60 YEARS ANS
DCC | CDC

DEFENCE CONSTRUCTION CANADA

CORPORATE PLAN SUMMARY 2016–2017 TO 2020–2021

Including the Operating and Capital Budgets for 2016–2017

AN INTRODUCTION TO DEFENCE CONSTRUCTION CANADA

Defence Construction Canada (DCC) is a unique organization in many ways—not exactly like a government department, but not completely like a private sector firm, either. To draw a comparison, DCC's everyday operations are similar to those of a civil engineering consultancy firm. However, as a Crown corporation, it is governed by Part X of Schedule III to the *Financial Administration Act*. Its key Client-Partners are the Assistant Deputy Minister Infrastructure and Environment (ADM IE) Group at the Department of National Defence (DND) and the Communications Security Establishment (CSE). DCC employees do not do the actual hands-on, hammer-and-nails construction work at the job site. Instead, as part of an organization that is at arm's length from government, DCC employees manage the procurement process, from awarding tenders to managing the contracts at the job site.

Once DND decides to initiate a project, it contacts DCC to procure and manage the associated project contracts on its behalf. These projects range from innovative ones to traditional ones, from control towers to dockyards, from hangars to tank maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve everyday maintenance work. Others are more complex with very high security requirements.

As a Crown corporation, DCC complies with Government of Canada legislation, such as the North American Free Trade Agreement, *Official Languages Act*, *Access to Information Act* and *Employment Equity Act*, to name a few. DCC's business model gives it the flexibility to increase or decrease the number of employees which is similar to an engineering firm whose viability is dependent on project volume. Because of that business model, DCC's billing rates are almost half those of comparable North America private sector engineering firms, according to Deltek's *36th Annual Clarity Architecture and Engineering Industry Study*. DCC's way of doing business is a hybrid of the best characteristics of public and private organizations.

HMCS CARLETON, OTTAWA, ONTARIO

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COVER PHOTO
Exterior view of the HMCS Carleton building that replaces the facilities that were built during the Second World War. The structure resembles a ship with its curved profile and porthole windows. The two-storey, 6,000-m^2 training facility contains classrooms, offices, a gymnasium, a drill hall and a galley.

EXECUTIVE SUMMARY

Defence Infrastructure Projects

Defence Construction Canada (DCC) will continue to handle procurement and contract management for some very high-profile Department of National Defence (DND) projects over the planning period. These include maintenance of the Communications Security Establishment Long-Term Accommodation Project in Ottawa, Ontario; the new Mattawa Plains Compound in Petawawa, Ontario; environmental remediation work at Camp Ipperwash, Ontario; the renovation of the Sawyer Girouard Facilities at the Royal Military College in Kingston, Ontario; the Defence Research Development Canada facility in Valcartier, Quebec; the new NJ Jetty in Halifax, Nova Scotia; the Fleet Maintenance Facility Cape Breton Shop Consolidation Project in Esquimalt, British Columbia; and the new naval facility in Nanisivik, Nunavut, 700 kilometres north of the Arctic Circle. DCC is delivering the infrastructure required for the Tactical Armoured Patrol Vehicle (TAPV) Program in Gagetown, New Brunswick; Valcartier, Quebec; Petawawa, Ontario; and Edmonton, Alberta.

JERICHO GARRISON, VANCOUVER, BRITISH COLUMBIA

DCC staff inspect the rooftop of the new Jericho Garrison facility in Vancouver, B.C. The $45-million, 22,000-m^2 post-disaster facility is located on the Seaforth Armoury property. With substantial completion expected in March 2016, it will be home to the 39 Canadian Brigade Group.

The Federal Infrastructure Investments Program

In addition to its regular Infrastructure and Environment (IE) program expenditures, DND received $452 million in funding from the Federal Infrastructure Investments Program (FIIP) in November 2014, to repair and upgrade Canadian Armed Forces (CAF) facilities. DND is expected to spend approximately $209 million by March 31, 2016 and the remainder has to be spent by the end of fiscal 2016–17. DCC is working to ensure that DND achieves maximum value from this program funding within the time allowed. This has substantially increased DCC's project delivery volume, particularly after a three-year period of fiscal restraint that saw the Corporation reduce its workforce by about 30%.

FIIP projects include airfield and hangar repairs, military housing improvements, rehabilitation of armouries, and projects such as fire suppression and fire alarm repairs.

A Sustainable Financial Position

DCC's sole source of revenue is its Client-Partners. DCC invoices its Client-Partners for its services monthly and does not receive any appropriations from the Government of Canada. DCC remains in a positive financial position. Six months into 2015–16, its services revenue is $41.4 million, and the Corporation expects to meet its services revenue target of $85.7 million at the end of this fiscal year.

Key Strategic Initiatives

DCC shares the Government of Canada's commitment to holding the highest standards of probity with respect to the stewardship of public resources. This shared commitment underlies an important initiative that arose out of a directive issued by the Governor in Council on July 16, 2015, requiring DCC to ensure that, pursuant to section 89 of the *Financial Administration Act*, the Corporation aligns its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. DCC addressed this directive promptly and is implementing it in three phases.

A careful review of DCC's existing expenditure policies compared to Treasury Board policies has revealed close alignment already in both policy and practice. In the second half of 2015–16, DCC will prepare updated policies for review by the Corporation's Board of Directors. In 2016–17, DCC will complete the alignment of its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of Treasury Board, and implement as appropriate.

DCC has taken a clear and consistent approach to its business, being always ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. Their needs define DCC's destiny, and it is DCC's mission to tactically deploy its services to meet those needs.

Supporting DND/CAF as it continues to transform will remain a key priority for DCC in the coming years. For example, DCC has been supporting DND as it revises its real property management strategy, a complex evolution. In the spirit of continuous improvement, DCC will respond to its internal audit on business planning and resource management. Additionally, the national rollout of e-procurement next year will provide a faster, more cost-efficient option for administering tender calls and contract awards than the current paper-based process. Given the changing nature of defence projects and their need for increased security, DCC will continue to be a bridge between industry and the Canadian and International Industrial Security Directorate, and facilitate the security clearance process for small to medium-sized contractors.

Internally, DCC is focusing on enhancing internal communications, and raising awareness of employee diversity and workplace health. The full impact of this work, which affects workplace culture, will span the planning period.

A Healthy and Inclusive Workplace

At September 30, 2015, DCC had 762 full-time equivalent (FTE) employees. Most of DCC's employees are located across Canada outside of DCC's Head Office in Ottawa. DCC's five regions and Head Office are home to the following numbers of FTEs: Atlantic Region, 111; Quebec Region, 102; Ontario Region, 178; National Capital Region, 128; Head Office Ottawa, 60; and the Western Region, 183. Due to the nature of DCC's business, staff numbers at the site level fluctuate, influenced by work volume.

DCC employees are part of the public service pension plan. However, DCC has its own compensation policy and structure, as well as its own employee benefits plan. All of these are modelled on private sector compensation and benefits plans. DCC's sick leave policy is in step with modern practices, and DCC's wellness program is focused on preventative measures and interventions that reduce employees' health risk factors.

DCC does not tolerate harassment and discrimination. DCC human resources policies and practices support a barrier-free work environment for all employees, including accommodating those with mental health challenges. In the coming year, DCC will continue to promote awareness of employee diversity, workplace health and maintaining a respectful workplace.

Based on work volume forecasts, DCC expects the number of FTEs to increase by 8% in 2016–17, by 3% in 2017–18, by 1% in 2018–19, and then start to decrease by approximately 1% each year for 2019–20 and 2020–21. Managing fluctuations in DND's infrastructure program and their impact on DCC's human resources will be one of the key issues the Corporation will face in the planning period. This ebb and flow is characteristic of DCC's business model and the Corporation maintains a flexible resource management capability.

Maintaining Integrity in Procurement

In December 2012, DCC launched its Procurement Code of Conduct (PCC), which ensures that DCC's industry partners meet the expected integrity requirements for doing business with the Government of Canada. The PCC and DCC's Code of Business Conduct guide employees to avoid real or perceived conflicts of interest. In the first half of 2015–16, DCC prepared an Integrity Management Framework (IMF) to bring together DCC's tools dedicated to fostering a culture of accountability and integrity. The IMF will be launched in the second half of the year.

On July 3, 2015, the Government of Canada implemented a new government-wide Integrity Regime for procurement and real property transactions to ensure that the Government does business with ethical suppliers in Canada and abroad. In the second half of 2015–16, DCC will align its PCC with this new regime.

In 2016, the Office of the Auditor General (OAG) will conduct its special examination of DCC. The OAG plans to conduct its special examination during 2016 and expects to issue a final report by early 2017.

Industry Ties and Recognition

Since its inception, DCC has maintained close ties with industry. This involvement helps keep DCC informed of new trends and developments in industry practices; provides opportunities for DCC to be an industry leader; and strengthens DCC's collaborative relationships with key industry organizations. Examples of these organizations include the Canadian Construction Association, the Royal Architectural Institute of Canada, the Association of Consulting Engineering Companies, the Lean Construction Institute—Canada, and Canadian Construction Innovations.

In the first half of 2015–16, four external organizations recognized DCC's work. DCC received the National Procurement Institute's Achievement of Excellence in Procurement Award, which honours excellence in public procurement. *Canadian Occupational Safety*, an industry magazine, recognized DCC as one of Canada's safest employers. The Chartered Professional Accountants of Canada recognized DCC for the quality of its corporate reporting. DCC received the 2015 Award of Excellence in the small federal Crown corporation category. The International Association of Business Communicators recognized DCC's social media strategy—a corporate strategic plan initiative from the 2013–14 and 2014–15 planning periods—with a Silver Leaf Award of Merit.

PLANNING ENVIRONMENT AND STRATEGIC ISSUES

The Department of National Defence

DCC's primary Client-Partner is the Assistant Deputy Minister Infrastructure and Environment (ADM IE) Group at the Department of National Defence (DND). The mission of the ADM IE Group is to provide IE functional leadership and services to enable effective, efficient and sustainable management of DND infrastructure and environment in support of Canadian Armed Forces (CAF) missions and DND programs.

MAJOR ROBERT CAMPBELL RISLEY ARMOURY, BEDFORD, NOVA SCOTIA

Preparation for the official opening of the Major Robert Campbell Risley Armoury on November 7, 2015 in Bedford, Nova Scotia. The $6.9 million, 2,508-m^2 facility is used by the 3rd Military Police Regiment for training and operations.

DCC is committed to supporting DND in its defence strategy. This task includes, for example, meeting infrastructure support requirements under the National Shipbuilding Procurement Strategy (NSPS). The NSPS includes the Royal Canadian Navy's Arctic/Offshore Patrol Ship Project and relates to marine projects such as the Nanisivik Naval Facility in Nunavut, the NJ Jetties in Halifax, Nova Scotia, and the A and B Jetties in Esquimalt, British Columbia.

In the current fiscal year and 2016–17, DND IE-related capital program expenditures are expected to be $867 million and $955 million, respectively, increasing to $988 million in 2017–18. Expenditures are expected to rise further to $1.02 billion and $1.01 billion in 2018–19 and in 2019–20 respectively, maintaining at $1 billion in 2020–21. The volume of DND's program workload is volatile and can be affected by a variety of circumstances, including changes to DND's internal approval process for projects or any change in Canada's defence budget.

DEFENCE RENEWAL: INFRASTRUCTURE AND ENVIRONMENT

Like all of DND, the ADM IE Group is adjusting to meet today's requirements. DCC is supporting this transformation in several ways, including support for developing real property management plans; support for developing and implementing a procurement strategy for enhanced infrastructure maintenance service delivery; and support for improving real property project delivery, which includes a preferred procurement methodology.

DND administers one of the largest federal real property portfolios, comprising some 21,000 buildings, 13,500 public works (including 5,500 kilometres of roads, jetties, runways and training areas), and more than 1,000 parcels of land covering 2.2 million hectares. Managing this portfolio includes handling everything from recapitalization, maintenance and repairs of existing buildings, and new construction projects, to disposal and remediation of outdated facilities. Over half of DND's infrastructure assets are over 60 years old, and much of the portfolio was not designed for today's defence operational requirements.

Before, the business model for managing real property was decentralized and based on a complex governance model. Now, real property management is becoming leaner and more responsive, as well as more focused on areas critical to supporting modern capabilities. The initiative to centralize real property management with a single portfolio manager by April 1, 2016, will allow for common service delivery standards and permit the phase-in of streamlined processes, systems and tools.

The new model will see a greater consolidation of base and wing infrastructure maintenance contracts at the national, regional and local levels. By standardizing service levels and making use of economies of scale, DND will make better use of private sector capabilities by developing the right mix of in-house and external infrastructure maintenance delivery options.

DND will also streamline construction project delivery. The focus will be on using standardized design concepts and more strategic procurement strategies, with a view to reducing duplicative steps in the process and making better use of new construction and recapitalization funding.

Reforms to real property management will enable a more effective approach to portfolio management at the national level, permitting better alignment of DND's real property with modern-day capabilities. The focus will be on consolidating functions, optimizing building use, and disposing of surplus infrastructure and real property.

CANADIAN ARCTIC SOVEREIGNTY

The areas in and around the Northwest Passage are experiencing unusually mild weather periodically throughout the year, allowing foreign ships to use this passage more frequently. Consequently, the Government of Canada is firmly exercising Canada's sovereignty over Arctic land and waters. Rising shipping traffic may also increase demand for search and rescue ships, if accidents occur. The Canadian government is building a naval facility in Nanisivik, 700 kilometres north of the Arctic Circle in Nunavut. DCC awarded the contract for this naval facility in the second quarter of 2014–15 and work has been proceeding well during the first half of 2015–16.

This project will allow DCC to apply the many years of Arctic experience it acquired while installing and decommissioning the Distant Early Warning (DEW) Line. DCC stands ready to support any infrastructure or environmental project arising from the Government of Canada's focus on surveillance and control of this important Canadian region.

CANADA'S INTERNATIONAL ROLE

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. DCC has applied its procurement and contract management practices in Afghanistan, Bosnia-Herzegovina and Jamaica. From Ottawa, DCC supported the CAF's earthquake relief efforts in Haiti. DCC stands ready to support DND/CAF whenever it is called upon to do so in this capacity, at home or abroad.

