

DEFENCE
CONSTRUCTION
CANADA

CORPORATE PLAN SUMMARY

2019–2020 to 2023–2024

Including the operating and capital
budgets for 2019–2020

1944



DCC Coordinators, Construction Services
Garret Walsh (left) and David Britton at the
rear of the Royal Canadian Electrical and
Mechanical Engineers (RCEME) School at
CFB Borden.

Contents

05

EXECUTIVE SUMMARY

09

OVERVIEW

13

OPERATING ENVIRONMENT

19

BUSINESS STRATEGY

23

OBJECTIVES, OUTCOMES, INITIATIVES, RISKS AND PERFORMANCE INDICATORS

33

FINANCIAL OVERVIEW

36

APPENDIX I: CORPORATE GOVERNANCE AND STRUCTURE

39

APPENDIX II: FINANCIAL STATEMENTS AND BUDGETS

53

APPENDIX III: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

55

APPENDIX IV: GOVERNMENT PRIORITIES AND DIRECTION

57

APPENDIX V: DEFENCE INFRASTRUCTURE AND ENVIRONMENT PROJECTS 2019–2020 TO 2023–2024

Cover Photo: The Royal Canadian Electrical and Mechanical Engineers (RCEME) School at CFB Borden, Ontario. Designed to meet the LEED Silver standard, the \$37.5-million state-of-the-art training facility showcases the full range of green technology. The project team was honoured with the Best Practices–Project Management (Group) award from the Real Property Institute of Canada on November 20, 2018, in Ottawa.



DCC Yellowknife team on the 6.5-km Detah Ice Road. The team is responsible for the five-year facilities maintenance support services contract in forward-operating locations and communities. Left to right: Gina Vangoietsenoven, Prachi Negi, Ian MacDonald, Max Hildebrandt, Michael Maguire and John Morris.

Executive Summary

The financial position of Defence Construction Canada (DCC, or the Corporation) remains strong due to projected constant demand for services from DCC's primary Client-Partner, the Department of National Defence (DND). DCC expects to receive approximately \$860 million in business annually under DND's infrastructure and environment (IE) program throughout the planning period. Typically, DND spends between 10% to 15% of its IE program budget on DCC's services. DCC receives approximately \$140 million in business annually from the management of two public-private partnership contracts: one is for the long-term accommodation project with the Communications Security Establishment and the other is for the Shared Services Data Centre at CFB Borden. For the period ending March 31, 2020, DCC forecasts total services revenue of \$124.2 million.

The cash level that DCC management deems necessary for 2018–19 is between \$21 million and \$24 million. Cash and investments are anticipated to total \$25.3 million at March 31, 2020. By the end of the planning period, the estimated required cash reserve level is in the range of \$26 million to \$29 million.

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. DCC's four strategic objectives relate to maintaining robust business management tools, meeting Client-Partner requirements, keeping its workforce engaged and demonstrating strong leadership.

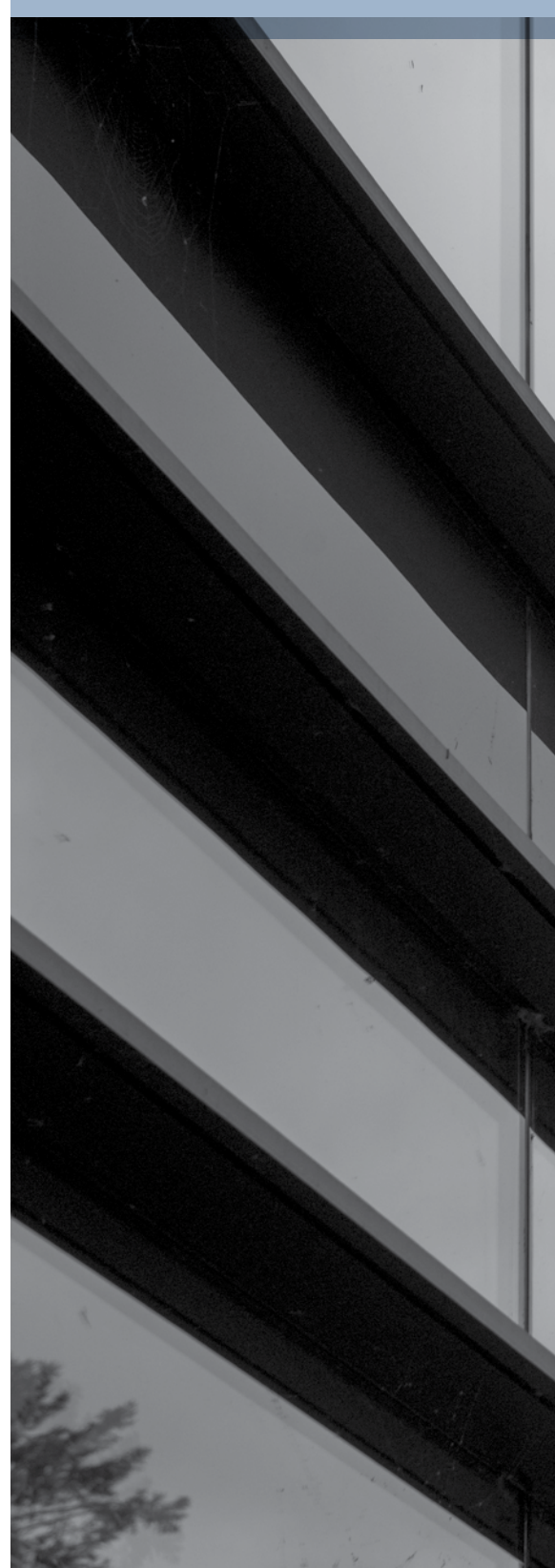
Throughout the planning period, DCC will continue to invest in its business—particularly in information technology (IT) and process improvements—to improve efficiency.

