Corporate Plan Summary

2010–2011 to 2014–2015

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2010–2011

DEFENCE CONSTRUCTION CANADA

Canada

CONTENTS

DCC·CDC

Defence Construction Canada
Construction de Défense Canada

EXECUTIVE SUMMARY

Defence Construction Canada (DCC, or the Corporation) continues to be a key contributor to Canada's government in providing the Department of National Defence (DND) and the Canadian Forces (CF) with the infrastructure required for a first-class modern military. In keeping with the Canada First Defence Strategy and Canada's Economic Action Plan, the Federal Government is investing significantly in defence infrastructure. DCC, with a mandate to be the contracting and construction management authority for Canada's defence projects, ensures that these investments are contracted for and managed in the most timely, cost-effective and efficient way possible, while ensuring quality of service delivery.

In the next planning period, DCC will continue to provide high quality contracting, construction management and other related infrastructure services to DND/CF. Each year, DCC's management team meets to discuss the planning context and strategic issues affecting the Corporation's business activities over the next three to five years. Since DCC is a Crown corporation with a very specific mandate, the most influential factors that affect its business are Government of Canada priorities, which were articulated in the Statement of Priorities and Accountabilities that DCC received from the Minister of Public Works and Government Services, and the demand for services by DND/CF, the Corporation's client. Additionally, the capacity of the construction industry to respond to the Corporation's business requirements, at both the local and national levels, has an impact on DCC's service delivery.

As a Crown corporation that operates on a fee-for-services basis, DCC is forecasting service revenue of approximately $88 million for the current year ending March 31, 2010, representing an increase of 23% over the previous year. During the same period staff strength, expressed on a full-time basis, is expected to increase to approximately 850 employees, representing an increase of approximately 23% over the previous year. Moving into the next planning period, DND's capital construction (including equipment-driven construction) and environmental remediation programs for 2010–11 and for several years beyond are expected to be larger than they have ever been. Overall, for the five-year planning horizon, DCC anticipates continued growth to 2011–12, until it reaches a plateau during 2012–13 and 2013–14. It is anticipated that DND will start reducing its capital spending in 2014–15. DCC management must manage this growth for the next few years, while making plans for an inevitable decline in program spending and maintaining the ability to ensure quality service delivery.

In July 2009, the Government of Canada published its Policy on Government Security (PGS). That policy's objective is to ensure that departmental security activities are effectively managed and contribute to government-wide security measures. DCC remains vigilant on matters of security and continues to raise awareness of good industrial security management practices among its employees. In concert with DND, DCC continues to maintain its systems and procedures diligently to safeguard any sensitive Government of Canada assets and information, as it works with private sector organizations.

As a consequence of the Corporation's growth over the past few years, some elements of internal business management practices were viewed as having strategic-level consequences for the business, both last year and in the future. The issues seen as particularly relevant to DCC's current strategic planning process include growth management, human resources, information technology and service delivery. Initiatives developed to address each of these issues last year are continuing, as their impact remains.

Work on initiatives identified in the last two Corporate Plans helped prepare the Corporation for a significant change it experienced this fiscal year—a change in its executive management structure. This work not only helped DCC to position itself to manage and consolidate the growth of recent years, but also to prepare for a new President and Chief Executive Officer (CEO), and for the creation of the position of Senior Vice-President, Operations. That is another indication of the changing complexity of DCC's business. The Senior Vice-President, Operations provides operational oversight for service line management and delivery to the two Vice-Presidents, Operations. As well, the role of Corporate Secretary was established as a single position, reporting to the President and CEO. That allows a greater focus on governance matters, which have increased in complexity due to evolving government requirements and best practices.

Strong business performance and results have always been a focus for DCC. At the planning session in September 2009, senior managers reviewed the key performance indicators for DCC's business. The two main indicators are the utilization rate and the service delivery rating. Both of these were affirmed as relevant at the strategic planning level. Other indicators, such as the timeliness of procurement, were deemed to be relevant, but at the Contract Services business plan level only. These data will still be tracked, but they will be reported in the context of operations business planning rather than in the Corporate Plan.

New initiatives for the 2010–11 planning period include promoting innovation among employees; reviewing DCC's management structure and management practices; and reviewing the current practices of DCC's Board of Directors related to the approval of corporate matters. Several initiatives from last year's plan that relate to human resources, information technology and service delivery will continue, as they were planned to be completed over a multi-year period.

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

DEFENCE CONSTRUCTION CANADA STRATEGIC PLAN OVERVIEW BLUEPRINT 2010-2011 TO 2014-2015

Government of Canada Key Priorities and Outcomes That Are Supported by DCC									
STIMULATE CANADA'S ECONOMY				CANADA'S SOCIAL FOUNDATIONS	CANADA'S PLACE IN THE WORLD	MANAGEMENT IN THE GOVERNMENT OF CANADA			
Stimulate economic growth through infrastructure spending	An innovative and knowledge-based economy	An effective and streamlined marketplace	Preserving Canada's environment	An inclusive society that promotes linguistic duality and diversity	A better, more secure world	Sound management of Government	Transparency (access to information and privacy)	Values and ethics in the public service	Government communications strategy

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

Strategic Objectives and Outcomes					
PLANNING THEME	Business Management	Service Delivery	People	Strategic Management and Leadership	Corporate Governance and Stakeholder Relationships
STRATEGIC OBJECTIVE	To maintain efficient business management structures, tools and practices	To ensure client requirements are met	To maintain a skilled, professional and motivated workforce to meet business requirements	To provide strong, ethical and effective strategic management and leadership for the Corporation	To be recognized as competent and responsive to government priorities, policies and practices
STRATEGIC OUTCOMES	1. Corporate infrastructure, systems and tools, are in place to effectively support the organization in carrying out assigned duties and responsibilities. 2. DCC's human resources are planned and managed to meet business and operational requirements in an effective and efficient manner. 3. Corporate assets are safeguarded by effective internal control systems and practices, and management oversight, monitoring and audit.	4. Service line management processes and systems optimize client service delivery. 5. DCC seeks a strong partnership with the CF and DND. 6. DCC and client planning and information sharing are integrated to respond effectively and efficiently to needs. 7. Business practices, policies and tools are in place to support effective service delivery. 8. DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity.	9. Human resource strategies, programs, policies and practices provide: • a healthy and productive work environment that supports collaboration and leadership; • fair compensation, benefits and pay equity; • professional development for DCC's people; • support for recruiting and retention; and • support for workforce and succession planning. 10. DCC encourages and fosters employee innovation. 11. Employees relate to DCC's mission and objectives, and participate in achieving the desired outcomes.	12. DCC is able to efficiently and effectively manage business opportunities and changes in business activity. 13. DCC maintains an effective risk management framework which is integrated into its strategic planning process. 14. DCC maintains an effective corporate planning and business monitoring framework and practice.	15. DCC is accountable to the Government of Canada through transparent, ethical corporate governance and management. 16. DCC demonstrates its competence and value as an agent of the Crown. 17. Corporate leadership and oversight is provided in the fulfillment of the mandate of the Corporation. 18. DCC supports government policies and practices, including those related to: • employment equity; • official languages; • environmental stewardship; • safety; • security; • access to information; and • financial administration and reporting.
2010–2011 CORPORATE PLAN INITIATIVES	*DCC will continue its implementation of the new records and document management systems and tools.* *DCC will re-align the corporate enterprise resource planning (ERP) solution.*	*DCC will undertake an optimization review of its processes and practices using the recommendations from DCC's industry survey and follow-up consultations.*	*DCC will act on the recommendations from its recruitment and retention strategy.* *DCC will promote innovation through the ideas@work initiative.*	*DCC will review its management structure and management practices.*	*DCC will continue to implement the International Financial Reporting Standards, as appropriate.* *DCC will continue to focus on industrial security to refine and enhance processes and further develop strong security awareness.* *DCC will review current practices of its Board of Directors related to approval of corporate matters.*
Key Performance Indicators	• Personnel utilization rate • Direct personnel expense multiplier • Operating and financial results	• Service delivery rating • Industry survey and consultations • Annual Public Meeting feedback	• Employee retention rates • Professional-development-to-salary cost ratios • Employee engagement survey results • Results from the ideas@ work initiative	• Management reporting • Overall business results	• Government performance requirements results • Environmental and safety incidents • Audit and Special Examination results • Results of internal security audits • Timeliness of submissions/ reporting

CORPORATE PROFILE

SERVICE LINES AND PRACTICE AREAS

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

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

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

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

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

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

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

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

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

CLIENT

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

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

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

The Corporation supports the military engineer components of the operational and support commands in Canada and overseas, as well as Canada's North Atlantic Treaty Organization (NATO) allies, with training programs and facilities in Canada. DCC occasionally responds, within the scope of its mandate, to requests for support from other government departments and agencies involved in defence projects. A recent example of such service is DCC's involvement in the building of the Canadian Embassy in Kabul, Afghanistan, in 2006.

MANDATE AND ROLE

Legislative Framework and Mandate

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

The Letters Patent established DCC's mandate to carry out a wide range of procurement, disposal, construction, operation, maintenance and professional activities required to support the defence of Canada, particularly those related to real and personal property, lands, and buildings.