DND is contributing to the Government of Canada's effort to assist Syrian refugees by providing short-term accommodation solutions for them upon their arrival to Canada in 2015–16. DCC is providing procurement and contract management support for accommodation fit-ups as required on targeted base and wings across Canada.

New conflicts are always emerging across the globe. Whether it be providing support to peacekeeping operations or helping Canada support the United Nations as it works to respond more quickly to emerging and escalating conflicts, DCC stands ready to deploy in-theatre or as required in the coming planning period.

INFORMATION TECHNOLOGY AND CYBER SECURITY

New technology is advancing at a rapid rate and so, too, is the potential for threats to high-tech or critical systems. A growing number of large cyber-attacks could pose a threat to national and global security. DCC continues to protect its business accordingly to be ready to support its Client-Partners. As new technology emerges, so do opportunities. DCC must keep up to date with technology innovations in the construction industry, such as building information modelling and e-procurement, so that it can best support its Client-Partners.

The Canadian Construction Industry

Private sector consultants and contractors perform the work covered by the contracts that DCC administers on DND's behalf. Not only does DCC maintain close ties with industry, but it also gauges the impact that changes and trends in industry could have on its business. The Canadian construction industry is becoming larger and more complex, with fewer construction firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party, private sector involvement in traditional business owner activities.

LABOUR MARKET AND INVESTMENT

The *Global Construction 2025* report produced by Oxford Economics revealed several trends relevant to DCC's business. Relative to other countries, Canada is experiencing a construction boom. Some observers rate Canada as the fifth-largest construction market in the world.

From 2004 to 2014, investment in construction in Canada virtually doubled. In the first half of 2015, it decreased slightly by 4.9%, mainly due to the drop in commodity prices, such as the price of a barrel of oil. This is the first time the industry has seen a decline since 2009 and it is largely viewed as a correction by the construction industry during a period of historically strong growth.

Construction employment in Canada currently stands at just over 1.3 million people. According to the Canadian Construction Association, the Canadian construction market faces workforce challenges. Forecasts predict that the industry will need 322,000 new workers by 2024, just to replace those who have retired. Many large construction projects are being carried out in remote areas, where younger people are less likely to relocate. DCC needs to be both an employer of choice in a competitive labour market, as well as a preferred business partner for industry contractors and consultants.

Mergers and acquisitions are happening among small and medium-sized enterprises, decreasing the pool of independently-owned contractors eligible to bid on contracts. Governments at the federal, provincial and municipal levels are all facing challenging financial realities related to aging infrastructure. Public-private partnerships (P3s) are increasingly seen as an economical and efficient way to navigate these challenges.

TRANSPARENCY

Ethics and integrity remain key concerns in the awarding and management of both public and private sector contracts in the construction industry. This is especially important now and during the planning period given the report delivered by the Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry, commonly known as the Charbonneau Commission, on November 25, 2015. Although this was a Quebec provincial inquiry, there is an impact on Canada's national construction industry.

Industry favours greater transparency and wants to ensure that procurement processes are neither too restrictive nor so onerous that they discourage contractors and consultants from bidding on opportunities.

DCC believes it has struck the appropriate balance between increased oversight and efficiency with its Corporate Integrity Management Framework. DCC will continue to monitor this balance.

INNOVATION

The construction industry is innovating in response to increasing and changing client demands, the pressure of global competition, and reduced human resources capacity. Procurement and project delivery methods are evolving, and clients are relying on the private sector to provide more deliverables. For example, the Government of Canada is considering full lifecycle cost procurement strategies that include long-term facility maintenance and repairs. Many jurisdictions are also adopting e-procurement methods and practices, and other technological innovations. DCC is committed to keeping up to date with industry innovations and seeks ways to apply new ways of working for the benefit of its Client-Partners. DCC is a founding member of Canadian Construction Innovations, an institute established by the Canadian Construction Association that is dedicated to instilling a culture of innovation in the Canadian construction industry.

Defence Construction Canada

STRATEGIC PLAN OVERVIEW 2016–2017 TO 2020–2021

STRATEGIC PLAN OVERVIEW 2016–2017 to 2020–2021

GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

STIMULATING CANADA'S ECONOMY

- Long-term economic prosperity for Canada
- An innovative and entrepreneur-based economy
- Canada as a leader in the global economy
- Preserving Canada's environment

PROTECTING CANADA

- Supporting the Canadian Armed Forces
- Defending national security and Arctic sovereignty

FOSTERING ACCOUNTABILITY AND INTEGRITY

- Sustainable public finances
- Strong fiscal and asset management in government
- Transparency (access to information and privacy)
- Values and ethics in the public sector

MISSION

To provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

VISION

To be a knowledgeable and innovative leader and employer of choice, valued by the Government of Canada and industry.

VALUES

Dedication: DCC is dedicated to supporting defence infrastructure and environmental requirements. For 65 years, DCC employees have dependably and diligently carried out that mission for Client-Partners.

Collaboration: DCC is committed to developing collaborative relationships with Client-Partners, industry, employees and other stakeholders. Together, we leverage our shared expertise toward our common goals.

Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

Fairness: DCC deals with Client-Partners, industry, employees and other stakeholders in a fair and ethical manner, advocating mutual respect and professionalism.

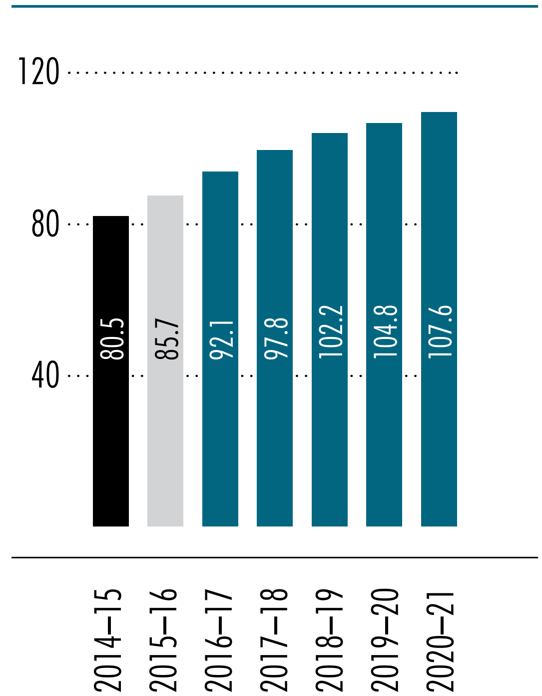
STRATEGIC OBJECTIVES AND OUTCOMES

PLANNING THEME	BUSINESS MANAGEMENT	SERVICE DELIVERY	PEOPLE	LEADERSHIP AND GOVERNANCE
STRATEGIC OBJECTIVE	To develop and maintain responsive, integrated business management structures, tools, teams and practices	To meet Client-Partner requirements and to demonstrate value for money	To recruit, develop, support, and retain a competent, engaged and diverse workforce	To provide strong leadership and be responsive to Government of Canada requirements
STRATEGIC OUTCOMES	• DCC's business infrastructure and corporate frameworks ensure effective and efficient service delivery and strong resource management • Corporate assets are safeguarded by sound internal control systems and practices, and management oversight and audit	• Service lines deliver optimal, efficient and effective service throughout the asset lifecycle • Partnerships remain strong through mutually aligned objectives and information sharing • DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity	• DCC provides a healthy, productive and engaging work environment • DCC encourages and fosters a culture of innovation • Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes	• DCC maintains a risk-based decision-making culture • DCC demonstrates integrity and ethical leadership in the management of its business affairs • DCC respects government policies and practices
2016–2017 CORPORATE PLAN INITIATIVES	• Respond to the recommendations arising from the Business Planning and Resource Management internal audit	• Support DND with its defence infrastructure renewal initiatives • Implement e-procurement • Support Client-Partners and industry in the implementation of the new security directives	• Implement internal communications initiatives • Promote awareness of employee diversity and workplace health	• Demonstrate value, integrity and innovation to stakeholders and Client-Partners • Support the Office of the Auditor General in its special examination of DCC • Comply with the Government of Canada's directive related to travel and other expenditure policies • Respond to the recommendations arising from the values and ethics internal audit
KEY PERFORMANCE INDICATORS	• Operational results and performance measures • Financial results consistent with corporate financial management policy	• Service delivery rating • Procurement results • Service line performance results	• Investment in training and development • Innovation results • Employee wellness • Employee retention rate • Employment diversity results • Leadership Development Program results	• Corporate reporting results, including timeliness of submissions • Overall business performance results • DCC Code of Business Conduct results • DCC Integrity Regime results • Environmental, health and safety and security results

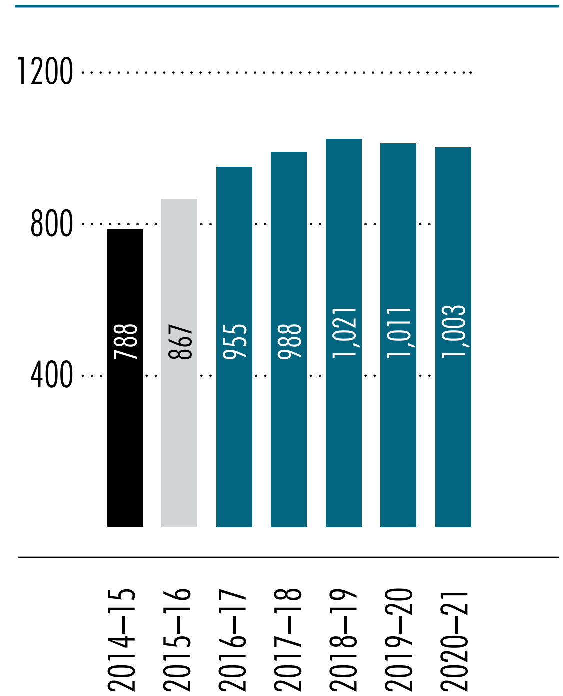
BUSINESS OPERATIONS HIGHLIGHTS

Actual Forecast Projected

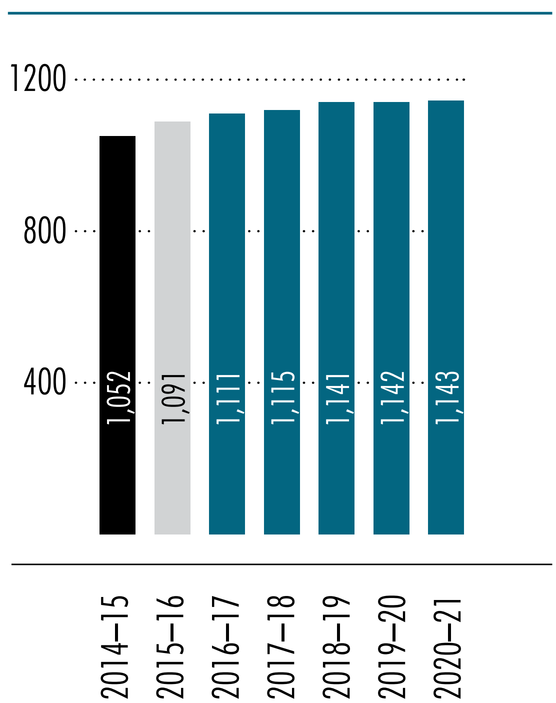
Services Revenue ($ millions)



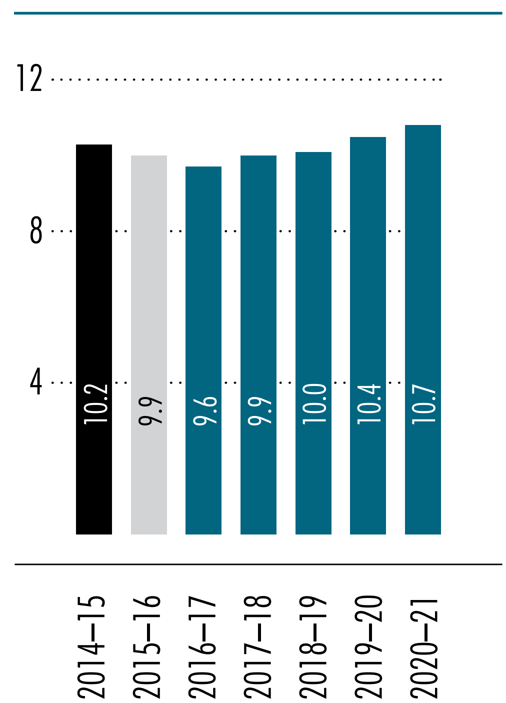
Contract Expenditures ($ millions)



Contract Expenditures per Full-Time Equivalent ($ thousands)



Services Revenue as a Percentage of Contract Expenditures



DEFENCE INFRASTRUCTURE PROJECTS 2016–17 TO 2020–21

4 WING COLD LAKE HEALTH SERVICES CENTRE

LOCATION: CFB Cold Lake, Alberta
COST OF CONSTRUCTION: $25.4 million
COMPLETION DATE: July 2016 (design) with construction to follow

This project includes the design and construction of a new health services centre to improve the efficiency of health care delivery for service personnel. It will consolidate medical, dental, physiotherapy and mental health services under one roof. The 4,952-m², two-storey integrated health care facility will replace the current facility at CFB Cold Lake.

DESIGN-BUILD OF RESIDENTIAL HOUSING UNITS

LOCATION: CFB Shilo, Manitoba
COST OF CONSTRUCTION: $3.5 million
COMPLETION DATE: March 16, 2016

This Federal Infrastructure Investments Program (FIIP) project, in support of military personnel and their families, includes the design and construction of 10 new Residential Housing Units at CFB Shilo. The two-storey units will be constructed as five semi-detached buildings with full basements and detached garages.

INTEGRATED PERSONNEL SUPPORT CENTRE

LOCATION: CFB Trenton, Ontario
COST OF CONSTRUCTION: $1.6 million
COMPLETION DATE: April 2016

The first project awarded under FIIP will provide a new, modern facility for the men and women of 8 Wing. DCC is managing the construction of this specialized personnel support centre, which will provide services to CAF members transitioning out of the military.

HEALTH CARE FACILITY

LOCATION: CFB Borden, Ontario
COST OF CONSTRUCTION: $20.5 million
COMPLETION DATE: April 2016

DCC is constructing an all-encompassing medical facility that will provide medical, dental, physiotherapy, mental health and immunization services under one roof.

