporation.			To be an organization that fosters industry, organizational and contractual relationships in an ethical, fair and professional manner.		To provide innovative solutions and deliver value-added, high-quality, timely and efficient services in support of defence projects.		To ensure that the human resources, financial and administrative policies, and business systems, are in place to support fully DCC's capability to meet corporate and government objectives.	
PLANNED FIVE-YEAR STRATEGIC OUTCOMES (2006–07 TO 2010–11)	<ul style="list-style-type: none">Efficient and effective business practices that represent a balance of the private and public sectorsCompliance with all areas of government policy as they pertain to the CorporationClear and effective internal communications throughout the CorporationOperations conducted in a way that protects both the environment and employee health and safetyActive employee support for the Corporation's innovation agenda through regular development of new and creative practicesManagement decisions made with reliable and timely financial, human resources and operational informationStructure and control systems that respond to an increasing diversity and volume of servicesBusiness and management practices that meet government expectations related to values and ethics			<ul style="list-style-type: none">Planning decisions that take into account stakeholder strategic situations and positionsEstablished and effective relationships with industry partners in all areas of businessA highly satisfying work environment for employees		<ul style="list-style-type: none">Delivery of efficient, effective and value-added servicesDelivery, through all business activities, of high-quality products and services that are regularly assessedTimely responses to client demands for new services, within the Corporation's mandate		<ul style="list-style-type: none">Electronic information services and associated business practices that are up to date and well-aligned to support management and service delivery requirementsHuman resources policies, practices and tools that support short- and long-term requirementsA well-structured training and career development framework that supports both corporate and individual career development needsControl systems that ensure corporate and public assets are safeguarded	
ACTIVITIES TO SUPPORT OUTCOMES OCCURRING IN 2006–07	<ul style="list-style-type: none">Develop and begin implementing a specific plan to attract and recruit new employees to improve our overall employment equity ratingsStudy and report on all actions DCC needs to take to meet current official languages requirementsFinish implementing the Corporation's environmental management framework, focusing on goals and objectivesCompletely review the Corporation's safety management program (including organization) as it relates to operational activitiesRespond to any required changes in corporate values, ethics and governance policies as a result of government-led changes to the Crown corporation management regimeDevelop a multi-year internal communication strategy designed to address the increased scale, scope and complexity of DCC's operational activities			<ul style="list-style-type: none">In conjunction with national service line leaders, review possible industry-DCC relationships with industries outside the architectural, engineering and construction fields		<ul style="list-style-type: none">Continue to enhance the established internal compliance review systemOversee full implementation of the new service line leadership structure		<ul style="list-style-type: none">Outline and implement planned 2006–07 Information Services roadmap initiativesImplement the DCC training and development framework developed in 2005–06, a task that includes further development of planned in-house training coursesImplement a new position evaluation and classification system	
KEY REPORTED PERFORMANCE INDICATORS	<ul style="list-style-type: none">Lost work time owing to accidentsNumber of environmental incidentsEmployment equity rating			<ul style="list-style-type: none">Employee retention rate		<ul style="list-style-type: none">Client satisfaction ratingTimeliness of construction contractingTimeliness of consultant procurementUtilization rateDirect personnel expense multiplier (DPEM)		<ul style="list-style-type: none">Professional-development-to-salary cost ratio	
OTHER REPORTED OPERATIONAL AND ADMINISTRATIVE DATA	<ul style="list-style-type: none">Internal and external audit resultsBoard attendance and remunerationPercentage of sites complying with official languages requirementsNumber of official languages complaints			<ul style="list-style-type: none">Number of contractors and consultants usedPercentage of employees who participate in industry forumsPercentage of contracts awarded to first-time contractors		<ul style="list-style-type: none">Percentage of contracts tendered competitivelyServices revenueTimeliness of construction contract completionsNumber of legal claimsNumber of contracts awarded and completedContract award values and contract expendituresChange order values		<ul style="list-style-type: none">Employee demographicsNumber of employees at fiscal year end	

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 future operating plans and budgets.