Public Policy Role

Crown corporations are important instruments of public policy and DCC plays a role in advancing a number of the government's objectives. Specifically, DCC contributes to the results of DND/CF in the defence of Canada by supporting CF operations, in Canada and overseas, in the areas of construction, maintenance, facility operation, and specialized professional services to support project and program delivery. In his Statement of Priorities and Accountabilities, the Minister of Public Works and Government Services recognized DCC's role and its contributions to Canada.

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

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

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

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

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

CORPORATE GOVERNANCE AND STRUCTURE

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

Board of Directors and Committees

Appointments to DCC's Board of Directors are made by the Governor in Council on the recommendation of the Minister of Public Works and Government Services and of the Board of Directors, in consultation with the Privy Council Office. As Directors of a Crown corporation, and pursuant to the *Financial Administration Act*, members of DCC's Board hold office at the pleasure of the Governor in Council, usually for a minimum of four years, after which time they may continue to remain as Board members until a successor is appointed.

DCC's Board is made up of seven members: Chair Robert Presser, T.L. (Lloyd) Callahan, Kris Matthews, Shirley McClellan, Marc Ouellet, James S. Paul and William F. Pentney. Short biographies of all members are available on DCC's website.

DCC's Board is accountable to Parliament through the Minister of Public Works and Government Services. Members of DCC's Board of Directors sign an annual declaration regarding the *Conflict of Interest Act*.

DCC's Board created a Director Profile, pursuant to the standards set by the Privy Council Office related to Crown corporation Director Profiles, and this document is available on DCC's website. These standards include roles, competencies and experiences.

The key roles and responsibilities of members of DCC's Board of Directors include governance, strategic planning, risk assessment and management, internal controls, performance management and evaluation, and management continuity.

As part of its overall stewardship responsibility, and pursuant to its profile, the Board of Directors:

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

Also pursuant to its Director Profile, the core attributes, competencies and experience required of these members include informed judgment, integrity and accountability, impact and influence, financial literacy, understanding of public policy, and knowledge of DCC's stakeholders.

In addition, DCC's Board members represent both public and private sectors and bring varied knowledge and experience to the Board. As per the Director Profile, the specific skills and knowledge that a DCC Board member should have relate to a wide range of fields, including business, contracts, construction, architecture, engineering, infrastructure, environment, legal, and human resources.

The Chairperson of the Board is a separate position from that of the President and CEO, and the Board is able to conduct its business independently of management. The Chairperson is responsible for the effective functioning of the Board as it carries out its overall duties and responsibilities. The Board provides oversight with respect to the Corporation's overall governance, corporate management, management of risk and operations.

The Board has two committees: the Audit Committee and the Governance Committee. Previously, there was also a Nominating Committee. This committee has been merged with the Governance Committee after DCC reviewed the practices of other Crown corporations and considered what was appropriate for DCC's Board of Directors.

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

The Governance Committee is responsible for evaluating corporate governance practices, recommending new or improved practices to the Board, and leading the Board in its annual Board assessment. The Board assessment tool is used to identify areas that are highly functional, as well as areas that require improvement in relation to Board management and effectiveness. This committee also maintains the Board competency profile, and makes recommendations to maintain or enhance compliance with the profile through the appointments of members of the Board.

ORGANIZATIONAL AND EXECUTIVE MANAGEMENT STRUCTURE

The President, who is also the CEO, reports to the Chair of the Board, Robert Presser, and is accountable to the Board of Directors for the overall management and performance of the Corporation. The executive team, made up of the President and CEO, a Senior Vice-President, Operations and three Vice-Presidents (two for Operations, one for Corporate Services), are all located at the Head Office in Ottawa.

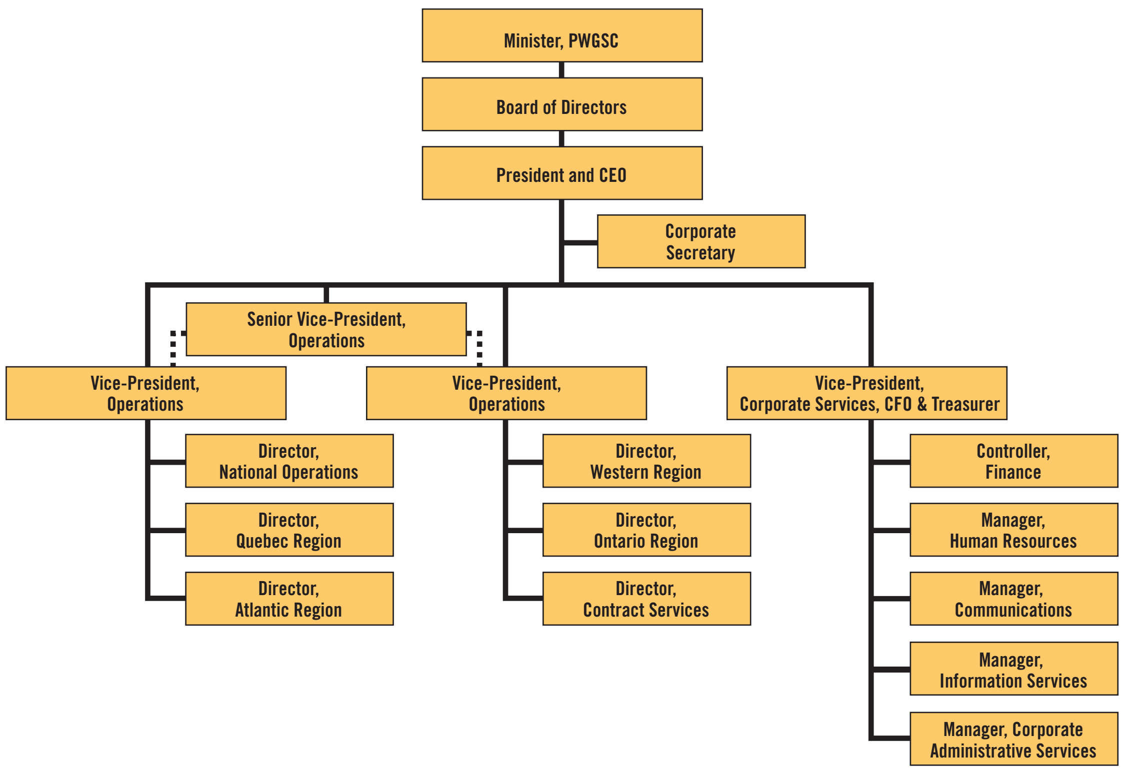
The Senior Vice-President, Operations is responsible for operational oversight related to service line management and service delivery.

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

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

The Corporate Secretary ensures that DCC complies with all relevant legislation, regulations and government policies, supports the Board of Directors, and communicates with the Corporation's stakeholders.

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



Auditor

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

Pursuant to the *Financial Administration Act*, the Office of the Auditor General (OAG) must carry out a Special Examination at least once every 10 years. In 2008 the OAG conducted a Special Examination of DCC's systems and practices. In particular, the examination reviewed DCC's corporate governance, risk management, strategic planning, performance measurement and reporting, service delivery, human resources management, information technology management, and environmental management processes and results. The OAG made some recommendations to improve these practices, and management is addressing these in the fiscal 2009–10 year. DCC is very proud that for the third consecutive time, the OAG reported no significant deficiencies in the Special Examination report.

CORPORATE PLANNING AND STRATEGIC ISSUES

MISSION, VISION AND VALUES

Mission	To deliver infrastructure and environmental projects and services required for the defence of Canada.
Vision	To be a leading provider of innovative solutions that add value for its client, foster professional development of its people and make meaningful contributions to its industry.
Values	
Dedication	DCC is dedicated to supporting DND's infrastructure and environment requirements. For almost 60 years, DCC employees have dependably and diligently carried out that mission.
Fairness	DCC deals with its client, contract partners and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.
Competence	DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to the client's needs.

Corporate Planning Process

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

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

The planning process takes place in a series of structured meetings of the executive and the senior management groups. The output of these sessions is validated against key factors that have an impact on the management of the Corporation. These factors include the Corporation's mandate and risk management framework; planning guidance provided by the Minister of Public Works and Government Services, through his Statement of Priorities and Accountabilities and through the portfolio management process; and the priorities of DND/CF.

The results of this analysis are provided in the Corporate Plan, which the Board of Directors reviews and approves at its fall meeting.

PLANNING CONTEXT

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

Government priorities: As a result of the Canada First Defence Strategy of May 2008, DND plans to replace approximately half of its existing facilities infrastructure over the next 20 years. The November 2008 Speech from the Throne reconfirmed the government's commitment to rebuilding the CF, indicating that major construction programs in support of new equipment purchases will proceed as planned. However, at the same time, the government stated its intent to review all programs carefully to make sure that spending is as effective as possible. This program review could affect DCC's business activities if it results in any change to DND priorities and program spending in the 2010–11 Defence Budget. The Corporation remains flexible and responsive to fiscal strategies ranging from stimulation to restraint.

The Speech from the Throne stated that the government would strengthen and improve the management of all federal organizations, including Crown corporations, to achieve greater cost effectiveness and accountability. DCC believes that it is already well positioned in this regard, and the Minister of Public Works and Government Services acknowledged that fact in the Statement of Priorities and Accountabilities provided to DCC. The Corporation will continue to focus on effective management practices.

