



CCC

Canadian Commercial Corporation  
Corporation Commerciale Canadienne

2011|2012 → 2015|2016

# Corporate Plan

OPERATING BUDGET  
CAPITAL BUDGET  
BORROWING PLAN

Canada

## Mandate

To assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods and services from Canada.

## Mission

To provide high-quality procurement and contracting services for the benefit of Canadian exporters, allowing them to access markets where risk, transparency and competitiveness require a government-to-government arrangement.

## Vision

To act as an effective instrument in trade promotion, helping Canadian companies achieve export sales on improved terms through the Canadian Commercial Corporation's (CCC) unique ability to mitigate contract risk and its specialized knowledge in international contracting and procurement.

## CCC is a trusted partner with a unique set of trade development services

### Collaborative

A Government of Canada partner in accessing foreign markets.

### Credible

A Government of Canada partner in transparent contracting and corporate social responsibility.

### Competitive

A Government of Canada partner in mitigating risk.

## CORPORATE SOCIAL RESPONSIBILITY

At CCC, we commit to operating in an environmentally, socially, and ethically responsible manner, and to respect Canada's international commitments, while upholding the Corporation's public policy mandate and acting within our resources.

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\* Please note: All figures are in Canadian dollars unless otherwise noted



# 1.0 EXECUTIVE SUMMARY

In this new era of economic challenges and strategic threats, the Canadian Commercial Corporation (CCC) has strengthened its position and has moved into a leadership role in working, as a Government of Canada partner, with a variety of Canadian companies who are looking to access international defence markets in allied and like-minded countries and international infrastructure markets in emerging and developing countries. The five business line strategy that CCC has developed is already proving its effectiveness as results from operations are making an increasing contribution towards sales for Canadian exporters and jobs for Canadians. Moreover, this has been accomplished while ensuring that the Corporation is managed in a cost efficient manner.

CCC offers two principal services: prime contractor service and procurement service. With its prime contractor service CCC acts as a prime contractor, signing a contract with a foreign government and, in turn, entering into a contract with a Canadian supplier to supply the goods and services required. When providing its procurement services CCC helps a foreign government identify appropriate Canadian vendors and awards a contract that will satisfy foreign government requirements. When a foreign buyer enters into a Procurement Service Agreement (PSA) with CCC, the Corporation acts as a Canadian procurement agent under a government-to-government arrangement.

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**With the global economy constantly shifting and evolving, it is important for the Corporation to adapt its strategies and plans.**

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The Corporation is committed to increasing international trade and strengthening its five business lines, thereby contributing to growth in the Canadian economy. For 2011-12 to 2015-16, CCC has three pillars of focus:



- Pillar one – Increase growth in Canadian exports
- Pillar two – Contribute to public policy
- Pillar three – Achieve innovation and operational excellence

## **PILLAR 1: Increase Growth in Canadian Exports**

As a result of its relationship with the United States Department of Defense (U.S. DoD), under the Defence Production Sharing Agreement (DPSA), and the Corporation's long-standing relationship with Canadian exporters, CCC has grown to become an important instrument for Canadian exporters in their work abroad. With the global economy constantly shifting and evolving, it is important for the Corporation to adapt its strategies and plans to remain optimally positioned to assist Canadian exporters in identifying and securing international contracts with foreign government buyers. To this end, CCC's first pillar – to increase growth in Canadian exports – frames the Corporation's

approach to strengthening its business through the established five lines of business that are strategically aligned with global opportunities.

- **Sales to the U.S. DoD under the DPSA and to the National Aeronautics and Space Administration (NASA).** Defence sales to the U.S. DoD will continue to form the backbone of CCC's business, reflective of the core value proposition that CCC brings to the Canadian economy through providing access to significant procurement opportunities for Canadian companies within the U.S. defence sector. The supply of Deep Ocean Uninterruptible Power Supplies for the U.S. Navy from OceanWorks International Corporation, of Vancouver, British Columbia, and the supply of Military Fuel Cans from Scepter Corporation, of Toronto, Ontario, are examples of the important work performed under the DPSA. In addition, CCC sells to NASA and, for example, has signed a contract with Neptec Design Group Ltd., of Ottawa, Ontario, to provide state of the art space systems to NASA.
- **Global defence sales to allies and like-minded nations.** The global defence business line is relatively new yet is already proving that extraordinary opportunities exist in the defence markets of allies and like-minded nations for Canadian products and services. For example, CCC worked with the Peruvian government to support their acquisition of 12 Twin Otter aircraft in the Fall of 2010 from Viking Air Limited of Sidney, British Columbia. Other opportunities for the sale of light armoured vehicles (LAVs) from General Dynamics Land Systems-Canada (GDLS-C), of London, Ontario, aircraft sales from Bombardier, of Montreal, Quebec, and a wing replacement project for Norway's Maritime Patrol Aircraft fleet with IMP, of Halifax, Nova Scotia, are examples of Canadian defence capabilities that are in high demand by armed forces around the globe.
- **International Commercial Business (ICB) sales (mostly in the infrastructure sector) to government buyers in emerging and developing markets, particularly Latin America and Africa.** Within the ICB line, CCC has demonstrated the importance of its value proposition to mitigate foreign market risks. The airport project in Quito, Ecuador is a case in point wherein, following a series of constitutional and legislative changes in Ecuador that jeopardized the economic success of the project, CCC, working with its Canadian contractor, and other arms of the Canadian government contributed to achieving a Strategic Alliance Agreement with the Canadian contractor, the project lenders, the Government of Ecuador, and the Municipality of Quito that paves the way for successful completion of the airport. The ICB line and its risk mitigation value proposition, are successfully penetrating a variety of foreign markets. Key examples are multiple power generation and urban development projects in Ghana, Kenya, and Angola with Canadian exporters, such as Orenda Aerospace Corporation, of Toronto, Ontario, and CPCS Transcom Ltd., of Ottawa, Ontario.
- **Procurement services for federal government departments to support their international programs.** Within its procurement services business line, there is an increasing demand for efficient procurement capabilities to assist departments and agencies of the Government of Canada with the purchase and delivery of goods and services to foreign recipients of Government of Canada international programs. CCC continues to increase its role in procuring goods and services for Foreign Affairs and International Trade Canada (DFAIT) as part of its Global Partnership Program, Stabilization and Reconstruction Taskforce (START), and Counter-Terrorism and Capacity Building Program (CTCBP). Procurements of vehicles and coastal patrol boats after the January 2010 earthquake, which devastated parts of Haiti, the procurement of temporary bridges as part of Canada's contribution to flood relief



in Pakistan, and the procurement of border patrol and security equipment for Afghanistan are examples of CCC's work in this business line. CCC's role in the reconstruction of states is an important element of both business and public policy contributions by the Corporation. For example, on November 4, 2010, Canada's Minister of Foreign Affairs announced CCC's participation in Canada's project to build new headquarters for the Haitian National Police (HNP) force. Other similar projects include overseeing the contracting process to construct a bio-containment laboratory in the Republic of Kyrgyzstan. CCC plans to broaden this business, increasing the number of departments and agencies for which assistance can be provided in procuring goods and services for international programs.

- **Trade financing to Cuban government buyers in the tourism and agricultural sectors in support of Canadian exporters working in Cuba.** CCC's trade financing business line will see continued demand as Cuba's economy strengthens and the Cuban government makes investments into its tourism and sugar sectors. Over the life of the program, CCC has directly and indirectly supported over 200 Canadian companies, with the vast majority being small and medium-sized enterprises (SMEs) representing a broad spectrum of industries. Over \$550 million in export contracts have been generated, resulting in the creation and maintenance of over 6,000

Canadian jobs. Under this business line CCC successfully facilitated the first sale of fertilizer to Cuba, and is now negotiating a second sale from Canada.

The nature of CCC's business is such that some projects can be very large in value, causing results to spike positively in certain years and return to a more normal pattern of growth in subsequent years. Economic factors can also delay contract awards including, for example, the acquisition of additional LAVs or the provision of long-term, high-value services. Discussions continue for multi-billion dollar contracts, however, the timing is uncertain and requirements could be split into tranches to facilitate phased funding.

Given the anticipated timing of these larger contracts, CCC is forecasting its value of contracts signed to spike in 2011-12. Results in 2013-14 and beyond will continue to show impressive growth as compared to 2010-11 results. In 2010-11, CCC is forecasting its value of contracts signed to exceed \$2 billion. This is a \$500 million increase over the average annual amount achieved over the five-year period from 2003-04 to 2007-08. For 2011-12, the value of contracts signed is anticipated to reach \$2.8 billion. Forecasted value of contracts signed for 2012-13 to 2015-16 will show continued growth achieving \$2.9 billion in 2012-13, \$4.4 billion in 2013-14, \$4.5 billion in 2014-15, and \$5 billion in 2015-16.



*Procurement of temporary bridges to Pakistan as a part of Canada's contribution to the flood relief.*

Throughout the Corporate Plan period, CCC will continue to prudently manage expenditures and investments in line with revenues and cash flows to ensure CCC has the people, processes and systems necessary to support its business objectives while respecting the spirit of cost containment conveyed in Budget 2010. Average annual growth in revenues over the period is forecast at 19% while average annual growth in operating expenditures over the period is forecast at 11%. Perhaps most impressive are the anticipated results for fees for service revenues. CCC fees for service will be \$10.9 million in 2010-11 and will continue to grow reaching over

\$30 million by 2015-16, an average annual growth in fees of 24%. This will allow CCC to grow the equity as well as make the required investments in procurement and contracting excellence, thereby ensuring any and all risks of this growing business are effectively mitigated.

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**CCC is also in a position to make a meaningful contribution to public policy that will respond to Canadian companies' needs in the continuously changing international trade environment.**

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**PILLAR 2:  
Contribute to Public Policy**

As a Crown corporation, CCC is also in a position to make a meaningful contribution to public policy that will respond to Canadian companies' needs in the continuously changing international trade environment. The Corporation, in collaboration with its International Trade Portfolio partners, will continue to support the development of sound public policy by:

- increasing awareness of Canada's capabilities within the integrated North American defence industrial base;
- supporting Canada's international trade initiatives by helping Canadian exporters further penetrate target markets; and
- continuing to promote CCC as a primary/priority responder in Government of Canada international emergency response and reconstruction initiatives.

**PILLAR 3:  
Achieve Innovation and Operational Excellence**

The past five years have seen marked investments and corresponding improvements in CCC's approach to people, processes, and systems – many of which were recognized in the Special Examination report by the Office of the Auditor General (OAG) in 2009. Building on these

achievements, CCC is committed to continually improving its internal controls to make the Corporation an even stronger organization. CCC remains focused on being an international contracting and procurement agency of choice that is collaborative, credible and competitive, and known for innovative and effective government-to-government contracting solutions that minimize risk through excellence in people, processes and systems. CCC will also continue to demonstrate innovation and integrity consistent with the Government's direction on cost containment by:

- continuing to implement CCC's Cost Efficiency Plan;
- continuing to develop CCC's business development and sales capacity and capability;
- enhancing client relationship management; and
- implementing a renewed Human Resources (HR) Strategy including a new learning and development framework.

CCC's five-year Corporate Plan responds to the strategic direction received from the Minister of International Trade and CCC's Board of Directors, and reflects the Corporation's approach to increasing trade opportunities for a broad spectrum of Canadian exporters. The results outlined in this five year Corporate Plan will lead to the creation or maintenance of some 174,000 jobs throughout Canada. As much of CCC's business is with SMEs, many of these jobs will support Canada's innovation agenda and the development of advanced technological solutions for foreign government buyers.

## 2.0 BUSINESS LINES AND VALUE PROPOSITIONS

### Sales to the U.S. DoD under the DPSC and to NASA

#### VALUE PROPOSITION

##### For the U.S. DoD and NASA

- Fair and reasonable price certification
- Technical, financial and managerial endorsement
- Contract guarantee of performance – enshrined in the Defense Federal Acquisition Regulation Supplement (DFARS)
- Contract management – issues management and risk mitigation
- Contract management oversight at no cost to the U.S. DoD or NASA

##### For the Canadian Exporter

- Access to U.S. DoD acquisition – CCC is exempt from most Buy American provisions by regulation
- Contract administration and payment through CCC
- No cost service





## SUCCESS STORIES



### ULTRA ELECTRONICS TACTICAL COMMUNICATION SYSTEMS

For the past several years Ultra Electronics Tactical Communication Systems (Ultra TCS) of Montreal, Quebec has been providing the U.S. Army with high performance radio equipment through CCC. This longstanding relationship, which has developed into a new long-term contract for Ultra TCS, is based on fair and reasonable pricing, solid contract performance, and the delivery of innovative communications technology. The newest contract, estimated to be worth up to \$650 million USD, is for state of the art radios, ancillary equipment and technical support services. This opportunity has contributed to maintaining and improving Ultra TCS's position as one of the top companies in the world in tactical communication products.



Photo Courtesy of U.S. Army



### HÉROUX-DEVTEK

Another Canadian success story, Héroux-Devtek, based in Longueuil, Quebec, serves the global aerospace, commercial and military markets by supplying landing gear systems (including spare parts, repair, and overhaul services) and airframe structural components. The Company also supplies the industrial market with large components for power generation equipment and precision components for various industrial applications. Over the course of 2009-10, CCC worked with Héroux-Devtek to provide landing gear, as well as repair and overhaul services to the U.S. Air Force. This work for the U.S. DoD, managed through CCC, has become an annual fixture in Héroux-Devtek's business strategy.

### ARMATEC

As the pioneer in the field of holistic survivability, Armatec of London, Ontario, continues to set the standard for armoured vehicle crew protection. Armatec was founded in 1997 and today it possesses the research and development, design, and full-scale production capabilities to equip a range of armoured vehicles. Working through CCC, Armatec initially designed and manufactured products for the U.S. Marine Corps. The volume of orders for the U.S. DoD has steadily increased and has led to the opening of a new facility in Dorchester, Ontario.