Years Ending March 31, 2005, to March 31, 2011

Appendix A **Statement of Operations**

The Corporation is forecasting services revenue of approximately \$41.7 million for the current year ending March 31, 2006, which represents an increase of approximately 20% from the previous year. As billing rates remained constant during this period, this projected increase is attributable to increases in work volume and billable time.

For the year ending March 31, 2007, services revenue is expected to increase by approximately 14% to \$47.7 million. Projections for the current fiscal year will permit the Corporation to maintain its billing rates at constant levels for the year ending March 31, 2007. Thus, this projected increase in services revenue reflects an anticipated increase in work volume.

For future plan years, revenue is projected to increase year over year by rates varying from 3% to 3.5%, in line with expected increases in salaries and benefits and the objective of achieving 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 \$112,000 for the current year ending March 31, 2006, which is an increase of approximately 20% over the previous year. The increase is primarily the result of the combination of higher interest rates and higher average cash balances throughout the year.

For the year ending March 31, 2007, interest income is expected to increase to approximately \$126,000, representing an increase of approximately 12% from the current year forecast, in anticipation of higher interest rates. 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 benefits expenses are forecasted to total approximately \$34.6 million for the current year ending March 31, 2006, representing an increase of approximately 21% over the previous year. This increase comprises approximately 4% for increases to wages and benefits and approximately 17% for staff increases related to higher levels of activity, as shown by the projected increase in services revenue discussed previously.

For the year ending March 31, 2007, salaries and benefits expenses are projected to total approximately \$40.6 million, representing an increase of approximately 18% over the current year forecast. This increase comprises approximately 5% due to increases in salaries and benefits and approximately 13% for staff increases related to the anticipated increase in services revenue discussed previously. 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 \$5.4 million for the current year ending March 31, 2006, representing an increase of approximately 27% over the previous year. Inflationary increases and DCC's growth will have a general effect on operating and administrative expenses. Some of the more significant changes include an increase in training and development expenses of \$437,000 or 109%. This increase is partially due to employee growth and partially to the fact that in 2004–05, management intentionally reduced spending in this area to fund the corporate training and development initiative; spending in 2005–06 will be more in line with traditional levels. Professional fees are predicted to increase by \$195,000 or 41%, due primarily to increased internal audit activity and spending on corporate strategic initiatives. Business travel costs are forecasted to rise by \$181,000 or 62%, partially due to increased business activity, and partially to the Corporation's new service line delivery model and the establishment of national service line leaders and experts to deliver services to the client along functional lines rather than through a regional structure. Relocation costs are also predicted to increase by \$138,000 or 45%, in anticipation of an increase in requirements to relocate some key employees to respond to client needs in certain geographic areas.

For the year ending March 31, 2007, operating and administrative expenses are projected to be approximately \$6.4 million, representing an increase of approximately 18% from the current year forecast. Apart from the general increase attributable to inflationary increases and expected organizational growth, specific items showing significant increases include rent, which is forecasted to rise by \$375,000 or 36%, as a result of the need for more office space in both head office and the regional offices to accommodate the increase in staff. Training and development expenses are expected to rise by \$204,000 or 24%, due to company growth. Telephone and communications expenses are expected to increase by \$132,000 or 22%, partially due to company growth and partially to some planned enhancements to certain data communication lines to improve the quality and timeliness of data transmission and connectivity. 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 \$774,000 in the current year ending March 31, 2006, representing a decrease of approximately 4% from the previous year. This decrease is related

to the lower levels of capital expenditures forecasted for the current year over the previous year, as noted below.

For the year ending March 31, 2007, amortization of capital assets is expected to total approximately \$933,000, representing an increase of approximately 21% from the current year forecast. This increase is directly related to higher capital expenditures planned for the year ending March 31, 2007, as discussed below.