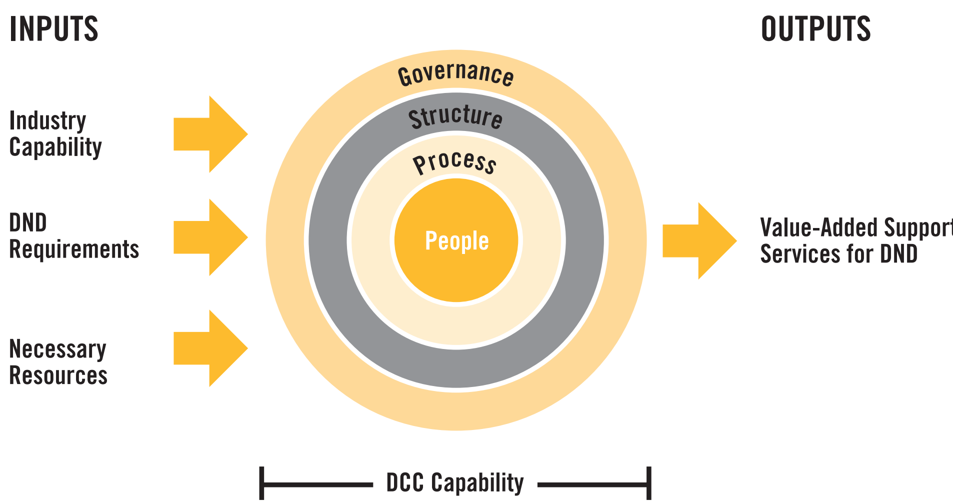
Service demand: DND's capital construction (including equipment-driven construction) and environmental remediation programs for 2010–11 and for several years beyond are larger than they have been ever before. Overall, for the five-year planning horizon, DCC anticipates moderate growth to 2011–12, which will reach a plateau in 2012–13 and 2013–14, followed by an anticipated reduction in DND capital spending, starting in 2014–15. DCC management must manage this moderate growth for a few years while making plans for an inevitable decline in program spending.

Industry capacity: The capacity of the industry to respond to design and construction needs of defence programs, especially in times of high demand, has been of strategic concern for several years now. The current economic situation will potentially ease some of the general demand on the construction industry and, consequently, ease the critical supply of both contractor capacity and skilled labour. Some slowdown has already been seen in some market sectors and in some regions, but not consistently across the country. DCC is entering a business cycle in which contractor performance will continue to be a risk factor, due to limited capacity in some market sectors or the weakened financial condition of some firms. The traditional risk management practices of ensuring adequate responses to DCC bids and incorporating performance guarantees within contracts will be used to manage this risk.

Internal business management: Both the volume and the diversity of client requirements continue to challenge the Corporation's ability to respond quickly to changes in service demand. The recruitment and retention of skilled professionals must remain a corporate priority in the near to medium-term future. The Corporation faces an ongoing requirement for highly specialized expertise. At the same time, it must manage its own workforce demographic environment, including a wave of impending retirements. DCC will continue to adjust its processes, procedures, controls and systems to suit the new scale of the Corporation. The matrix management approach to service line management is becoming embedded in DCC's culture. It allows DCC to shift expertise as required to different areas. That is beneficial when there is a market slowdown in one part of the country, or added capacity is required in another. Management effort must continue until this approach is fully integrated into DCC's business management practices.

MANAGING DCC'S CAPABILITIES

The DCC management framework reflects the Corporation's continued focus on providing one primary output: value-added support for its client. DCC provides this output by generating, developing and using its internal capability, based on three key inputs—industry capability, clear client requirements and necessary resources. At the core of DCC's capability are its employees, with their knowledge, skills, expertise, innovative thinking, motivation and values. Supporting this core are DCC's processes, structure and governance framework. The following diagram illustrates the relationship between these inputs, DCC's capability and output.



OPERATIONAL OUTLOOK

DCC's service demand is driven solely by the requirements of DND/CF, and the Corporation has created a structure and business model that can respond rapidly to changing client requirements.

A review of DND's capital construction (including equipment-driven construction) and environmental remediation programs shows that for 2010–11 and for several years beyond, they are expected to be larger than they have been for decades. The DND approval process for infrastructure spending has become more efficient in 2009, and this factor is contributing to the progress of the capital construction program.

These program increases have fuelled strong DCC growth over the past several years. This growth has been even greater than predicted, due to new services that DND/CF has requested from the Project and Program Management and the Realty Property Management service lines. Spending on these programs will result in continued growth to fiscal 2011–12, which is expected to reach a plateau in 2012–13. A reduction in DND capital spending is anticipated to start in 2014-15, levelling out lower than the peak in 2012–13. That new level is then expected to remain constant for some time, so that DND can meet the requirements of the Canada First Defence Strategy.

Already, in the first half of this fiscal year, not all programs have been delivered as forecasted. The Corporation's growth has been tempered by some reductions in DND/CF's operations and maintenance programs. In 2009–10, DCC programs driven by individual bases were cut by about one third, and these reductions are expected to continue in 2010–11. These reductions affect DCC to a greater degree than changes to the capital construction program do, because they consist of many smaller projects that are much more labour intensive. These efforts are largely being managed through normal attrition and some term employment arrangements.

Overall, for the five-year planning horizon, DCC anticipates moderate to flat growth until 2014–15, when reductions will likely start. DCC management must manage moderate growth for several years while making plans for an inevitable decline.

STRATEGIC ISSUES

During its annual planning process, DCC's senior management team conducts a local and national environmental scan and an analysis of various business inputs. At the last strategic and corporate planning session, held in September 2009, DCC identified current and evolving issues within the internal and external business environment that could have a strategic impact on the Corporation's business in the short or long term. Those issues considered to be of strategic importance for this planning period include growth management, leadership, industry relationships, human resources, and corporate governance and Government of Canada policy.

Growth Management

Recent growth in the business is driving many elements of DCC's current strategy. High DND/CF demand for services in recent years has changed the relationship with client groups, has tested DCC's management structure and systems due to rapid increases in the number of DCC employees, and, as a result, has challenged the Corporation's information systems, internal communications capability and human resources management structure. For example, the Corporation's workforce increased from approximately 778 as of April 1, 2009, to 848 at September 30, 2009. These new employees require the right tools to do their jobs, and new or expanded enterprise system applications were identified as necessary to meet business requirements. To date, the Corporation has responded very well to these pressures and continues to enhance its capacity to manage a larger organization.

Leadership

In 2009–10, the Corporation experienced a change in its management structure. A long-serving President retired and was replaced by a new President. In addition, to accommodate growth, the organization created the new role of Senior Vice-President, Operations. Additionally, the matrix system of service delivery entered its third year of application and is becoming more integrated into DCC's culture. Given these factors, senior management identified a need to review its management structure and practices, to ensure that both management leadership and governance are functioning appropriately and within the standard expectations of the Corporation's stakeholders. DCC's stakeholders include industry associations, client groups within DND, the Government of Canada, DCC's employees and the communities where it performs work.

Industry Relationships

DCC maintains productive, interactive relationships with construction industry associations to ensure that the contractors and consultants bidding on defence contracts see the Corporation as "a good owner." DCC recently received feedback on its industry processes, and implementing some of these suggestions may require work to develop more efficient processes that continue to remain competitive and fair while still maintaining contracting integrity. Although there has been some slowdown in certain market sectors in some regions, forward-looking research carried out by the Construction Sector Council Labour Market Initiative indicates that, for the foreseeable future, competition for skilled labour will be intense. Supply and demand in the construction industry also affect the availability of architectural, engineering and environmental consultants. While always representing the interests of the Crown well, DCC also maintains a strong partnership with its industry so that it can continue to leverage industry capacity for defence projects.

Human Resources

Growth in the number and diversity of DCC's people remains a challenge for the Corporation in several ways. Recruitment and retention of employees is a strategic issue for DCC. It is important that DCC remain an employer of choice among current and potential employees. To provide quality service, the Corporation needs a strong, reliable and competent workforce. DCC continues to move forward on initiatives, such as the recruitment and retention strategy, within human resources to ensure that it can put the right people in the right place, at the right time, to get the best job done for the client. A positive image as an employer of choice allows DCC to maintain its flexibility and culture, while maintaining momentum in its recruitment and retention efforts. Additionally, an increase in the employee population brings with it increased demands on DCC's business management infrastructure. These challenges continue to be addressed through initiatives such as the records and document archive system and the development of an IT strategic plan.

Corporate Governance and Government of Canada Policy

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 in all operations and management activities. DCC's Board of Directors seeks to ensure that its composition and structure are functional and that its oversight responsibilities are appropriate.

In July 2009, the Government of Canada published its Policy on Government Security. DCC will continue its focus on industrial security, and will refine and enhance processes and further develop strong security awareness among its employees, in support of the policy. The Corporation continues to monitor other government policy changes and will modify its business procedures as required, ensuring at the same time that they remain aligned with standard industry practice. The Board of Directors continues to express its interest in the management and progress of this matter.

PLANNING THEMES, OUTCOMES, INITIATIVES AND PERFORMANCE MEASURES

The analysis of the environmental scan and the planning assumptions for the plan period are translated into the initiatives of this Corporate Plan (and subordinate business plans) under five planning themes: Business Management; Service Delivery; People; Strategic Management and Leadership; and Corporate Governance and Stakeholder Relationships. These have evolved since the last Corporate Plan, to reflect the current industry context and to give the Corporation a planning environment that can accommodate an expanded range of business activity.