## Global defence sales to allies and like-minded nations

### VALUE PROPOSITION

#### For the International Buyer

- Direct contracting government-to-government mechanism
- Government of Canada assurance of adherence to contractual terms and conditions
- Robust risk mitigation process and assurance of competent suppliers
- Credible and transparent procurement processes
- Active project monitoring and quality assurance
- Tailored Canadian solutions to meet the buyer's requirements
- Faster and cheaper than other foreign military sales programs

#### For the Canadian Exporter

- Government of Canada partner enhances credibility, mitigates risk and removes onerous buyer conditions
- Frequently allows the buyer to award a directed contract
- Enhanced access to opportunities with international buyers
- Enhanced access to support from Canadian Government





## SUCCESS STORIES



### VIKING AIR LIMITED

CCC was contacted by Peruvian government officials to support their acquisition of 12 Twin Otter aircraft manufactured by Viking Air Limited of Sidney, British Columbia. CCC signed a contract with the Ministry of Defence of Peru for the delivery of these aircraft. This contract is valued at approximately \$67 million USD, and demonstrates CCC efforts to enable an excellent Canadian company to meet the needs of an international client.



Photo Courtesy of the Department of National Defence

### GDLS-C

The LAVs manufactured by GDLS-C in London, Ontario, have been the mainstay of the Canadian and U.S. armed forces, and have been used in both Iraq and Afghanistan. Government-to-government defence sales to allies and like-minded nations open export markets to quality Canadian suppliers of goods and services and, in this case, supports an estimated 2000 Canadian jobs. CCC is proud to have facilitated several billion dollars in international sales for GDLS-C since 1993. CCC is currently in active discussions with foreign buyers that could result in a doubling of the sales of these LAVs.

### GOVERNMENT OF MALAYSIA

Having the Government of Canada as a partner enhances credibility, mitigates risk and ensures a transparent procurement process. It is for this reason that CCC was approached by a Canadian supplier to facilitate the provision of an innovative and high-quality Integrated Ballistic Identification System to the Government of Malaysia. The Ministry of Home Affairs of Malaysia preferred a government-to-government structured contract to provide it with the confidence needed for this advanced technological solution.

Photo Courtesy of the Department of National Defence



## **International Commercial Business sales (mostly in the infrastructure sector) to government buyers in emerging and developing markets, particularly Latin America and Africa**

### **VALUE PROPOSITION**

#### **For the International Buyer**

- Direct contracting government-to-government mechanism
- Government of Canada assurance of adherence to contractual terms and conditions
- Robust risk mitigation process and assurance of competent suppliers
- Credible and transparent procurement processes
- Active project monitoring and quality assurance

#### **For the Canadian Exporter**

- Government of Canada partner enhances credibility, mitigates risk and removes onerous buyer conditions
- Frequently allows the buyer to award a directed contract
- Enhanced access to opportunities with international buyers
- Enhanced access to support from Canadian Government





## SUCCESS STORIES



### AECON CONSTRUCTION GROUP INC.

CCC is working with Aecon Construction Group Inc., Canada's largest publicly traded construction firm, based in Toronto, Ontario, to build a new international airport in Quito, Ecuador. Expected to be completed in 2012, this \$600 million project is a world-class example of how a group of nations can work together. Through this project, Canadian, American and Latin American stakeholders have invested in Ecuador's economic future and have made significant contributions towards improving Ecuador's productivity through the transfer of valuable technology, knowledge and skills. CCC is working with Aecon to develop other infrastructure projects in Latin America and around the world.

Photo Courtesy of Corporación Quiport SA



### ORENDA AEROSPACE CORPORATION

CCC is working with Orenda Aerospace Corporation, a division of Magellan Aerospace Corporation, from Mississauga, Ontario, to build a 132 Megawatt power generation plant in Takoradi, Ghana. CCC's participation in this two-year project has helped a well-known Canadian company that traditionally operates in the aerospace sector diversify its business through the exportation of a unique product with broad-scale applications. Ghana has already requested that a proposal be developed for a second contract to build another 132 Megawatt power plant. This project represents a cost-effective mechanism to increase power generation capacity in other countries throughout Africa and elsewhere.

### MAGELLAN AEROSPACE LIMITED

Building on the project in Ghana noted above, in March 2010, CCC and Muringa Holdings Ltd., a Kenyan energy consortium headquartered in Nairobi, signed a memorandum of understanding (MOU) to develop a thermal power plant valued at \$200 million in Naivasha, Kenya to upgrade the country's power system capacity through the expertise of Magellan Aerospace Limited of Toronto, Ontario. This project is anticipated to be signed late this fiscal year or early next fiscal year.





## Procurement services for federal government departments to support their international programs

### VALUE PROPOSITION

#### For the Canadian Government Department

- Allow departments to focus on core mandate and capitalize on their competencies when managing international programs
- Flexible, responsive and cost effective procurement solutions for short-term urgent or long-term complex projects
- Government of Canada retains control over program spending, and is assured that program funds are spent responsibly and transparently following internationally recognized procurement practices

#### For the Canadian Exporter

- Open, transparent, fair and flexible process
- Quick reaction time

## SUCCESS STORIES



### ATCO STRUCTURES AND LOGISTICS

As part of Canada's response to the January 2010 earthquake in Haiti, ATCO Structures and Logistics of Calgary, Alberta, was awarded a contract by CCC to supply and install portable classrooms at the training facilities of the Haitian National Police (HNP). The project is increasing the capacity of the HNP to train new recruits to replenish the strength of the police force, which was severely reduced by the loss of experienced officers, killed or injured in the earthquake. Plans are also underway for CCC, on behalf of DFAIT's START program, to manage an international bid solicitation and contracting process for the construction of the new HNP Headquarters in Haiti.

ATCO Structures & Logistics units at CFB Borden, Toronto



### CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

The Government of Canada, through the Canadian International Development Agency (CIDA), will be hosting the 52nd Annual Public Meeting of the Board of Governors of the Inter-American Development Bank (IDB) in Calgary, Alberta, in March 2011. CCC, on behalf of CIDA, will complete the contracting and procurement activities needed to manage the logistics for this high-profile international event.

## Trade financing to Cuban government buyers in the tourism and agricultural sectors in support of Canadian exporters working in Cuba

### VALUE PROPOSITION

#### For the Cuban Government Buyer

- Provides Cuban buyers with access to Canadian suppliers with proven track records in Cuba
- Provides Cuba with access to financing in order to sustain productivity in critical revenue-generating sectors of the Cuban economy
- Continues to strengthen ties with Canada
- Potential to leverage CCC relationships with other Canadian exporters that fall outside the traditional Sugar/Tourism areas (i.e. construction)

#### For the Canadian Exporter

- Helps create and sustain access to complex markets in Cuba for Canadian small and medium sized companies
- Fosters opportunities for job creation in Canada
- Mitigates risk through CCC's active contract monitoring
- Potential to leverage CCC relationships with other foreign buyers

### SUCCESS STORIES



#### GOVERNMENT OF CUBA

CCC has an extensive history working with the Government of Cuba to support investments in the Cuban sugar and tourism industries. Over the past 18 years, the Corporation has facilitated over \$550 million worth of Canadian exports to Cuba. This has helped to create and maintain over 6,000 jobs throughout Canada. The Corporation works with Canadian suppliers, particularly wholesalers, who purchase many of their products from as many as 200 Canadian companies. In 2009-10, CCC established a regional presence in the Canadian Embassy in Cuba in order to further solidify the Corporation's extensive relationships in the region, and to increase support to Canadian exporters. The office also supports CCC's business development in the Caribbean and Central America.



## 3.0 STRATEGIC PLANNING AND OPERATING ENVIRONMENT

### 3.1 Strategic planning process

CCC's corporate planning is a dynamic and continuous process. The cycle typically commences in the spring of each year with the identification of business growth opportunities and culminates in the winter with the approval of the Corporate Plan by the Minister of International Trade. As part of the strategic planning process CCC consults regularly with its International Trade Portfolio partners, DFAIT and Export Development Canada (EDC), Canadian exporters, and other key government departments and agencies.

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By the autumn Board of Directors meeting, CCC's Chairperson and Management have received direction from the Minister of International Trade in the form of the Corporation's annual *Statement of Priorities and Accountabilities*. Both the Board of Directors and Management discuss proposed strategies to ensure they are aligned with this direction. This provides the framework for the five-year Corporate Plan, which outlines how the Corporation will achieve its goals. The Corporate Plan is brought before the Board of Directors in December of each year and once approved is submitted to the Minister of International Trade for his approval and tabling in the House of Commons.

Throughout the entire planning process, business opportunities and challenges are analyzed taking into account CCC's mandate and risk appetite with a view to develop a sound five-year corporate

strategy that incorporates stretch targets within the context of an ever-changing international trade environment and evolving global economy.

### 3.2 External operating environment

This environmental scan provides insight into the nature of CCC's changing business environment. It is based on on-going research, continuous media monitoring, expert opinion and the experience of CCC and EDC officers, as well as DFAIT Trade Commissioners and Canadian exporters in the field.

#### A challenging global economy

Following the global economic downturn of 2008 and 2009, the global economy in 2010 continues to be unstable and unpredictable. In September 2010, the Bank of Canada indicated that the global economic recovery is "proceeding but remains uneven, balancing strong activity in emerging economies with weak growth in some advanced economies."<sup>1</sup> According to EDC's autumn 2010 Global Export Forecast, the world economy is projected to expand by only 3.9% in 2011 after generating growth of 4.3% this year.<sup>2</sup> This is in contrast to the pre-recession growth rates of 2006 and 2007, which were in excess of 5%.<sup>3</sup> This weakening is most pronounced in developed economies, where growth is forecast to reach 2.4% this year before sliding to 2.1% in 2011. With few exceptions, emerging markets are expected to share in this current decline, but growth will still be well above the average, reaching 6.4% this year and 5.9% in 2011.<sup>4</sup>

The Canadian economy is not expected to deviate from this trend based on numerous challenges including:<sup>5</sup>

- The reduced availability of financing caused by the global financial market crisis.

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<sup>1</sup> Bank of Canada, Press Release, September 8, 2010, available at [http://www.bankofcanada.ca/en/fixed-dates/2010/rate\\_080910.html](http://www.bankofcanada.ca/en/fixed-dates/2010/rate_080910.html)

<sup>2</sup> EDC, "Global Export Forecast – Fall 2010," available at [http://www.edc.ca/english/docs/ereports/gef/country\\_information\\_EFindex.htm](http://www.edc.ca/english/docs/ereports/gef/country_information_EFindex.htm)

<sup>3</sup> DFAIT, "Canada's State of Trade – 2010," available at [www.international.gc.ca/economist-economiste/performance](http://www.international.gc.ca/economist-economiste/performance)

<sup>4</sup> EDC, "Global Export Forecast – Fall 2010," available at [http://www.edc.ca/english/docs/ereports/gef/country\\_information\\_EFindex.htm](http://www.edc.ca/english/docs/ereports/gef/country_information_EFindex.htm)

<sup>5</sup> Government of Canada, "Canada's Economic Action Plan," available at <http://www.actionplan.gc.ca/eng/feature.asp?pageld=98>

- Declining demand for Canadian exports caused by the slowdown in the U.S. and other key economies, and the high value of the Canadian dollar.
- Reduced profits and incomes due to the sharp drop in commodity prices.

Canada is forecast to see growth reach 3% in 2010 before easing to 2.5% in 2011. Canadian export growth will follow this pattern, slowing from 12% this year to 6% in 2011.<sup>6</sup>

### Defence markets

CCC has a long and established history in defence procurement, one that began 55 years ago when it became the Canadian government's custodian of the DPSA, and continues today with more than 20 allied and like-minded nations around the world having taken advantage of CCC's expertise in defence procurement.

According to the Stockholm International Peace Research Institute (SIPRI), the far-reaching effects of the global financial crisis and economic recession appear to have had little impact on world military expenditure. In 2009, global military expenditures totalled an estimated \$1,531 billion USD. This represents an increase of 5.9% compared to 2008 expenditures and an increase of 49% since 2000.<sup>7</sup> These figures demonstrate that for major or intermediate powers such as the United States, China, Russia, India and Brazil, military spending

represents an on-going long-term strategic choice, which these countries are willing to uphold even in difficult economic times.

While estimates of global military spending indicate that overall spending will remain high, the economic crisis did have an effect on the composition of military spending, with many Western countries having chosen to defer expenditures in expensive new military equipment and programs in favour of repair and overhaul of existing assets. In the long-run, increasingly high unit costs are expected to limit procurement volumes.

Recent estimates for defence spending in Canada indicate an increase of 1.5% in 2010, a major decline from the 9% average annual growth from 2006-07.<sup>8</sup> Similarly, the United States, which has a \$700 billion USD defence budget, is expected to increase spending by only 2% annually.<sup>9</sup> Germany plans to cut \$10.5 billion USD from the defence budget by 2014. Even Britain, which is among the largest spenders, has announced it will cut defence spending by 8% over the next four years, following a strategic defence and security review. Spain cut defence spending by 9% this year, and Italy will decrease spending by 10% next year. Less drastically, France is maintaining its current level of defence expenditure.<sup>10</sup>

### United States' defence market

The largest single market for Canadian firms in the defence sector continues to be the United States. This market provides exceptional opportunities for Canadian capabilities to be offered directly to the end user or incorporated into broader systems via large prime contractors and other subcontractors. The U.S. DoD and the Defense Security Cooperation Agency (DSCA), for instance, are responsible for approximately 80% of Canadian defence exports. Moreover, the DPSA and programs related to the development of the integrated North American defence industrial base foster approximately \$1.7 billion in direct trade flow annually.



Photo Courtesy of the Department of National Defence

<sup>6</sup> EDC, "Global Export Forecast – Fall 2010," available at [http://www.edc.ca/english/docs/ereports/gef/country\\_information\\_EFindex.htm](http://www.edc.ca/english/docs/ereports/gef/country_information_EFindex.htm)

<sup>7</sup> SIPRI, "World military expenditure increases despite financial crisis – Launch of the SIPRI Yearbook 2010." June 2, 2010. Available at <http://www.sipri.org/media/pressreleases/100602yearbooklaunch>

<sup>8</sup> The Economist, "Canada's armed forces - Fighting to keep fighting," page 47. September 11th-17th, 2010.

<sup>9</sup> The Economist, "Defence spending in a time of austerity," page 20. August 28th-September 3rd, 2010.

<sup>10</sup> The Economist, "Defence spending in a time of austerity," page 20. August 28th-September 3rd, 2010.



Looking ahead, while the overall U.S. defence budget may decrease, it is anticipated that the procurement components of this spending will remain at 2010-11 levels. Similarly, spending on maintenance and overhaul is likely to be maintained or increased. United States military requirements are such that when equipment returns from conflict zones abroad, the U.S. government must either replace or repair the equipment in order to maintain the size and capabilities of its force. As such, focus remains on the composition of defence spending rather than the scale, as the U.S. remains by far the largest military market in the world.