DCC supports the infrastructure requirements of Canada's Strong, Secure, Engaged (SSE) defence policy and the Defence Energy and Environment Strategy (DEES). This support includes modernizing or improving buildings on bases and wings; supporting the Royal Canadian Air Force with any infrastructure it needs to accommodate the new aircraft it would receive through the Future Fighter Capability Project; and helping DND meet its environmental goals of improving energy efficiency, reducing its greenhouse gas emissions, conducting sustainable operations and building sustainable real property.

DCC operates in an industry known for fraud, so fraud awareness, detection and prevention are top priorities. DCC has been applying digital analytics to detect procurement fraud and collaborates with the Competition Bureau to mitigate the Government of Canada's risk of procurement fraud.

DCC must maintain its ability to adjust the size, location and makeup of its workforce to quickly respond to changes in Client-Partner service delivery requirements and priorities. Current and future employees must see DCC as a preferred employer. DCC's progressive Workplace Wellness and Mental Health Strategy, and Diversity and Inclusion Strategy, are two initiatives that help the Corporation recruit and retain employees.

DCC supports federal prompt payment legislation and publicly discloses payments to prime contractors on its website, so subcontractors know when they can expect payment. In the coming year, DCC will work to integrate this anticipated new federal legislation into its procurement processes. Additionally, DCC is assessing the impact of the proposed *Accessible Canada Act* on its operations.



Exterior of the Valcartier Community
Centre, Garrison Valcartier, Quebec.





DCC's Scott Mayoh, Coordinator, Construction Services and Greg Docker, Technical Specialist, Project Management prepare for hangar work at 17 Wing Winnipeg, Manitoba. DCC has contracted the removal and reinstallation of concrete and steel rails for existing hangar doors.

Overview

Mandate

Defence Construction Canada (DCC, or the Corporation) is a Crown corporation that procures and delivers defence infrastructure projects. Its principal mandate is to meet the infrastructure and environmental needs of the Department of National Defence and the Canadian Armed Forces (DND/CAF) by carrying out defence contracts.

DCC has two primary Client-Partners: the infrastructure and environment (IE) community at DND, and the Communications Security Establishment. The Corporation also provides services to Shared Services Canada relating to the data centre at CFB Borden.

Public Policy Role

DCC contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings. Furthermore, DCC complies with legislation and regulations related to protecting the environment.

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 to protect sensitive or classified information and assets. The Corporation also pre-screens contracting and consulting firms' applications for security clearances from the Canadian and International Industrial Security Directorate.

DCC has systems and practices to ensure it conducts all business with high ethical standards and integrity. It complies with the *Public Servants Disclosure Protection Act* and the *Conflict of Interest Act*.

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 its Client-Partners have been valued at approximately \$800 million to \$1 billion annually.

Vision Statement

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

Mission Statement

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

Service Lines

DCC's work covers a broad range of activities from project need planning to building decommissioning. Its service delivery resources are divided among five service lines.

CONTRACT SERVICES

The Contract Services Team oversees the procurement of goods and professional, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs.

CONTRACT MANAGEMENT SERVICES

The Contract Management Services Team supports the creation, renovation and maintenance of facilities for DND's IE program.

ENVIRONMENTAL SERVICES

The Environmental Services Team helps DND meet environmental performance targets, comply with regulatory requirements, and manage due diligence and risk.

PROJECT AND PROGRAM MANAGEMENT SERVICES

The Project and Program Management Services Team advises on matters such as infrastructure requirements, program planning, and schedule and document control.

REAL PROPERTY MANAGEMENT SERVICES

From needs planning to facility decommissioning, the Real Property Management Services Team supports the efficient maintenance of DND's infrastructure.

Business Model

The Corporation's business model combines the best characteristics of the private and public sectors. 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*.

DCC and DND have worked together for more than 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.

The projects DCC manages range from traditional ones to innovative ones, from control towers to dockyards, from hangars to armoured vehicle maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve maintenance work while others are more complex construction work with high security requirements.

Financial Condition

The Corporation earns revenue on a fee-for-service basis and receives no government appropriations. It does not maintain or have access to any lines of credit or other sources of borrowings. The intent is to operate on a slightly better than break-even basis. DCC operates as a lean and efficient organization, and its billing rates are significantly less than those of comparable North American private sector engineering firms, according to Deltek's 39th Annual Clarity Architecture and Engineering Industry study. For more information, see DCC's Annual Report 2017–2018.

DCC manages the contracts for health care facilities that provide integrated medical, dental, physiotherapy and mental health services to CAF personnel. The new buildings—such as the Health Care Centre at CFB Borden, pictured—will help members more easily access the care they need.





The 35,000-m² Royal Canadian Navy (RCN) Fleet Maintenance Facility (FMF) Cape Breton, at CFB Esquimalt. Since 1996, DCC staff have collaborated with stakeholders to transform the facility to a fully operational, state-of-the-art maritime maintenance facility.

Operating Environment

DCC's operating environment is largely shaped by the operating conditions and priorities of its primary Client-Partner, DND, and by the business outlook for the architecture, engineering and construction industry. As a Crown corporation, DCC is governed by numerous legislative and policy requirements directed at ensuring sound stewardship of public resources. The Corporation seeks to advance numerous Government of Canada objectives.