The theme of Stakeholder Relationships has been combined into the Corporate Governance theme, reflecting a slight reorientation. Planning for DCC's stakeholder relationship activities will now focus on the federal government, DCC's shareholder. Client-focused planning activities are now part of the Business Management and Service Delivery themes.

Leadership has been separated from the Corporate Governance planning theme and combined with Strategic Management to comprise the new theme of Strategic Management and Leadership. The Corporation felt it was important to give this theme greater emphasis, due to DCC's explosive growth in recent years. That growth appears likely to continue in the foreseeable future, and the Corporation is increasing its focus on training and succession planning. Creating a new theme highlighting these issues is one way to do so. In a related move, DCC has also revised its executive management organizational structure.

Each planning theme has one strategic objective and a number of desired strategic outcomes. There are 18 strategic outcomes and they are numbered consecutively under their relevant planning theme. If there is a strategic risk or opportunity that should be addressed in order to achieve a specific outcome, then a Corporate Plan initiative is identified. Not all strategic outcomes will require an initiative during this planning period.

These initiatives will help direct DCC's efforts during the planning period. Some initiatives span more than one planning period, and that fact is noted in the discussion section under the relevant planning theme.

During the current planning period, the senior management group reviewed DCC's performance measures, or key performance indicators (KPIs), to ensure they were still appropriate, relevant and meaningful. DCC management sets the KPIs after reviewing industry benchmarks and indicators, then doing an analysis that takes into account DCC's business model. Some aspects of the business are similar to the engineering consultancy industry, but there are also many unique aspects of DCC. These comparators are used as a guide, in addition to the Corporation's own trend analysis. For 2010–11, most of the KPIs were retained. The senior management group decided that the Corporate Plan would no longer include timeliness of procurement as a strategic indicator under the Service Delivery theme. The context for the timeliness of procurement indicators is well reflected within the scope of the Contract Services line, more so than at the corporate strategic level. However, DCC still tracks this information for management purposes. The indicators for timeliness of procurement will appear in the annual Contract Services business plan. All of the other indicators were retained.

No changes were made to any of the performance targets for the current planning period. The Blueprint clearly outlines DCC's strategic plan and is included on page 3.

PLANNING THEME 1: BUSINESS MANAGEMENT

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

The strategic objective for this theme is to **maintain efficient business management structures, tools and practices**.

STRATEGIC OUTCOMES

There are three strategic outcomes that define DCC's success under this planning theme.

1. *Corporate infrastructure, systems and tools are in place to effectively support the organization in carrying out assigned duties and responsibilities.*

The capacity of DCC's corporate infrastructure has been challenged in recent years by the changes in client requirements. The evolving demand for, and reliance on, information technology (IT) solutions are of increasing strategic significance. DCC has a number of IT development projects underway, including those that affect business planning, forecasting, service billing and reporting.

2. *DCC's human resources are planned and managed to meet business and operational requirements in an effective and efficient manner.*

DCC carries out operational human resources planning on a largely regional basis, due to the nature of DCC's work and the geographic dispersion of people with the requisite skills and experience. DCC has been able to respond to the needs of its clients so far, mainly due to ongoing relationship-building activities. However, the Corporation recognizes that the increased scale of operations requires a greater level of corporate human resources planning and support for operations.

3. *Corporate assets are safeguarded by effective internal control systems and practices, and management oversight, monitoring and audit.*

DCC's control systems are well established and have been proven reliable. DCC has a track record of success with its past Special Examinations, where the Auditor General of Canada has found no significant deficiencies.

CORPORATE INITIATIVES: BUSINESS MANAGEMENT

Tracking Past Performance: Business Management Initiatives 2009–2010

In last year's Corporate Plan, two strategic initiatives were identified that relate to the theme of Business Management.

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

In the current planning period, DCC confirmed its requirements and developed a plan for a standard, shared, corporate-wide document management system. In the second half of this fiscal year, DCC plans to issue a request for proposal (RFP) for this system. The Corporation hopes to choose a supplier by the end of the year. Full implementation of this objective is expected to take place over the course of several years, with a target date of 2011–12 for achieving full capability.

2009–10: Develop an IT strategic plan.

In its 2008 Special Examination of DCC, the OAG asked the Corporation to develop a separate IT strategic plan that will help DCC identify and assess future IT requirements. Building on an analysis completed during the first six months of 2009–10, this strategic plan is on track to be finalized by the end of March 2011.

Business Management Initiatives: 2010–2011

DCC has identified two corporate initiatives for the 2010–11 planning cycle.

2010–11 Corporate Plan Initiative: DCC will continue its implemention of the new records and document management systems and tools.

In 2010–11, the first phase of tactical work will begin on this initiative, following the completion of an implementation plan in 2009–10. Business units will be engaged and undertake the preparatory work required to enable a standard, shared corporate document management system. This work includes organizing current content and preparing files for transfer to the new system. This step provides the foundation for the integrity of the tool and, subsequently, efficient implementation of the corporate-wide electronic system. The target completion date for this phase is March 2011. Subsequent phases of work include the rollout of different functions, such as collaboration features, that build on the library of material developed in the first phase.

2010–11 Corporate Plan Initiative: DCC will re-align the corporate enterprise resource planning (ERP) solution.

With the continued growth of the Corporation and the increased dependency on the ERP, the design of the system is now being reviewed. This system has been in service for 14 years and was originally intended to provide solutions for financial management, but it is now also being used to support some of the needs of the Human Resources and Contract Services departments. Now, to meet growing business requirements, there is a need to enhance the ERP experience. Doing so will ensure that the Corporation can meet future technical operational needs and is effectively supported by its ERP system. The system is expected to be ready to prepare for any large-scale changes by September 2010.

Business Management Key Performance Indicators: 2009–2010 Results to Date

Utilization Rate

The utilization rate represents the hours DCC employees spend on contract-related functions (i.e., billable hours) as a percentage of total paid hours. It provides a measure of employee productivity and operational efficiency that can be compared to industry benchmarks. DCC's annual target utilization rate is 70%. For the six-month period ending September 30, 2009, DCC's utilization rate was 73.7%, compared with 73.3% for the same period last year and 74.4% for the 12-month period ending March 31, 2009. In the current fiscal year to date, the utilization rate has improved slightly over the same period in the previous fiscal year due to continued efforts and focus by management and staff.

Utilization Rate (Percentage of Employee Time Charged to Client Work)			
Results, 2008–09 End of Second Quarter	Results, 2008–09 Year-End	Target	Results, 2009–10 End of Second Quarter
73.3%	74.4%	70.0%	73.7%

Direct Personnel Expense Multiplier

The Direct Personnel Expense Multiplier (DPEM) is the factor by which a firm multiplies direct personnel expenses (i.e., direct billable labour) to recover all overhead costs. This factor is a key determinant of billing rates. A lower number indicates a better result. The target range for the DPEM is 1.50 to 1.60. DCC's DPEM for the six-month period ending September 30, 2009 was 1.42. It was 1.42 for the same six-month period last year and 1.45 for the year ending March 31, 2009. A DPEM below the target range of 1.50 to 1.60 indicates an increase in efficiency and business volumes. The DPEM will likely remain below the target range for the remainder of fiscal 2009–10.

Direct Personnel Expense Multiplier			
Results, 2008–09 End of Second Quarter	Results, 2008–09 Year-End	Target	Results, 2009–10 End of Second Quarter
1.42	1.45	1.50–1.60	1.42

PLANNING THEME 2: SERVICE DELIVERY

DCC's mission is to deliver the infrastructure and environmental projects and services required for the defence of Canada. DCC strives to ensure that it delivers high-quality, timely and efficient services to DND/CF, because achieving excellence in service delivery remains at the forefront of DCC's business strategy. The performance indicators for this planning theme are mostly operational ones and they help DCC keep track of various issues, even those external issues that have an impact on DCC.

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

STRATEGIC OUTCOMES

There are five strategic outcomes that define DCC's success under this planning theme.

4. Service line management processes and systems optimize client service delivery.

DCC has implemented a matrix management system over the last three years to effectively manage the larger scale of operations, while enhancing quality management of the services DCC provides to DND. Service line management processes and systems are designed to help maintain, if not enhance, a highly consistent trend in service delivery satisfaction.

5. DCC seeks a strong partnership with the CF and DND.

The quantity and scope of the services DND/CF requires have continued to grow. DCC has augmented its support for the real property policy and planning function, the program and project management function, and infrastructure support to military operations. At the same time, it is investing more effort in procuring for and managing DND's construction programs. The Corporation is proud to be increasingly recognized as a full member of the defence team. This strengthened relationship with the DND infrastructure and environment community and the CF military engineer branch has allowed DCC to both enhance its capability and increase its capacity to support the defence of Canada by carrying out joint planning, developing new support services, and improving response time to evolving requirements throughout the lifecycle of projects, programs and operations.

6. DCC and client planning and information sharing are integrated to respond effectively and efficiently to needs.

This integration is a constant challenge, given the number of people, organizational units, geographic locations and types of interactions between DND and DCC. Joint planning and the sharing of information are improving as DCC becomes more closely involved in program and project management. Joint training for DND and DCC staff, on processes such as industrial security procedures and the preparation of service level arrangements, is an example of the continuing steps both organizations are taking toward integrating systems.

7. Business practices, policies and tools are in place to support effective service delivery.

For DCC to fulfill its mission, it requires an effective administrative infrastructure that supports service delivery. All practices, policies and tools are developed and implemented with their relevance and benefit to client service in mind.

8. DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity.

DCC has always been well positioned in this respect, but the recent combination of high demand and low supply in the construction industry led DCC to review industry procurement and contract management needs, starting in 2008–09. In the 2009–10 planning period, DCC continued to act on industry feedback to ensure its policies and practices met industry needs.

CORPORATE INITIATIVES: SERVICE DELIVERY

Tracking Past Performance: Service Delivery Initiatives 2009–2010

The initiative was first described in last year's Corporate Plan and continued for the 2009–10 planning period.

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

Last year, the Corporation solicited feedback from the architectural, engineering and construction industries. The aim was to identify barriers to effective partnerships in the delivery of defence projects, as well as to gather suggestions for improving DCC processes, procedures and practices to foster industry interest in defence business opportunities. This survey very positively supported DCC's process, but respondents also made valuable suggestions. DCC analyzed the results, noted the relevant suggestions, implemented the simple ideas immediately, and plans to implement the more complex recommendations in the second half of 2009–10.

Service Delivery Initiatives: 2010–2011

DCC has identified the following corporate initiative for the 2010–11 planning cycle.

2010–11 Corporate Plan Initiative: DCC will undertake an optimization review of its processes and practices using the recommendations from DCC's industry survey and follow-up consultations.

Building a strong rapport with contractors and consultants is important to DCC. The Corporation wants to ensure that it remains a valued partner with them so that the industry regularly seeks work on defence contracts. At the same time, as a public sector organization, DCC complies with Government of Canada rules and regulations, and protects and serves the interests of DND. The objective of this initiative is to review DCC's client-related processes and practices, with a view to increasing efficiencies where possible, while protecting the Crown's interests.

Service Delivery Key Performance Indicators: 2009–2010 Results to Date

DCC has several indicators for tracking its performance under the theme of Service Delivery. On an occasional or as-required basis, DCC undertakes industry surveys and similar types of consultations with the contractors and consultants who bid on defence construction contracts. When this type of outreach is completed, DCC will discuss the feedback in its Annual Report. The same is true of feedback received from its Annual Public Meeting, held for the first time in March 2009. DCC reported on this event in its Annual Report for 2008–09, and the summary of proceedings from this event is posted on its website. For many years, DCC has tracked one client service-related KPI: its service delivery satisfaction rating. This indicator remains the most relevant to the planning theme of Service Delivery.

Service Delivery Satisfaction

Service delivery satisfaction assessments are scored on a scale of one to five, with a score of three indicating that DCC “met expectations” and a score of four or five indicating that the Corporation “surpassed expectations.” DCC defines satisfied clients as those who provide an overall rating of three or more. Typically, issues relate to specific incidents that fall into one of several categories, such as communications, administrative procedural problems or staffing concerns.

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

In 2008–09, DCC conducted client satisfaction surveys with 364 client representatives involved in 1,051 projects. Scores were weighted according to the value of each service level arrangement (SLA). For example, a score based on an SLA valued at $1 million was weighted more heavily than a score based on an SLA valued at $10,000. During 2008–09, 92% of clients indicated DCC met or exceeded client expectations, with 59% rating DCC’s service at four or more and 33% offering scores of between three and four.

PLANNING THEME 3: PEOPLE

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

STRATEGIC OUTCOMES

There are three strategic outcomes that define DCC's success under this planning theme.

9. Human resource strategies, programs, policies and practices provide:

- a healthy and productive work environment that supports collaboration and leadership;
- fair compensation, benefits and pay equity;
- professional development for DCC's people;
- support for recruiting and retention; and
- support for workforce and succession planning.

The Board of Directors maintains its focus on strategic human resources issues and DCC continuously tries to enhance its human resources policies and practices. Every Corporate Plan in recent years has had a major initiative focused on people, ranging from classification and compensation to training and development. Growth in the number and diversity of DCC's people is the greatest challenge facing DCC today. In the first two quarters of 2009–10, DCC's staff grew by approximately 9% to 848 employees. With such an influx of employees, it is important to find people who are willing to stay and grow with the organization; consequently, the focus on recruitment and retention will be ongoing. The implementation of the recruitment and retention strategy, first conceived in 2008–09, will be completed in 2010–11.

10. DCC encourages and fosters employee innovation.

The key performance indicator that drives DCC's operations is its utilization rate. Consequently, day-to-day operations are administered cost effectively. Employees working on individual sites across the country regularly develop more efficient ways of doing things—the essence of innovation. However, they sometimes do not realize those good ideas could benefit other DCC employees in other places. The Corporation wants to create an environment where sharing of ideas and collaboration become commonplace.

11. Employees relate to DCC's mission and objectives, and participate in achieving the desired outcomes.

The challenges associated with the growth of the Corporation have highlighted the need to develop leadership and empower an emerging cadre of managers. Continued efforts to enhance internal communications throughout DCC will enhance employee engagement and managers' participation in achieving the strategic outcomes of the Corporation.

CORPORATE INITIATIVES: PEOPLE

Tracking Past Performance: People Initiatives 2009–2010

In last year's Corporate Plan, three strategic initiatives were identified that relate to the theme of People.

2009–10: Continue the implementation of the recruitment and retention plan.

At the end of the second quarter, DCC has reached several milestones. The employee referral and strategic recruiting programs were implemented successfully. An employee engagement survey has been developed and will be administered in the second half of 2009–10. Recommendations from the survey may lead to new initiatives in future Corporate Plans. Also, the senior management team has approved the concept for an employer brand message. DCC will finish a comprehensive plan for carrying out employer brand work and will start using this message in communications materials later this fiscal year.

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

As the Corporation is a going concern, DCC already had functioning and practical human resources practices in place. However, practices such as performance management, leadership, and training and development had not been refined or formally delivered. DCC continues to document these strategies and practices in a formal way, responding to a request by the OAG in the 2008 Special Examination. It expects to complete this work by the end of the fiscal year. The Human Resources department will review, document and integrate each function into a formal human resources framework.

People Initiatives: 2010–2011

DCC has identified the following corporate initiatives for the 2010–11 planning cycle.

2010–11 Corporate Plan Initiative: DCC will act on the recommendations from its recruitment and retention strategy.

Work on the recruitment and retention initiative is planned to unfold over several years. DCC will consider the recommendations that emerge from the employee engagement survey in preparing an action plan. The Corporation is also continuing work on its performance management program, which will span several years. As part of the program, DCC will develop competencies, which will drive the values of the organization and contribute to an effective performance management system linked to recruitment, performance, training and development, and succession planning. Tactical implementation of the employer brand may include projects that target specific audience groups for employment at DCC, as well as internal awareness products.

2010–11 Corporate Plan Initiative: DCC will promote innovation through the ideas@work initiative.

A year ago, DCC launched its ideas@work initiative to encourage employees to collaborate and to share their innovations with their colleagues throughout the Corporation. In the coming year, the Corporation will continue to nurture and promote submitted ideas to ensure that they benefit the Corporation as a whole. Not only does this initiative increase the chances that good ideas will be diffused throughout the organization; it also helps ensure that employees are properly recognized for their contribution. The Corporation has always focused on encouraging innovation among its employees. For example, a National Award for Innovation is part of the Corporation's employee recognition program.

People Key Performance Indicators: 2009–2010 Results to Date

DCC has several indicators for tracking its performance under the theme of People. As required, when DCC undertakes an employee engagement survey, it will discuss the results in its Annual Report. Progress made through the ideas@work program will also be reported in the Annual Report. The people-related KPIs that DCC has tracked over many years are the employee retention rate and the professional-development-to-salary cost ratio.

Employee Retention Rate

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

For fiscal 2008–09, DCC's retention rate was 89.7%, slightly lower than its annual target of 90%. For the six-month period ending September 30, 2009, DCC's retention rate stood at 95.7%, which was higher than the 94% rate it reported for the same six-month period last year. Final full-year results will be presented in the Annual Report.

Employee Retention Rate

Results, 2008–09 End of Second Quarter	Results, 2008–09 Year-End	Target	Results, 2009–10 End of Second Quarter
94.0%	89.7%	90.0%	95.7%

Professional-Development-to-Salary Cost Ratio

DCC has set a spending target of 5% of base salary for professional development activities for employees. This spending target includes the costs associated with external training activities (e.g., fees and travel), as well as the cost of the staff training hours spent on professional development activities. In the last several years, the Corporation has invested considerably in developing a curriculum of internal courses to meet key training and development needs. The general use of these courses is reducing the demand for (and therefore the cost of) external training, while increasing the time spent on internal training. That is a positive return on the investment in course development. In 2008–09, the spending on professional development activities as a percentage of base salaries was 5.3%. Year-to-date expenditures for the six-month period ending September 30, 2009, were 4.7%, a 0.3-percentage-point deviation from the target of 5%. However, they were close to the 4.8% rate for the same six-month period in the previous fiscal year.

Professional-Development-to-Salary Cost Ratio

Results, 2008–09 End of Second Quarter	Results, 2008–09 Year-End	Target	Results, 2009–10 End of Second Quarter
4.8%	5.3%	5.0%	4.7%

PLANNING THEME 4: STRATEGIC MANAGEMENT AND LEADERSHIP

Managing the diversity and growth of DCC's business is a key focus of DCC's senior management for the current planning period and beyond. DND is focusing on the Canada First Defence Strategy, which dramatically increases DND's need for resources in several areas, such as real property management and project management. DCC has increasingly stepped into the breach. DCC's staff has more than tripled in the last five years, from fewer than 250 to nearly 850 employees. At the same time, DCC remains flexible in its ability to manage the needs of its client through many variable circumstances, as it has done for almost 60 years.