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**The Canadian defence industry offers innovative, high quality products and services that are in demand by Canada's allies and like-minded nations.**

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However, while opportunities abound, so do challenges and maintaining a healthy defence sector requires that Canadian companies have a clear understanding of U.S. defence policy and the U.S. defence market so that they can access these opportunities. CCC has developed and will continue to expand its relationships with the senior military and civilian leadership of the U.S. DoD to ensure that the Canadian capabilities within the integrated North American defence industrial base are well understood and appreciated.

#### Global defence markets

The Canadian defence industry offers innovative, high quality products and services that are in demand by Canada's allies and like-minded nations. In contrast to other foreign military sales programs, CCC adds value by offering timely, flexible, and cost-effective defence and security solutions that are tailored to the users needs.

Other allied militaries are increasingly turning to international joint procurement strategies to reduce costs in acquiring new equipment as their budgets tighten, illustrating potential new prospects for

Canadian companies. Although governments have reduced their spending in some areas due to recent economic uncertainties, the demand for certain products and services still exists in order to meet essential military requirements. In addition, the need for the repair and overhaul of existing assets is expected to continue, particularly for governments that currently do not have the resources to purchase new and more expensive products.<sup>11</sup> Aggregate Nordic spending on defence, for example, is forecast to rise by an average of 2.3% in 2011.<sup>12</sup> The diminished emphasis on funding their own weapons development, coupled with a clear policy change and preference for off-the-shelf solutions is becoming a standard feature of Nordic defence spending.

The U.S. has, for the past several years, been pressing its European allies to increase defence spending in order to modernize their forces, enhance interoperability and develop expeditionary capabilities. This pressure increased when the North Atlantic Treaty Organization (NATO) took on increased responsibilities in Afghanistan under the International Security Assistance Force (ISAF) mission. Within the past three years, however, the cost of deploying increasing numbers of troops and materiel to Afghanistan has put pressure on planned modernization expenditures. Critical systems and materiel are needed to continue the ISAF campaign, as well as to modernize legacy systems and build up territorial defences. In this period where defence budgets are in general decline, governments are looking for innovative



Photo Courtesy of the Department of National Defence

<sup>11</sup> Wall Street Journal. "In Europe, U.S. Allies Target Defense Budgets," June 25, 2010, available at <http://online.wsj.com/article/SB10001424052748703900004575324400873066256.html>

<sup>12</sup> DefenseNews, "Nordic budgets reflect the need for cost-cutting, efficiency," September 20, 2010, available at <http://www.defensenews.com/story.php?i=4784183>



strategies to gain efficiencies and stretch their defence dollars.<sup>13</sup> CCC, with its Global defence sales business line, can help Canadian companies deliver innovative products and services within a government-to-government solution that will be very attractive to Canada's allies and like-minded nations.

### Emerging and developing markets

While the U.S. will remain Canada's primary export market, Canadian businesses continue to focus on emerging and developing markets. CCC adds value to projects in emerging and developing markets by filling the needs of foreign governments to establish robust procurement practices, including adequate due diligence to ensure fair, reasonable and transparent contracts in meeting the developmental needs of these countries. In addition, CCC provides procurement services to Canadian federal government departments to support their international programs in emerging and developing countries.

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### CCC provides procurement services to Canadian federal government departments to support their international programs in emerging and developing countries.

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Canadian trade was severely impacted as part of the global contraction in world trade that began in 2008, and this has accelerated the process of trade diversification beyond the U.S. and towards emerging and developing markets. In addition, the rise in trade and economic cooperation agreements, and increased spending on infrastructure projects are expanding opportunities for Canadian companies as an increasing share of emerging and developing country government resources are being spent on economic growth and development.

Although the global financial crisis is affecting emerging and developing countries significantly, economists expect that their collective share of world growth will continue to increase.<sup>14</sup> Over the

last decade, many of the necessary conditions for long-term growth have been achieved, namely structural reforms and better macroeconomic policies. For instance, according to the Economist, in the five years to 2008 Latin American economies grew at an annual average rate of 5.5%. While the global financial crisis briefly interrupted this growth, the region's economy is expected to expand by more than 5% in 2010.<sup>15</sup> This expected robust growth in the medium and long-term will result in tremendous opportunities for Canadian exporters. According to DFAIT, tapping into these markets is crucial as 30 years hence, a gain of just 0.1% in the Canadian share of the import markets of Brazil, Russia, India and China (BRIC) alone would mean an export gain of \$29 billion.<sup>16</sup>

### International commercial business markets

In emerging and developing markets, an essential requirement for economic growth and sustainable development is the provision of efficient, reliable and affordable infrastructure services in power and water, property, ports, airports and beyond. Indeed, emerging and developing market infrastructure demand is rising, heavily fuelled by urbanization, the demand from the developed world for emerging market exports, and the need to stimulate recession weary economies. In some cases, grand-scale infrastructure projects are occurring in economies that have very little domestic production on which to draw. These projects require not just construction and engineering services, but also a wide range of goods and services that could be supplied by Canadian exporters.

Commercial opportunities for Canadian businesses are plentiful and wide ranging. Middle Eastern and Latin American nations, for instance, have embarked on huge infrastructure development projects, all seen as a means to gain competitive advantage for their nations in the global economy. In particular, Saudi Arabia continues to invest in infrastructure projects, with the government pledging to spend \$400 billion USD between 2008 and 2012. Likewise, in the United Arab Emirates, transportation, power and water treatment will

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<sup>13</sup> Global Brief. "European Defence Spending," October 20, 2009, available at <http://globalbrief.ca/blog/2009/10/20/euro-defence-spending-and-nato/print/>

<sup>14</sup> DFAIT, "Canada's State of Trade – 2009," available at [http://www.international.gc.ca/economist-economiste/performance/state-point/state\\_2009\\_point/2009\\_7.aspx?lang=eng](http://www.international.gc.ca/economist-economiste/performance/state-point/state_2009_point/2009_7.aspx?lang=eng)

<sup>15</sup> The Economist, "Nobody's Backyard," page 13. September 11th–17th, 2010.

<sup>16</sup> DFAIT, "Canada's State of Trade – 2009," available at [http://www.international.gc.ca/economist-economiste/performance/state-point/state\\_2009\\_point/2009\\_7.aspx?lang=eng](http://www.international.gc.ca/economist-economiste/performance/state-point/state_2009_point/2009_7.aspx?lang=eng)

remain priority growth segments, with projects in this area continuing unabated.<sup>17</sup> According to Business Monitor International (BMI) the current top 10 global infrastructure markets include Chile, Colombia, Panama and Saudi Arabia.<sup>18</sup>

With demand for infrastructure increasing, existing developed market capital goods providers and contractors are tapping into the opportunities. Emerging and developing markets are particularly keen on foreign investment in infrastructure because their countries often cannot solely finance the development, modernization or maintenance of roads, ports, airports, electricity grids and power stations. In addition, while infrastructure has shown resilience in the face of the economic downturn, with investment in the sector used to boost aggregate demand during the global recession of 2009, governments are now shifting from stimulus spending to austerity and new initiatives are focused to attract private (rather than public) capital for infrastructure development. The Government of Canada has recognized this growing potential through the *Global Commerce Strategy* and the *Americas Strategy*, which highlight growing investment opportunities.<sup>19</sup>

As emerging and developing countries continue to invest in major infrastructure and development projects, Canadian companies are eager to take advantage of these opportunities. Canadian companies specialize in consulting, engineering, design and construction, and possess a wealth of experience in planning and implementing infrastructure and manufacturing projects worldwide. In the energy sector for example, there are opportunities for Canadian companies in the areas of exploration and production, refining and processing, pipelines, service and equipment suppliers.<sup>20</sup> Other key market areas that match Canadian capabilities include telecommunications, energy and transportation.

While these markets offer many opportunities for Canadian exporters, they also involve greater risk. Infrastructure projects often involve huge up-front costs, take longer to complete, and are reliant on future cash flows to meet financial obligations and provide reasonable returns. The risks inherent in an infrastructure project are even greater when one considers the uncertainties associated with investment in developing countries. Moreover, infrastructure is not a sector in which smaller players can easily get involved. For this reason, many international infrastructure projects tend to be project-managed by large civil engineering companies or completed as joint ventures. Canadian companies will have a greater chance to succeed in winning contracts in these countries if the risks can be appropriately mitigated through CCC.

### 3.3 Supporting Canadian exporters

Although there are signs of recovery following the recent global economic downturn, market volatility and economic uncertainty continue to be a concern for CCC.

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**As an instrument of public policy, CCC's activities will continue to play a critical role in advancing broad Government of Canada goals.**

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As the global demand for defence and security solutions continues to rise, and opportunities in emerging and developing markets increase as regions stabilize and become more prosperous, CCC will be in a position to play an increasingly important role by assisting Canadian exporters in accessing these new opportunities. As the Government of Canada's international procurement and contracting agency, CCC's role is to provide services to support Canadian exporters through unique relationships and expertise in contracting and procurement, which position Canadian companies, both small and large, to successfully compete in complex defence, and emerging and developing markets.

<sup>17</sup> MENA Region Press Release, Canada Export Centre, November 4, 2009.

<sup>18</sup> BMI, "BMI's Top 10 Infrastructure Markets Revealed," August 23, 2010, available at <http://www.riskwatchdog.com/2010/08/23/bmi%E2%80%99s-top-10-infrastructure-markets-revealed/>

<sup>19</sup> DFAIT, "Global Commerce Strategy. Seizing Global Advantage," August 2009, available at <http://www.international.gc.ca/commerce/assets/pdfs/gcs-en.pdf>

<sup>20</sup> Koleva, Sylvia. "Canadian Opportunities in Nigeria". *Market Reports* July 2008, available at <http://www.infoexport.gc.ca/eng/document.jsp?did=83743>

As an instrument of public policy, CCC's activities will continue to play a critical role in advancing broad Government of Canada goals. For instance, CCC will further align itself with government initiatives that continue to reflect today's competitive and shifting global environment, by pursuing stronger links with key partners and determining the Corporation's role in integrative trade. Moreover, CCC continues to work closely

with its International Trade Portfolio partners, DFAIT and EDC, on joint initiatives in markets of mutual interest. Finally, CCC continues to contribute to broader Government of Canada goals through its involvement in stabilization and reconstruction efforts in sensitive areas of the globe including in reconstruction efforts in Afghanistan, and emergency response efforts in Haiti and Pakistan.



*Delivery of boats procured on behalf of DFAIT's START program for the Haitian Coast Guard.*

## 4.0 CCC'S THREE PILLAR APPROACH TO BUSINESS

### 4.1 Overview

CCC's business model is based on a clear mandate to assist Canadian exporters to obtain business through foreign contracting and procurement opportunities. The Corporation accomplishes this by continually fostering relationships with stakeholders and partners, and by maintaining international contracting and procurement expertise. As a federal government institution, CCC is proud that most of its supplier base for projects is composed of SMEs.

CCC's 2011-12 to 2015-16 Corporate Plan reaffirms CCC's commitment to Canadian exporters and builds upon its three pillars of focus: Increase Growth in Canadian Exports, Contribute to Public Policy, and Achieve Innovation and Operational Excellence. As a result of the strategies outlined in this year's Corporate Plan, CCC will continue to grow its business by identifying innovative ways to support Canadian exporters.

### 4.2 Pillar 1: Increase Growth in Canadian Exports

CCC has a long and rich history as a stakeholder in the integrated North American defence industrial base through its role as the Canadian government's

manager of the DPSA for over 50 years. As a result of its relationship with the U.S. DoD and the Corporation's long-standing relationship with Canadian exporters, CCC has grown to become an important instrument for Canadian exporters in their work abroad. The leadership role that CCC has established in its five business lines has resulted in considerable growth in the Corporation's value of contracts signed and fees generated over the last five years.

Looking forward, CCC will strengthen its role as a trusted Government of Canada partner to promote and sell Canadian capabilities, mainly in defence, security, and infrastructure goods and services to increase Canadian exports.

To achieve these objectives, CCC has identified the activities and priorities that will lead to its long-term success. For example, in its DPSA business line, CCC has become a key member of the Joint Steering Group of the Defense Logistic Agency Strategic Supplier Alliance, and continues to play a leadership role in numerous U.S. DoD contracting and acquisition groups. For its global defence sales and international commercial business, CCC has framed the criteria necessary for determining its target markets. This includes establishing a tier

#### Increase Growth in Canadian Exports

A trusted Government of Canada partner to promote and sell Canadian capabilities, mainly in defence, security and infrastructure goods and services to increase Canadian exports

#### Contribute to Public Policy

A contributor to the development and implementation of innovative international trade and defence industrial base policies and programs that support Canadian exporters in the evolving global marketplace

#### Achieve Innovation & Operational Excellence

An international contracting and procurement agency of choice that is collaborative, credible and competitive, and known for innovative and effective government-to-government contracting solutions

#### 4.2.1 Pillar One Performance Indicators

2011-12 Operational Objectives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)
<b>Increase growth in Canadian exports through CCC's five business lines by:</b>	<ul style="list-style-type: none"> <li>Value of contracts signed</li> </ul>	\$3.5B*	\$2.1B	\$2.8B	\$5.0B
<ul style="list-style-type: none"> <li>Maintaining a strong DPSA business</li> </ul>	<ul style="list-style-type: none"> <li>Volume of commercial trading transactions</li> </ul>	\$1.6B	\$1.8B	\$2.5B	\$4.2B
<ul style="list-style-type: none"> <li>Increasing international sales of defence &amp; security goods &amp; services in target markets</li> </ul>	<ul style="list-style-type: none"> <li>Fees for services</li> </ul>	\$10.1M	\$10.9M	\$14.7M	\$31.5M
<ul style="list-style-type: none"> <li>Expanding international commercial business in target markets</li> </ul>	<ul style="list-style-type: none"> <li>Number of Canadian exporters with contracts via CCC</li> </ul>	243	250	258	290
<ul style="list-style-type: none"> <li>Increasing procurement services for federal government international programs</li> </ul>	<ul style="list-style-type: none"> <li>Number of countries with contracts and/or pursuits</li> </ul>	40	41	42	48
<ul style="list-style-type: none"> <li>Continuing to strengthen and facilitate market access for exporters through the trade financing program in Cuba</li> </ul>	<ul style="list-style-type: none"> <li>Contract remediation expenses</li> </ul>	\$190K	\$0	\$500K	\$500K

\*includes a \$2 billion contract for LAVs sold through the U.S. Foreign Military Sales (FMS) under the DPSA.

one, tier two and tier three list of countries. The criteria are based upon CCC's previous experience and success in the country, exporter interest in the country, and business opportunities within that market.