External Factors

DND INFRASTRUCTURE AND ENVIRONMENT PROGRAM

The biggest external factor shaping DCC's operating environment continues to be the size and focus of DND's IE program. The volume of business DCC receives under this program can change significantly from year to year, depending on DND and Government of Canada priorities. Currently, DCC expects its total contract expenditures to be approximately \$1 billion each year from 2018–19 to 2023–24 from all of its Client-Partners.

RECENT DCC PERFORMANCE

Over the past three years, DCC has efficiently stewarded an additional \$425 million on DND's behalf, on top of regular spending, resulting in total expenditures of \$1 billion in 2017–18.

DCC also managed additional infrastructure commitments from Budget 2016 as well.

DCC maintains a consistently high client service delivery rating; it averaged 97.6% over the past five years (the target was 95%).

The Government of Canada's Strong, Secure, Engaged defence policy, released in June 2017, makes modernizing DND infrastructure a priority. Activities with which DCC is assisting, or may be called on to assist with in the future, include divestment or demolition of underused or obsolete buildings; improving facilities on bases and wings, such as housing for military personnel; and constructing infrastructure for 88 new aircraft.

Similarly, DCC stands ready to help DND implement its Defence Energy and Environment Strategy by, for example, improving energy efficiency and building sustainable real property at installations across Canada.

Finally, DCC regularly responds to requests from DND to work in Canada's Far North and to deploy staff overseas, including to current operational locations in Latvia and Kuwait.

EXTERNAL ECONOMIC AND BUSINESS ENVIRONMENT

The Canadian construction industry, of which DCC is a member, is becoming more complex, with fewer firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party involvement in activities traditionally done by construction business owners such as quality control.

Mergers and acquisitions among small and medium-sized enterprises are decreasing the pool of independently-owned businesses eligible and able to bid on DCC contracts. In addition, federal, provincial and municipal governments are all coping with aging infrastructure, which challenges the capacity of industry to respond.

For these reasons, DCC must always work to be a preferred business partner, since it relies on contractors and consultants

to perform the work under the contracts it manages. DCC must also keep current with industry innovations, including e-procurement, new approaches to project delivery (such as public-private partnerships), integrated project delivery and LEAN methodologies and the introduction of advanced materials. DCC is a founding member of Canadian Construction Innovations, a Canadian Construction Association institute that seeks to instill a culture of innovation in the industry.

DCC operates in an industry known for fraud. Consequently, fraud detection and awareness are top priorities. DCC has been applying data analytics to detect procurement fraud. This work, together with ongoing collaboration with the Competition Bureau through a Memorandum of Understanding, is helping mitigate the Government of Canada's risk of procurement fraud. In 2019–20, DCC will work with the Competition Bureau to refine its data analytics tool. DCC has ensured that its Integrity Management Framework (comprising the Code of Business Conduct for employees and the Procurement Code of Conduct for suppliers) aligns with the Public Services and Procurement Canada counterpart, and that the terms of these codes feature in all DCC contract documents.

Integrating environmental performance into procurement planning and achieving positive social impacts are other DCC focuses. For example, DCC has put three energy performance



Site of the Nanisivik Naval Facility. DCC has contracted and managed construction of the Nanisivik Naval Facility, located in Nunavut along the north shore of Baffin Island. The \$56-million facility will serve as a docking and refuelling station for military, civilian and Government of Canada vessels.

contracts in place since 2017–18, with an additional 10 planned for implementation by 2020–21, and continues to explore how best to open opportunities to businesses owned by Indigenous people.

GOVERNMENT OF CANADA PRIORITIES AND REQUIREMENTS

DCC contributes to the security of Canada by ensuring DND security requirements are met during the procurement and implementation stages of contracting, with the goal of protecting sensitive or classified information and assets. DCC also supports DND's implementation of, and industry's compliance with, security requirements by including them in all of its contracts and assisting with the pre-screening contracting (prime contractors and their sub-contractors) and consulting firms' applications for security clearances.

DCC contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions 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, and DCC's Environmental Management Framework ensures the organization incorporates environmental considerations into its business and administrative activities.

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 Strategic Plan Overview chart on page 20 illustrates how DCC's mission, vision, values, strategic objectives and outcomes, initiatives, and key performance indicators flow from Government of Canada priorities.

As a Crown corporation, DCC complies with Government of Canada legislation, such as the *Financial Administration Act*, *Official Languages Act*, *Access to Information Act* and *Employment Equity Act*. DCC's travel, hospitality, conference and event expenditure policies, guidelines and practices align with those of the Treasury Board of Canada Secretariat, as confirmed by the Office of the Auditor General in its 2017–18 financial audit.

Under its internal audit plan for 2017–18 to 2020–21, DCC will conduct nine internal audits. Three of these have already been completed, and DCC is currently implementing the resulting recommendations, including the following:

- fine-tuning the governance of DCC's business continuity planning team, and assessing the impact of business disruptions on service delivery and associated assets;
- providing additional training to employees during their first two years with DCC on key internal information technology (IT) systems; and
- strengthening internal fraud awareness training and continuing to invest in data analytics to mitigate procurement fraud risks.

Internal Factors

Like many other Canadian organizations, DCC faces the ongoing challenges of recruiting and retaining top talent to ensure it can continue to meet Client-Partner needs, while dealing with generational turnover and varying expectations of employees of different ages. In particular, since DCC largely hires from outside government, it will be affected by the anticipated demographic crunch in the construction industry, with over one-fifth of workers on track to retire in 10 years but fewer young people entering the workforce. Moreover, many large construction projects are carried out in remote areas, where younger people are less likely to relocate.