To facilitate the strategic planning process, the theme of Strategic Management and Leadership was developed, providing a planning category for the work needed to guide the Corporation during this dynamic time of evolving client needs.

The strategic objective for this theme is **to provide strong, ethical and effective strategic management and leadership for the Corporation**.

STRATEGIC OUTCOMES

There are three strategic outcomes associated with this planning theme, one of which has a corporate initiative associated with it.

12. DCC is able to efficiently and effectively manage business opportunities and changes in business activity.
To maintain its strong relationship with the construction industry, and to ensure that it continues to have access to the contractors and consultants necessary to satisfy the needs of the DND, DCC will ensure that its processes remain effective for industry, while complying with applicable Government of Canada regulations. Furthermore, DCC will continue to work closely with the various levels and sectors within the industry to ensure alignment with new trends and standards of practice.

DCC's status as a Crown corporation gives it the flexibility to navigate changes in client requirements. It will continue to use that flexibility in exercising the full scope of its mandate to provide construction and related services for the defence of Canada.

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

14. DCC maintains an effective corporate planning and business monitoring framework and practice.
DCC regularly scans the Corporation's external business environment, focusing on the current and anticipated policies, plans and forecasts of the Government of Canada, DND/CF and the construction industry. At the same time, the Corporation reviews its internal policies, practices and performance in the context of changing external conditions in order to identify the key strategic issues of relevance to DCC in the foreseeable future. The Corporation's strategic response to these issues is incorporated into this Corporate Plan, where applicable and appropriate.

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

CORPORATE INITIATIVES: STRATEGIC MANAGEMENT AND LEADERSHIP

Strategic Management and Leadership Initiatives 2010–2011

2010–11 Corporate Plan Initiative: DCC will review its management structure and management practices.
In the current fiscal year, the executive management structure has seen some changes. They include the creation of a new role of Senior Vice-President, Operations, as an expansion of the executive management group, as well as further enhancements to the service delivery matrix structure. In the latter half of this fiscal year, further reorganization is expected to take place, with the National Operations Group (NOG) adopting an organizational structure similar to that of a DCC business region. NOG provides Ottawa-based support to DND national program requirements that are based in the nation's capital and provides technical support associated with these programs to DCC service lines across the country. Taking into account these recent evolutions, the intent of this initiative is to ensure that DCC's management structure and practices meet current and evolving client requirements as the Corporation fulfills its mandate to the client.

Strategic Management and Leadership Key Performance Indicators: 2009–2010 Results to Date

As explained at the beginning of this Planning Themes, Outcomes, Initiatives and Performance Measures section, DCC has reorganized its corporate planning themes. Before, the concept of leadership was included with governance. Now, leadership is separated from the governance theme and expanded to include the idea of strategic management. As a result, this newly expanded theme needs performance indicators.

One way to meet the objective of this theme—to provide strong, ethical and effective strategic management and leadership—is to report holistically on overall business results and the Corporation's success in meeting its management reporting requirements.

The overall business results of the Corporation can be measured by its financial performance, achievement of human resources objectives and operational outcomes. Reports the Corporation produces to meet legislative requirements include the Annual Report, the Corporate Plan Summary, progress reports for Treasury Board of Canada Secretariat (TBS), and human resources reports for other government departments, such as Human Resources and Social Development Canada (HRSDC) and the Office of the Privacy Commissioner of Canada. The Corporation's success in meeting its ongoing management reporting requirements, and the results contained in those reports, are reflective of DCC's success in meeting the objective of the Strategic Management and Leadership theme.

PLANNING THEME 5: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

DCC needs strong corporate governance, structure, policies, stewardship practices and controls in order to function as an effective instrument of public policy. The Board of Directors, the executive and senior management anchor DCC's governance regime, hence the strategic objective: **to be recognized as competent and responsive to government priorities, policies and practices**.

STRATEGIC OUTCOMES

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

15. DCC is accountable to the Government of Canada through transparent, ethical corporate governance and management.

DCC seeks to apply best practices of corporate governance. In 2009, the Corporation finished implementing the recommendations of the most recent TBS review of governance practices. The Corporation held its first Annual Public Meeting in March 2009 and posted a summary of proceedings on its website. DCC also received the Statement of Priorities and Accountabilities from the Minister of Public Works and Government Services.

16. DCC demonstrates its competence and value as an agent of the Crown.

DCC's value to government is manifested in a number of ways. The flexibilities afforded by DCC's Crown corporation status allow the Corporation to respond quickly to the rapidly changing operational requirements of DND/CF. At the same time, DCC helps stimulate the economy and create jobs by presenting attractive business opportunities to industry. Also, through its close relations with industry, the Corporation enhances industry-government relations by promoting understanding of government policy objectives and by facilitating the exchange of ideas and practices.

17. Corporate leadership and oversight are provided in the fulfillment of the mandate of the Corporation.

DCC's mandate has always been to assist in the defence of Canada. Traditionally, that has meant providing services to DND/CF in Canada. In recent years, these services have increased in scope, resulting in considerable growth. As Canada faces defence challenges, DCC's role changes. The Corporation has been supporting the CF in Afghanistan for the last three years. Also, the range of groups DCC works with within DND has expanded to include Communications Security Establishment Canada (CSEC). By continuing to play a leading role in this environment, DCC stands ready to fulfill the whole range of its mandate, whenever it is called upon to do so.

18. DCC supports government policies and practices, including those related to:

- employment equity;
- official languages;
- environmental stewardship;
- safety;
- security;
- access to information; and
- financial administration and reporting.

CORPORATE INITIATIVES: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

Tracking Past Performance: Corporate Governance and Stakeholder Initiatives 2009–2010

Recognizing the importance of industrial security management and the need to create a culture of security in the Corporation, DCC identified the following initiative for the 2009–10 planning period.

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

The Corporation has completed this initiative. DCC has developed and implemented a security action plan. The OAG has reviewed DCC's action plan, and its Special Examination revealed no significant security deficiencies at DCC. DCC has also completed an internal security audit and reported the results to its Board of Directors. All targets set out in the action plan were achieved. As work proceeded, additional improvements were identified and then included in the action plan. Industrial security remains an important part of DCC's business and this work will continue in future years.

Corporate Governance and Stakeholder Initiatives 2010–2011

DCC has identified the following three corporate initiatives for the 2010–11 planning cycle to support government policies and practices.

2010–11 Corporate Plan Initiative: DCC will continue to implement the International Financial Reporting Standards, as appropriate.

As of January 1, 2011, all Canadian publicly accountable enterprises, including certain government business enterprises, will be required to stop using Canadian Generally Accepted Accounting Principles (GAAP) and to switch to International Financial Reporting Standards (IFRS). However, based on recent amendments to the *Public Sector Accounting Handbook*, DCC can choose whether to use IFRS or public sector accounting standards given that DCC now falls under the definition of "other government organizations." As such, it must determine its most appropriate source of GAAP. Based on the guidance provided by the Public Sector Accounting Board, DCC has determined that IFRS is the most appropriate source of GAAP for its needs and objectives, and has provided both the OAG and the Office of the Comptroller General of Canada with its rationale for arriving at this determination. By remaining on the standards applicable to publicly accountable enterprises, DCC will continue to transition to IFRS.

DCC has completed the preliminary assessment of the changes required for the Corporation to move to IFRS. Based on this preliminary assessment, DCC has identified a number of impacts on the financial reporting requirements of the Corporation. The main changes lie in the areas of increased note disclosure in the financial statements, and choices regarding the first time adoption of IFRS particularly as it relates to opening values to be ascribed to property, plant and equipment and recognition of actuarial gains or losses for employee future benefits plan.

DCC continues to perform in-depth analysis of all the IFRS standards to determine their applicability and impact on the financial statements. It expects to complete the in-depth analysis by the end of the first quarter of 2010–11.

Due to the low level of complexity in its operations, DCC does not expect that the conversion to IFRS will significantly affect its accounting policies or its reported financial results. In addition, in the last several years, Canadian GAAP has converged with IFRS in a number of areas, including financial instruments, and thereby minimizing the impact of the transition even further.

The Corporation is scheduled to complete its preliminary IFRS-compliant statement of financial position as at April 1, 2010 during the summer of 2010, and to have it examined by the OAG in the late summer or early fall of 2010.

2010–11 Corporate Plan Initiative: DCC will continue to focus on industrial security to refine and enhance processes and further develop strong security awareness.

DCC continues to refine its internal security processes and procedures, and continues to improve the joint processes with DND. Creating strong security awareness among employees takes time, and DCC will continue to focus effort in this area in 2010–11. A corporate security plan has been prepared and a briefing on its progress will be given regularly to the Board of Directors.

2010–11 Corporate Plan Initiative: DCC will review current practices of its Board of Directors related to approval of corporate matters.