Given this, for the first year of this plan, CCC will focus its efforts on Saudi Arabia, Norway, Colombia and Argentina for its defence work and in Ghana, Kenya, the Dominican Republic and Saudi Arabia in its infrastructure work. Because business opportunities can shift within a short period of time, it is possible that this list of countries could change throughout the course of the year. However,

the overall criteria will remain the same and will guide the Corporation in determining where to focus its efforts.

Having accomplished this, CCC will be in a position to effectively increase awareness of the Corporation with both foreign government buyers as well as with Canadian exporters who are looking for opportunities in international markets. CCC will build strategic outreach plans for each market that will include CCC-hosted trade missions, led by the Corporation's President, focusing on government-to-government contracting and procurement opportunities. CCC will also



continue to participate in DFAIT trade missions led by the Minister of International Trade, especially to regions where Canadian exporters believe there may be opportunities in the defence or infrastructure sectors.

In its procurement business line, CCC will continue to build its highly successful service for federal government international programs. Already the Corporation has made a significant contribution to Canada's efforts in international emergency response and reconstruction efforts, including in the aftermath of the January 2010 earthquake in Haiti where CCC supplied boats and portable classrooms for the HNP. The Corporation also supplied bridges to the affected areas of Pakistan following the summer 2010 flooding. CCC's plan for the upcoming years is to build upon this success by implementing an outreach plan to assist additional federal government departments with international program delivery.

Finally, CCC will continue facilitating market access for exports through the Cuba trade financing program. This program is unique to the Corporation and is a competitive advantage for Canadian businesses operating in the Cuban market. The statistics speak for themselves: over the life of the program, CCC has directly and indirectly supported over 200 companies and over 6,000 Canadian jobs. CCC has signed over \$550 million in export contracts over the years and this important CCC program has helped to modernize two critical revenue generating sectors of the Cuban economy - sugar and tourism. Looking forward, CCC will ensure its strong risk management approach is maintained by investigating and developing further risk diversification strategies, and leveraging its newly established regional presence in Havana, Cuba.

#### **4.3 Pillar 2: Contribute to Public Policy**

As a Crown corporation, CCC is in a unique position to inform public policy. As a result of CCC's extensive work with Canadian companies in public sector markets, the Corporation has developed an intimate knowledge of the challenges these companies face and is able to bring this insight to Canadian government policy-makers. Through its developed networks and relationships, CCC remains close to government policy development and is regularly in dialogue with government decision-makers. Over the five-year planning cycle, CCC's objective is to be a key contributor to the development and implementation of innovative international trade and defence industrial base government policies and programs that support Canadian exporters in the evolving global marketplace.

As the Government of Canada's custodian of the DPSA, CCC plays a strategic role in increasing the awareness of Canada's capabilities within the North American defence industrial base. To this end, CCC will continue to lead the Canada-U.S. Trade in Defence Materiel Table and collaborate with industry associations on areas of mutual interest such as discussions about International Traffic in Arms Regulations (ITARs). CCC has already built strong ties with key individuals in Washington, D.C., both at the Canadian embassy as well as within U.S. policy groups and defence acquisition committees. This outreach will continue during the planning cycle and will ensure that Canadian companies remain competitive in the U.S. defence market.

CCC will continue to support Canada's international trade initiatives by helping Canadian exporters further penetrate target markets. Because CCC is a relatively small organization with niche capabilities, the Corporation works to achieve its goals by partnering with key organizations that will help meet its objectives. For instance, in order to broaden CCC's knowledge of exporter capabilities within Canada, the Corporation has undertaken

### 4.3.1 Pillar Two Performance Indicators

2011-12 Operational Objectives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)
<b>The Corporation, in collaboration with its International Trade Portfolio partners, will continue to support the development of sound public policy by:</b> <ul style="list-style-type: none"> <li>Increasing awareness of Canada's capabilities within the integrated North American defence industrial base</li> <li>Supporting Canada's international trade initiatives by helping Canadian exporters further penetrate target markets</li> <li>Continuing to promote CCC as a primary/priority responder in Government of Canada international emergency response and reconstruction initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Total value of commercial trading transactions</li> </ul>	\$1.6B	\$1.8B	\$2.5B	\$4.2B
	<ul style="list-style-type: none"> <li>Number of strategic partnerships</li> </ul>	13	14	15	19
	<ul style="list-style-type: none"> <li>Number of jobs created or maintained via CCC commercial trading transactions*</li> </ul>	17,250	19,900	27,900	46,500

\*according to the 1997 Federal Budget, \$1 billion in exports represents approximately 11,000 jobs in Canada.<sup>21</sup>

significant outreach activities with provincial government bodies responsible for trade as well as regional trade associations. In fact, in 2011-12, CCC plans to partner with the Defence, Security and Aerospace Exhibition in Halifax, Nova Scotia, for its Annual Public Meeting in order to ensure a heightened awareness of CCC among the exporter community within eastern Canada.

Finally, the Corporation will continue to promote itself as a primary responder to the Government of Canada's international emergency response and reconstruction initiatives. For example, CCC will reach out to specific parts of the federal

government, like DFAIT's Security and Emergency Preparedness group, in order to ensure that as many Canadian companies as possible can be a part of Canada's international emergency response to man-made or natural disasters.

### 4.4 Pillar 3: Achieve Innovation and Operational Excellence

Leadership and growth in CCC business has been supported by its strategic investment, over the past six years, in people, processes, and systems. In a challenging global environment marked by heightened risk, changing demographics, and increased economic and environmental uncertainty,

<sup>21</sup> Department of Finance Canada, "Budget 1997", available at [www.fin.gc.ca/budget97/job/job1-eng.asp](http://www.fin.gc.ca/budget97/job/job1-eng.asp)

## 4.4.1 Pillar Three Performance Indicators

2011-12 Operational Objectives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)
<b>CCC will continue to demonstrate innovation and integrity consistent with the Government's direction on cost containment by:</b> <ul style="list-style-type: none"> <li>Continuing to implement CCC's Cost Efficiency Plan</li> <li>Continuing to develop CCC's business development and sales capacity and capability</li> <li>Enhancing client relationship management</li> <li>Implementing a renewed HR Strategy including a new learning and development framework</li> </ul>	<b>Workplace health as measured by:</b> <ul style="list-style-type: none"> <li>Turnover rate</li> </ul>	11.8%	9%	≤10%	≤10%
	<ul style="list-style-type: none"> <li>Percentage of staff that feel they have tools required for their work</li> </ul>	71%	75%	≥78%	≥80%
	<ul style="list-style-type: none"> <li>Percentage of staff that feel supported in their development</li> </ul>	53%	60%	≥70%	≥75%
	<b>Financial health as measured by:</b> <ul style="list-style-type: none"> <li>Operating results/surplus</li> </ul>	\$1.1M	\$635K	\$648K	\$2.7M
	<ul style="list-style-type: none"> <li>Administrative expenses as a percentage of gross revenues</li> </ul>	1.61%	1.55%	1.16%	1.09%
	<ul style="list-style-type: none"> <li>Indirect expenses as a percentage of total expenses</li> </ul>	38%	37%	37%	29%
	<b>Effective &amp; efficient processes as measured by:</b> <ul style="list-style-type: none"> <li>Adherence to commercial contract payment terms</li> </ul>	97%	97%	99%	100%
	<b>Effective risk management as measured by:</b> <ul style="list-style-type: none"> <li>Contract remediation expenses as a percentage of commercial trading transactions</li> </ul>	0.01%	0%	0.02%	0.01%

CCC must continue to have in place strong business processes that take into consideration global best practices in risk management, contract management, and performance management. At the heart of CCC's success will also be its ability to renew its HR strategies to continue to attract and retain skilled knowledge workers in the context of an increasingly shrinking labour pool.

CCC is focused on continuing to be an international contracting and procurement agency of choice that is collaborative, credible and competitive, and known for innovative and effective government-to-government contracting solutions that minimize risk through excellence in people, processes, and systems.

Pillar three ensures that CCC's investments in people, processes, and systems are safeguarded and that CCC continues to build a strong and effective team of dedicated, hard working procurement specialists with the tools required to achieve excellent results. CCC will continue to develop innovative approaches to managing its business to achieve cost efficiencies and contain costs including travel, hospitality, and other discretionary expenditures to ensure they remain in step with increases in fee-based revenues consistent with the Government's cost containment measures.

In this light, the Corporation will examine its relationship with Public Works and Government Services Canada (PWGSC) and develop a new approach that will optimize expenditures while maximizing the quality of service being provided to clients. From a systems perspective, CCC will be defining its requirements for enhanced customer relationship management and performance management. Finally, CCC will implement its renewed HR Strategy, including a learning and development framework, to continue to attract, motivate, and retain the skilled personnel necessary to ensure growth in building the Corporation.

## 4.5 Risk management

Risk management is a critical component in CCC's achievement of corporate objectives. To this end, the Corporation has a well established Enterprise Risk Management (ERM) framework in place. CCC's approach to risk management involves the identification, assessment, mitigation, monitoring, communication and training of risk management issues. Moreover, the ERM framework is reviewed and updated annually in discussion with the Board of Directors, CCC's senior management and experts in the field of risk management.

The Corporation identifies and assesses risks across three broad risk categories: strategic, operational, and transactional. In so doing, CCC stays abreast of the areas of risk that require mitigation as per the Corporation's risk appetite and tolerance.

CCC's ERM framework identifies risk owners and risk roles within the Corporation. The Board of Directors ensures that CCC's risk management program is current, effective and reviewed regularly. CCC's Management ensures that risk management structures, policies and procedures remain relevant through its Risk and Opportunities Committee.

Risks related to this corporate planning period can be summarized as follows:

### *Strategic Risks (Mandate, Organizational, Reputational, Business Environment and Financial)*

The key strategic risk facing CCC is related to the global economy and its potential impacts on Canada's economy. The global recovery has been slower than anticipated and uneven across different global regions. As an export nation, Canada is reliant upon foreign market economies to demand goods and services from Canadian exporters. Significant reductions in foreign demand will reduce the financial strength of Canadian exporters and could jeopardize their ability to fulfill contracts over the longer term. This risk is relevant to CCC both in

terms of its potential impact on projected revenues, and in terms of the strength of CCC's supplier base.

The weak global economy may reduce or delay foreign buyer purchasing plans which could result in reducing the growth of CCC sales. Furthermore, protectionist measures may become a more popular policy choice for foreign governments in an attempt to bolster their sovereign economies.

Markets have not yet returned to pre-recession levels and further contraction in capital availability could restrict financing for large-scale infrastructure projects in emerging and developing countries where CCC is pursuing opportunities. To mitigate this risk, the Corporation continues to focus on countries that generate significant levels of foreign exchange (for example, through oil sales or tourism) as these countries are more likely to maintain access to project financing.

Given the changing political atmosphere in the United States, questions relating to the future of U.S. military spending continue. Current predictions point to a slightly reduced U.S. defence budget but the procurement component within that budget is anticipated to remain at 2010-11 levels. If a more significant reduction in spending on new equipment were to take place Canadian exporters may still fare well in that environment. Canadian exporters provide a significant amount of repair and overhaul services to the U.S. DoD. Reduced expenditures in new equipment will likely translate into increased demand for repair and overhaul. The Corporation closely monitors its U.S. DoD partners to understand their buying behaviour and requirements. Ensuring that CCC's value proposition is well understood is another key risk mitigating strategy used by the Corporation to ensure that U.S. DoD sales continue at a high level.

#### *Operational Risks (Information Management, Information Systems, People, Policies and Processes, and Business Continuity Planning)*

The Corporation continually completes key projects aimed at strengthening its people, internal

processes, and information management system thereby reducing the likelihood of operational risks.

The key operational risk facing the Corporation relates to its HR capacity. The Corporation is operating near or at capacity and future growth will need to be supported through additional resources and streamlined processes that maximize internal efficiencies. As new staff arrive, training and management support will ensure that all policies, processes and procedures that have been put in place to mitigate key operational and transactional risks are followed. Management is continually renewing its HR Strategy to address key areas such as recruitment, retention, pay, benefits, and training.

#### *Transactional Risks (Supplier Performance, Foreign Environment, Contract, Foreign Exchange, Fraud, Corporate Social Responsibility)*

Over the past year, the volatility and recent appreciation in the value of the Canadian dollar vis-à-vis the U.S. dollar has caused a strain on the competitiveness of Canadian exporters. For the Corporation's export contract portfolio, a higher rate generally translates into lower profit margins that are available to cover cost overruns should they occur. The Corporation is monitoring the financial position of its key suppliers throughout this period, but has not yet seen evidence of a broad based decline in the strength of our supplier portfolio and exporters continue to meet all of their contractual obligations.

The Corporation maintains a trade financing program which is currently providing commercial credit to Cuban buyers. While Cuba remains a risky market, reports indicate that the risk is beginning to diminish. This is due in part to the limited hurricane activity of this year, continued financial support from Venezuela and the better economic situation Cuba finds itself in after having reduced its debt load and spending restraints of the last two years.



## 5.0 CORPORATE GOVERNANCE

### 5.1 Mandate and public policy purpose

CCC is a parent Crown corporation under Schedule III Part I of the *Financial Administration Act* (FAA), and reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by the Parliament of Canada and fees generated by service offerings. The Corporation is headquartered in Ottawa, Ontario, and employs approximately 135 people.

The Corporation is governed by its enacting legislation, the 1946 *Canadian Commercial Corporation Act* (CCC Act). The Act outlines CCC's broad mandate, which is to assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods from Canada. The legislation also provides CCC with a range of powers, including the ability to export goods from Canada either as principal or as agent in such a manner and to such an extent as it deems appropriate. As a result, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating export transactions on behalf of Canadian exporters.