JUNIOR RANKS FACILITY

LOCATION:	CFB Halifax, Nova Scotia
COST OF CONSTRUCTION:	$64.8 million
COMPLETION DATE:	May 2016

This project involves constructing a new LEED Silver, 300-room accommodation, dining and training facility, using a modified design-build approach. The new 12-storey, 21,060-m² facility will help meet the current and emerging training requirements of the Canadian Armed Forces.

CITADELLE DE QUÉBEC

LOCATION:	Valcartier Garrison, Québec
COST OF CONSTRUCTION:	$9.3 million
COMPLETION DATE:	December 2016

DCC is managing four contracts to reconstruct external and retaining walls at the Citadelle of Québec. This work supports DND's initiative to improve the condition of armouries in 57 communities across Canada under the FIIP.

INTEGRATED PERSONNEL SUPPORT CENTRE

LOCATION:	CFB Wainwright, Alberta
COST OF CONSTRUCTION:	$3.4 million
COMPLETION DATE:	March 31, 2017

Since 2011, the Integrated Personnel Support Centre (IPSC), a subordinate detachment of the Joint Personnel Support Unit in Edmonton, has operated from a temporary trailer. This project will create 487 m² of permanent accommodations for IPSC staff, as well as space for Veterans' Affairs case workers and DND staff.

MODERNIZATION OF FLEET MAINTENANCE FACILITY (CAPE BRETON) PHASE V

LOCATION:	CFB Esquimalt, British Columbia
COST OF CONSTRUCTION:	$197 million
COMPLETION DATE:	March 31, 2017

Over the past 15 years, DCC has been delivering this project that consolidates and modernizes the industrial facilities at CFB Esquimalt's dockyard. Phase V will further the objective of replacing outdated and deficient industrial facilities.

RENOVATION OF SAWYER GIROUARD FACILITIES

LOCATION:	Royal Military College, CFB Kingston
COST OF CONSTRUCTION:	$127 million
COMPLETION DATE:	September 30, 2017

DCC applied a construction manager approach to renovate six academic buildings at the Royal Military College of Canada. The project includes a swing space to relocate all personnel and equipment while each building is being renovated. The renovation consists of extensive seismic upgrades, new building envelopes, and mechanical and electrical upgrades.

NJ JETTY

LOCATION:	CFB Halifax, Nova Scotia
COST OF CONSTRUCTION:	$35 million
COMPLETION DATE:	2018

DCC is contracting for and managing the construction of this new wharf, which provides full-service berthing for Canadian patrol frigates and advanced logistic support carriers. It replaces existing timber jetties J and K in Halifax Harbour.

NANISIVIK NAVAL FACILITY

LOCATION:	Nanisivik, Nunavut
COST OF CONSTRUCTION:	$55.9 million
COMPLETION DATE:	September 30, 2018

DCC is contracting for and managing the construction of this naval facility on Baffin Island, Nunavut. It is expected that the completed naval station will be home to the proposed Arctic offshore patrol ships.

A AND B JETTY RECAPITALIZATION PROJECT

LOCATION:	CFB Esquimalt, British Columbia
COST OF CONSTRUCTION:	$400 million
COMPLETION DATE:	2022

Aging 60-year-old jetties have come to the end of their service life. This project consists of three contracts with an estimated total value of $400 million. DCC will contract for and manage the work for all three contracts.

BUSINESS STRATEGY

Planning Themes, Outcomes, Initiatives and Performance Measures

DCC has a clear and consistent approach to its business, being always ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. The needs of DCC's defence and security Client-Partners define the Corporation's destiny, and it is DCC's mission to tactically deploy its services to meet those needs.

OPFOR FACILITY, WAINWRIGHT, ALBERTA

Construction of a new Opposing Forces (OPFOR) facility that involves the renovation of existing facilities and the construction of two new buildings which houses the OPFOR, a sub-unit of the Canadian Manoeuvre Training Centre. The combined work added 5,048 m^2 of functional space for OPFOR—a unit whose major function is to enhance Task Force Army training.

Each fall, DCC holds a strategic planning session which includes a strength, weakness, opportunity and threat (SWOT) analysis. Contributions include input from the Board of Directors, the Executive Management Group, Regional Directors, Directors, and Client-Partner and industry representatives, all of whom have consulted their stakeholders to present an environmental analysis of their operating environment.

DCC has built its business strategy on four planning themes: Business Management, Service Delivery, People, and Leadership and Governance. DCC's strategic priorities under those themes are to have robust business management tools, meet Client-Partner requirements, engage the workforce and demonstrate strong leadership.

Specific, measurable, achievable, relevant, and timely strategic objectives and outcomes provide focus for each theme, aligned with DCC's mission. DCC expects that these will not change during the 2016–17 to 2020–21 planning period. Similarly, qualitative and quantitative key performance indicators allow DCC to measure its success and take steps to continuously improve its service.

Although DCC's business strategy has remained consistent over the decades, the operating environment changes and influences the combination of specific supporting activities DCC pursues each year. Nonetheless, the initiatives DCC undertakes typically relate to the management of its human, capital or financial resources, in areas such as employee engagement, information technology infrastructure and efforts to reduce business costs.

Details on the specific objectives of each initiative for the current fiscal year are noted in the following discussion section under the corresponding planning theme.

STRATEGIC INITIATIVES AND PERFORMANCE

Four themes guide DCC's strategic planning approach, and each has a set of strategic objectives, outcomes and performance measures associated with it. The themes of Business Management, Service Delivery, People, and Leadership and Governance provide a way to organize DCC's path toward fulfilling its mission. The management group bases its discussion on these themes at the annual planning session. That discussion, together with an analysis of the current operating environment, helps DCC identify a way forward for the Corporation for the next fiscal year. The following section presents the details of that path for 2016–17. For a quick summary of this section, see the Strategic Plan Overview chart on page 11.

MILITARY HOUSING, PETAWAWA, ONTARIO

On behalf of the Canadian Forces Housing Agency, DCC procured 64 pre-fabricated, modular housing units at CFB Petawawa. The $14.5-million project includes constructing two-storey, semi-detached and townhouse units, complete with integrated garages and full-height basements. The modular construction reduces the overall project costs and delivers better value for more affordable housing for Canadian Armed Forces members and their families.

Planning Theme: Business Management

To deliver value to Canadians, DCC must run a successful business. To do that effectively, business units need a corporate infrastructure and systems. The objective is to develop and maintain responsive, integrated business management structures, tools, teams and practices.

Two outcomes define DCC's success under this planning theme.

1. DCC's business infrastructure and corporate frameworks ensure effective and efficient service delivery and strong resource management.

   DCC needs up-to-date, reliable, accurate and efficient systems to manage its business. This infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, information technology, and communications. Resource management includes management of staff, materials, money and assets.

2. Corporate assets are safeguarded by sound internal control systems and practices, and management oversight and audit.

   This is an important outcome that reflects DCC's value and integrity of work. The Corporation's control systems are well established and have been proven reliable. DCC has a track record of success with its special examinations; the Auditor General of Canada has found no significant deficiencies.

STATUS: BUSINESS MANAGEMENT INITIATIVES 2015–2016

Last year, DCC committed to one initiative: improving business planning, resource management and performance reporting. Elements of this initiative include simplifying operating business plans; selecting and implementing a more robust digital analytics tool; and taking steps to consolidate performance reporting across business units.

A national working group explored options that ranged from off-the-shelf software and customized solutions to tools developed in-house in order to improve resource planning. Given the scope of DCC's business, an in-house standard tool was agreed on as the effective, accurate solution that will provide consolidated reporting across business units. In future years of the planning period, DCC will improve on this tool as opportunities emerge. Once this tool is up and running as expected in the second half of 2015–16, managers will have quick access to a standardized resource planning tool that can be used to further demonstrate value for money to the Client-Partner. Streamlining operations, reducing red tape, saving money and modernizing DCC's business practices are key factors in sustaining DCC's service delivery capability.

BUSINESS MANAGEMENT INITIATIVES: 2016–2017

For the coming planning period, DCC has committed to one initiative: respond to the recommendations arising from the Business Planning and Resource Management internal audit. DCC regularly uses a third party auditor to conduct internal audits for the benefit of continuous improvement. There is a five-year internal audit plan in place and this audit is happening during the second half of 2015–16. Its objective is to assess the adequacy and effectiveness of business management systems and processes, to ensure that they are reliable, up-to-date, accurate and efficient to manage DCC's business.

BUSINESS MANAGEMENT KEY PERFORMANCE INDICATORS

Operational Results and Performance Measures

DCC has a comprehensive Corporate Performance Management Framework that defines appropriate performance measures at the corporate strategic planning level and at the business planning level. A summary of the corporate key performance indicators are included on the Strategic Plan Overview chart on page 11. At the business planning level there are approximately 30 tactical indicators covering activities such as service costs, timeliness of procurement, quality, timing of accounts receivables, and contractor performance, to name a few. All of these are monitored quarterly to review performance against the target indicators.

Employee Utilization Rate

At the corporate level, sound business management is indicated by the Corporation maintaining low internal overhead costs, keeping costs to DND low, and meeting the terms of its own financial policy. As a service organization, DCC's largest overhead cost is employee salaries. The Corporation sets a target to have 70% of all employee time recovered through its monthly invoices to its Client-Partners. For the six-month period ended at September 30, 2015, DCC surpassed this target with 74.2% of employee time recovered through Client-Partner billing. This is slightly higher than the amount for the same period in 2014–15, which was 72.8%.

Costs of DCC Services to DND

The indicator of overall costs of DCC services to DND reflects how much of DND's infrastructure and environment (IE) program budget is spent on DCC's services—or, in other words, how much DCC services cost DND's IE community. Typically, DCC expects these costs to fall in the range of 10% to 15% of DND's IE program budget. For 2014–15, the cost of service delivery was 10.2%. DCC forecasts that costs will be at 10% or lower at the end of 2015–16.

Financial Results

DCC expects to achieve financial results each year that are consistent with its financial management policy. That policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle financial obligations as they become due, and to meet contingencies that may arise. As at September 30, 2015, DCC's financial results were consistent with the forecast for this period, with the exception of its forecasted cash reserve level, which was higher than planned.

Under DCC's cash management policy, the current required cash reserve level is estimated at $21 to $24 million. As at September 30, 2015, DCC's cash reserve level was approximately $40 million, a slight increase from the comparable period last year, due to deferred billing on some projects. DCC expects to have a cash reserve of $36.5 million as at March 31, 2016, more than the forecasted amount of $32.5 million.

DCC's primary way to reduce cash is by freezing billing rates, which it has done for the past several years. However, DCC's cash reserve did not decrease as quickly as expected in the first half of 2015–16, mainly due to work flow optimization efforts over the past several years. Services revenue is also increasing due to the increase in project volume associated with FIIP; however, DCC is working more efficiently with fewer people.

By the end of the five-year planning period, DCC expects to achieve its cash reduction target. DCC will continue to freeze the billing rate for 2016–17. In subsequent years, the billing rate will see modest increases. However, the forcasted increase to employee salaries during this same time is anticipated to offset those billing rate increases and allow for a reduction of the cash reserve level.

Planning Theme: Service Delivery

Being able to provide innovative, cost-effective and efficient solutions is key to DCC's viability as an organization. The objective of this theme is to meet Client-Partner requirements and to demonstrate value for money.

Three outcomes define DCC's success under this planning theme.

1. Service lines deliver optimal, efficient and effective service throughout the asset lifecycle.

   A matrix organization, a principles-based operating model, a risk-based decision-making approach and a results-oriented culture give DCC the flexibility that its Client-Partners need to build and maintain their holdings.

2. Partnerships remain strong through mutually aligned objectives and information sharing.

   The fulfillment of DCC's mission relies on the quality of its relationship with its defence and security Client-Partners. Planning jointly, sharing information, developing new support services and exchanging lessons learned are all examples of activities that DCC undertakes to contribute to a mutually beneficial relationship.

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

   For 65 years, DCC has had longstanding ties and extensive involvement with industry associations. DCC strives to be a bridge between industry and DND/CAF in order to achieve mutual goals.

STATUS: SERVICE DELIVERY INITIATIVES 2015–2016

For the 2015–16 planning period, the management group identified two initiatives under the theme of service delivery. DCC will support DND in its IE transformation to a centralized model and implement e-procurement.

The multi-year transformation that DND/CAF has been going through is significant. Helping DND/CAF move to a centralized model for managing its IE portfolio has been a service delivery priority for DCC. The Department aims to have one centralized authority accountable for the management of its real property. Originally, nine of these custodians, or authorities, managed DND real property. DCC helped DND move to a four-custodian model as at April 1, 2014, and to a three-custodian model as at April 1, 2015. DND expects to achieve a single custodian model by April 1, 2016. DCC aligned its regional real property management resources with those of its Client-Partner. This model will support potential consolidation of facility maintenance contracts at the base, regional and national levels. Over the planning period, this effort will reduce administrative efforts and improve value for the Crown.

DCC's Contract Services service line worked on implementing an e-procurement system in 2015–16. A pilot was conducted with the Canadian Construction Association in the first half of the year. A phased region-by-region rollout is expected to begin in winter 2016, starting in the Quebec Region.

SERVICE DELIVERY INITIATIVES: 2016–2017

For the 2016–17 planning period, the management group has identified three initiatives under the theme of service delivery. DCC will support DND in its defence infrastructure renewal initiatives; finish implementing e-procurement; and support Client-Partners and industry as they implement the new security directives.

DCC's role in the defence infrastructure renewal initiative over the past several years has been to help centralize DND's real property management in a one-custodian model. This support will continue after the one-custodian model is established at April 1, 2016. However, work in other areas of the defence infrastructure renewal initiative will continue. These areas include support for developing portfolio and real property management plans; support for developing and implementing a better procurement strategy for infrastructure maintenance service delivery; and support for improving real property project delivery, which includes a preferred procurement methodology.

The rollout of DCC's e-procurement initiative, starting in winter 2016, will be completed in 2016–17. DCC expects this e-procurement system to be a faster, cheaper option for administering its tender calls and contract awards than its current paper-based manual process.

Over the planning period, DCC expects this new system to make its procurement process more efficient.