Achieving good governance, and ensuring that its governance practices are in line with Government of Canada policy and relevant practices, are priorities for DCC. To that end, in the coming year, DCC will examine some of the practices of its Board of Directors. It will undertake a study to determine what similar organizations—such as other Crown corporations—are doing in the areas of delegation of authority and corporate practices. The intent of this initiative is to ensure that the practices of DCC's Board of Directors are appropriate for the organization. Work on reviewing Board practices is ongoing. In the last fiscal year, for example, the Board decided to amalgamate its Governance Committee and the Nominating Committee.

Corporate Governance and Stakeholder Relationships Key Performance Indicators: 2009–2010 Results to Date

DCC reports on several key performance indicators under the theme of Corporate Governance and Stakeholder Relationships. In addition to the annual reporting of the number of safety incidents and environmental incidents, DCC discusses other results; such as its employment equity rating or its audit results, when applicable.

Safety Incidents

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

The target is no lost-time safety incidents. However, for the period ending September 30, 2009, there was one DCC employee safety accident that resulted in 45 hours of lost time. A combined total of 1,155.8 lost work hours for the end of the second quarter includes time lost due to three incidents in the second half of the previous year.

Safety Accidents or Incidents Involving DCC Employees Resulting in Lost Work Time

Results, 2008–09 Year-End	Target	Results, 2009–10 End of Second Quarter
7 (733 hours lost)	0	1 (45 hours lost)

Environmental Incidents

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

For the period ending September 30, 2009, no worksite environmental incidents resulting from DCC management actions were reported. This result is in line with DCC's target of zero incidents and maintains the record of zero incidents over the past several years.

Government Performance Requirements Results

DCC tracks its performance using some key Government of Canada reports. For example, the OAG conducts an external audit annually and a Special Examination once every 10 years, at a minimum. DCC's goal is to have no significant deficiencies on its audits. In the first half of this fiscal year, no external audits were completed. DCC must also complete TBS submissions, as required by the *Financial Administration Act*. In the first half of this fiscal year, DCC submitted its Annual Report on time.

Employment Equity Rating

DCC has taken steps to improve its performance with respect to the government's employment equity objectives. In Human Resources and Social Development Canada's *Employment Equity Act 2008 Annual Report* (the most recent available), "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less than average performance; and "D" indicates poor performance. DCC's performance rating in this category improved from "average to less than average" to "superior" in most categories. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers.

Employment Equity Rating

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

*Source: *Employment Equity Act 2008 Annual Report* (Ottawa: Human Resources and Social Development Canada, 2008). This report uses data as at December 31, 2007.

FINANCIAL PLAN

FINANCIAL MANAGEMENT POLICY

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

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

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the years ending March 31, 2009 to March 31, 2015 *(in $ thousands)*	Actual March 31/09	Estimated March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15
Revenue							
Services	$ 71,570	$ 88,293	$ 94,892	$ 102,721	$ 103,748	$ 105,304	$ 96,616
Interest	154	47	60	74	87	98	107
	71,724	88,340	94,952	102,795	103,835	105,402	96,723
Expenses							
Salaries and employee benefits	60,069	75,178	82,153	90,368	92,175	94,019	86,347
Operating and administrative expenses	7,130	8,700	9,538	10,015	9,014	9,014	8,293
Amortization of property, plant and equipment	1,053	1,248	1,560	2,025	2,315	2,836	3,604
	68,252	85,126	93,251	102,408	103,504	105,869	98,244
Net income (loss) and comprehensive income (loss)	**$ 3,472**	**$ 3,214**	**$ 1,701**	**$ 387**	**$ 331**	**$ (467)**	**$ (1,521)**
Retained earnings at beginning of year	**3,386**	**6,858**	**10,072**	**11,773**	**12,160**	**12,491**	**12,024**
Retained earnings at end of year	**$ 6,858**	**$ 10,072**	**$ 11,773**	**$ 12,160**	**$ 12,491**	**$ 12,024**	**$ 10,503**

The Corporation is forecasting services revenue of approximately $88.3 million for the current year ending March 31, 2010, which represents an increase of approximately 23% from the previous year. About 4 percentage points of this increase are due to an average increase in billing rates and approximately 19 percentage points to an increase in work volume due to higher client demand for DCC services.

For the year ending March 31, 2011, services revenue is expected to increase by approximately 7.5% to $94.9 million. The Corporation expects to increase billing rates in fiscal 2010–11 by approximately 1.5%. The remainder of the projected services revenue increase is attributable to anticipated increases in work volume and billable time.

For future plan years, revenue is projected to increase approximately 8% in fiscal 2011–12, 1% in fiscal 2012–13 and 1.5% in fiscal 2013–14, and to decrease approximately 8% in 2014–15. Business volume is expected to increase in fiscal 2011–12, then level off in fiscal 2012–13 and 2013–14. A decrease is anticipated to start fiscal 2014–15, when a reduction in the client's infrastructure program is anticipated. These forecasts are all based on projections made by DND.

Interest revenue, which is generated from cash reserves, is forecasted to total approximately $47,000 for the current year ending March 31, 2010, which is a decrease of approximately 69% over the previous year. The decrease is primarily the result of lower interest rates throughout the year.

For the year ending March 31, 2011, interest income is expected to be $60,000 on the assumption that interest rates will remain constant but that the average cash balance throughout the year will increase. For future years, interest income has been projected to fluctuate based on anticipated cash levels, with no projected change in interest rates. Temporary cash surpluses are invested in accordance with the Corporation's investment policies, as approved by the Board of Directors.

Salaries and employee benefits expenses are forecasted to total approximately $75.2 million for the current year ending March 31, 2010, representing an increase of approximately 25% over the previous year. This increase comprises approximately 5 percentage points for increases to wages and benefits, and approximately 20 percentage points for staff increases related to higher levels of business activity, as discussed under services revenue (above) and staff strength (below).

For the year ending March 31, 2011, salaries and employee benefits expenses are projected to total approximately $82.2 million, representing an increase of approximately 9% over the current year forecast. This increase comprises approximately 4 percentage points for increases in salaries and benefits and approximately 5 percentage points for staff increases related to the anticipated increase in services revenue. For future years, the Corporation's financial forecasts assume an increase in salaries and benefits of approximately 10% in 2012, an increase of approximately 2% in 2013 and 2014, and a decrease of approximately 8% in 2015. Staff strength will increase in 2012 by 6%, remain constant in 2013 and 2014, and decrease by 8% in 2015 due to lower anticipated revenues.

Operating and administrative expenses are forecasted to total $8.7 million for the current year ending March 31, 2010, representing an increase of approximately 22% over the previous year. Inflationary increases and DCC's growth have affected operating and administrative expenses. Some of the more significant changes include an increase in rent expense of $340,000 or 19%, due to the Corporation's need for additional office space to accommodate employee growth across the regions and at Head Office; an increase in recruiting expenses of $101,000 or 64%, to fill vacant positions; an increase in employee development costs of $555,000 or 57%, due to the increase in staffing levels of the last several years; an increase in travel expenses of $343,000 or 64%, due to an increased number of meetings to meet business requirements; and an increase in professional fees of $306,000 or 35%, due to increased activity in the Human Resources and Information Technology departments to meet operational requirements.

For the year ending March 31, 2011, operating and administrative expenses are projected to be approximately $9.5 million, representing an increase of approximately 10% from the current year forecast. Some of this increase is due to inflationary adjustments to costs and the projected growth in business activity. On an individual item basis, employee training and development costs are projected to increase by 25%, due to increases in staff strength. Rent is expected to increase by 6%, due to higher operating costs. Computer acquisitions are projected to increase by 325%, in anticipation of higher spending on services related to the Corporation's requirement to refresh computer hardware. Relocation costs are expected to increase by 33%, due to a greater number of transfers of employees between regions.

For future years, operating and administrative expenses are projected to increase by approximately 5% for 2012 in anticipation of higher revenues; to decrease by approximately 10% in 2013 as anticipated revenue is projected not to grow; to remain stable in 2014; and to decrease by approximately 8% in 2015 in anticipation of lower revenue and staff strength.

Amortization of property, plant and equipment is forecasted to total $1.2 million in the current year ending March 31, 2010, representing an increase of approximately 19% from the previous year. This increase is related to the higher level of capital expenditures forecasted for the current year over the previous year, as noted below.

For the year ending March 31, 2011, amortization of property, plant and equipment is expected to total approximately $1.6 million, representing an increase of approximately 25% from the current year forecast. This increase is primarily driven by the anticipated 44% increase in capital expenditures forecasted for the year ending March 31, 2011, as highlighted in the Capital Budgets section on page 46. Future annual projections for capital expenditures, also highlighted under Capital Budgets, will also affect the fluctuation in amortization over the remaining years of the plan.

A net income and comprehensive income of $3.2 million is forecasted for the current year ending March 31, 2010, compared with a net income and comprehensive income of $3.5 million in the previous year. The decrease in net income is mainly due to an increase in the staff utilization rate and higher business volumes due to increased client demand for DCC services.

For the year ending March 31, 2011, a net income and comprehensive income of $1.7 million is projected, which represents a net margin of less than 2% of revenues and is essentially a break-even result. For future years, the Corporation is planning to remain in a break-even position for 2012 to 2014, and is projecting a loss in 2014 and 2015 due to lower business volumes and increases in capital investment in the Corporation.