Nonetheless, DCC must continue to be able to adapt the size, location and make-up of its workforce, so it can quickly respond to changes in Client-Partner service delivery requirements and priorities. DCC's status as a non-unionized Crown corporation gives it the flexibility to do this. Programs that continually develop and recognize employees greatly support recruitment and retention.

DCC's compensation structure differs from that of unionized government organizations. Employees do participate in the Public Service Pension Plan and have access to fully integrated short-term and long-term disability plans, but salary increases are based on both economic conditions and individual merit-based performance, but with no negotiated or stepped increases. To ensure employee compensation continues to be comparable to industry and provides value to the Crown, DCC will conduct a benchmarking study of compensation and benefit practices in the coming year.

DCC’s people-themed initiatives, including its Workplace Wellness and Mental Health Strategy, and Diversity and Inclusion Strategy, contribute to DCC’s reputation as an employer of choice. To manage impending retirements, DCC maintains the Succession Planning Management Framework.

To keep pace with industry and limit vulnerability to cyber threats, DCC is modernizing its IT infrastructure by, for example, moving its servers to the cloud and increasing cyber security measures. Similarly, DCC is in the initial planning stages of updating its enterprise resource planning system to provide improved, more efficient reporting.

RECENT DCC PERFORMANCE

DCC’s retention rate remains consistently high, at 97.8%, with the total number of full-time equivalents projected to be 970 at March 31, 2019.

On September 30, 2018, DCC’s workforce comprised 42.4% women and 57.6% men; 82.4% of employees were younger than 55; and 70.6% had been with DCC for less than 10 years. The vast majority of employees (87.2%) held continuing positions. Of these, 4.0% were in management and 1.7% in senior management.

Approximately 9 out of 10 employees (88.0%) participated in DCC’s 2017 Employee Engagement Survey, which netted an overall engagement score of 82.0%. This significantly surpasses the respective industry benchmarks.

The most important driver of engagement was professional development. In the first half of 2018–19, DCC neared its target of 4.0% of salary costs (reaching 3.8%) for training and development spending.

The representation of all four employment equity-designated groups in DCC’s workforce meets or exceeds their industry labour force availability. See page 55 for comparative details.



Located at CFB Halifax, Nova Scotia (Willow Park), DCC staff members (l to r) Tanya Major, Veronica Mendoza, Jaime Darrow and Neil Stewart support DCC's infrastructure delivery in contracting and environmental services.





Members of DCC's Senior Management Group meet twice yearly to review strategic, operational, financial and human resources matters for the Corporation.

Business Strategy

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.

Each fall, DCC holds a strategic planning session that includes a strengths, weaknesses, opportunities and threats (SWOT) analysis. Subsequently, this leads to a review of the Corporate Risk Register, to ensure that all risks are addressed. The Board of Directors, the Executive Management Group, the Senior Management Group, Client-Partners and industry representatives provide input to the review, based on consultations with their stakeholders.

DCC has built its business strategy on four planning themes: Business Management, Service Delivery, People, and Leadership and Governance. DCC's strategic objectives under those themes are to have robust business management tools, meet Client-Partner requirements, engage the workforce and demonstrate strong leadership. DCC provides a service and support function, and these objectives are focused on maintaining and improving its service delivery capability.

DCC ensures performance through a deliverology approach to monitoring its business. Specific, measurable, achievable, relevant, and timely strategic objectives and outcomes provide focus for each theme, aligned with DCC's mission. DCC expects that these objectives will not change during the 2019–20 to 2023–24 planning period. With qualitative and quantitative key performance indicators in place for each of them, DCC can gauge the health of any aspect of its business. Rigorous and regular data collection, monitoring and reporting, and continuous improvement, are part of daily work at DCC.

Although DCC's business strategy has remained consistent over the decades, the operating environment changes and influences the specific supporting activities DCC pursues each year. Nonetheless, the initiatives DCC undertakes typically relate to service delivery, or the managing of its human, capital or financial resources, in areas such as employee engagement, IT security and reduction of 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 PLAN OVERVIEW 2019–2020 to 2023–2024

GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

SECURITY AND DEFENCE	ENVIRONMENT	ECONOMIC GROWTH	OPENNESS AND TRANSPARENCY
<ul style="list-style-type: none"> Defence Policy: Strong, Secure, Engaged Support for Canada's North Support for Canada abroad 	<ul style="list-style-type: none"> Canada's commitment to a clean environment Environmental sustainability Support DND/CAF in meeting greenhouse gas emission targets 	<ul style="list-style-type: none"> Sustainable economic growth Opportunities for Canadians Investment in infrastructure Innovation 	<ul style="list-style-type: none"> Modernization of procurement process Focus on results and outcomes Prudence in handling public funds Commitment to social and cultural diversity and inclusion

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, ethical 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 over 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 offers a dynamic and inclusive working environment in which the experience, expertise and diversity of employees enable the development of innovative solutions for 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