Projections for capital expenditures, highlighted in Appendix F, will affect the fluctuation in amortization over the remaining years of the plan.

Net income is forecasted to be approximately \$1 million for the current year ending March 31, 2006, representing a margin of about 2% and a 4% increase from the previous year. This increase is largely the result of higher business volume.

For the year ending March 31, 2007, a loss of \$173,000 is forecasted, representing less than 1% of revenue. In light of the projected net income forecasted for the current year and the projected volume for the following year, the Corporation will maintain its billing rates at current levels for the year ending March 31, 2007. This decision, combined with a planned increase in salaries and benefits of approximately 5%, will result in a close to break-even position, which is in keeping with the Corporation's financial management policy, as previously discussed. For future years, the Corporation will remain in a break-even position.

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.

Capital assets for the current year ending March 31, 2006, are expected to remain relatively similar to those in the previous year. The change from year to year is directly tied to the forecasted capital expenditures and amortization for the current year, as discussed below under the heading Capital Budgets. For the remaining plan years, the fluctuations in capital assets from year to year are again directly tied to the levels of capital spending and amortization, as highlighted in Appendix F.

Accounts payable and accrued liabilities for the current year ending March 31, 2006, are expected to increase by approximately 3% and to increase a further 3% in the year ending March 31, 2007. 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.

The provision for employee future benefits 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 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 \$6.5 million at March 31, 2006, representing an increase of 16% over the previous year. For the year ending March 31, 2007, the provision is expected to increase by a further 14%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 5% to 6%. 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 projected to be approximately 463 for the current year ending March 31, 2006. This figure represents an increase of approximately 20% from the previous year and is due to the increase in work volumes and in the levels of business activity forecasted for the current and preceding year.

The full-time-equivalent staff strength for the year ending March 31, 2007, is projected to be approximately 528, representing an increase of 14% over the current year forecast. 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, 2006, are currently forecasted to be \$810,000, representing a decrease of approximately 7% over the previous year. This decrease is the result of a combination of higher spending on furniture and equipment and on leasehold improvements, offset by lower spending on computer equipment, largely due to the fact that the Corporation spent a significant amount to upgrade its mainframe IBM AS400 computer equipment in 2004–05.

For the year ending March 31, 2007, capital expenditures are projected to be \$1.2 million, representing an increase of 44% over the forecast for the current year. This significant increase is partially due to staff increases—which will affect spending on computer equipment and software, furniture and equipment, and leasehold improvements—and partially to some major planned expenditures for enhanced software tools related to human resources management, training and development, and collaboration and workflow.

Increased spending is projected in the fiscal years ending March 31, 2010, and March 31, 2011, in anticipation of major upgrades to the Corporation's computer systems and software applications.

Appendix G

Operating Budget for the Year Ending March 31, 2006

This schedule compares estimated operating results to planned results for the current year ending March 31, 2006. Services revenue is expected to be approximately 18% above plan. The increase is related to higher-than-anticipated business volume, based on project spending by DND. Interest revenue is expected to be approximately 58% above plan, due to higher-than-anticipated operating results and unplanned increases in interest rates.

Salaries and benefits are expected to be approximately 15% above plan. The increase is due to higher-than-anticipated employee levels needed to handle 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.

Amortization of capital assets is expected to be approximately 6% below plan, due to the different mix of spending among various capital assets categories, which have different amortization periods.

Net income is forecasted to be approximately \$1 million, versus a planned loss of \$658,000. This variance is the result of the significant increase in revenue over planned, as described above.