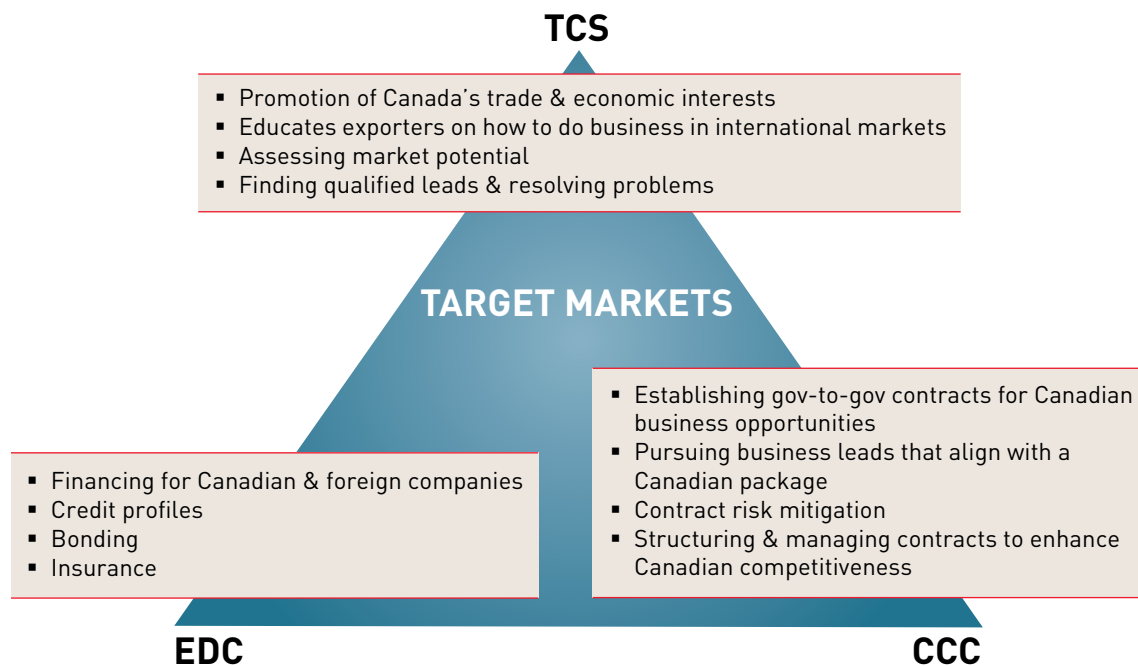
The Corporation's mandate, and the annual direction it receives from the Minister of International Trade outlined in a *Statement of Priorities and Accountabilities*, directs CCC to play an integral role in helping the Government of Canada achieve its overall goals. For almost 65 years, CCC has been responsible for helping Canada meet its commitments under the DPSA, which was established to foster an integrated North American defence industrial base. The services offered under the DPSA remain the largest single business line for the Corporation – historically CCC managed between \$650 million and \$750 million of business with the U.S. DoD annually and more recently between \$1 billion and \$1.7 billion annually – illustrating the critical role

CCC plays in fostering an effective relationship with the United States, Canada's most important ally and trading partner. In addition, by providing a number of specialized contracting and procurement services for transactions involving public sector markets abroad, CCC has played, and will continue to play, a significant role in the success of Canada's exporters working in public sector markets abroad.

### 5.2 Canada's International Trade Portfolio

CCC, DFAIT and EDC make up Canada's International Trade Portfolio. In conducting its business, CCC utilizes DFAIT's Trade Commissioner Service, which has a well-established international footprint with representation in over 150 embassies, consulates, high commissions and trade offices worldwide. CCC's procurement and contracting expertise is vital to and complements the advisory and financial services provided by DFAIT and EDC respectively, as noted in the table on page 28.





### 5.3 Alignment with government priorities

In the autumn of 2010, the Minister of International Trade outlined his priorities for the Corporation:

- **In the area of defence:** Continued stewardship of the DPSA and facilitation of aerospace and defence sales to the U.S. DoD and NASA. In addition, CCC is to continue to develop its expertise and relationships in this sector by pursuing defence and aerospace opportunities in other regions, thus providing allies and like-minded nations with access to innovative products and services from Canadian exporters.
- **In the area of infrastructure in emerging and developing markets:** Continued concentration on emerging and developing markets where there are established links and clear opportunities to provide value-added services to Canadian firms. CCC's support in some challenging and risky markets has and will continue to provide a competitive advantage for Canadian companies working in these markets.

- **In support of government departments:** Continued support of some key DFAIT initiatives, including efforts to make the operation of the trade offices being managed by CCC in China as efficient and effective as possible. In addition, the Corporation is to maintain its assistance in the promotion of peace and security, international law and human rights through continued involvement in the delivery of the Global Partnership Program, and the START program as procurement agent. CCC is also encouraged to continue to pursue similar international contracting arrangements with other federal organizations.

In line with the Government's direction on cost containment, CCC has proactively taken steps to increase the efficiency of its operating efforts for 2010-11 and beyond, and has developed a Cost Efficiency Plan. In this regard, CCC is discussing the broadening of its shared services agreement with Public-Private Partnerships (PPP) Canada, another Crown corporation, to continue achieving economies of scale for both organizations in meeting HR, information technology and other

corporate service requirements. The Corporation also continues to control travel, hospitality and other discretionary expenditures to ensure they remain in step with increases in fee-based revenues.

## 5.4 Governance structure

CCC maintains a high standard of corporate governance. As a Crown corporation, CCC is wholly owned by the Government of Canada and is governed by a Board of Directors. In addition, CCC adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, the *Public Servants Disclosure Protection Act*, and the *Official Languages Act*.

### Board Mandate

The Board of Directors exercises its responsibilities in keeping with the general provisions of the CCC Act and the FAA. It is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. This is accomplished through the provision of leadership and guidance to the Corporation's management team, and by analyzing and setting the Corporation's long-term strategic direction thus ensuring its alignment with the Minister of International Trade's direction.

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**The Board is responsible for the overall governance of the Corporation. It reviews the five-year Corporate Plan and the Annual Report, both of which are approved by the Minister of International Trade and tabled in Parliament.**

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CCC's Board of Directors is composed of a Chairperson, the President and Chief Executive Officer (CEO), and nine Directors that are appointed by the Minister of International Trade with the approval of the Governor in Council. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical

representation. Directors serve terms of up to four years and may be reappointed.

The Board is responsible for the overall governance of the Corporation. It reviews the five-year Corporate Plan and the Annual Report, both of which are approved by the Minister of International Trade and tabled in Parliament. The Board also meets quarterly to review the Corporation's overall operations, receive Committee reports and discuss CCC's performance against objectives. In addition, the Board undertakes regular assessments of its own effectiveness and the contributions of each Director by means of an annual peer-review exercise designed to improve individual and collective performance. In monitoring the financial management, reporting and auditing of the Corporation's performance, CCC's strong governance and accountability structure is reinforced.

### Board Committees' mandate, activities and membership

CCC's Board of Directors is led by an independent Chairperson and conducts its oversight functions through the following Board Committees:

- **Governance Committee:** develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. The Committee oversees the governance strategy and processes for the development of significant corporate priorities including the communications strategy, CCC's approach to corporate social responsibility and corporate performance management. As well, the Governance Committee conducts an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness.
- **Commercial Initiatives (Operations) Committee:** oversees the Corporation's procurement and international contracting business. All capital projects, all projects valued in excess of \$100 million or significant amendments to

such projects and any other projects that are referred by management to the Committee for consideration must be reviewed by the Committee which makes its recommendation to the Board of Directors for approval. It also reviews ongoing risk analyses of projects, approves proposed new business lines and products and, in conjunction with the Audit Committee, monitors operating processes.

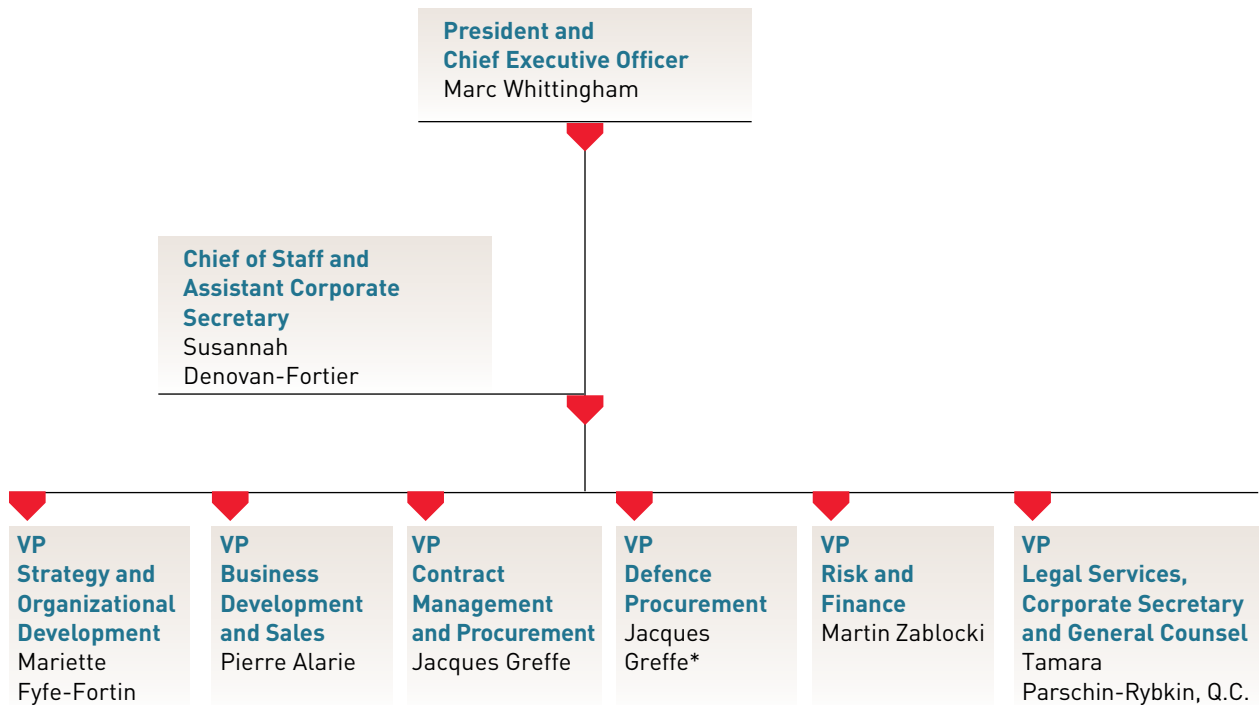
- **Audit Committee:** deals primarily with matters related to sound financial and risk management practices, audit functions, accurate reporting, and ethical conduct of the Corporation. With respect to its audit activities, the Committee oversees the annual financial audit, the internal audit function and the requirements of the OAG. The internal auditor and representatives from the OAG attend all Audit Committee meetings.
- **Human Resources Committee:** identifies and recommends, as may be requested, profiles and candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of International Trade. The Committee also reviews and makes recommendations on corporate officer appointments and compensation. The Chairperson, with the support of the Committee, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. In addition, the Committee examines and makes recommendations on human resources policies to ensure the well-being of the Corporation and its employees.
- **Policy and Priorities Committee:** was established as an advisory Committee by the Board of Directors in December 2009, and consists of a Chairperson and the Chairpersons of the other four Committees of the Board of Directors as well as the Chairperson of the Board of Directors and President and CEO as ex-officio members. The primary function of this Committee is to discuss and co-ordinate issues which overlap

between the established Committees of the Board of Directors: Governance, Operations, Audit, and Human Resources. The Committee also discusses and co-ordinates those matters which have not been sufficiently defined so as to be clearly within the purview of a Committee, and considers those other matters as may be referred to the Policy and Priorities Committee from time to time by the Chairperson, Board of Directors, and/or Management.

### **Executive Committee mandate, activities and membership**

The President is the CEO and, on behalf of the Board of Directors, is accountable for the direction and management of the business of the Corporation. With the approval of the Board of Directors, the Executive Committee comprised of the President, the Vice-Presidents and the Chief of Staff, sets corporate priorities to achieve the strategic objectives consistent with the corporate mandate and approved strategic direction. The FAA and CCC Act serve to guide decision-making and business activities. Bound by CCC's *Code of Conduct* and *Code of Business Ethics*, the Executive Committee adheres to the highest ethical standards of professional conduct. All executives, with the exception of the CEO, are paid within the salary ranges and compensation policies approved by the Board of Directors. CEO compensation is determined by the Governor in Council.

From an operational perspective, CCC underwent a major refocusing in 2009 in order to strengthen business development and better align resources with the strategic direction. The Corporation now has three operational business units: Business Development and Sales, Contract Management and Procurement, and Defence Procurement. These business units position the Corporation to more proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management and procurement services. The Corporation also has three corporate business units: Strategy and Organizational Development, Risk and



*\*In addition to his position as Vice-President, Contract Management and Procurement, the Board of Directors appointed Mr. Jacques Greffe to the position of Vice-President, Defence Procurement for an indefinite period.*

Finance, and Legal Services. Each business unit is led by a Vice-President accountable for corporate performance and results.

*international commitments, while upholding the Corporation's public policy mandate and acting within our resources."*

## 5.5 Corporate social responsibility

Representing both the Government of Canada and Canadian exporters means that CCC must carefully consider all the implications of its business activities not only at home but also abroad. CCC is committed to instilling Corporate Social Responsibility (CSR) in all its business practices, and is proud of the CSR policies and practices that have been implemented to date.

### CSR Vision Statement

CCC's corporate vision for CSR sets the groundwork for the Corporation's CSR Strategy and Framework:

*"At CCC, we commit to operating in an environmentally, socially, and ethically responsible manner, and to respect Canada's*

## CSR Operating Principles

CCC's vision incorporates the following five operating principles:

### 1. Corporate Governance

CCC is accountable to numerous stakeholders and must conduct its business in a responsible and transparent manner. As part of the Corporation's CSR initiatives, CCC will continue to maintain a high standard of corporate governance through:

- Board independence;
- Board assessment;
- regularly held Board meetings;
- public disclosure of Corporate expenses;
- financial accountability;



- positive Board and Management relations;
- stakeholder engagement, including regularly held annual public meetings; and
- rigorous planning and reporting practices.

## 2. Business Ethics

The Corporation's *Code of Conduct* and a *Code of Business Ethics* are key elements of CCC's commitment to CSR. These Codes were implemented in 2008-09, and govern behaviour internally and externally by outlining CCC's commitments with respect to the environment, bribery, human rights, conflict of interest, confidentiality of information, and expectations for ethical conduct on the part of its employees. All employees at CCC sign these Codes annually and they form the basis for all activity at CCC.