	BUSINESS MANAGEMENT	SERVICE DELIVERY	PEOPLE	LEADERSHIP AND GOVERNANCE
STRATEGIC OBJECTIVE	<ul style="list-style-type: none"> To develop and maintain responsive, integrated business management structures, tools, teams and practices 	<ul style="list-style-type: none"> To deliver innovative, value-added services that meet Client-Partner requirements 	<ul style="list-style-type: none"> To build and sustain a competent, engaged and diverse workforce 	<ul style="list-style-type: none"> To provide strong leadership and be responsive to Government of Canada requirements
STRATEGIC OUTCOMES	<ul style="list-style-type: none"> Business infrastructure, strategies 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 	<ul style="list-style-type: none"> Service lines deliver efficient and effective quality services throughout the asset lifecycle Relationships are collaborative through mutually-aligned objectives and information sharing Leverage industry capacity and innovation 	<ul style="list-style-type: none"> A healthy, inclusive, accessible and respectful workplace A productive and results-oriented workforce A culture of innovation Positive employee engagement 	<ul style="list-style-type: none"> A risk-based decision-making culture High ethical standards, openness and transparency in the management of its business affairs Demonstrate value, integrity and innovation to stakeholders and Client-Partners Respect government policies and practices
2019–2020 CORPORATE PLAN INITIATIVES	<ul style="list-style-type: none"> Respond to recommendations arising out of Audit of Information Management: Records and Document Management Respond to recommendations arising out of Audit of Corporate Performance Management Framework Identify ERP business requirements Implement Information Technology Strategy for cloud computing solution and cyber security 	<ul style="list-style-type: none"> Support DND in its program delivery and IE portfolio optimization Support DND's greening defence initiatives Implement e-procurement for request for proposals Implement innovative procurement and project delivery options Respond to recommendations arising out of Audit of Contract Management: Change Management Integrate new federal prompt payment legislation 	<ul style="list-style-type: none"> Implement the new Human Resources Strategic Plan Implement the Diversity and Inclusion Strategy and the Workplace Wellness and Mental Health Strategy Implement employee engagement survey action plan Conduct a comprehensive compensation survey 	<ul style="list-style-type: none"> Strengthen collaborative relationships with Client-Partner leadership Respond to recommendations arising out of the Office of the Auditor General's Special Examination of DCC Support ongoing integrity programs, with a focus on fraud awareness, detection and prevention Respond to recommendations arising out of the Audit of Financial Management: Internal Control Framework
KEY PERFORMANCE INDICATORS	<ul style="list-style-type: none"> Operational results and performance measures Financial results consistent with DCC's corporate Financial Management Policy 	<ul style="list-style-type: none"> Service delivery rating Procurement results Contract management results 	<ul style="list-style-type: none"> Investment in training and development Innovation results Recruitment results Employee retention rate Employment diversity results Leadership Development Program results 	<ul style="list-style-type: none"> Corporate reporting results, including timeliness of submissions Overall business performance results DCC Code of Business Conduct results DCC Procurement Code of Conduct results Environmental, safety and security results

DCC is supporting one of the largest environmental clean-ups ever undertaken by DND—reducing or eliminating the potential risks of contaminated areas at 5 Wing Goose Bay, Newfoundland and Labrador. Coordinators, Environmental Services Tanya Schlossek (left) and Alissa Byrne monitor the remediation work located in the Lower Tank Farm as part of the Goose Bay Remediation Project.





Technical Specialist Andres Mercado Salomon and Coordinator Ole Dounedara, Real Property Management (RPM) Services provide support to DND's real property assets at Garrison Valcartier in Quebec. From needs planning and land acquisition to asset development and decommissioning, the RPM team ensures the efficient operation of DND's infrastructure.



Objectives, Outcomes, Initiatives, Risks and Performance Indicators

Planning Theme: Business Management

OBJECTIVE

To develop and maintain responsive, integrated business management structures, tools, teams and practices.

OUTCOMES

1. Business infrastructure, strategies and corporate frameworks ensure effective and efficient service delivery and strong resource management.

This infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, IT, 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.

INITIATIVES

Work will proceed on four business management initiatives in 2019–20.

Two of these are initiatives that respond to recommendations arising out of the Audit of Information Management: Records and Document Management; and the Audit of Corporate Performance Management Framework. Each of these initiatives is expected to last one year (2019–20) and to support the Government of Canada's priority of openness and transparency.

The Senior Management Group identified an opportunity for significant process improvements during the fall 2018 planning session that related to DCC's enterprise resource planning (ERP) system. DCC has four separate applications that it uses to collect and analyze business information data for human resources, financial management, workforce planning and employee training. As the business

has grown, separate modules and independent alternate systems have been developed. These are labour intensive to maintain, and it is difficult to extract consolidated reporting data from them for operational reports. In the coming year, DCC will begin to identify its ERP requirements and business process for a future information technology initiative to replace its current ERP system.

The Information Technology Strategy, first conceived in 2016–17 with implementation beginning in 2017–18, progressed into the second year of its 10-year planned implementation. In the first half of 2018–19, it reached a significant milestone, when DCC awarded the contract for its move to platform as a service (PaaS), commonly described as a cloud computing solution. In 2019–20, work continues on this initiative. The Executive Management Group monitors the progress of the IT strategy and reports on it regularly in DCC's Information Technology Steering Committee monthly meetings.

BUSINESS MANAGEMENT: KEY PERFORMANCE INDICATORS

Operational Results and Performance Measures

DCC's comprehensive Corporate Performance Management Framework defines appropriate performance measures at the corporate strategic planning level and at the business planning level. The Strategic Plan Overview chart on page 20 summarizes the corporate key performance indicators. At the business planning level, approximately 35 tactical indicators cover activities such as service costs, timeliness of procurement, quality, timing of accounts receivable and contractor performance. DCC monitors these quarterly.

Financial Results

DCC expects to achieve financial results each year that are consistent with its Financial Management Policy. The objective 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. Based on a number of varying considerations, including increasing DCC's long-term employee benefits liability, DCC's cash management approach will be to maintain its cash and investments level at \$26 million to \$29 million.