Defence Construction (1951) Limited

Statement of Operations

For the years ending March 31, 2005, to March 31, 2011
(in \$ thousands)

	Actual March 31/05	Estimated March 31/06	Planned March 31/07	Planned March 31/08	Planned March 31/09	Planned March 31/10	Planned March 31/11
Revenue							
Service	\$ 34,641	\$ 41,668	\$ 47,657	\$ 49,206	\$ 50,805	\$ 52,583	\$ 54,160
Interest	93	112	126	131	128	127	129
	<u>34,734</u>	<u>41,780</u>	<u>47,783</u>	<u>49,337</u>	<u>50,933</u>	<u>52,710</u>	<u>54,289</u>
Expenses							
Salaries and benefits	28,671	34,563	40,622	41,841	43,096	44,389	45,721
Amortization of capital assets	808	774	932	968	1,122	1,349	1,454
Operating and administrative expenses	4,268	5,414	6,401	6,593	6,791	6,995	7,205
	<u>33,747</u>	<u>40,751</u>	<u>47,955</u>	<u>49,402</u>	<u>51,009</u>	<u>52,733</u>	<u>54,380</u>
Net income (loss)	\$ 987	\$ 1,029	\$ (172)	\$ (65)	\$ (76)	\$ (23)	\$ (91)
Surplus, beginning of the year	<u>2,874</u>	<u>3,861</u>	<u>4,890</u>	<u>4,718</u>	<u>4,653</u>	<u>4,577</u>	<u>4,554</u>
Surplus, end of the year	<u>\$ 3,861</u>	<u>\$ 4,890</u>	<u>\$ 4,718</u>	<u>\$ 4,653</u>	<u>\$ 4,577</u>	<u>\$ 4,554</u>	<u>\$ 4,463</u>

Defence Construction (1951) Limited

Balance Sheet

March 31, 2005, to March 31, 2011
(in \$ thousands)

	Actual March 31/05	Estimated March 31/06	Planned March 31/07	Planned March 31/08	Planned March 31/09	Planned March 31/10	Planned March 31/11
Assets							
Current:							
Cash	\$ 5,152	\$ 5,894	\$ 5,231	\$ 5,468	\$ 5,766	\$ 5,733	\$ 5,955
Due from related parties	5,796	6,987	8,212	8,459	8,712	8,974	9,269
Prepays, advances and accounts receivable	356	428	490	506	522	540	556
	<u>11,304</u>	<u>13,309</u>	<u>13,933</u>	<u>14,433</u>	<u>15,000</u>	<u>15,247</u>	<u>15,780</u>
Capital assets	1,504	1,540	1,774	1,766	1,684	1,980	1,926
	<u>12,808</u>	<u>14,849</u>	<u>15,707</u>	<u>16,199</u>	<u>16,684</u>	<u>17,227</u>	<u>17,706</u>
Liabilities							
Current:							
Accounts payable and accrued liabilities	\$ 3,162	\$ 3,257	\$ 3,355	\$ 3,456	\$ 3,560	\$ 3,667	\$ 3,777
Due to related parties	199	199	199	199	199	199	199
Current portion: provision for employee benefits	252	260	760	783	806	830	855
	<u>3,613</u>	<u>3,716</u>	<u>4,314</u>	<u>4,438</u>	<u>4,565</u>	<u>4,696</u>	<u>4,831</u>
Provision for employee future benefits	5,334	6,243	6,675	7,108	7,542	7,977	8,412
	<u>8,947</u>	<u>9,959</u>	<u>10,989</u>	<u>11,546</u>	<u>12,107</u>	<u>12,673</u>	<u>13,243</u>
Capital stock and surplus							
Capital stock							
Authorized: 1,000 shares at no par value							
Issued: 32 shares	3,861	4,890	4,718	4,653	4,577	4,554	4,463
Surplus							
	<u>12,808</u>	<u>14,849</u>	<u>15,707</u>	<u>16,199</u>	<u>16,684</u>	<u>17,227</u>	<u>17,706</u>

Defence Construction (1951) Limited

Statement of Cash Flows

For the years ending March 31, 2005, to March 31, 2011
(in \$ thousands)