In the next year and throughout the next planning period, DCC will continue to work with industry to help enterprises meet the requirements of the updated National Defence Security Operations Directive issued in June 2015. The changing nature of the Canadian defence and security environment means the number of defence infrastructure projects with security requirements is rising significantly. For these requirements, prime contractors and their sub-contractors must have an industrial security clearance issued by the Canadian and International Industrial Security Directorate (CIISD) before being awarded a job. Large contracting firms have more resources to dedicate to navigating the administration associated with getting a security clearance. For all firms, it can be a challenge. Already, DCC bridges this gap for smaller firms by pre-screening their forms before they submit the forms to CIISD. This has shortened the usual six-month wait time to four months. In the coming year, DCC will continue to do outreach with industry at the site, regional and national levels to help smaller contractors qualify to work on DND projects. This, in turn, stimulates competition for industry.

SERVICE DELIVERY KEY PERFORMANCE INDICATORS

Service Delivery Rating

As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with its quality of work. Consequently, the Corporation tracks client feedback through a service delivery rating system.

DCC administers its work with DND/CAF through service level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary DND representative for each SLA. DCC interviews these representatives individually each year. Each representative has the opportunity to comment on the service DCC provided on all projects in which he or she was involved.

The representatives rate DCC's performance on a scale from one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." Scores are weighted according to the value of each SLA. DCC defines satisfied clients as those who provide an overall rating of three or higher.

The Corporation typically receives service delivery rating results in the second half of each fiscal year, when most projects are completed. In 2014–15, DCC had 339 active SLAs in place and conducted 115 service delivery assessments. Of those 115, two received a less than satisfactory score. In 2014–15, 98% of respondents indicated DCC had met or exceeded their expectations. Typically, complaints relate to specific incidents that fall into one of several categories, such as communications issues, administrative problems or staffing concerns. DCC responds to all concerns about its service and addresses each in a timely manner.

Procurement Results

In 2014–15, DCC awarded 1,579 contracts valued at a total of $407 million. DCC predicts that it will award 2,000 contracts with a total value of $600 million by the end of 2015–16. Through its procurement processes, DCC encourages competition and fair value.

Procurement award success: DCC wants Client-Partners to have a timely procurement experience and does not want to waste industry's time with false starts. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that a minimum of 95% of all procurements result in a contract. During the first six months of 2015–16, DCC awarded contracts for 97.2% of its requested procurements.

Public access to business opportunities: DCC wants to encourage competition and ensure that all enterprises have an equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts through public opportunities. During the first six months of 2015–16, DCC awarded 99.4% of all contracts through public opportunities.

Procurement competition: DCC wants industry to view it as an attractive company to work with, so that there are always varied bidders competing for work. This helps ensure that the Corporation gets the best price possible. The Corporation tracks the number of bidders per procurement, one indication of its reputation among contractors and consultants. The goal is to have an average of four bidders per procurement. During the first six months of 2015–16, DCC had an average of 4.5 bidders per procurement.

Recognition: DCC works regularly with different associations, at both the local and national levels, to help develop national standards and to keep up with industry trends such as e-procurement. In the first half of 2015–16, DCC received the National Procurement Institute's Achievement of Excellence in Procurement Award, which honours excellence in public procurement. This is the second year in a row that DCC has won this award. The Corporation was just one of six Canadian organizations among the 2015 recipients.

Service Line Performance Results

DCC's Corporate Performance Management Framework provides guidance on the development, measurement and reporting of key performance indicators (KPIs) and business performance indicators (BPIs). Service line performance is evaluated quarterly based on the BPIs. These tactical indicators govern process areas such as timeliness of tenders and awards, number of change orders and amendments, and timeliness of construction completions. DCC monitors these quarterly and reports on them at the senior management level. It uses this information for continuous improvement purposes and to update the Client-Partner on project progress. In the first half of 2015–16, these quarterly reports and reviews were completed according to the terms of DCC's Corporate Performance Management Framework.

Planning Theme: People

Since the Corporation is a knowledge-based professional services organization, its primary value is vested in its people. The objective of this theme is to recruit, develop, support and retain a competent, engaged and diverse workforce.

Three outcomes define DCC's success under this planning theme.

1. DCC provides a healthy, productive and engaging work environment.

   Hallmarks of DCC's workplace include collaboration and leadership, fair compensation and benefits, and pay equity; professional development opportunities; knowledge retention and transfer; workforce and succession planning; and community involvement.

2. DCC encourages and fosters a culture of innovation.

   DCC wants its employees across the country to develop more efficient ways of working—the essence of innovation. Innovation in day-to-day operations will lead to resource savings and increased efficiency in service delivery.

3. Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes.

   The unique DCC culture is a combination of team awareness, collegiality, ingenuity and patriotism, and it attracts people who have these attributes and who are results oriented. DCC strives to keep employee engagement high through initiatives that appeal to the hearts and minds of its employees.

STATUS: PEOPLE INITIATIVES 2015–2016

For the 2015–16 planning period, there were three initiatives under the People planning theme: develop and implement a national leadership development program; enhance internal communications capability; and consolidate corporate training frameworks.

At a tactical level, it is important for any organization to be able to put the right people in the right job at the right time. To have the bench strength to do this, an organization must have a sound strategy. For DCC, its initiatives relating to employee training and internal communications contribute to its ability to deploy people as needed.

DCC finished developing a national leadership development program in the first half of this year. This program, which includes an eclectic mix of online and in-person training requirements for employees identified as leaders, will be maintained throughout the planning period. In a complementary initiative, DCC standardized a training register across all regions that enables managers to track the training history of all employees. A manual version of this consolidated training register was developed in the first half of this fiscal year, and an automated online version will be developed in the second half.

It is important that people receive the information they need to do their jobs. At the same time, efficiency is always top of mind for DCC employees when it comes to day-to-day business operations. In the first half of this year, DCC reviewed its formats for communicating to employees, and the tools, training and distribution channels used to ensure that internal communications are accessible, collaborative and effective. The Corporation will act on recommendations from this review in the second half of the year, and update tools and systems by fiscal year end. With the work done on these initiatives over the planning period, DCC expects to maintain its service quality over the long term and improve administrative efficiency.

In the first half of 2015–16, the International Association of Business Communicators recognized DCC's social media strategy—a corporate strategic plan initiative from the 2013–14 and 2014–15 planning periods—with a Silver Leaf Award of Merit. This national awards program recognizes a strategic approach to communications programs conducted by professional communicators.

PEOPLE INITIATIVES: 2016–2017

For the 2016–17 planning period, there are two initiatives under the People planning theme: implement internal communications initiatives, and promote awareness of employee diversity and workplace health.

In 2015–16, DCC reviewed its internal communications capability and evaluated its existing tools, training, distribution channels and processes. This review resulted in upgrades, revisions and additions to the tools. Examples of upgrades include standardized formats and distribution of corporate memos and bulletins, revisions to DCC's online communications training modules, and updated online communications tipsheets. The upgrades will be completed by the end of the fiscal year and the updated tools will be fully launched in 2016–17.

A diverse workforce reflects the communities where DCC works. Although it is a relatively small organization, DCC strives to foster a workplace of employees whose mix of ethnicities, religious backgrounds, cultures, genders, languages, sexual orientations, skills and locations are typical of the Canadian population. Already, DCC has many activities and policies in support of this goal. Diversity is reflected in its hiring practices, in its respectful workplace online training module, in its internal communications with a monthly diversity newsletter and in annual teambuilding activities like an international lunch.

For many years, DCC has had a comprehensive employee wellness program, and the Corporation is a strong proponent of providing a stigma-free work environment for those battling mental health issues. DCC does not tolerate harassment and discrimination. DCC human resources policies and practices support a barrier-free work environment for all employees. In the coming year, DCC will continue to promote employee awareness of employee diversity and of workplace health through the development of a cohesive strategy and implementation plan that showcases its efforts in these important areas of employee life.

PEOPLE KEY PERFORMANCE INDICATORS

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees. Maintaining a skilled and professional workforce is a key corporate objective. For 2015–16, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs. This target includes spending on both internal and external costs related to training and development activities.

In 2014–15, spending on professional development as a percentage of base salary costs was 3.3%. Year-to-date expenditures for the six-month period ended September 30, 2015, were 2.8%, slightly lower than the figure of 2.9% for the comparable period in 2014–15. The amount spent on training and development activities fluctuates from quarter to quarter, and year to year. It depends on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions. DCC expects that the amount spent on professional development will be at or below the 4.0% target at the end of 2015–16, due to the increased work volume associated with FIIP.

Innovation Results

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. To get a sense of the level of employee engagement with the program, DCC tracks the number of ideas submitted. This year, DCC aimed to receive 30 submissions and to implement five ideas nationally. Already, in the first half of 2015–16, employees have submitted 64 ideas and DCC has implemented eight of them nationally. Most of these ideas relate to administrative process improvements.

Another measure that shows the enthusiasm of employees is their level of activity on the online peer-to-peer Recognition Board. In the first six months of 2015–16, total employee engagement with the online recognition system had already passed 50% of the total target for the year.

Employee Wellness

DCC is strongly committed to creating a workplace environment that encourages its employees to incorporate wellness into their daily routine and promotes work-life balance. DCC is focused on preventative measures and interventions that reduce employees' health risk factors. DCC demonstrates this commitment by providing financial assistance for, as well as access to, such benefits and resources as lifestyle modification programs, fitness memberships and programs, an employee assistance program, flexible working arrangements, and compressed workweeks. At the same time, DCC's health and wellness program can accommodate employees with physical or mental health challenges as well as focusing on preventative measures.

In 2014–15, DCC reported an average of 38 sick leave hours (5.1 days) per full-time equivalent (FTE). In the first half of 2015–16, DCC reported an average of 17 sick

Table 1

EMPLOYMENT EQUITY RATING		
DESIGNATED GROUP	RESULTS, 2013	RESULTS, 2014
Women	A	A
Aboriginal people	A	A
Persons with disabilities	C	B
Visible minorities	C	C

Source: *Employment Equity Act: Annual Report 2014* (Ottawa: Employment and Social Development Canada, 2014). This report uses data submitted on June 1, 2014.

leave hours per FTE, compared with 16 hours for the same period in 2014–15.

Employee Retention Rate

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

In 2014–15, DCC's retention rate was 94.6%, higher than its annual target of 90%. For the six-month period ended September 30, 2015, DCC's retention rate stood at 98.1%, which is slightly higher than the 96.8% rate that it reported for the same six-month period in 2014–15.

Employment Equity Rating

DCC is committed to achieving Canada's employment equity objectives.

Under the *Employment Equity Act*, federally regulated employers like DCC analyze their workforce to determine the degree of under-representation of designated groups in each occupational group. Each employer reports annually on a set of performance criteria that measures the progress in achieving a workforce that is representative of the designated groups.

The employer performance ratings are based on six criteria showing representation, clustering, salary gaps, hirings, promotions and terminations. Each employer receives an alphabetical employer rating (A, B, C, D, or Z) based on the sum of the six indicators for each designated group.

For example, a good performance situation would meet the following conditions:

- an employer's workforce would reflect the labour market availability of a designated group in the Canadian labour market workforce;
- members of designated groups would work in the same types of jobs as other employees in the same organization as reflected in the 14 occupational groups, and receive proportionate shares of hirings and promotions; and
- members of designated groups would earn, on average, the same salaries as other employees in the same organization, and not be adversely affected by terminations as a group.

In the Employment and Social Development Canada publication *Employment Equity Act: Annual Report 2014*, "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; "D" indicates poor performance and "Z" indicates no representation reported. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers. (See Table 1)

In 2012, Human Resources and Skills Development Canada (now Employment and Social Development Canada) revised DCC's sector in the North American Industry Classification System from construction to professional, scientific and technical services. This change in classification has the potential to make an impact on DCC's annual score, for example, in the case of persons with disabilities. Before the classification was changed, DCC's workplace was scored in a category that recognized the reality of most of its site office locations across Canada—construction sites and trailers, often in rugged locations. The current classification puts DCC site offices in a category that may not adequately reflect the reality of those workplaces, which in turn may cause DCC to achieve a lower score in some categories. In the coming year, DCC will verify that this classification is aligned with the nature of the Corporation's business.

DCC works steadily to increase its employment equity ratings and has made this the subject of a strategic initiative in the coming year. Upcoming actions to address this include the development of an employee diversity strategy and implementation plan, which would include the development of recruitment tools and training for hiring managers.

Planning Theme: Leadership and Governance

Vision, capability and stewardship practices are all critical to DCC's success in fulfilling its mission. The objective is to provide strong leadership and be responsive to Government of Canada requirements.

There are three strategic outcomes under this planning theme.

1. DCC maintains a risk-based decision-making culture.

   To be efficient, comply with Government of Canada requirements and meet urgent needs, DCC must use risk-based decision-making so that it can carry out the complex and specialized defence construction projects that DND/CAF requires.

2. DCC demonstrates integrity and ethical leadership in the management of its business affairs.

   DCC seeks to apply best practices in corporate governance, operate in a transparent and responsible manner, and ensure appropriate oversight of its daily operations.

3. DCC respects government policies and practices.

   DCC abides by Government of Canada policy requirements that have an impact on its business, including policies related to employment equity and diversity; official languages; environmental stewardship; health and safety; security; access to information; and financial administration and reporting.

STATUS: LEADERSHIP AND GOVERNANCE INITIATIVES 2015–2016

For the 2015–16 planning period, the management group has identified three initiatives under the theme of leadership and governance: respond to the recommendations arising from the documents and records management internal audit; demonstrate value, integrity and innovation to stakeholders and Client-Partners; and implement the Corporate Integrity Management Framework.

Implementing DCC's new documents and records management system is part of DCC's modernization of its internal business operations. Acting on recommendations made in an internal audit last year, DCC drafted improved system documentation, which was to be completed and rolled out by the end of 2015–16. Each year, going into a new planning period, DCC looks for opportunities to save time and money by modernizing its operational systems.

DCC continued to share its best practices with its stakeholders and Client-Partners, both to help other organizations that it deals with, and to support the Government of Canada's initiatives to reduce the cost of government and to maintain strong fiscal and asset management.

External communications activities—in person, and through exchanges with industry and in the communities where the Corporation works—continue to highlight DCC's value and capabilities to its stakeholders. Activities ranging from on-site exchanges with contractors and consultants to senior-level Client-Partner meetings are all opportunities for DCC to share its story. Most important is the effort DCC is making to communicate information to its Client-Partners about its costs of service.