BALANCE SHEET

For the years ending March 31, 2009 to March 31, 2015 *(in $ thousands)*	Actual March 31/09	Estimated March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15
Assets							
Current:							
Cash	$ 7,962	$ 13,871	$ 12,638	$ 13,966	$ 16,890	$ 16,858	$ 17,597
Due from related parties	15,342	15,240	20,473	22,162	22,384	22,720	20,845
Prepaids, advances and accounts receivable	575	709	762	825	833	845	775
	23,879	29,820	33,873	36,953	40,107	40,423	39,217
Property, plant and equipment	1,810	2,153	2,885	3,110	2,995	4,659	6,055
	$ 25,689	**$ 31,973**	**$ 36,758**	**$ 40,063**	**$ 43,102**	**$ 45,082**	**$ 45,272**
Liabilities							
Current:							
Accounts payable and accrued liabilities	$ 5,787	$ 5,961	$ 6,139	$ 6,324	$ 6,514	$ 6,709	$ 6,507
Due to related parties	701	695	650	550	400	250	125
Current portion – provision for employee future benefits	361	411	561	761	1,061	1,461	1,961
	6,849	7,067	7,350	7,635	7,975	8,420	8,593
Provision for employee future benefits	11,982	14,834	17,635	20,268	22,636	24,638	26,176
	$ 18,831	**$ 21,901**	**$ 24,985**	**$ 27,903**	**$ 30,611**	**$ 33,058**	**$ 34,769**
Shareholders' equity							
Share capital:							
Authorized – 1,000 common shares of no par value							
Issued – 32 common shares	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Retained earnings	6,858	10,072	11,773	12,160	12,491	12,024	10,503
	$ 6,858	**$ 10,072**	**$ 11,773**	**$ 12,160**	**$ 12,491**	**$ 12,024**	**$ 10,503**
	$ 25,689	**$ 31,973**	**$ 36,758**	**$ 40,063**	**$ 43,102**	**$ 45,082**	**$ 45,272**

LIQUIDITY AND CAPITAL RESOURCES

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

Amounts due from related parties are expected to increase or decrease during the plan years in direct proportion to the fluctuations in revenue from year to year.

The value of property, plant and equipment for the current year ending March 31, 2010, is expected to increase from the previous year by 19%. For the year ending March 31, 2011, the value of property, plant and equipment is expected to increase a further 34%. These fluctuations, and those for the remaining plan years, are directly tied to the projected levels of capital spending, as highlighted in the Capital Budgets section, and the amortization amount from year to year, based on the Corporation's amortization policies, as described in its Annual Report.

Accounts payable and accrued liabilities for the current year ending March 31, 2010, are expected to increase by approximately 3% from the previous year, and to increase by 3% in the year ending March 31, 2011. These fluctuations, and those of the subsequent plan years, are for the most part tied to changes in the level of operating expenditures from year to year and the anticipated timing of payments to creditors.

The provision for employee future benefits represents the Corporation's liability for the estimated costs of severance for its employees, as well as health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and actuarial assumptions used. The provision for employee future benefits, including the current portion, is expected to total $15.2 million at March 31, 2010, representing an increase of approximately 24% over the previous year. For the year ending March 31, 2011, the provision is expected to increase by a further 19%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 7% to 16%. The liability for accrued severance benefits is largely long term. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due.

STATEMENT OF CASH FLOWS

For the years ending March 31, 2009 to March 31, 2015 *(in $ thousands)*	Actual March 31/09	Estimated March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15
Operating activities							
Net income (loss) and comprehensive income (loss)	$ 3,472	$ 3,214	$ 1,701	$ 387	$ 331	$ (467)	$ (1,521)
Items not requiring cash:							
Provision for employee future benefits	2,663	3,263	3,361	3,395	3,429	3,463	3,498
Amortization	1,053	1,248	1,560	2,025	2,315	2,836	3,604
Employee severance and other benefits paid	(333)	(361)	(411)	(561)	(761)	(1,061)	(1,461)
Net increase (decrease) in non-cash working capital balances related to operations	(3,694)	136	(5,152)	(1,668)	(190)	(303)	1,619
	3,161	7,500	1,059	3,578	5,124	4,468	5,739
Investing activities							
Acquisition of property, plant and equipment	(1,334)	(1,591)	(2,292)	(2,250)	(2,200)	(4,500)	(5,000)
Increase (decrease) in cash during the year	1,827	5,909	(1,233)	1,328	2,924	(32)	739
Cash at beginning of the year	6,135	7,962	13,871	12,638	13,966	16,890	16,858
Cash at the end of the year	**$ 7,962**	**$ 13,871**	**$ 12,638**	**$ 13,966**	**$ 16,890**	**$ 16,858**	**$ 17,597**

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

STAFF STRENGTH

For the years ending March 31, 2009 to March 31, 2015							
	Actual March 31/09	**Estimated March 31/10**	**Planned March 31/11**	**Planned March 31/12**	**Planned March 31/13**	**Planned March 31/14**	**Planned March 31/15**
Employees based on full-time equivalents	695	853	913	967	967	967	909

Staff strength, which is presented on a full-time equivalent basis, is projected to be approximately 853 for the current year ending March 31, 2010. This figure represents an increase of approximately 23% from the previous year and is due to the increase in work volume and in the levels of business activity forecasted for the current year.

The full-time equivalent staff strength for the year ending March 31, 2011, is projected to be approximately 913, representing an increase of approximately 7% over the current year forecast. This increase is due to the projected increase in business activity and increases in support staff. Staff strength is expected to increase for the year ending March 31, 2012, to approximately 967, representing an increase of approximately 6%, and to remain there until 2014. For the year ending March 31, 2015, staff strength is projected to decrease 6% to approximately 909, due to lower revenue projections.

CAPITAL BUDGETS

For the year ending March 31, 2010 *(in $ thousands)*			
	Estimated March 31/10	**Planned March 31/10**	**Variance**
Office furniture and equipment	$ 512	$ 462	$ 50
Computer systems hardware and software	765	787	(22)
Leasehold improvements	314	310	4
	$ 1,591	**$ 1,559**	**$ 32**

The above table compares the latest estimated capital expenditures for the current year ending March 31, 2010, with planned expenditures. The schedule shows an expected overspending variance of $32,000, or approximately 2%, due to the higher overall spending forecasted. In particular, higher expenditures are forecasted for office furniture and equipment and for leasehold improvements, due to the higher than anticipated staff growth. Spending on computer systems hardware and software is projected to be slightly lower than planned, as certain planned expenditures will be delayed until the next fiscal year.

CAPITAL BUDGETS (continued)

For the years ending March 31, 2009 to March 31, 2015 *(in $ thousands)*	Actual March 31/09	Estimated March 31/10	Planned March 31/11	Planned March 31/12	Planned March 31/13	Planned March 31/14	Planned March 31/15
Office furniture and equipment	$ 410	$ 512	$ 491	$ 500	$ 450	$ 1,000	$ 1,000
Computer systems hardware and software	641	765	1,489	1,450	1,450	2,500	3,500
Leasehold improvements	292	314	312	300	300	1,000	500
	$ 1,343	**$ 1,591**	**$ 2,292**	**$ 2,250**	**$ 2,200**	**$ 4,500**	**$ 5,000**

Capital expenditures for the current year ending March 31, 2010, are currently forecasted to be $1.6 million, representing an increase of approximately 18% over the previous year. This increase is primarily the result of increases in spending for office furniture and equipment and for computer systems hardware and software, as a result of higher staff levels.

For the year ending March 31, 2011, capital expenditures are projected to be $2.3 million, representing an increase of 44% over the forecast for the current year. This increase is due to anticipated higher spending on computer systems software and hardware to accommodate staff growth such as spending on new software applications and tools and replacement of staff computer systems.

For 2012 and 2013, capital expenditures are forecasted to remain relatively constant, and the need for additional computer hardware and software renewal will remain constant for those years. For 2014 and 2015, the Corporation is forecasting anticipated lifecycle replacement and upgrading of office accommodations, furniture and equipment, computer hardware systems, software, and information technology infrastructure.

OPERATING BUDGET

For the year ending March 31, 2010 *(in $ thousands)*	Planned March 31/10	Estimated March 31/10	Variance
Revenue			
Services	$ 75,631	$ 88,293	$ 12,662
Interest	294	47	(247)
	75,925	**88,340**	**12,415**
Expenses			
Salaries and employee benefits	66,082	75,178	9,096
Operating and administrative expenses	7,889	8,700	811
Amortization of property, plant and equipment	1,230	1,248	18
	75,201	**85,126**	**9,925**
Net income and comprehensive income	**$ 724**	**$ 3,214**	**$ 2,490**

This schedule compares estimated operating results to planned results for the current year ending March 31, 2010. Services revenue is expected to be approximately 17% above plan. The increase is related to higher than anticipated business volume. Interest revenue is expected to be approximately 84% below plan, due to lower than anticipated interest rates throughout the year.

Salaries and employee benefits are expected to be approximately 14% above plan. The increase is due to the higher than anticipated staffing levels needed to handle a higher volume of work, as previously discussed.

Operating and administrative expenses are expected to be approximately 10% above plan. The increase is due to the higher than anticipated level of business activity, which resulted in increased spending on various operating and administrative expenses, particularly for travel, professional fees and employee development.

Amortization of property, plant and equipment is expected to be 1% above plan. That figure is consistent with plan.

The forecasted net income and comprehensive income is expected to be $3.2 million, versus a planned net income and comprehensive income of $724,000. This significant variance is due primarily to improvements in the staff utilization rate, which is a measure of efficiency, and to higher business volumes.