	Actual March 31/05	Estimated March 31/06	Planned March 31/07	Planned March 31/08	Planned March 31/09	Planned March 31/10	Planned March 31/11
Operating activities							
Net income	\$ 987	\$ 1,029	\$ (172)	\$ (65)	\$ (76)	\$ (23)	\$ (91)
Items not requiring cash:							
Provision for employee benefits	1,187	1,169	1,192	1,216	1,240	1,265	1,290
Amortization	808	774	932	968	1,122	1,349	1,454
Loss on disposal of capital assets	-						
Net increase (decrease) in non-cash working capital balances related to operations	(1,140)	(1,168)	(1,189)	(162)	(165)	(173)	(201)
	1,842	1,804	763	1,957	2,121	2,418	2,452
Financing activities							
Employee benefits paid	(129)	(252)	(260)	(760)	(783)	(806)	(830)
	\$ 1,713	\$ 1,552	\$ 503	\$ 1,197	\$ 1,338	\$ 1,612	\$ 1,622
Investing activities							
Acquisition of capital assets	(868)	(810)	(1,166)	(960)	(1,040)	(1,645)	(1,400)
Increase (decrease) in cash during year	845	742	(663)	237	298	(33)	222
Cash, at beginning of year	4,307	5,152	5,894	5,231	5,468	5,766	5,733
Cash, at end of year	\$ 5,152	\$ 5,894	\$ 5,231	\$ 5,468	\$ 5,766	\$ 5,733	\$ 5,955

Defence Construction (1951) Limited

Staff Strength

For the years ending March 31, 2005, to March 31, 2011

	<u>Actual</u> <u>March 31/05</u>	<u>Estimated</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>Planned</u> <u>March 31/10</u>	<u>Planned</u> <u>March 31/11</u>
Employees based on full-time equivalents	385	463	528	528	528	528	528

Defence Construction (1951) Limited

Capital Budget

For the year ending March 31, 2006
(in \$ thousands)

	<u>Estimated March 31/06</u>	<u>Planned March 31/06</u>	<u>Variance</u>
Office furniture and equipment	\$ 223	\$ 176	\$ (47)
Computer systems, hardware and software	407	624	217
Leasehold improvements	<u>180</u>	<u>10</u>	<u>(170)</u>
	<u>\$ 810</u>	<u>\$ 810</u>	<u>\$ -</u>

Defence Construction (1951) Limited

Capital Budget

For the years ending March 31, 2005, to March 31, 2011
(in \$ thousands)

	<u>Actual March 31/05</u>	<u>Estimated March 31/06</u>	<u>Planned March 31/07</u>	<u>Planned March 31/08</u>	<u>Planned March 31/09</u>	<u>Planned March 31/10</u>	<u>Planned March 31/11</u>
Office furniture and equipment	\$ 148	\$ 223	\$ 283	\$ 150	\$ 175	\$ 200	\$ 200
Computer systems, hardware and software	700	407	783	800	850	1,425	1,100
Leasehold improvements	20	180	100	10	15	20	100
	<u>\$ 868</u>	<u>\$ 810</u>	<u>\$ 1,166</u>	<u>\$ 960</u>	<u>\$ 1,040</u>	<u>\$ 1,645</u>	<u>\$ 1,400</u>

Defence Construction (1951) Limited

Operating Budget

For the year ending March 31, 2006
(in \$ thousands)

	Plan March 31/06	Estimated March 31/06	Variance
Revenue			
Services	\$ 35,380	\$ 41,668	\$ 6,288
Interest	71	112	41
	<u>35,451</u>	<u>41,780</u>	<u>6,329</u>
Expenses			
Salaries and benefits	29,972	34,563	4,591
Amortization of capital assets	821	774	(47)
Operating and administrative expenses	5,316	5,414	98
	<u>36,109</u>	<u>40,751</u>	<u>4,642</u>
Net income	<u>\$ (658)</u>	<u>\$ 1,029</u>	<u>\$ 1,687</u>