Given DCC's involvement in large-scale public procurement, high levels of integrity and accountability in DCC's business operations are important. DCC has had a Code of Business Conduct for employees for many years and a Procurement Code of Conduct for suppliers since fall 2012. Last year, to ensure alignment with Government of Canada practices, DCC committed to developing a Corporate Integrity Management Framework (CIMF). This document outlined a comprehensive approach to bringing together all DCC resources and tools related to integrity. The Government of Canada announced its new Integrity Regime on July 3, 2015. In the second half of the year, DCC will realign its CIMF with the updated requirements in the new Integrity Regime.

A new initiative arose out of a directive issued by the Governor in Council on July 16, 2015. This directive required DCC to ensure that, pursuant to section 89 of the *Financial Administration Act*, the Corporation aligns its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel,

Table 2

ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY AND CONFERENCES	ACTUAL	AVERAGE	FORECAST	PLANNED				
	2014–15	2011–12 to 2013–14	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Travel	$417,000	$524,000	$491,000	$506,000	$516,000	$526,000	$537,000	$547,000
Hospitality	$ 20,000	$ 24,000	$ 29,000	$ 29,000	$ 30,000	$ 30,000	$ 31,000	$ 31,000
Conferences	Not available	Not available	$ 50,000	$ 50,000	$ 51,000	$ 52,000	$ 53,000	$ 54,000

hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. It also required DCC to report on the implementation of this directive in its next *Corporate Plan*.

DCC's Board of Directors is responsible for ensuring prompt and efficient implementation of this directive. The Board will also take into account the approval authorities set out in the related Treasury Board instruments.

At the working level, DCC officials had the opportunity to meet with officials from Public Services and Procurement Canada in order to benefit from their advice and lessons learned from their experience in implementing these policies.

DCC has made progress on the implementation of this directive promptly and is implementing it in three phases. First, DCC reviewed its current travel policy, and compared and contrasted it with the relevant Treasury Board of Canada Secretariat (TBS) policies.

DCC has a robust expenditure management policy that is already well-aligned with TBS expenditure policies. There are well-defined limits for spending and there is a thorough approval process in place through DCC's levels of delegated authority, up to the President and Chief Executive Officer. Those who hold delegated signing authority scrutinize expenditures for travel, conferences and events. Other similarities include compliance with Government of Canada accommodation, hospitality, incidental and meal expenditure rates; and general provisions for transportation.

Second, the Corporation is assessing whether aspects of the TBS policies are compatible with DCC's legal requirements or whether other gaps exist. This review will continue in the second half of 2015–16, and then DCC will propose amendments to its current policies. DCC's Board of Directors is considering approaches to improving transparency and communication to the public on the management of travel, hospitality, conference and event expenditures—including publishing DCC's updated policies on its website. Already, DCC reports on annual expenditures for travel and hospitality in its annual reports and its quarterly reports which are published on its website.

Third, DCC intends to propose amendments to its policies for consideration by DCC management and by the Board of Directors. Once the amendments are approved, they will be adopted and revised policies will be put in place before DCC creates its 2017–18 to 2021–22 Corporate Strategic Plan.

A challenge for DCC is the past reporting of conference expenses, as defined by the Treasury Board directive. The number of conferences that DCC employees attend is low, and approval to attend is only granted if there is a training and development component to the event. This data is reported as part of training and development, not as conference expenses. Starting in the new fiscal year, DCC will adjust its reporting methods to separate out conference expenses. (See Table 2)

LEADERSHIP AND GOVERNANCE INITIATIVES: 2016–2017

For the 2016–17 planning period, the management group has identified four initiatives under the theme of leadership and governance. DCC will continue to demonstrate value, integrity and innovation to stakeholders and Client-Partners; it will support the Office of the Auditor

General in its special examination of DCC; it will comply with the Government of Canada's directive related to travel and other expenditure policies; and, finally, it will respond to the recommendations arising from the Values and Ethics internal audit.

The Corporation will continue its stakeholder relations and outreach efforts throughout the coming planning period to sustain productive and effective relations for the benefit of DCC.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General will be conducting a special examination of DCC, starting with the planning phase in early 2016. The reporting phase is expected to commence in the fall of 2016 with a final report issued by early 2017. DCC will devote whatever resources are required to supporting the efficient completion of this special examination.

DCC will complete the alignment of its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of Treasury Board, in a manner consistent with its legal obligations as a Crown corporation.

Finally, in the third quarter of 2015–16, DCC's internal auditor will be conducting an audit of DCC's values and ethics. This audit will assess whether DCC has an effective management control framework in place at DCC to support values and ethics as articulated in its Integrity Management Framework. DCC will respond to the recommendations resulting from this audit in 2016–17.

LEADERSHIP AND GOVERNANCE KEY PERFORMANCE INDICATORS

Corporate Reporting Results

Reports that the Corporation produces to meet legislative requirements include the *Annual Report*, the *Corporate Plan Summary*, and reports for other government entities, such as the Office of the Information Commissioner of Canada, the Office of the Privacy Commissioner of Canada, and Employment and Social Development Canada. The Corporation's success in meeting these reporting requirements, including timeliness of submissions, as well as the results contained in these reports, reflect DCC's success in meeting the objectives of the Leadership and Governance theme. As at September 30, 2015, DCC had met all of its submission requirements.

The Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants) recognized DCC for the quality of its corporate financial reporting and gave DCC the 2015 Award of Excellence in the small federal Crown corporation category. DCC also won this award in 2010, 2011 and 2013.

Overall Business Performance Results

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume and evolving business circumstances. As at September 30, 2015, DCC has been able to increase the volume of projects delivered to its main Client-Partner at no additional cost and with no compromises in project quality. This is indicative of DCC's strong management capability and leadership.

DCC Code of Business Conduct Results

The Code of Business Conduct (the Code) is a key document that supports DCC's strategic objectives of integrity and ethical business conduct. DCC employees are to perform their duties and arrange their private affairs so that public confidence and trust in the integrity, objectivity and impartiality of DCC are preserved and enhanced.

DCC's enforcement of and adherence to the Code demonstrate strategic management and leadership. DCC requires all of its employees to review the Code each fall. As of the last review in fall 2015, 100% of DCC employees met this requirement.

DCC Procurement Code of Conduct Results

DCC's Procurement Code of Conduct (PCC) has ensured that DCC's contractors and consultants meet the expected integrity requirements for doing business with the Government of Canada. DCC aims to verify all firms before awarding contracts to ensure that all contractors and consultants comply with the PCC. In the first half of 2015–16, DCC verified 100% of the firms who bid on contracts, as per its procurement process. DCC ensured no contracts were awarded to non-compliant firms. For the coming planning period, DCC will be updating the PCC to align it with the Government of Canada's new Integrity Regime, announced on July 3, 2015. In future Corporate Strategic Plans, DCC will track Integrity Regime results as a key performance indicator.

Environmental Results

DCC tracks and reports environmental incidents resulting from DCC personnel actions to its Board of Directors. Incidents that involve third-party contracted activities are also recorded. The target is to have zero incidents due to the actions of DCC personnel.

For the six-month period ended September 30, 2015, there were no worksite environmental incidents resulting from DCC personnel actions to report. This result maintains the record of zero incidents over the past several years.

Health and Safety Results

Under its Corporate Health and Safety Program, DCC tracks, reports on and follows up on hazardous occurrences, accidents and safety incidents involving its employees that result in lost work time. Annually, DCC reports the number, severity and outcome of these events to Employment and Social Development Canada.

The target is to have no lost-time safety accidents or incidents. For the six-month period ended September 30, 2015, there was one DCC employee incident, which resulted in less than one day of lost time. In 2014–15, there was one incident, which accounted for a total of 3.7 days of lost time.

Canadian Occupational Safety, an industry magazine, recognized DCC as one of Canada's safest employers. DCC's Health and Safety and Hazard Prevention Program won the Silver Award in the public sector category. Canada's Safest Employers Awards recognize organizations from across Canada with outstanding accomplishments in promoting the health and safety of their workers.

Security Results

DCC adheres to the Policy on Government Security in order to protect government information and assets from compromise. In its Corporate Security Policy, DCC refers to industrial security and corporate security requirements.

"Industrial security requirements" are the security requirements that a Client-Partner has for one of its projects. Client-Partners communicate these requirements to DCC during the procurement phase of a project. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance.

When there is an incident of non-compliance, DCC ensures that corrective actions are implemented. DCC coordinates all efforts with applicable stakeholders, such as the Deputy Security Officer, the Canadian and International Industrial Security Directorate, and/or other local security authorities, as appropriate.

"Corporate security requirements" are DCC's internal security requirements for its corporate information, assets and employees. DCC reviews and manages all incidents, and takes required corrective measures.

The target is to have no compromises of either corporate or industrial security requirements. In the first half of 2015–16, there were zero corporate security incidents, and two industrial security incidents with no compromise in security.

EXPLOSIVE NEUTRALIZATION FACILITY, VALCARTIER, QUEBEC

Located at Valcartier Garrison in Quebec, the $158,600 steel shed was purpose built for Defence Research and Development Canada as an explosive neutralization facility. The shed is used to deactivate landmines and unexploded explosive ordnance.

FINANCIAL PLAN

Financial Management Policy

The Corporation's financial management policy is based on a fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. The Corporation operates on a fee-for-service basis and receives no funding through government appropriations. Its financial management policy is to generate sufficient cash to meet its anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain sufficient cash reserves to meet operating contingencies that may arise (see Cash Management Policy, page 44).

TAPV GARAGE, VALCARTIER, QUEBEC

Construction of a 10,400-m^2 garage facility to store and maintain a new fleet of 129 Tactical Armoured Patrol Vehicles (TAPV). The TAPV is a multipurpose vehicle that is part of the Army's family of land combat vehicles. DCC contacted for and managed this $25-million project using a design-build approach, one that facilitates quicker project delivery.

The following plan, based on the assumptions in this policy, reflects the Corporation's objectives to ensure value for money for its Client-Partners by capitalizing on DCC's optimization initiatives; adjust DCC operations in a timely and effective manner to reflect changes in the Client-Partners' program requirements; ensure the sustainability of the Corporation, as per the cash management policy; and adjust DCC operations to keep accumulated earnings and cash balances within targeted levels.

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and has met all reporting obligations.

Financial Projections

These projections also reflect the Corporation's application of its cash management policy, as explained below. Consistent with this policy, the Corporation has projected losses from 2015–16 to 2020–21, to reduce cash reserves by the end of the planning period to a level considered appropriate to its operating needs. It will do so primarily by freezing or limiting the year-over-year increase in billing rates during the planning period. The Corporation expects to return to a slightly better than break-even position in net income in the first year after the planning period in order to meet its operating and cash management targets.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Services revenue	$80,531	$88,763	$85,669	$92,123	$97,835	$102,238	$104,794	$107,623
Travel and disbursement revenue	2,052	1,441	1,935	1,703	1,800	1,850	1,900	1,950
Investment revenue	780	650	644	650	630	550	500	430
Total revenue	**83,363**	**90,854**	**88,248**	**94,476**	**100,265**	**104,638**	**107,194**	**110,003**
Salaries and employee benefits	77,294	86,875	82,306	88,947	93,662	97,151	99,359	101,763
Operating and administrative expenses	6,169	7,759	7,465	7,895	8,051	8,211	8,375	8,541
Travel and disbursement expenses	2,052	1,441	1,935	1,703	1,800	1,850	1,900	1,950
Depreciation of property, plant and equipment	742	913	880	630	989	1,057	815	815
Depreciation of assets under finance lease	159	180	170	180	185	190	195	200
Amortization of intangible assets	210	215	208	215	218	221	224	227
Finance costs	20	28	25	28	30	32	33	35
Total expenses	**86,646**	**97,411**	**92,989**	**99,598**	**104,935**	**108,712**	**110,901**	**113,531**
Loss for the year	**(3,283)**	**(6,557)**	**(4,741)**	**(5,122)**	**(4,670)**	**(4,074)**	**(3,707)**	**(3,528)**
Other comprehensive loss								
Actuarial loss on employee benefit obligations	(2,551)	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE LOSS	**$(5,834)**	**$ (6,557)**	**$ (4,741)**	**$ (5,122)**	**$ (4,670)**	**$ (4,074)**	**$ (3,707)**	**$ (3,528)**

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Opening retained earnings	$36,840	$33,247	$31,006	$26,265	$21,143	$16,473	$12,399	$8,692
Loss for the year	(3,283)	(6,557)	(4,741)	(5,122)	(4,670)	(4,074)	(3,707)	(3,528)
Actuarial loss on employee benefit obligations	(2,551)	—	—	—	—	—	—	—
ENDING RETAINED EARNINGS	**$31,006**	**$26,690**	**$26,265**	**$21,143**	**$16,473**	**$12,399**	**$ 8,692**	**$5,164**

2015–16 CORPORATE PLAN VERSUS 2015–16 ESTIMATED RESULTS

The Corporation is estimating a net loss of $4.7 million compared to a planned net loss of $6.6 million in the *Corporate Plan* for the fiscal year ending March 31, 2016. The significant variances between the estimated results and the *Corporate Plan* are as follows.

Services revenue is $3.1 million (3.5%) lower than stated in the *Corporate Plan,* due to the lower anticipated demand for services and volume of work from the Client-Partners.

Total estimated expenses are $4.4 million or 4.5% lower than stated in the *Corporate Plan* for two reasons:

- overhead salaries are estimated to be $4.6 million or 5.3% lower than stated in the *Corporate Plan,* due to better utilization rates and labour efficiencies; and

- operating and administrative expenses are estimated to be $294,000 or 3.8% lower than stated in the *Corporate Plan,* because of savings related mainly to lower spending for employee development, office supplies, rent and travel.

Depreciation and amortization are expected to be approximately 3.8% below plan. The decrease is due to the lower-than-expected amount of actual assets capitalized in the prior year.

The forecasted total comprehensive loss is expected to be $4.7 million, versus a planned loss of $6.6 million. The variance is due primarily to lower salary and employee benefits, due to increased labour efficiency.

SERVICES REVENUE

The Corporation is forecasting services revenue of approximately $85.7 million for the current year ending March 31, 2016, which represents an increase of approximately 6.4% from the previous fiscal year. All of the increase is due to an increased volume of work related to the Federal Infrastructure Investments Program (FIIP), resulting in higher demand for DCC services than in the prior year. As per the application of the financial and cash management policies, the Corporation did not increase billing rates in 2015–16.