CCC is subject to the *Corruption of Foreign Public Officials Act*, which stipulates that bribing foreign government employees is a criminal activity. As such, it has included in all its domestic contracts with Canadian suppliers a clause prohibiting the bribery and corruption of government officials. In addition, CCC adheres to the Treasury Board's *Conflict of Interest and Post-Employment Code for the Public Service*, which serves as the Corporation's internal policy on conflict of interest and CCC has instituted a corporate policy on proactive disclosure entitled *Internal Disclosure of Wrongdoing in the Workplace*. CCC values human rights and promotes and abides by the Government of Canada's foreign policy by respecting economic and trade sanctions, and international treaties.

## 3. Environment

Through the *Canadian Environmental Assessment Act* (CEAA), the federal government is committed to supporting sustainable development by assessing the environmental effects of its decisions, operations, projects and activities before irrevocable decisions are taken that commit the government to a course of action.

While the CEAA applies to CCC as a Crown corporation, its provisions dealing with environmental assessments do not apply when the Corporation acts in its usual role as either procurement agent or prime contractor as CCC is neither the proponent nor the funding agency of the project as described in Section 5 of the CEAA. However, CCC has chosen to use the principles of the CEAA when involved in projects overseas in order to be consistent with Government of Canada policy.

In June 2010, CCC's Board of Directors formalized the Corporation's environmental review process by adopting the CCC Environmental Assessment Policy, thus replacing the 2002-03 Corporate Environmental Review Framework. The CCC Environmental Assessment Policy adopts the requirements of the CEAA and provides guidelines for obtaining and reviewing environmental assessments based on the CEAA requirements, including the *Projects Outside Canada Environmental Assessment Regulations* pursuant to the CEAA.

In cases where projects are funded through other export credit agencies or international organizations such as the World Bank, the Corporation, as part of its own due diligence and in keeping with the CEAA, will review the environmental assessments completed for these institutions to ensure that the project will not have adverse environmental effects.

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**At CCC our strength is our people; therefore, we strive to build a work environment that fosters respect and the highest levels of professionalism.**

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## 4. Organizational climate

At CCC our strength is our people; therefore, we strive to build a work environment that fosters respect and the highest levels of professionalism. We are also committed to continuously developing the unique skills our clients' value. To promote a positive climate CCC has developed its own values, holds regular meetings to communicate with staff, and has

established sound health and safety practices as well as policies for learning and recognition.

## 5. Community involvement

Through volunteer work with charitable organizations, CCC employees exemplify the Corporation's values and commitment to CSR. The Corporation provides support for community activities through the promotion of employee volunteerism and fundraising. For instance, CCC participates annually in the *Government of Canada Workplace Charitable Campaign*, which supports a broad variety of charities. This campaign has proven to be very successful for the Corporation, as it boasts a high-level of employee participation and donations raised. In addition, CCC promotes volunteerism by granting all employees one day of leave with pay to work as a volunteer for a charitable organization, community organization or community activity.

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### **The Corporation helps to promote transparency in business practices in the countries with which it works.**

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CSR is inherent in CCC's work, as the Corporation helps to promote transparency in business practices in the countries with which it works. In order to increase trade, CCC works in areas where there is a clear role for government. By responding to the need for additional contracting capacity in defence and emerging and developing markets, and by helping foreign governments benefit from Canadian export capabilities through the negotiation and execution of government-to-government contracts, CCC ensures transparency in its international contracting and procurement. For instance, when CCC signs a contract with a foreign government buyer and a contract with a Canadian exporter, the result is a secure and ethically sound government-to-government contract on the best possible terms and conditions for all parties concerned. In this way, CCC helps to promote ethically responsible business practices in the countries in which it operates.

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## 6.0 OPERATING BUDGET, CAPITAL BUDGET & BORROWING PLAN

This section of the Corporate Plan outlines CCC's operating budget, capital budget and borrowing plan. It also includes the Corporation's proforma financial schedules, financial objectives and five-year key planning assumptions. It concludes with the Corporation's outlook for 2010-11.

### 6.1 Operating budget for 2011-12

This section details CCC's operating budget, capital budget and borrowing plan as it compares to the 2010-11 outlook. The Corporation is budgeting for a modest operating surplus of \$648,000 in 2011-12 with net revenues of \$15.4 million. The significant increase in net revenues (which excludes interest income and parliamentary appropriation) is due to fees for service growing to \$14.7 million from \$10.9 million in 2010-11, an increase of \$3.8 million or 35%. The parliamentary appropriation has been approved by Treasury Board at \$15.5 million, the same level as in 2010-11, which was slightly reduced as a result of the Budget 2010 cost containment measures. In keeping with the Corporation's multi-year plan to invest in the capacity and skill sets required to achieve its growth and innovation strategy, operating expenses are budgeted at \$28.8 million, an increase of \$1.4 million or 5% over 2010-11.

Average annual growth in revenues over the five year period of the Corporate Plan is forecast at 19% while average annual growth in operating expenditures over this period is forecast at 11%. In addition, contract remediation expenses are budgeted at \$500,000, a significant decrease from the average contract remediation expenses incurred over the past 10 years of \$2.2 million per year. This results from CCC's improved and robust risk management practices.

### 6.2 Capital budget for 2011-12

The Corporation has identified a requirement for additional floor space related to the planned increase in employees required to support CCC's growth in commercial trading transactions. This new leased floorspace will require leasehold improvements, which will be funded internally. Costs for leasehold improvements are estimated at \$750,000. The cost of this initiative will be capitalized and amortized over 10 years.

In addition, standard purchases of equipment, furniture and fixtures required by the Corporation during 2011-12 will approximate \$250,000 and are included in the Corporation's Operating Budget.

### 6.3 Borrowing plan for 2011-12 to 2015-16

In this Plan, CCC is seeking Ministerial approval to borrow up to \$55 million or its U.S. dollar equivalent from various financial institutions. This borrowing request is divided into two components: DPSA/NASA and the trade financing program.

First, the Corporation has working capital requirements to facilitate the DPSA and NASA programs. CCC pays Canadian exporters on DPSA and NASA contracts within 30 days of receipt of invoices, and requires access to an operating line of credit as a prudent safeguard in the event that the U.S. DoD or NASA do not pay their invoices within the same time period. For 2011-12, the Corporation requests \$40 million, the same amount as last year, in Canadian currency or its U.S. dollar equivalent as CCC borrows in U.S. currency to avoid foreign exchange risks. Consistent with previous years, CCC is requesting up to 120 day repayment terms per invoice against which it has borrowed. The Corporation expects to borrow Canadian currency

at the Canadian prime rate and U.S. currency at the U.S. prime rate.

Second, borrowing authority is requested for CCC to support its work in the Cuba market under the trade financing program. The Corporation requests authority to enter into accounts receivable repurchase agreements with financial institutions to support its trade financing program for an amount up to \$15 million, the same amount as last year. CCC requests this amount in Canadian currency or its U.S. dollar equivalent in order to manage foreign exchange rate risks. In addition to the borrowing authority, CCC utilizes a portion of its retained earnings to finance other transactions. This borrowing authority request is consistent with CCC's plan to maintain its trade financing program in Cuba in order to continue to support Canadian exporters working in this unique market.

A table identifying borrowing needs for CCC for the period 2011-12 to 2015-16 is below:

Description	2011-12	2012-13	2013-14	2014-15	2015-16
Short-term borrowing for DPSA and NASA (up to 120 days)	\$40M	\$40M	\$40M	\$40M	\$40M
Medium term borrowing for Trade Financing (up to 2 years)	\$15M	\$15M	\$15M	\$15M	\$15M
Total borrowing request	\$55M	\$55M	\$55M	\$55M	\$55M

its efforts to develop a solid pipeline of business opportunities in order to grow commercial trading transactions and fees for service in the future. CCC will take steps toward this objective by increasing its foreign buyer and exporter pools through established relationships, developing specific country strategies, exploring new relationships and roles for CCC in the international marketplace and promoting a complete Government of Canada services package to exporters and foreign governments. As a result CCC has established five clear lines of business. Four of these lines generate fees for service while the DPSA business line, wherein Canadian defence goods and services are sold to the U.S. DoD, is managed from a government appropriation. The five lines of business are as follows:

- Sales to the U.S. DoD under the DPSA and to NASA (this business line does not generate fees, it is funded through appropriation);
- Global defence sales to allies and like-minded nations;

## 6.4 Financial objectives

For CCC to achieve its overall business objectives, the following financial objectives will be pursued:

### Growing Commercial Trading Transactions and Fees for Service

Commercial trading transactions reflect the deliveries and work performed by CCC's suppliers (Canadian exporters). The Corporation will continue

- ICB sales (mostly in the infrastructure sector) to government buyers in emerging and developing markets, particularly Latin America and Africa;
- Procurement services for federal government departments to support their international programs; and
- Trade financing to Cuban government buyers in the tourism and agricultural sectors in support of Canadian exporters working in Cuba.

In the defence markets, CCC will leverage its role within the federal government to take advantage of the Department of National Defence's (DND) procurements to increase sales abroad, including in the area of in-service support. CCC will also identify new business through an enhanced outreach strategy and leverage its relationships with Canadian exporters. CCC will expand its role as Canada's foreign military sales organization to provide an alternative to U.S. FMS for foreign government buyers.

In emerging and developing markets, CCC will integrate key countries, sectors and products to increase the share of international trade for Canadian exporters in target countries. CCC will also extend its services as a procurement agent to other federal departments and agencies with international programs. In addition, CCC has and will continue to establish an on-the-ground presence in key markets as required and as revenues provide.

### Preservation of Capital

CCC continues to strengthen its financial position by modestly growing its capital base through strategies that generate annual operating surpluses of \$0.6 million to \$2.7 million over the course of this corporate planning period.

Strategies to achieve this goal include keeping contract remediation costs at a minimum; ensuring that growth in operating expenses is commensurate with growth in revenues; establishing a systemic mechanism to secure appropriation funding for collective bargaining salary increases, increases in DPSA activity and service offerings related to public policy; maximizing interest income by improving cash management; monitoring and maintaining an appropriate level of capitalization to meet CCC's mandate; and exploring ways to utilize CCC's capital to support innovation.

### Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants has adopted a strategy to converge Canadian Generally Accepted Accounting Principles (GAAP) and IFRS. Effectively, IFRS will replace GAAP. Publicly accountable enterprises including many federal and territorial Crown corporations will be required to adopt IFRS for reporting financial results beginning on or after January 1, 2011, including at least one year of comparable financial results under the same basis of accounting.

The Public Sector Accounting Board (PSAB) made amendments to the Introduction to Public Sector Accounting Standards in December 2009, which indicated that CCC would have the ability to elect to adopt IFRS provided it meets factors related to "user needs" and "comparability", as set out in the amended introduction. CCC met the factors outlined in the amended introduction and has proceeded with plans and activities to adopt IFRS.

To date, CCC has conducted an IFRS diagnostic to assess the differences between the Corporation's accounting policies and IFRS. CCC has also completed a detailed transition plan to IFRS that was reviewed by the Audit Committee of the Board of Directors. This plan covers the scope, objectives, challenges, project governance, resources and timelines required to ensure a successful transition to IFRS. CCC is presently in the solution development and implementation phase wherein the Corporation is developing its opening balance sheet under IFRS. It is expected that the changes related to the adoption of IFRS will not have a significant impact on CCC's future financial position and financial results.



## 6.5 Five-year key planning assumptions

The Corporation has made the following five-year planning assumptions in projecting the major components of its operating budget.

### *Defence Markets*

- **DPSA** – The value of contracts signed related to CCC's core DPSA program, that excludes major projects, is planned to grow from \$700 million in 2010-11 to \$735 million in 2011-12 and beyond. CCC is assuming an increase of 5% from the outlook to year one of the Plan and will strive to maintain that level throughout the remainder of the five-year planning period. Although the U.S. government may reduce spending on defence, it is anticipated that the procurement components of this spending will remain at 2010-11 levels.
- **Major projects within the DPSA** are related to CCC sales through the U.S. FMS for significant contracts, historically related to the LAV program. In 2010-11 a contract amendment worth approximately \$2 billion was signed. The Corporation expects a lesser but steady level of sales in this area through the first three years (average of \$650 million) of the Plan and is optimistic it will see growth in the last two years of the Plan when significant repair and overhaul initiatives may develop as a result of current U.S. war efforts. CCC will also be strategically moving to sell goods and services through its global defence business line, rather than its DPSA business line, whenever possible.
- **Global Defence Sales** – The Corporation is currently pursuing a long-term, high-value contract for search and rescue helicopter services and the sale of additional LAVs. These will result in an irregular pattern of sales over the planning period based on when management expects these transactions to be signed. The Corporation is also pursuing a number of smaller, but still significant, contracts for flight training, the sale of aircraft, and other military goods and services to allies and like-minded nations.

### *Emerging and Developing Markets*

- **ICB** – The Corporation is planning for its value of contracts signed to grow from \$75 million in 2010-11 to \$324 million in 2015-16. This represents a greater than three (3) fold increase over the 2010-11 amount.
- **Procurement** – The Corporation is planning for its value of contracts signed to grow from \$41.5 million in 2010-11 to \$80 million in 2011-12 inclusive of one particularly large transaction. Subsequently, as procurement transactions tend to be smaller in value and scope, CCC is expecting an average of approximately \$60 million per year over the remaining four-years.
- **Trade Financing** – CCC and EDC have been working together in the Cuban market in order to assist Canadian exporters while managing CCC's risk exposure. CCC will continue to leverage its relationships in order to maintain opportunities for Canadian exporters in Cuba. This model respects CCC's borrowing authority limits while avoiding disruptions for Canadian exporters working in the Cuban market.

### *Fees for Service*

#### *Defence Markets*

- **DPSA** – CCC does not receive fees for this service, instead it receives an annual Parliamentary Appropriation. This currently includes a large proportion of the Major Defence business which is contracted with the U.S. DoD in the form of FMS, primarily for LAVs.
- **Global Defence Sales** – Several large contracts are being pursued which could result in a substantial increase in fee based revenue. As these are larger contracts yet represent lower risk for CCC the fees associated with these contracts are in the 2.5% range. Smaller contracts bearing greater risk or higher relative costs result in higher fees.