Planning Theme: Service Delivery

OBJECTIVE

To deliver innovative, value-added services that meet Client-Partner requirements.

OUTCOMES

1. Service lines deliver efficient and effective quality services 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. DCC sustains collaborative relationships through mutually-aligned objectives and information sharing.

To fulfill its mission, DCC needs high-quality relationships with its defence and security Client-Partners. Planning jointly, sharing information, developing new support services and exchanging lessons learned are examples of activities DCC undertakes to sustain mutually beneficial relationships.

3. DCC leverages industry capacity and innovation.

For over 65 years, DCC has been involved with industry associations. DCC strives to be a bridge between industry and DND/CAF to help them achieve mutual goals and to foster innovative practices.

INITIATIVES

DCC will undertake six service delivery initiatives for 2019–20; four initiatives are continuing from 2018–19 and two are new initiatives.

The four service delivery initiatives carried over from 2018–19 are: support DND in its IE transformation and program delivery, support DND greening initiatives, expand the scope of e-procurement to include requests for proposals, and develop innovative procurement and delivery options.

DCC continues to aid the defence infrastructure transformation and renewal initiative by supporting the following activities: developing portfolio and real property management plans; developing and implementing

a procurement strategy to enhance the delivery of infrastructure maintenance services; and improving real property project delivery. In the first half of 2018–19, a wide range of DCC and DND employees gathered in Ottawa for joint national collaborations focused on developing consistent, effective and efficient program delivery for DND projects.

DCC released the new Operations and Maintenance Procurement Strategy. It resulted from a request by our Client-Partner to create a national procurement strategy to ensure consistency, predictability and, where possible, the consolidation of contracts across the country.

Collaboration with the Client-Partner in its procurement planning now has two new considerations: how to integrate environmental performance considerations and how to create a positive social impact with existing purchasing. Together with the Client-Partner, DCC continues to explore procurement tools and options that will support businesses owned by Indigenous people, in addition to Aboriginal Procurement Set Aside.

The Corporation held consultations in the first half of 2018–19 with the architectural and engineering industry to expand DCC's e-procurement service to professional services. In 2019–20, DCC will implement e-procurement for requests for proposals.

Activities to develop innovative procurement options will be ongoing throughout 2019–20, along with activities to support DND's IE portfolio optimization and greening initiatives.

Two new initiatives are upcoming under this theme for 2019–20. In one, DCC will respond to recommendations arising out of the Audit of Contract Management: Change Management and Issues Resolution (Under \$100,000). Although the audit identified no specific instances of fraudulent activity, there are opportunities for DCC to strengthen fraud awareness training within the Contract Management service line and to continue to invest in data analytics to mitigate any instances of procurement fraud.

In the other new initiative, DCC is monitoring the potential for Parliament to enact legislation associated with prompt payment in the construction industry. If it does, industry

contractors may seek adjudication of disputes over federal contracts. To mitigate this risk, DCC is working to integrate this new legislation into its procurement process.

SERVICE DELIVERY: KEY PERFORMANCE INDICATORS

Service Delivery Rating

As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with the quality of its work. Consequently, the Corporation seeks 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.

Procurement Results

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, as this reduces competition. 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.

Procurement competition: DCC wants industry to view it as a knowledgeable and fair company to work with, so that as many bidders as possible compete for work. This helps ensure the Corporation gets the best value 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.

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. DCC conducts procurement in an industry known for incidents of fraud. All successful bidders are verified against DCC's Procurement Code of Conduct before contract award. This reduces the risk of working with non-compliant companies.

Contract Management Results

DCC's Contract Management service line measures its on-time completion rate for construction contracts. The business performance target is to have 85% of all contracts completed by the date scheduled for occupancy and readiness for intended use.

Planning Theme: People

OBJECTIVE

To build and sustain a competent, engaged and diverse workforce.

OUTCOMES

1. DCC provides a healthy, inclusive and respectful workplace.

Hallmarks of DCC's workplace include a commitment to diversity and inclusion, workplace wellness, fair compensation and benefits, pay equity, and corporate social responsibility.

2. DCC's culture promotes a productive and results-oriented workforce.

Employees are part of a stimulating environment that offers professional development opportunities, collaboration and leadership experiences, knowledge retention and transfer activities, and workforce and succession planning exercises.

3. 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 more efficient service delivery.

4. DCC achieves positive employee engagement.

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.

INITIATIVES

Work will proceed on four people-related initiatives for 2019–20; three initiatives are continuing from 2018–19 and there is one new initiative.

The three initiatives that are carried over to 2019–20 relate to the implementation of the new Human Resources Strategic Plan; the implementation of the Diversity and Inclusion Strategy, and the Workplace Wellness and Mental Health Strategy; and DCC's response to the employee engagement survey results.

These initiatives are a mixture of one-year and multi-year efforts to ensure DCC is able to attract and retain a skilled workforce and is seen as an employer of choice among its stakeholders. At the same time, these initiatives contribute to the Government of Canada's commitment to promoting a healthy workplace and to building a diverse public service.

During the first half of 2018–19, DCC has carried out many activities described in the plans for diversity and inclusion, and workplace wellness and mental health, including the following: producing a second internal national webcast for DCC's Women's Information Network, offering training designed by the Mental Health Commission of Canada and participating in the international Virgin Pulse Global Challenge.

The updated Human Resources Strategic Plan will unfold over five years; phase two of its diversity and inclusion, and workplace wellness and mental health components will continue to unfold over the five-year planning period. By the end of 2019–20, all DCC employees will have received gender-based awareness training.