For the planning period, the Corporation has made the following assumptions in relation to the anticipated changes in the volume of services revenue, based on the anticipated Client-Partner program volume and projected billing rate increases each year from 2016–17 to 2020–21. (See Table 3)

In the current period ending March 31, 2016, the Corporation forecasts that demand for DCC's services will increase over that in the prior year. This increase in demand is related to FIIP, announced by the government on November 24, 2014. It will result in an additional $452 million in infrastructure funding for DND over a two-year period from 2015–16 to 2016–17, which is expected to increase DCC's work volume by 6.4% in 2015–16 and 7.5% in 2016–17. For the remaining years of the planning period, the Corporation is forecasting modest increases in volume for 2017–18 and 2018–19 of 3.2% and 1%, respectively, due to increased infrastructure spending. For 2019–20 and 2020–21, volume is expected to decrease by 1% and 0.8%, respectively.

Table 3

CHANGE IN SERVICE REVENUE

For the years ending March 31

	ESTIMATED	PLANNED				
	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Volume change	6.4%	7.5%	3.2%	1.0%	(1.0)%	(0.8)%
Billing rate change	0.0%	0.0%	3.0%	3.5%	3.5%	3.5%
TOTAL ANTICIPATED INCREASE	**6.4%**	**7.5%**	**6.2%**	**4.5%**	**2.5%**	**2.7%**

As for the billing rate increase assumption, the Corporation has committed to freezing current rates until the end of 2016–17. Subsequently, the Corporation is anticipating annual increases in billing rates of 3.0% in 2017–18 and 3.5% for the remaining years of the plan. The billing rate increases are needed to maintain operations at a sustainable level, starting in 2021–22. The billing rate freeze for the five-year period from 2012–13 to 2016–17 will reduce the gross margin from 38.6% at the beginning of the freeze period to 30.6% in 2016–17. The gross margin will not start to recover until 2018–19, when billing rate increases will be sufficient to offset salary increases. The reduction in the gross margin from 2012–13 to 2016–17 will allow the Corporation to achieve its cash management policy objective of reducing cash to an appropriate operating level. However, higher margins are required beyond the planning period to maintain a sustainable financial position and to allow the Corporation to return to a slightly better than break-even operating position.

The table below illustrates the impact of the billing rate freeze on the gross margin percentage, profit and loss, retained earnings, and the cash and investment balance for the fiscal years 2012–13 to 2020–21. (See Table 4)

INVESTMENT REVENUE

Investment revenue, which is generated from cash reserves held in bank accounts and from the Corporation's investment portfolio, is forecasted to total approximately $644,000 for the current year ending March 31, 2016, which is approximately 17.4% lower than the amount in the previous fiscal year. The decrease is due to lower interest revenue generated from cash held in the bank, due to lower interest paid and a lower average monthly cash balance.

For the remaining years of the plan, investment revenue is expected to fall annually from the forecasted $650,000 at March 31, 2017, to $430,000 at March 31, 2021. The annual decrease is due to the decreasing cash balance forecasted over the planning period. The interest rate assumptions used for investment revenue are 0.9% for cash held in the bank and 3.0% for the investment portfolio.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits are forecasted to total approximately $82.3 million for the current year ending March 31, 2016, representing an increase of approximately $5 million or 6.5% over the previous fiscal year. The increase in salaries and benefits from 2014–15 to 2015–16 comprises an increase of approximately 6.1 percentage points related to workforce growth, due to higher demand for services; plus a 0.4 percentage point increase with three components: a 3.3 percentage point increase in salaries; a planned decrease of 2.3 percentage points in benefits in 2015–16; and a 0.6 percentage point decrease due to salary mix and efficiency gains. The expected number of full-time equivalent (FTE) employees in 2015–16 is 795, an increase of 46 FTEs or 6.1% from the number in 2014–15.

For 2016–17, salaries are anticipated to increase by 8.1%. This is a result of planned salary increases of 3.5% and an increase in demand for services of 4.6%. The Corporation assumed an economic factor increase of 1.5% and a 2% increase for performance-based increases.

Table 4

EFFECT OF BILLING RATE CHANGE

For the years ending March 31

	ACTUAL			ESTIMATED	PLANNED				
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Billing rate increase	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	3.50%	3.50%	3.50%
Gross margin percentage	38.58%	36.24%	32.87%	31.48%	30.58%	30.58%	30.91%	31.25%	31.58%
Profit (loss)	$ 7,263	$ 1,189	$ (5,834)	$ (4,741)	$ (5,122)	$ (4,670)	$ (4,074)	$ (3,707)	$ (3,528)
Retained earnings	$35,651	$36,840	$31,006	$26,265	$21,143	$16,473	$12,399	$ 8,692	$ 5,164
Cash and investments	$35,943	$39,988	$38,886	$36,565	$31,992	$28,379	$25,727	$23,611	$21,134

For the remainder of the planning period, the Corporation has assumed that the annual economic factor increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be 1.0%. This assumption may be affected by a difference in the actual CPI change. Performance-based increases are forecasted to remain constant at 2.0% over the planning period, based on historical trends.

For 2016–17, the Corporation will see salary expenses grow faster than revenue, due to the freeze in billing rates that year. The forecasted growth in salaries for the remaining planning period is lower than the forecasted increases in annual revenue. DCC assumes that billing rates and revenue will both rise, however, salaries and employee benefits will decrease due to continued service delivery optimization efforts. DCC will need fewer employees to deliver services due to greater labour efficiency. (See Table 5)

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are forecasted to total $7.5 million for the current year ending March 31, 2016, representing an increase of approximately $1.3 million or 21% over the previous fiscal year. This increase is due mainly to the following factors: an increase in software maintenance costs of $248,000 to support enterprise storage and productivity improvements; a rise in professional services costs of $261,000, mainly due to services related to human resources and information technology; an increase in employee development costs of $339,000, due to increases in staff levels in the current year and training initiatives; a rise in office equipment and supplies costs of $283,000, due to upgrades to copiers and printers, and increased business activity; an increase in travel costs of $74,000, due to increases in business activity and corporate initiatives; an increase in telephone and telecommunication expenses of $46,000, due mainly to an upgrade of corporate-wide data communication services and increased use of smartphones; and a rise in recruiting costs of $33,000, due to increased recruiting activity.

For 2016–17, the Corporation has forecasted an increase in operating expenses of 5.8%, due to increases in operating costs mainly related to network infrastructure and communication costs. For the remaining years of the planning period, the Corporation has assumed a 2% year-over-year increase related to inflation and cost growth.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization—which include depreciation of property, plant and equipment; depreciation of assets under finance lease; and amortization of intangible assets—are forecasted to total $1.3 million in the year ending March 31, 2016, representing an increase of approximately 13.2% from the previous fiscal year. This increase is related to higher capital expenditures in the prior fiscal year, mainly related to computer hardware.

Table 5

EFFECT OF SALARY RATE CHANGES

For the years ending March 31

	ESTIMATED	PLANNED				
	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Salary increases						
Economic increase	1.0%	1.5%	1.0%	1.0%	1.0%	1.0%
Performance increase	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%
Salary increase assumption	3.3%	3.5%	3.0%	3.0%	3.0%	3.0%
Salary increase due to higher revenue volume	6.4%	7.5%	3.2%	1.0%	(1.0)%	(0.8)%
Other changes due to salary mix and optimization difference	(3.2)%	(2.9)%	(0.9)%	(0.3)%	0.3%	0.2%
TOTAL SALARY AND VOLUME INCREASE ASSUMPTION	**6.5%**	**8.1%**	**5.3%**	**3.7%**	**2.3%**	**2.4%**

For the year ending March 31, 2017, depreciation and amortization are expected to total approximately $1.0 million, representing a decrease of approximately 18.5% from the current fiscal year forecast. This decrease is mainly due to lower forecasted capital purchases in 2016–17. Future annual projections of capital expenditures, highlighted under Capital Budgets, will also affect the fluctuation in depreciation and amortization over the remaining years of the plan.

TOTAL COMPREHENSIVE LOSS

For the five-year planning period, the Corporation is planning a loss in each year. The loss is due mainly to the Corporation freezing its billing rates from 2012–13 to 2016–17. The billing rate freeze occurred for two reasons: to reduce the costs of DCC's services to its Client-Partners, as per the Deficit Reduction Action Plan for 2012–13 to 2014–15; and to reduce the amount of cash held by the Corporation to the appropriate level, as per DCC's cash management policy.

A total comprehensive loss of $4.7 million, or 5.5% of services revenue, is forecasted for the year ending March 31, 2016, compared with a total comprehensive loss of $5.8 million or 7.2% of services revenue in the previous fiscal year. The forecasted loss is smaller in 2015–16 due to higher expected revenue, which will generate a higher gross margin, and to the fact that costs are expected to rise less, proportionally, than gross margin is.

For the year ending March 31, 2017, a total comprehensive loss of $5.1 million or 5.6% of services revenue is projected, which represents an increase of about 8% from the expected total comprehensive loss for the current fiscal year. The loss in 2016–17 is due to the billing rate freeze discussed above. Losses of $4.7 million in 2017–18, $4.1 million in 2018–19, $3.7 million in 2019–20 and $3.5 million in 2020–21 are planned to manage the cash reserves held by the Corporation, in accordance with its financial and cash management policies. The Corporation expects to be cash-flow positive following the planning period.

STATEMENT OF FINANCIAL POSITION

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Assets								
Cash	$19,630	$18,608	$17,044	$11,821	$10,027	$10,202	$ 9,923	$ 9,788
Investments	1,098	1,500	1,250	1,500	1,500	1,500	1,500	1,500
Trade receivables	15,173	16,598	14,787	16,696	17,731	18,529	18,992	19,505
Prepaids and other current assets	1,326	863	3,161	3,399	3,610	3,772	3,866	3,970
Current assets	**37,227**	**37,569**	**36,242**	**33,416**	**32,868**	**34,003**	**34,281**	**34,763**
Investments	18,158	12,435	18,271	18,671	16,852	14,025	12,188	9,846
Property, plant and equipment	2,185	2,471	2,355	2,400	2,386	2,304	2,464	2,624
Assets under finance lease	227	350	275	300	305	310	315	320
Intangible assets	557	636	518	553	585	614	640	663
Non-current assets	**21,127**	**15,892**	**21,419**	**21,924**	**20,128**	**17,253**	**15,607**	**13,453**
TOTAL ASSETS	**$58,354**	**$53,461**	**$57,661**	**$55,340**	**$52,996**	**$51,256**	**$49,888**	**$48,216**
Liabilities and equity								
Trade and other payables	$ 5,454	$ 6,894	$ 7,290	$ 7,508	$ 7,733	$ 7,965	$ 8,203	$ 7,957
Current portion: Finance lease obligation	103	107	107	107	107	107	107	107
Employee benefits	400	600	450	500	525	550	575	600
Current liabilities	**5,957**	**7,601**	**7,847**	**8,115**	**8,365**	**8,622**	**8,885**	**8,664**
Finance lease obligation	139	250	247	250	252	255	257	260
Employee benefits	21,252	18,920	23,302	25,832	27,906	29,980	32,054	34,128
Non-current liabilities	**21,391**	**19,170**	**23,549**	**26,082**	**28,158**	**30,235**	**32,311**	**34,388**
Total liabilities	**27,348**	**26,771**	**31,396**	**34,197**	**36,523**	**38,857**	**41,196**	**43,052**
Authorized: 1,000 shares at no par value								
Issued: 32 shares	—	—	—	—	—	—	—	—
Retained earnings	31,006	26,690	26,265	21,143	16,473	12,399	8,692	5,164
Total equity	**31,006**	**26,690**	**26,265**	**21,143**	**16,473**	**12,399**	**8,692**	**5,164**
TOTAL LIABILITIES AND EQUITY	**$58,354**	**$53,461**	**$57,661**	**$55,340**	**$52,996**	**$51,256**	**$49,888**	**$48,216**

2015–16 CORPORATE PLAN VERSUS 2015–16 ESTIMATED RESULTS

The significant variances in the statement of financial position in the 2015–16 Corporate Plan and the estimated results are as follows:

- cash and investments are estimated to be $4.0 million higher than forecasted in the Corporate Plan, due to a combination of better operating results in 2015–16 (with losses of $1.8 million less than forecasted in the Corporate Plan) and a higher starting cash balance than planned;

- trade receivables are estimated to be $1.8 million lower, based on the timing of receivables;

- prepaid and other current assets are estimated to be $2.3 million higher than forecasted, due to the Corporation accruing two weeks' salary for most employees with the implementation of pay in arrears in the current year;

- trade and other payables are higher by $396,000, due to the timing of payments; and

- employee benefits are estimated to be $4.2 million higher than forecasted in the Corporate Plan, due to the addition of a dental plan for retirees and re-measurement changes due to a change in actuary in the prior year.

CASH MANAGEMENT POLICY

DCC's financial management policy is to generate and maintain sufficient cash reserves to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to meet contingencies that may arise.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations, nor does it maintain or have access to any lines of credit or other sources of borrowings. Thus, the Corporation's cash is generated solely from fees collected from its Client-Partners for services provided.

Consistent with its mandate, the Corporation aims to operate on a slightly better than break-even basis. All of the Corporation's cash is generated from the services it provides to its Client-Partners. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed initial targets. Cash levels are constantly monitored, and any cash surpluses judged to exceed operating requirements are reduced through the setting of billing rates.

In preparing its operating plans, the Corporation prudently allows for reasonable levels of cash reserves in its financial projections to ensure that it can continue to fulfill its mandate and serve its Client-Partners in an effective and timely manner. The objective of the cash management policy is to help DCC to keep sufficient cash reserves available—recognizing the potential for short-term interruptions in collections of receivables—to meet its obligations. Potential obligations considered in the cash management policy include salaries, benefits and other current operating costs for a period of 60 to 90 days; payments of long-term employee benefits, which include employee sick leave costs, and health and life insurance benefits for DCC retirees; and other areas, which could include costs associated with personnel adjustments, relocation costs and additional capital costs to comply with new Government of Canada directives.

CASH REQUIREMENTS AND USES

The Corporation considers several factors in determining the amount of cash reserves to maintain, including the planning and operating risks inherent in its operations. In particular, the risks associated with potential and unanticipated changes to the amount or timing of DND's construction project expenditures directly affect the amount or timing of DCC services and the cash generated.