### *Emerging and Developing Markets*

- ICB – CCC is assuming a fee of up to the 3.5% range for its ICB activity throughout the planning period. As is the case in Global defence sales, larger-valued, lower-risk contracts normally attract a lower fee reflecting the lower risk of loss and relative costs to manage them.
- Procurement – In 2007, CCC signed an MOU with DFAIT to deliver goods and services for international programs and assist the Department in meeting its global stabilization and reconstruction priorities. Building on the success of this MOU, which enables CCC to work with START and the CTCBP, CCC is refining and building relationships with other government departments whose mandates involve working with foreign governments to achieve Government of Canada international objectives. Fee rates are based on a fixed component for a specific threshold of activity and a variable rate for activity over and above the threshold amount. These rates are negotiated on an annual basis.
- Trade Financing – Fees are based on the interest differential (representing the difference between CCC's interest rate earned on outstanding balances and its cost of borrowing) plus administrative contracting fees of 3% on commercial trading transactions.

### *Interest Income*

- Interest is earned on excess cash flows generated from daily business transactions.
- As per Scotia Economics' Long-term Forecast of November 2010, interest rates are forecasted to increase as outlined below:
  - Canadian prime rate of approximately 2.5% in 2010 to 5.5% in 2015;
  - Canadian overnight target rates of 0.7% in 2010 to 3.7% in 2015; and
  - U.S. Federal Funds rate of 0.25% in 2010 to 2.8% in 2015.

- Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of Nova Scotia. CCC earns interest at a rate of Canadian prime less 2% on its bank account while earning slightly more on investments.

### *Gain (loss) on Foreign Exchange*

- No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in comparison to its U.S. dollar counterpart over the five-year planning period as per Scotia Economics' Long-term Forecast of November 2010. Unhedged foreign exchange balances are monitored and kept at negligible levels. Should the Corporation re-acquire significant foreign reserves a hedging strategy to mitigate risk will be implemented.

### *Parliamentary Appropriation*

- Government funding is currently approved at \$15.5 million per year and this Corporate Plan assumes this level for the entire planning period.

### *Contract Remediation Expenses*

- Contract remediation expenses are budgeted at \$500,000 based on CCC's robust risk management practices and management's confidence in its enterprise risk management framework, ongoing initiatives to improve contract due diligence and management practices. The Corporation has achieved exceptional results over the last three years which include the reversal of a couple of provisions.

### *Operating Expenses*

- In keeping with its multi-year plan, the Corporation continues to invest in the people, processes, and systems required to achieve its growth and innovation strategy. As a result, increases in expenditures generally relate to staff levels, inflation on salaries, benefits,

additional floor space to accommodate the increase in staff anticipated over the planning period, and related investments in processes and systems. For 2011-12, operating expenses are budgeted to increase over the 2010-11 outlook by \$1.4 million or 5%. Over the entire Plan, operating expenses will grow by an average of 11% annually, far less than the growth in net revenues that will average 19% annually over the same period of time.

## 6.6 Outlook for 2010-11

The Corporation is forecasting a surplus of \$0.6 million for 2010-11, \$0.1 million greater than the budget of \$0.5 million.

Net revenues stemming from fees for service, the receivable discounting service, interest income on cash balances and other miscellaneous sources are forecasted to be \$12 million, lower than the net revenues budget of \$16 million resulting in an unfavourable variance of \$4 million. The following factors will contribute to the result:

1. Fees for service are forecasted to be under budget by \$4.5 million as a result of a delay in the signing of two significant defence contracts valued at \$7.5 billion. These contracts will continue to be pursued during the five-year planning period.
2. Interest income is forecasted to be over budget by \$0.1 million due to slightly higher than planned interest rate yields.
3. Other income is forecasted to be over budget by \$0.4 million resulting primarily from the recovery of monies on several long outstanding liabilities.

The unfavourable net revenues variance will be offset by a favourable variance of \$4.2 million against the expense budget of \$31 million as follows:

1. Contract remediation expenses are forecasted to be under budget by \$1.9 million. This reflects the Corporation's robust risk management

practices, an updated ERM framework, and improved contract management practices. The Corporation anticipates reversing a provision that was recorded in previous years as there is no longer a risk of loss.

2. Operating expenses are forecasted to be under budget by \$2.3 million as a result of Management's continued effort to control expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in Budget 2010.

The Corporation's appropriation will be under budget by \$0.1 million as directed by Treasury Board in keeping with Budget 2010 cost containment measures.

## 6.7 Financial schedules

### Schedule A - Balance Sheet (\$'000's)

	Actual		Outlook		Proposed Operating Budget	Corporate Plan				
	2009-2010	2010-2011	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016		
<b>ASSETS</b>										
Cash and short-term deposits	\$ 42,982	\$ 75,455	\$ 80,497	\$ 82,532	\$ 84,140	\$ 87,646	\$ 94,209			
Accounts receivable:										
Foreign governments	\$ 251,889	\$ 295,097	\$ 413,622	\$ 455,860	\$ 466,821	\$ 549,462	\$ 689,474			
Government of Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Advances to suppliers	\$ 85,944	\$ 59,223	\$ 111,888	\$ 246,600	\$ 337,002	\$ 508,329	\$ 605,971			
Progress claims paid or due	\$ 92,101	\$ 99,905	\$ 132,440	\$ 120,233	\$ 104,883	\$ 100,848	\$ 135,525			
Capital assets	\$ 472,916	\$ 529,680	\$ 738,447	\$ 905,226	\$ 992,847	\$ 1,246,285	\$ 1,525,180			
	\$ 2,925	\$ 2,469	\$ 1,960	\$ 1,951	\$ 1,746	\$ 1,541	\$ 1,336			
<b>TOTAL ASSETS</b>	<b>\$ 475,841</b>	<b>\$ 532,149</b>	<b>\$ 740,407</b>	<b>\$ 907,177</b>	<b>\$ 994,593</b>	<b>\$ 1,247,826</b>	<b>\$ 1,526,515</b>			
<b>LIABILITIES</b>										
Accounts payable and accrued liabilities	\$ 236,327	\$ 302,339	\$ 423,773	\$ 467,047	\$ 478,276	\$ 562,946	\$ 706,394			
Advances from customers	\$ 96,550	\$ 79,223	\$ 131,888	\$ 266,600	\$ 357,002	\$ 528,329	\$ 625,971			
Progress payments received or due	\$ 91,625	\$ 99,905	\$ 132,440	\$ 120,233	\$ 104,883	\$ 100,848	\$ 135,525			
Bank operating line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Due to Government of Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Provision for contract remediation expenses	\$ 1,442	\$ -	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500		
Employee termination benefits	\$ 425,944	\$ 481,467	\$ 688,601	\$ 854,381	\$ 940,662	\$ 1,192,623	\$ 1,468,390			
	\$ 1,308	\$ 1,458	\$ 1,934	\$ 2,162	\$ 2,402	\$ 2,648	\$ 2,900			
<b>TOTAL LIABILITIES</b>	<b>\$ 427,252</b>	<b>\$ 482,925</b>	<b>\$ 690,535</b>	<b>\$ 856,543</b>	<b>\$ 943,064</b>	<b>\$ 1,195,271</b>	<b>\$ 1,471,290</b>			
<b>EQUITY OF CANADA</b>										
Contributed capital	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000		
Retained earnings	\$ 38,589	\$ 39,224	\$ 39,872	\$ 40,634	\$ 41,529	\$ 42,555	\$ 45,225			
<b>TOTAL EQUITY</b>	<b>\$ 48,589</b>	<b>\$ 49,224</b>	<b>\$ 49,872</b>	<b>\$ 50,634</b>	<b>\$ 51,529</b>	<b>\$ 52,555</b>	<b>\$ 55,225</b>			
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 475,841</b>	<b>\$ 532,149</b>	<b>\$ 740,407</b>	<b>\$ 907,177</b>	<b>\$ 994,593</b>	<b>\$ 1,247,826</b>	<b>\$ 1,526,515</b>			



## Schedule B – Statement of Operations (\$'000's)

	Actual	Proposed Operating Budget			Corporate Plan				
	2009-2010	2010-2011	2010-2011	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
<b>REVENUES</b>									
Commercial trading transactions	\$ 1,568,400	\$ 2,122,345	\$ 1,810,411	\$ 1,810,411	\$ 2,537,561	\$ 2,796,690	\$ 2,863,930	\$ 3,370,932	\$ 4,229,904
Fees for service	\$ 10,113	\$ 15,434	\$ 10,925	\$ 10,925	\$ 14,656	\$ 18,826	\$ 22,244	\$ 28,074	\$ 31,492
Other income	\$ 346	\$ 317	\$ 676	\$ 676	\$ 292	\$ 352	\$ 418	\$ 512	\$ 653
<b>Gross revenues</b>	\$ 1,578,859	\$ 2,138,096	\$ 1,822,012	\$ 1,822,012	\$ 2,552,509	\$ 2,815,869	\$ 2,886,592	\$ 3,399,517	\$ 4,262,049
Less: Cost of commercial trading transactions	\$ (1,568,400)	\$ (2,122,345)	\$ (1,810,411)	\$ (1,810,411)	\$ (2,537,561)	\$ (2,796,690)	\$ (2,863,930)	\$ (3,370,932)	\$ (4,229,904)
<b>Gross margin</b>	\$ 10,459	\$ 15,751	\$ 11,601	\$ 11,601	\$ 14,948	\$ 19,178	\$ 22,662	\$ 28,585	\$ 32,145
Net interest income	\$ 281	\$ 236	\$ 324	\$ 324	\$ 417	\$ 736	\$ 1,200	\$ 1,774	\$ 1,945
Gain (loss) on foreign exchange	\$ 156	\$ -	\$ 24	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net revenues</b>	\$ 10,896	\$ 15,987	\$ 11,949	\$ 11,949	\$ 15,365	\$ 19,915	\$ 23,862	\$ 30,359	\$ 34,091
<b>EXPENSES</b>									
Contract remediation expenses	\$ 191	\$ 500	\$ (1,442)	\$ (1,442)	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Administrative expenses:									
Operating expenses	\$ 24,494	\$ 29,769	\$ 27,413	\$ 27,413	\$ 28,773	\$ 33,192	\$ 37,555	\$ 43,889	\$ 45,919
Amortization expense	\$ 695	\$ 656	\$ 706	\$ 706	\$ 759	\$ 759	\$ 205	\$ 205	\$ 205
Other	\$ 161	\$ 101	\$ 119	\$ 119	\$ 167	\$ 184	\$ 188	\$ 222	\$ 278
<b>Total expenses</b>	\$ 25,541	\$ 31,026	\$ 26,796	\$ 26,796	\$ 30,199	\$ 34,635	\$ 38,448	\$ 44,816	\$ 46,902
Net results of operations before parliamentary appropriation	\$ (14,645)	\$ (15,039)	\$ (14,847)	\$ (14,847)	\$ (14,834)	\$ (14,720)	\$ (14,587)	\$ (14,457)	\$ (12,812)
Parliamentary appropriation	\$ 15,745	\$ 15,550	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482
<b>Operating surplus (deficit) for the year</b>	\$ 1,100	\$ 511	\$ 635	\$ 635	\$ 648	\$ 762	\$ 895	\$ 1,025	\$ 2,670
Equity at beginning of the year	\$ 47,489	\$ 48,589	\$ 48,589	\$ 48,589	\$ 49,224	\$ 49,872	\$ 50,634	\$ 51,529	\$ 52,555
Equity at year end	\$ 48,589	\$ 49,100	\$ 49,224	\$ 49,224	\$ 49,872	\$ 50,634	\$ 51,529	\$ 52,555	\$ 55,225

**Schedule C - Statement of Cash Flows (\$'000's)**

	Actual 2009-2010	Outlook		Proposed Operating Budget	Corporate Plan				
		2010-2011	2011-2012		2012-2013	2013-2014	2014-2015	2015-2016	
<b>Cash and Short-Term Deposits at the beginning of the year</b>	\$ 88,542	\$ 42,982	\$ 75,455	\$ 80,497	\$ 82,532	\$ 84,140	\$ 87,646		
<b>Cash flows from operating activities:</b>									
Receipts from foreign customers	\$ 1,772,138	\$ 1,758,156	\$ 2,504,236	\$ 2,876,956	\$ 2,928,021	\$ 3,455,583	\$ 4,222,210		
Interest and other income received	\$ 10,740	\$ 11,925	\$ 15,365	\$ 19,915	\$ 23,862	\$ 30,359	\$ 34,091		
Payments to Canadian exporters	\$ (1,819,538)	\$ (1,725,483)	\$ (2,501,326)	\$ (2,876,421)	\$ (2,928,253)	\$ (3,454,054)	\$ (4,219,274)		
Administrative payments	\$ (24,578)	\$ (27,382)	\$ (27,964)	\$ (33,898)	\$ (37,503)	\$ (43,865)	\$ (45,945)		
Parliamentary appropriation-operating	\$ 15,745	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482	\$ 15,482		
	\$ (45,493)	\$ 32,699	\$ 5,793	\$ 2,034	\$ 1,608	\$ 3,506	\$ 6,563		
<b>Cash flows from investing activities:</b>									
Purchase of property and equipment, and intangible assets	\$ (223)	\$ (250)	\$ (750)	\$ -	\$ -	\$ -	\$ -		
Increase (Decrease) in Cash	\$ (45,716)	\$ 32,449	\$ 5,043	\$ 2,034	\$ 1,608	\$ 3,506	\$ 6,563		
Effect of exchange rate changes on cash and cash equivalents	\$ 156	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -		
<b>Cash and Short-Term Deposits at the end of the year</b>	\$ 42,982	\$ 75,455	\$ 80,497	\$ 82,532	\$ 84,140	\$ 87,646	\$ 94,209		