The overall results of DCC's employee engagement survey were extremely positive. Feedback from the survey indicated opportunities for improvement on key engagement drivers. Based on this, the Executive Management Group and the regional directors have developed action plans, which will be implemented during the 2019–20 to 2023–24 planning period.

The new people-related initiative that DCC will pursue in 2019–20 is to conduct a benchmarking study of compensation practices. This will help ensure that employee compensation continues to be comparable with industry standards and provides value to the Crown.

PEOPLE: KEY PERFORMANCE INDICATORS

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees. DCC believes that by providing training to its employees, it is not only investing in their career development, it is making the entire Corporation stronger.

Results from the recent employee engagement survey showed that the most important driver of DCC employee engagement is professional growth. DCC's investment in training and development ensures employees are equipped with up-to-date skills, and it makes them feel valued by the Corporation.

The target for spending on professional development as a percentage of base salary costs is 4.0%. This target includes spending on both internal and external costs related to training and development.

The amount spent on training and development 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.

Innovation Results

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. A key tool is an online intranet module called the inCubator. This system will track ideas submitted by employees as they move through the evaluation process and into implementation. The target is to have 10% of all employees use this system.

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.

Employment Diversity Results

Under the *Employment Equity Act*, federally regulated employers, such as DCC, analyze their workforce to determine the degree of underrepresentation of designated groups in each occupational group. Each employer reports annually on its progress in achieving a workforce that is representative of the designated groups.

Leadership and Development Results

DCC's Leadership Development Program (LDP) grooms high-potential employees to be the DCC leaders of tomorrow. To keep the Corporation viable, DCC must consistently cultivate quality leadership. It strives to foster the performance, competencies and skills of strong leaders.

The LDP consists of a series of online modules, combined with an in-person forum held once every two years. Participating employees are expected to complete the LDP within five years. To be considered on track to complete the program, they are expected to complete at least six of the online modules in each fiscal year.

Recruitment Results

At the fall 2018 planning session, DCC identified a need to create an indicator to measure the effectiveness of the Corporation's recruitment process. This indicator will be defined with targets in the second half of 2018–19 and implemented in 2019–20.

Planning Theme: Leadership and Governance

OBJECTIVE

To provide strong leadership and be responsive to Government of Canada requirements.

OUTCOMES

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

To be efficient, comply with Government of Canada requirements and meet urgent needs, DCC uses a risk-based decision-making process. This allows the Corporation to carry out the complex and specialized defence construction projects that DND/CAF requires.

2. DCC demonstrates high ethical standards, openness and transparency in the management of its business affairs.

DCC seeks to operate in an ethical, transparent and responsible manner, and to ensure appropriate oversight of its daily operations.

3. DCC demonstrates value, integrity and innovation to stakeholders and Client-Partners.

DCC wants to ensure that it maintains a credible reputation among its stakeholders.

4. DCC respects government policies and practices.

DCC abides by Government of Canada regulatory and policy requirements, including policies related to diversity and inclusion; official languages; environmental stewardship; health and safety; security; access to information; and financial administration and reporting.

INITIATIVES

In 2019–20, DCC will continue to work on three initiatives from 2018–19, and undertake one new initiative.

The three initiatives under the Leadership and Governance theme that continue from 2018–19 are: strengthen collaborative relationships with Client-Partner leadership; respond to recommendations arising out of the Office of the Auditor General's (OAG's) Special Examination of DCC; and support ongoing integrity programs, with a focus on fraud

awareness, detection and prevention. DCC has responded fully to the OAG recommendations and work in this area continues.

DCC's stable, long-term relationship with DND allows the Corporation to serve as the corporate memory for its client groups, who often undergo frequent staff changes in key positions. DCC's mandate must be promoted regularly to new DND staff, so that DND can leverage DCC's expertise fully. DCC's senior management will continue to be very active in engaging its Client-Partner leadership as staffing changes occur. DCC follows a stakeholder engagement matrix to ensure regular communications with DND to keep knowledge of DCC's mandate top of mind with Client-Partner representatives.

Throughout the planning period, DCC will apply continuous improvement measures to its already robust fraud awareness, detection and prevention activities. The application of digital analytics to detect incidents of fraud and collusion in procurement will continue as the technology evolves, as will education and awareness activities among procurement staffers. In the first half of 2018–19, DCC furthered its collaboration with the Competition Bureau to mitigate the Government of Canada's risk of procurement fraud.

The new initiative under this theme for 2019–20 is that DCC will respond to recommendations arising out of its internal Audit of Financial Management: Internal Control Framework. This audit addressed the financial management and reporting function at DCC, including the Corporation's policies, processes, governance and guidelines.

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, the Quarterly Financial Reports, and the annual reports on the administration of the *Access to Information Act* and the *Privacy Act*. DCC also provides reports to other government entities, such as 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—reflects DCC's success in meeting the objectives of the Leadership and Governance theme.

Separate from its corporate reporting requirements, DCC receives a variety of inquiries from its government stakeholders each year. These include order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. The volume of these requests fluctuates, depending on the current business environment.

Overall Business Performance Results

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume and evolving business circumstances.

DCC Code of Business Conduct Results

The Code of Business Conduct (the Code) 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 is an example of its management integrity and leadership. The Corporation requires all of its employees to review the Code each fall.

DCC Procurement Code of Conduct Results

DCC's Procurement Code of Conduct ensures 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 Procurement Code of Conduct.

Environmental Results

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

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. DCC strives to have no safety accidents or incidents that result in lost time.