The current ideal cash reserve level is estimated to be between $21 million and $24 million. These amounts may change over time as DCC's financial position changes. The following factors help DCC determine adequate cash reserves.

- Working capital: DCC typically has $7 million to $8 million in current liabilities, which it has to manage on a timely basis.

- Payroll: The Corporation currently has monthly payroll costs of $7.2 million. The cash reserves are sufficient to cover approximately three months of payroll. This is seen as an appropriate amount for a viable business to have on hand.

- Receivables collection risk: Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. Routine delays in Client-Partner approvals and processing of invoices can sometimes affect collections of some receivables. Greater risks occur in the situations described below, which DCC manages through sufficient cash planning.

- Election periods: During a writ period, DND relies on special funding mechanisms (warrants), which allow payments to continue in a 45-day cycle. There can be uncertainty about the timing of these mechanisms. DND's ability to pay receivables could easily be affected for a single cycle, which is equivalent to half of the 90-day payroll coverage period.

- Forecast uncertainty: DCC has not received a firm forecast of expected infrastructure program expenditures for 2015–16 and beyond. This uncertainty increases the risk of material fluctuations in demand for DCC services, which could require unanticipated investments to add or reduce resources. Such costs might include recruiting, relocation and training expenses—or, conversely, severance and other termination costs. DCC self-funds such costs and must keep sufficient cash reserves on hand.

- Long-term obligations: DCC must fund over $23.8 million in employee future benefits, including retirement, health and sick leave benefits. These obligations are expected to grow to $35 million over the next five years. The Corporation must also fulfill other commitments, such as paying for facility leases. DCC cannot predict with certainty when it may be required to pay for these liabilities and must ensure that sufficient cash is available for these purposes.

- Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing information technology and information management systems, for a total of $5.8 million over the five-year planning period. (See page 49)

DCC does not expect all of these financial contingencies to occur at the same time. If they did, the Corporation's current reserves would be grossly inadequate. Instead, DCC relies on prudent forward planning of its resource levels and ongoing active business operations to help ensure that it can meet its obligations.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

CASH AND INVESTMENT BALANCES

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investment balances, is strong, and the Corporation has determined that its current cash and investment balances exceed its operating needs. As such, in accordance with its financial and cash management policies, DCC will reduce the cash balance over the planning period to more appropriate levels, as illustrated above. Cash and investments are forecasted to be $36.6 million at March 31, 2016. This figure will continue to decrease in the later years of the plan, primarily through the setting of billing rates and the incurrence of operating losses to reduce retained earnings. Cash and investments are expected to total $21.1 million at the end of the planning period.

TRADE RECEIVABLES

Trade receivables are expected to vary during the plan years in direct proportion to the fluctuations in services revenue from year to year.

PROPERTY, PLANT AND EQUIPMENT, ASSETS UNDER FINANCE LEASE, AND INTANGIBLE ASSETS

The amount for property, plant and equipment represents the net book value of purchased computer equipment, office furniture and equipment, and leasehold improvements. The figure for assets under finance lease represents the net book value of copiers and printers purchased under finance leases. The amount for intangible assets represents the net book value of purchased software licences for desktop computers and for the enterprise resource planning system.

The value of property, plant and equipment, assets under finance lease, and intangible assets for the current year ending March 31, 2016, is expected to increase from the value in the previous fiscal year by 6%. For the year ending March 31, 2017, the value of property, plant and equipment, assets under finance lease, and intangible assets is expected to increase by a further 3.3%. These fluctuations, and those for the remaining plan years, are directly tied to projected levels of capital spending, as highlighted in the Capital Budgets section, and to the amortization amount from year to year, based on the Corporation's amortization policies, as described in its *Annual Report*.

TRADE AND OTHER PAYABLES

Trade and other payables for the year ending March 31, 2016, are expected to increase by 34% from the year ending March 31, 2015. These fluctuations, and those of the subsequent plan years, are largely tied to changes in the level of operating expenditures from year to year and to the anticipated timing of payments to creditors.

EMPLOYEE BENEFITS

The figure for employee benefits represents the Corporation's liability for the estimated costs of severance for its employees and health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and the actuarial assumptions used. Employee benefits, including the current portion, are expected to total $23.8 million at March 31, 2016, representing an increase of approximately 9.7% over the figure in the previous fiscal year, due to the accrual of benefits. For the remaining plan years, the amount is expected to increase year over year by rates varying from 6.4% to 10.9%. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due. The assumptions the actuary uses to calculate these benefits are summarized in the Corporation's *Annual Report*.

FINANCE LEASE OBLIGATION

The finance lease obligation is expected to remain relatively stable for the planning period due to the minor anticipated changes in business activity, which means additional copiers and printers should not be needed. The replacement rate is expected to remain stable year over year.

STATEMENT OF CASH FLOWS

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Cash flows used in operating activities								
Loss for the year	$ (3,283)	$ (6,557)	$ (4,741)	$(5,122)	$(4,670)	$(4,074)	$(3,707)	$(3,528)
Adjustments to reconcile loss for the period to cash provided by operating activities								
Depreciation of property, plant and equipment	742	913	880	630	989	1,057	815	815
Depreciation of assets under finance lease	159	180	170	180	185	190	195	200
Amortization of intangible assets	210	215	208	215	218	221	224	227
Amortization of investment premiums	122	130	125	130	135	140	145	150

CONT'D

STATEMENT OF CASH FLOWS

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Gain on sale of property, plant and equipment	37	—	—	—	—	—	—	—
Change in non-cash operating working capital								
Capital balances related to operating activities	2,798	2,798	2,491	171	1,079	1,372	1,782	1,236
Net cash flows provided by (used in) operating activities	**785**	**(2,321)**	**(867)**	**(3,796)**	**(2,064)**	**(1,094)**	**(546)**	**(900)**
Cash flows from (used in) investing activities								
Acquisition of investments	(8,958)	(350)	(350)	(350)	1,650	2,650	1,650	2,150
Acquisition of property, plant and equipment	(1,397)	(1,250)	(1,050)	(825)	(1,125)	(1,125)	(1,125)	(1,125)
Acquisition of intangible assets	(208)	(250)	(169)	(100)	(100)	(100)	(100)	(100)
Net cash flows used in investing activities	**(10,563)**	**(1,850)**	**(1,569)**	**(1,275)**	**425**	**1,425**	**425**	**925**
Cash flows used in financing activities								
Repayment of finance lease obligations	(160)	(152)	(150)	(152)	(155)	(156)	(158)	(160)
Net cash flows used in financing activities	**(160)**	**(152)**	**(150)**	**(152)**	**(155)**	**(156)**	**(158)**	**(160)**
Increase (decrease) in cash during the period	(9,938)	(4,323)	(2,586)	(5,223)	(1,794)	175	(279)	(135)
Cash at the beginning of the period	**29,568**	**22,931**	**19,630**	**17,044**	**11,821**	**10,027**	**10,202**	**9,923**
CASH AT THE END OF THE PERIOD	**$19,630**	**$18,608**	**$17,044**	**$11,821**	**$10,027**	**$10,202**	**$9,923**	**$9,788**

The statement of cash flows details the sources and uses of cash from the Corporation's operating, investing and financing activities, as well as the overall net change in the Corporation's cash balance from year to year. Non-cash expenses included in earnings (such as depreciation and amortization, and the provision for employee benefits) are added back, and cash disbursements not included in earnings (such as assets under finance lease, intangible assets, acquisition of investments, and acquisition of property, plant and equipment) are subtracted, to arrive at the net change in cash during each fiscal year.

Table 6

STAFF STRENGTH

For the years ending March 31

	ACTUAL	ESTIMATED	PLANNED				
	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Employees, based on full-time equivalents	749	795	859	886	895	886	879

Staff strength, presented on an FTE basis, is projected to be 795 for the current year ending March 31, 2016. This figure represents an increase of approximately 6.1% from the previous fiscal year. Staff levels are expected to increase to support the increases in work volume forecasted for the current year.

The FTE staff strength for the remaining planning years is expected to increase due to higher anticipated work volumes. (See Table 6)

CAPITAL BUDGETS

(See Table 7)

Overall, capital expenditures for 2015–16 are estimated to be 18.7% below plan. Variations and adjustments within categories of capital expenditures are due to changing requirements. Lower expenditures are forecasted for computer hardware, due to lower-than-anticipated costs for information technology (IT) hardware projects and replacements. Intangible asset costs related to IT projects are expected to be lower than planned due to delayed projects. Spending on office furniture and equipment and leasehold improvements is projected to be lower than planned due to changing requirements. (See Table 8)

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2016 to be $1.2 million, a decrease of $386,000 or 24% from the previous fiscal year. The decrease is mainly due to lower spending on computer hardware, as the need for new systems has decreased. In 2014–15, the Corporation invested in the computer network and replaced a large number of personal computing devices, based on the replacement cycle.

For the 2016–17 planning period and beyond, the Corporation will need to continue to replace computer hardware and intangible assets at the end of their lifecycles, as well as to meet additional operational requirements. Continued improvements to the Corporation's enterprise resource planning and document management software systems are also forecasted over the planning period, as well as purchases of corporate reporting software.

During the planning period, the Corporation also expects to replace office furniture and equipment, and renovate leased offices as required to meet operational needs.

In the capital budget, DCC forecasts that the replacement rate will remain steady year over year, but it may need to be adjusted if Client-Partner demands change. None of the costs incorporated in the capital budget this year were part of the previous year's operating budget. DCC's financial policies clearly define capital expenditures and operating expenses.

Table 7

CAPITAL EXPENDITURES

For the year ending March 31, 2016

(in $ thousands)	ESTIMATED	PLANNED	VARIANCE
Computer systems hardware	$ 931	$1,025	$ (94)
Intangible assets	169	250	(81)
Office furniture and equipment	73	150	(77)
Leasehold improvements	46	75	(29)
	$1,219	**$1,500**	**$(281)**

Table 8

CAPITAL BUDGET FORECAST

For the years ending March 31

	ACTUAL	ESTIMATED	PLANNED				
(in $ thousands)	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Office furniture and equipment	$ 6	$ 73	$ 150	$ 150	$ 150	$ 150	$ 150
Computer systems hardware	1,366	931	600	900	900	900	900
Leasehold improvements	25	46	75	75	75	75	75
Intangible assets	208	169	100	100	100	100	100
	$1,605	**$1,219**	**$ 925**	**$1,225**	**$1,225**	**$1,225**	**$1,225**

APPENDIX

Corporate Profile

MANDATE

a) The principal mandate of DCC is to meet the infrastructure and environmental needs of DND/CAF by providing quality services. DCC's mission is to provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

b) DCC is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The *Defence Production Act* defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of or dealing in defence projects.

c) DCC is permitted to perform and/or contract out real property duties—in particular, to manufacture or otherwise produce, finish, assemble, process, develop, repair, maintain or service defence supplies; or to manage and operate facilities; and to arrange for the performance of professional or commercial services.

d) The *Defence Production Act* also mandates DCC to do all such things that are incidental to, or necessary to, or expedient for, the matters referred to in the above paragraphs, with respect to the procurement, construction, or disposal of defence projects.

e) DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, lease, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings.

f) DCC is governed by the provisions of Part X of the *Financial Administration Act*. DCC adheres to the governance, planning, reporting and audit practices established in that legislation.

g) DCC is accountable to Parliament through the Minister of Public Services and Procurement for the conduct of its affairs.

RELATIONSHIP WITH DND/CAF

a) DCC and DND have worked together for 65 years. During that time, DCC has acquired specialized expertise and accumulated a large knowledge base related to Canada's military construction, and associated infrastructure and environment services, at home and abroad, including knowledge related to its support of the CAF mission in Afghanistan and to DCC's work in Canada's Far North.

b) DCC deals with many organizations within DND, specifically with the Assistant Deputy Minister Infrastructure and Environment (ADM IE) Group. The Corporation supports the delivery of the capital construction program managed by the ADM IE Group.

c) The Communications Security Establishment (CSE) is Canada's national cryptologic agency. It is a stand-alone agency reporting directly to the Minister of National Defence. As the contracting authority for DND, DCC is working with CSE on its Long-Term Accommodation Project (LTAP) in Ottawa. Built using a public-private partnership, this 30-year, design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements.

d) Since 1951, the working relationship between DND and DCC has been defined in a continuous series of memoranda of understanding (MOUs). The MOUs describe the operational, administrative and financial framework within which the two organizations do business.

OPERATING STRUCTURE

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required, and its Head Office is located in Ottawa. The Corporation maintains five regional offices (Atlantic, Quebec, Ontario, Western and National Capital Region), as well as 37 site offices located at CAF bases, wings and area support units. In addition, DCC maintains a remote seasonal office in Nanisivik, as required for the Nanisivik Naval Facilty Infrastructure project in Nunavut.

Business Model

Operating on a fee-for-service basis, DCC does not receive any appropriations from the Government of Canada. It generates revenue through fees charged to its Client-Partners for infrastructure and environmental support services linked to the full lifecycle management of Crown assets of which DND/CAF is the custodian. Private-sector contractors and consultants perform the actual work in the execution of the contracts that DCC administers.

CORPORATE PERFORMANCE MANAGEMENT

Measuring performance is key to running efficient operations within DCC. DCC's Corporate Performance Management Framework (CPMF) was developed to ensure that the Corporation defines appropriate performance measures that support the effective management of corporate resources in achieving planned results; that systems, procedures and processes used to collect, analyze and report performance measurements are adequate and functioning as intended; and that senior management receives timely information to monitor performance against planned results.

The main purpose of the CPMF is to provide a structure for DCC's performance management practices. DCC's Operations Coordination Team (OCT) leads and coordinates the implementation of the corporate performance management (CPM) cycle. The team reports statistics to DCC's Vice-Presidents and President; this ensures that CPM leadership is clearly established with and directly linked to the Corporation's executives.

DCC uses two sets of performance indicators to measure success. Key performance indicators (KPIs) measure DCC's success in meeting high-level strategic objectives, such as leadership and governance. Executive management is accountable for the KPIs, and KPI results are published externally in the *Annual Report* and the *Corporate Plan Summary*. Business performance indicators (BPIs) measure DCC's success in meeting more tactical objectives, such as business management and service delivery objectives. The Senior Management Team is accountable for the BPIs, and BPI results are published internally.