**Schedule D - Variance Analysis, Operating Budget for the Year Ended March 31, 2011 (\$'000's)**

	Outlook	2010-2011 Budget	Variance	Explanations
<b>REVENUES</b>				
Commercial trading transactions	\$ 1,810,411	\$ 2,122,345	\$ (311,934)	The unfavourable variance is a direct result of decreased activity related to the LAV program.
Fees for service	\$ 10,925	\$ 15,434	\$ (4,509)	The unfavourable variance is the result of a delay in the collection of fees related to the signing of two major defence contracts.
Other income	\$ 676	\$ 317	\$ 359	The favourable variance is primarily due to the recovery of monies from the reversal of long outstanding liabilities.
<b>Gross revenues</b>	\$ 1,822,012	\$ 2,138,096	\$ (316,084)	
Less: Cost of commercial trading transactions	\$ (1,810,411)	\$ (2,122,345)	\$ 311,934	Corresponds to commercial trading transactions due to the "back-to-back" nature of CCC's contracts.
<b>Gross margin</b>	\$ 11,601	\$ 15,751	\$ (4,150)	
Net interest income	\$ 324	\$ 236	\$ 88	The favourable variance is due to slightly higher than planned interest rate yields.
Gain (loss) on foreign exchange	\$ 24	\$ -	\$ 24	The favourable variance is the result of the translation of U.S. dollar assets and liabilities to Canadian dollars. The minor impact is due to the Corporation maintaining low levels of unhedged U.S. dollar working capital.
<b>Net revenues</b>	\$ 11,949	\$ 15,987	\$ (4,038)	
<b>EXPENSES</b>				
Contract remediation expenses	\$ (1,442)	\$ 500	\$ 1,942	The favourable variance reflects the Corporation's robust risk management practices, an updated ERM framework, and improved contract management practices. The 2010-11 outlook is based on the Corporation's anticipation on reversing a provision that was recorded in a previous year on a problem contract due to favourable developments and no expectation of loss.
<b>Administrative expenses:</b>				
Operating, amortization and other expenses	\$ 28,238	\$ 30,526	\$ 2,288	The favourable variance reflects Management's continued effort to control expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in the February 2010 Budget.
<b>Total expenses</b>	\$ 26,796	\$ 31,026	\$ 4,230	
Net results of operations before parliamentary appropriation	\$ (14,847)	\$ (15,039)	\$ 192	
Parliamentary appropriation	\$ 15,482	\$ 15,550	\$ (68)	The unfavourable variance is the result of a reduction in the appropriation as directed by Treasury Board in keeping with the Budget 2010 Cost Containment Measures.
Operating surplus (deficit) for the year	\$ 635	\$ 511	\$ 124	

**Schedule E - Variance Analysis, 2010-11 Outlook Compared to 2011-12 Proposed Budget (\$000's)**

	2011-2012 Proposed Budget	2010-2011 Outlook	Variance	Explanations
<b>REVENUES</b>				
Commercial trading transactions	\$ 2,537,561	\$ 1,810,411	\$ 727,150	Commercial trading transactions are expected to increase, as deliveries related to large contracts signed in and prior to 2011-12 are scheduled to increase, particularly related to the LAV program.
Fees for service	\$ 14,656	\$ 10,925	\$ 3,731	Fees are planned to reach record highs based on the anticipated signing of a couple of large fee generating defence contracts.
Other income	\$ 292	\$ 676	\$ (384)	Other income is expected to return to traditional levels, 2010-11 was higher as a result of a one time increase due to the recovery of monies from the reversal of long outstanding liabilities.
<b>Gross revenues</b>	\$ 2,552,509	\$ 1,822,012	\$ 730,497	
Less: Cost of commercial trading transactions	\$ (2,537,561)	\$ (1,810,411)	\$ (727,150)	Corresponds to commercial trading transactions due to the "back-to-back" nature of CCC's contracts.
<b>Gross margin</b>	\$ 14,948	\$ 11,601	\$ 3,347	
Net interest income	\$ 417	\$ 324	\$ 93	Average interest rate yields and cash balances are expected to increase in 2011-12.
Gain (loss) on foreign exchange	\$ -	\$ 24	\$ (24)	No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in respect to its U.S. dollar counterpart. Unhedged foreign exchange balances are monitored and kept at negligible levels.
<b>Net revenues</b>	\$ 15,365	\$ 11,949	\$ 3,416	
<b>EXPENSES</b>				
Contract remediation expenses	\$ 500	\$ (1,442)	\$ (1,942)	The budget is based on CCC's robust risk management practices, it's current portfolio of low-risk active and potential projects, Management's confidence in its ERM framework and improved contract management practices.
Administrative expenses:				
Operating, amortization and other expenses	\$ 29,699	\$ 28,238	\$ (1,461)	The Corporation, in keeping with its growth strategy, is planning to invest in people, processes and systems required to achieve its business targets.
<b>Total expenses</b>	\$ 30,199	\$ 26,796	\$ (3,403)	
Net results of operations before parliamentary appropriation	\$ (14,834)	\$ (14,847)	\$ 13	The increase is due to the Corporation keeping with its multi-year plan to invest in people, processes, and systems required to achieve its growth strategy and to effectively deliver the Corporation's services.
Parliamentary appropriation	\$ 15,482	\$ 15,482	\$ -	
Operating surplus (deficit) for the year	\$ 648	\$ 635	\$ 13	



## 7.0 ANNEXES

### 7.1 Annex A – Summary objectives

**Pillar 1: Increase Growth in Canadian Exports** *Increase growth in Canadian exports through CCC's five business lines:*

2011-12 Operational Objectives	Business Initiatives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)	Risk Indicators
Maintain a strong DPSA business	CCC will take a leadership role in representing the interests of Canadian exporters and international buyers when participating in interdepartmental meetings focused on promoting international trade and strengthening the North American defence industrial base.  Develop and execute a campaign to increase U.S. DoD buying commands' awareness of Canadian exporters capabilities and benefits of an integrated North American Defence industrial base.  Develop and execute a campaign to increase Canadian industry awareness of U.S. DoD opportunities.	<ul style="list-style-type: none"> <li>Value of contracts signed</li> <li>Volume of commercial trading transactions</li> <li>Fees for services</li> </ul>	\$3.5B*	\$2.1B	\$2.8B	\$5.0B	<ul style="list-style-type: none"> <li>Continuing weak global economy impacts foreign demand for Canadian goods and services</li> </ul>
Increase international sales of defence & security goods & services in target markets	Refine CCC's exporter strategy to increase awareness of CCC.  Refine CCC's buyer strategy to increase awareness of CCC.  Refine country strategies to further penetrate target markets.  Implement the first phase of CCC's new pricing strategy.	<ul style="list-style-type: none"> <li>Number of Canadian exporters with contracts via CCC</li> <li>Number of countries with contracts and/or pursuits</li> <li>Contract remediation expenses</li> </ul>	\$10.1M	\$10.9M	\$14.7M	\$31.5M	<ul style="list-style-type: none"> <li>Continued strong Canadian dollar reduces the competitiveness of Canadian goods and services</li> </ul>
Expand international commercial business in target markets	Refine CCC's buyer strategy to increase awareness of CCC.  Refine CCC's exporter strategy to increase awareness of CCC.  Refine country strategies to further penetrate target markets.  Implement the first phase of CCC's new pricing strategy.	<ul style="list-style-type: none"> <li>Number of countries with contracts and/or pursuits</li> <li>Contract remediation expenses</li> </ul>	243	250	258	290	<ul style="list-style-type: none"> <li>Uncertain defence budgets in the United States and globally</li> </ul>
Increase procurement services for federal government international programs	Sustain high level of customer satisfaction within DFAIT.  Implement a marketing and sales program with federal departments and agencies.  Continue to develop risk mitigation strategies.	<ul style="list-style-type: none"> <li>Contract remediation expenses</li> </ul>	\$190K	\$0	\$500K	\$500K	<ul style="list-style-type: none"> <li>Emerging markets have difficulty in accessing credit</li> <li>Other Government Departments defer partnering plans with CCC as other priorities arise</li> </ul>
Continue to strengthen and facilitate market access for exporters through the trade financing program in Cuba	Leverage regional presence in Havana to capitalize on opportunities in the Caribbean and Central America.  Investigate options to work with new financial partners.						<ul style="list-style-type: none"> <li>Limited capital available to support Cuban demand</li> </ul>

\*includes a \$2 billion contract for LAVs sold through the U.S. Foreign Military Sales (FMS) under the DPSA.

**Pillar 2: Contribute to Public Policy** *The Corporation, in collaboration with its International Trade Portfolio partners, will continue to support the development of sound public policy:*

2011-12 Operational Objectives	Business Initiatives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)	Risk Indicators
Increase awareness of Canada's capabilities within the integrated North American defence industrial base	Continue to collaborate with industry associations on areas of mutual interest. Develop and execute a campaign to increase buyer awareness. Sustain Washington D.C. Embassy relationships. Broaden relationships with key federal departments and agencies involved in defence industry issues. Continue to lead the Canada/U.S. Trade in Defence Table.	<ul style="list-style-type: none"> <li>Total value of commercial trading transactions</li> <li>Number of strategic partnerships</li> <li>Number of jobs created or maintained via CCC commercial trading transactions*</li> </ul>	\$1.6B  13  17,250	\$1.8B  14  19,900	\$2.5B  15  27,900	\$4.2B  19  46,500	<ul style="list-style-type: none"> <li>Limited partnership engagement</li> <li>Changing government priorities</li> <li>A resurgent economy and an increasingly shrinking labour pool limit the availability of procurement professionals</li> </ul>
Support Canada's international trade initiatives by helping Canadian exporters further penetrate target markets	Continue to broaden CCC knowledge of exporter capability. Provide support to exporter business development strategies. Continue to develop portfolio collaboration in target markets/industries. Increase support for provincial/regional/associations related to trade. Leverage Canadian defence capabilities to promote sales to allies.						
Continue to promote CCC as a primary/priority responder in Government of Canada international emergency response and reconstruction initiatives	Horizontal engagement with the Security and Emergency Preparedness division at DFAIT.						



\*according to the 1997 Federal Budget, \$1 billion in exports represents approximately 11,000 jobs in Canada.

**Pillar 3: Achieve Innovation and Operational Excellence** CCC will continue to demonstrate innovation and integrity consistent with the Government's direction on cost containment:

2011-12 Operational Objectives	Business Initiatives	Corporate Performance Indicators	Actual 2009-10	Outlook 2010-11	Target 2011-12 (Year 1)	Target 2015-16 (Year 5)	Risk Indicators
Continue to implement CCC's Cost Efficiency Plan	Continue to implement and improve shared services with PPP Canada. Develop a new strategic relationship with PWGSC by optimizing the expenditure of CCC financial resources in support of DPSA responsibilities while maximizing the quality of service being provided to our clients.	<b>Workplace health as measured by:</b> ▪ Turnover rate ▪ Percentage of staff that feel they have tools required for their work ▪ Percentage of staff that feel supported in their development	11.8%  71%	9%  75%	≤10%  ≥78%	≤10%  ≥80%	▪ Increasing demand for CCC services challenge resource capacity ▪ A resurgent economy and an increasingly shrinking labour pool limit the availability of professional BD staff to meet internal BD needs
Continue to develop CCC's business development and sales capacity and capability	As revenue from CCC increases, hire additional BD personnel. Review business development competencies and develop a learning and development plan for business development personnel. Continue to develop the Business Development Policy Suite.	<b>Financial health as measured by:</b> ▪ Operating results/surplus ▪ Administrative expenses as percentage of gross revenues ▪ Indirect expenses as a percentage of total expenses	53%  \$1.1M	60%  \$635K	≥70%  \$648K	≥75%  \$2.7M	▪ Change management challenges with undertaking most of the PWGSC DPSA work
Enhance client relationship management	Define a CRM approach that supports CCC's marketing program and develop the scope requirements of a CRM system.	<b>Effective &amp; efficient processes as measured by:</b> ▪ Adherence to commercial contract payment terms	1.61%	1.55%	1.16%	1.09%	
Implement a renewed HR Strategy including a new learning and development framework	Implement the HR Strategy renewal roadmap for 2011-12. Continue to implement the Learning and Development strategy roadmap.	<b>Effective risk management as measured by:</b> ▪ Contract remediation expenses as a percentage of commercial trading transactions	38%  97%	37%  97%	37%  99%	29%  100%	
			0.01%	0%	0.02%	0.01%	



## 7.2 Annex B – Glossary

<b>AcSB</b>	Accounting Standards Board of the Canadian Institute of Chartered Accountants	<b>GAAP</b>	Generally Accepted Accounting Principles
<b>BMI</b>	Business Monitor International	<b>GDLS-C</b>	General Dynamics Land Systems-Canada
<b>BRIC</b>	Refers to Brazil, Russia, India and China, all of which are deemed to be at a similar stage of newly advanced economic development	<b>HNP</b>	Haitian National Police
		<b>HR</b>	Human Resources
		<b>ICB</b>	International Commercial Business
<b>CAD</b>	Canadian dollars	<b>IDB</b>	Inter-American Development Bank
<b>CCC</b>	Canadian Commercial Corporation	<b>IFRS</b>	International Financial Reporting Standards
<b>CCB</b>	Configuration Control Board	<b>ISAF</b>	International Security Assistance Force
<b>CEAA</b>	<i>Canadian Environmental Assessment Act</i>	<b>ITARs</b>	International Traffic in Arms Regulations
<b>CEO</b>	Chief Executive Officer	<b>LAVs</b>	Light Armoured Vehicles
<b>CICA</b>	Canadian Institute of Chartered Accountants	<b>MOU</b>	Memorandum of Understanding
<b>CIDA</b>	Canadian International Development Agency	<b>NASA</b>	National Aeronautics and Space Administration
<b>CRM</b>	Customer Relationship Management	<b>NATO</b>	North Atlantic Treaty Organization
<b>CSR</b>	Corporate Social Responsibility	<b>OAG</b>	Office of the Auditor General of Canada
<b>CTCBP</b>	Counter Terrorism and Capacity Building Program	<b>PPP</b>	Public-Private Partnerships Canada
		<b>PSA</b>	Procurement Service Agreement
<b>DFAIT</b>	Foreign Affairs and International Trade Canada	<b>PSAB</b>	Public Sector Accounting Board
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement	<b>PWGSC</b>	Public Works and Government Services Canada
<b>DND</b>	Department of National Defence	<b>SIPRI</b>	Stockholm International Peace Research Institute
<b>DPSA</b>	Defence Production Sharing Agreement	<b>SME</b>	Small and medium-sized enterprise
		<b>START</b>	Stabilization and Reconstruction Task Force
<b>DSCA</b>	Defense Security Cooperation Agency	<b>Ultra TCS</b>	Ultra Electronics Tactical Communication Systems
<b>EDC</b>	Export Development Canada	<b>USD</b>	United States' dollars
<b>ERM</b>	Enterprise Risk Management	<b>U.S. DoD</b>	United States Department of Defense
<b>ERP</b>	Enterprise Resource Planning		
<b>FAA</b>	<i>Financial Administration Act</i>		
<b>FMS</b>	Foreign Military Sales		