The CPM cycle takes place over 24 consecutive months, across three fiscal years. It is rolled out in two phases: strategic planning (10 months) and monitoring (14 months). During the strategic planning phase, DCC defines and implements the Corporation's strategy, a task that includes reviewing the KPIs. Two documents are produced further to this phase: the *Corporate Plan*, which focuses on strategy; and the *Operations Business Plan*, which is an operational response to the *Corporate Plan*. During the monitoring phase, DCC reports on its performance results, then develops and implements optimization measures to improve these results. Various internal documents are produced to report on the results, such as the monthly Executive Management Group operations reports. DCC also reports on these results externally, in the *Annual Report* and the *Quarterly Financial Reports*, as well as in the *Corporate Plan*.

RISK MANAGEMENT

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability. Under the direction of the Board of Directors, senior management established a comprehensive Corporate Risk Management Framework. The framework is based upon the risk management methodology used by DND and many other government organizations.

The Corporate Risk Management Framework ensures that management's direction on risk is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's decision-making and planning tools; and that there is a consistent means to effectively and regularly apply risk management to corporate and project-related activities.

DCC classifies risks as being high, medium or low. Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. The Corporation's classified risk response strategies can be summarized as follows: high (mitigate), medium (monitor) and low (accept).

LEGISLATIVE POWERS AND OBLIGATIONS

Legislative Framework

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

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

Public Policy Role

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

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

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

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

The benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. In recent years, DCC contract expenditures on behalf of DND have been valued at approximately $800 million to $900 million annually. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

Contracting Policies

DCC is committed to ensuring security for Canadians, and, efficient and fair process for the procurement and management of DND infrastructure projects. Its business is to procure, award and manage infrastructure and environment contracts on behalf of DND in an open and transparent manner.

DCC adheres to the objective of acquiring goods and services in a manner that enhances access, competition and fairness and that result in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people, while meeting the essential operational requirements of DCC's Client-Partners.

Legal Claims

In accordance with the memorandum of understanding between DCC and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by DCC. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on DCC. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

Human Resources Requirements

Human Resources Policies

DCC ensures that it recruits and retains employees with the appropriate skill sets required to meet the needs of its Client-Partners. DCC provides competitive and fiscally responsible compensation, benefits and programs to attract, recruit, motivate and retain its workforce. DCC's human resources policies and procedures are appropriate for the Corporation and are in line with industry best practices. DCC has a job evaluation system, which, among other things, ensures pay equity. It also has a competency-based performance management program which includes merit-based evaluation criteria. Under this robust program, employees receive regular performance feedback from their supervisors, and are recognized and rewarded for their contributions.

DCC's Workforce

As of September 30, 2015, DCC had 762 full-time equivalent employees, all of whom are expected to demonstrate both technical skills and appropriate competencies in order to provide effective and efficient services to DCC's Client-Partners.

The demographics of DCC's workforce on September 30, 2015, were as follows: 40% were female and 60% were male; 82% were under the age of 55; and 78% had been with the Corporation for less than 10 years. Of all positions held, 87% were continuing and, of these, 4% were classified as management and 1% were classified as senior management positions.

Compensation Benchmarking

As part of the annual compensation review process, DCC informally and formally references salary data from compensation survey organizations such as the Hay Group, AON Hewitt, Mercer, Towers Watson, the Conference Board of Canada and World at Work, as well as government departments, agencies and other Crown corporations. A compensation review can help the Corporation determine whether DCC's compensation package provides the best return on its investment, is fiscally responsible and equitable, aligns with budget requirements, is competitive within its targeted labour market and economic conditions, and is comparable to those of private and public sector organizations operating in similar industries and labour markets.

As a knowledge-based organization and service provider, DCC must offer competitive compensation to attract the highly skilled employees it requires to satisfy its Client-Partners' demand for services. DCC believes that its compensation is competitive but, at the same time, fiscally prudent. Target levels for salaries are expected to be at 50 to 75% of current maximums and not at the high end of the market.

In the second half of 2014–15, DCC conducted a salary comparability survey and reviewed the results in February 2015. The results of this survey showed that DCC's mix of salaries was either in the mid-range or below similar salary bands for comparative industries in the public and private sectors.

Other Benefits

DCC offers a comprehensive benefit package and it promotes work-life balance. Some of the benefits offered include: medical and dental coverage, personal development and education, an employee assistance program, an absence support program, and a wellness program.

Pension Plan

DCC participates in the federal public service pension plan.

Illness, Disability and Vacation Leave

DCC offers fully integrated short-term and long-term disability plans under the Absence Support Program, which is managed by Medavie Blue Cross. Under this program, employees receive complete medical adjudication, rehabilitation and return-to-work services. Employees are referred to this program after five days' absence due to illness or disability. Sick leave is only paid when supported by this program. Leave is suspended after 10 days if the employee does not comply with the program, or if Medavie Blue Cross does not support the sick leave. Employees joining DCC from other government organizations cannot transfer their vacation or sick leave credits, and the Corporation does not pay out accumulated sick leave at termination or retirement.

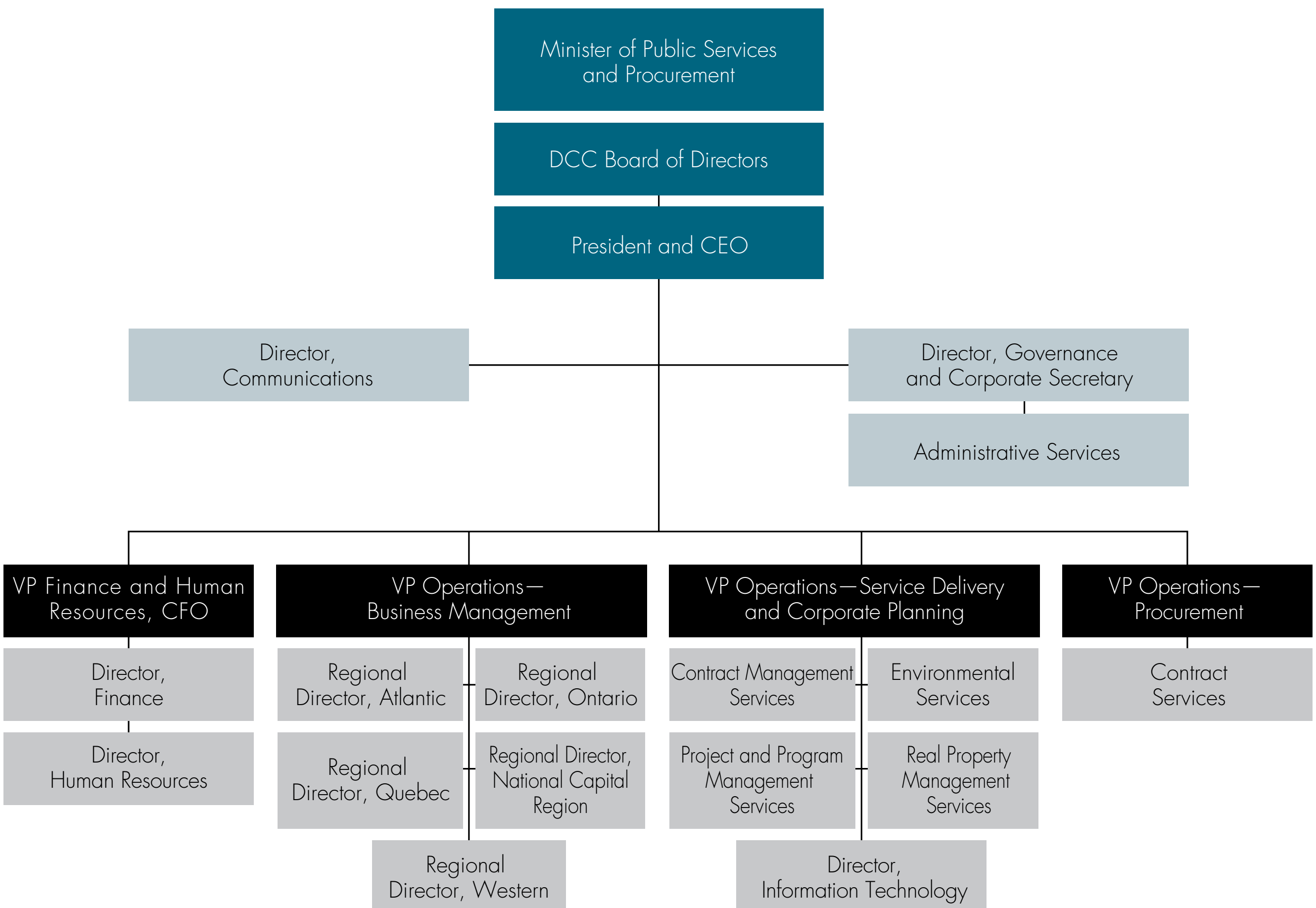
The following table shows DCC's annual sick leave time averages over the last five years.

AVERAGE ANNUAL SICK LEAVE TIME	
2014–15	5.07 Days
2013–14	5.60 Days
2012–13	5.70 Days
2011–12	5.10 Days
2010–11	5.33 Days

Succession Plan for Management

Global economic factors, increasing competition for talent and ongoing retirements are constant challenges affecting DCC's business strategy. DCC meets these challenges through its Succession Planning Management Framework. This Framework provides DCC leaders and managers with the guidance, the tools and a practical approach for sustaining its leadership, management and operational readiness while promoting employee development. With this, DCC can ensure it has the right people, with the right skills, in the right jobs, at the right time.

CORPORATE GOVERNANCE AND STRUCTURE



Ethical Business Conduct

DCC's employees are aware of expectations placed on them in such areas as ethics, conflict of interest, disclosure of wrongdoing, and compliance with legislation and governmental policies. In addition to complying with the *Public Servants Disclosure Protection Act*, DCC has its own Code of Business Conduct for employees. DCC's Board of Directors monitors compliance with the Code, as well as policies and legislation related to business and employee conduct, through regular reports.

Each year, DCC employees are required to review their obligations under the Code and to reply to an annual electronic reminder of their responsibilities. This electronic system ensures that DCC keeps accurate records of responses and follows up appropriately. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board regarding the Code compliance matters as they arise and provides an annual update as well. In this way, the Board ensures that DCC maintains its good practices regarding programs and policies related to values and ethics. In 2014–15, all DCC personnel responded to the annual request for review and all new hires completed the required test.

Board members comply with the *Conflict of Interest Act* and comply with the Treasury Board of Canada Secretariat's guidelines for the functioning of an effective board. Each year, they sign a declaration regarding the Act, which ensures they are aware of the Act's requirements and confirms they will continue to comply with them. In September 2015, all board members signed the declaration. In addition, the Board has its own Code of Conduct which outlines the expectations for members as Governor in Council appointees.

Board of Directors

DCC has a comprehensive Corporate Governance Framework that provides an overview of the corporate governance structure, principles and practices for DCC's Board of Directors. This is a key tool for the Board as it defines board accountabilities and responsibilities; identifies key roles; and provides guidance.

DCC's Board of Directors is accountable to Parliament through the Minister of Public Services and Procurement for the conduct of its affairs. Members of DCC's Board of Directors sign an annual declaration regarding their obligations under the *Conflict of Interest Act*.

The Chair of DCC's Board of Directors, and the President and CEO, are appointed by the Governor in Council to hold office for such term as the Governor in Council may determine. Other members are appointed by the Minister of Public Services and Procurement, with the approval of the Governor in Council. As Directors of a Crown corporation and pursuant to the *Financial Administration Act*, members of DCC's Board hold office at the pleasure of the Governor in Council, usually for a minimum of four years, after which time they may remain as board members until successors are appointed, should they wish to do so.

The Chair of the Board is a separate position from that of the President and CEO, and the Board is able to conduct its business independently of DCC management. The Chair is responsible for the effective functioning of the Board as it carries out its duties and responsibilities. The Board is responsible for the management of the business, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*, and provides oversight on matters such as corporate risk management.

Along with the requirements set out in the *Financial Administration Act*, the Board has articulated its duties and responsibilities in a *Board Charter*. This document outlines how board members are expected to oversee the Corporation, and it is regularly reviewed to ensure that it remains appropriate.

Board and Committee Structure

To help it fulfill its oversight functions, the Board relies on two committees: the Audit Committee, and the Governance and Human Resources Committee, each of which has its own charter.

The Audit Committee assists the Board in its oversight responsibilities, particularly those related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, and compliance programs. The Committee also oversees matters related to financial reporting, and the Office of the Auditor General's annual financial audits and special examinations, as well as DCC's internal audits. Pursuant to the *Financial Administration Act*, all members of the Audit Committee are independent of DCC management, in that no officers or employees of DCC are members of the Committee. As per the *TBS Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, the Chair of this committee is a financial expert who holds a recognized accounting designation, and members are financially literate.

The mandate of the Governance and Human Resources Committee encompasses three main areas: governance, human resources and nominations for Governor in Council appointments. The Committee develops DCC's approach to corporate governance, evaluates DCC's corporate governance practices to ensure they reflect current best practices and oversees the Board's self-assessment process.

Regarding human resources matters, the Committee ensures that DCC's human resources policies are appropriate for the Corporation, and that related processes are in place. It also oversees the performance management process for DCC's President and CEO, pursuant to the Privy Council Office's Performance

Management Program, as well as ensuring that DCC has and operates according to a succession plan.

Executive Management Structure

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO and four Vice-Presidents—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, they meet regularly as the Executive Management Group (EMG), supported by the Corporate Secretary, to review strategic, operations and financial matters for the Corporation.

Three Vice-Presidents, Operations, are responsible for DCC service delivery, corporate planning, business management and procurement activities. The Vice-President, Operations—Business Management is responsible for business management in all regions. The Vice-President, Operations—Service Delivery and Corporate Planning is responsible for service delivery for the Contract Management Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's *Corporate Plan*. This Vice-President also acts as the Corporate Security Officer and is the Chair of the Information and Technology Steering Committee.

The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation, as part of the Executive Team.

The Vice-President Human Resources and Finance is responsible for the financial affairs of the Corporation and the executive leadership for DCC's human resources function.

Regional Directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

Directors of Communications, Finance, Governance, Human Resources, and Information Technology are accountable for the corporate strategic leadership and management of their respective function and group.

The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.