Security Results

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

DCC strives to have no compromises of either corporate or industrial security requirements.

Excellence in health and safety is a priority for the Corporation. A network of certified professionals and health and safety representatives in DCC offices nationwide manage and support the DCC Health and Safety program.





DCC is managing the construction contract for a new 20,850-m² facility that will house 5 Combat Engineer Regiment at Valcartier Garrison, Quebec. DCC Coordinators, Construction Services Karine Dupont and Charles Langlois help to manage construction of the new accommodations that has been designed for LEED Silver certification.



Financial Overview

The Corporation operates on a fee-for-service basis and receives no government appropriations. Its financial management approach is based on the fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. This Plan contains information based on the most current assumptions as of November 28, 2018. Such information involves known and unknown risks that may cause actual results to differ materially from planned results. DCC senior management believes it has identified any material risk factors that could affect actual results at this time.

Financial Highlights

The key highlights of the Financial Plan are as follows.

DCC's financial position remains strong due to projected constant demand for services from its Client-Partner. The Financial Plan demonstrates a return to sustainability of cash flows to meet DCC's operational requirements and provides for billing rates lower than those in the previous Plan. Throughout the planning period, DCC will invest in its business—particularly in IT and process improvements—to improve efficiency.

2019–2020 PLANNING YEAR

DCC expects services revenue to increase by 9.8% in 2019–20, reflecting a 3.5% billing rate increase and a 6.3% projected increase in demand for DCC services. Compared to the 2018–19 Plan, the anticipated billing rate changed from 3.5% from 5.3% due to DCC achieving a higher gross margin required for break-even operations. The higher gross margin was due to an increase in business volume and higher utilization rates.

Salaries and employee benefits are expected to increase by 7.8% in 2019–20, reflecting three elements: a 4.3% increase in salaries and employee benefits, due to anticipated higher demand for DCC services, net of utilization gains; a 1% economic increase; and a 2.5% average merit-based salary increase.

The gross margin on services revenue is expected to increase to 36.9% in 2019–20 from a projected 36.0% in 2018–19.

Depreciation of property, plant and equipment expense is expected to increase by 143% in 2019–20 due to DCC's adoption of International Financial Reporting Standard 16, Leases. As a result of this change in accounting standards, DCC will add \$10.9 million in right of use (RoU) assets and lease obligations related to DCC's office space to its Statement of Financial Position. The resulting depreciation of the RoU assets accounts for the increase in depreciation expense, offset by a reduction in operating and administrative expenses by the same amount.

The loss and other comprehensive loss at the end of 2019–20 is projected to be \$185,000. Even though the Corporation is reporting a loss, DCC will be in a cash flow break-even level at the end of this period. This break-even point will occur earlier than the break-even point in the 2018–19 Corporate Plan. This is due to the anticipated higher demand for services from the Client-Partner and an increased utilization rate.

Cash and investments are anticipated to total \$25.3 million at March 31, 2020. This is above the target range of \$21 million to \$24 million set in 2018–19. The Corporation has determined that the target range for cash on hand to support operations will increase over the planning period to \$26 to \$29 million, due to increasing liabilities for employee future benefits, which must be self-funded by the Corporation. The liability for employee future benefits is expected to reach \$45.9 million by the end of the planning period.

The Corporation continues to invest in modernizing its IT capability. As at September 30, 2018, IT expenditures were 4.2% of revenue for the first half of 2018–19.

2020–21 TO 2023–24 PLANNING YEARS

Revenue is anticipated to increase over the planning period. The billing rate is projected to increase by 3.3% in both 2020–21 and 2021–22. The billing rate increase will drop to 3.0% for the last two years of the Plan. This lower billing rate is due to DCC's return to a break-even operating margin in 2019–20, projected constant demand for DCC services by the Client-Partner and a constant corporate utilization rate of 78% to 80%. The expected billing rate changes reflect anticipated constant demand for services from the Client-Partner. Should demand decrease, the billing rates may increase more than expected.

DCC operations—primarily compensation—will also affect the billing rate increases. If inflation increases faster than the Bank of Canada's 2.0% target, this will have an impact on future billing rates. The Corporation is also looking at modernizing systems and processes, and at adopting new technologies. DCC assesses these factors annually when finalizing the billing rates for the coming year. Here are some assumptions it has used in developing the forecasted billing rates above.

- Compensation increases will remain consistent during the planning period.
- Gross margin will be 36.0% in 2023–24.
- The Corporation will return to a positive net income in 2020–21.

Cash and investments will gradually increase to \$28.8 million in 2023–24, which is within the Corporation's target range for the end of the planning period.

KEY ASSUMPTIONS

The following tables summarize the key assumptions in this Plan, compared to those in the prior year's Plan.

REVENUE ASSUMPTIONS

Revenue assumptions in the 2019–20 to 2023–24 Corporate Plan

	ESTIMATED	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Volume change	9.9%	6.3%	0.0%	0.0%	0.0%	0.0%
Billing rate change	4.5%	3.5%	3.3%	3.3%	3.0%	3.0%
Total anticipated increase or decrease	14.4%	9.8%	3.3%	3.3%	3.0%	3.0%

Revenue assumptions in the 2018–19 to 2022–23 Corporate Plan

	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23
Volume change	5.3%	0.0%	1.5%	1.3%	1.3%
Billing rate change	4.5%	5.3%	5.3%	4.3%	4.3%
Total anticipated increase or decrease	9.8%	5.3%	6.8%	5.6%	5.6%

COMPENSATION ASSUMPTIONS

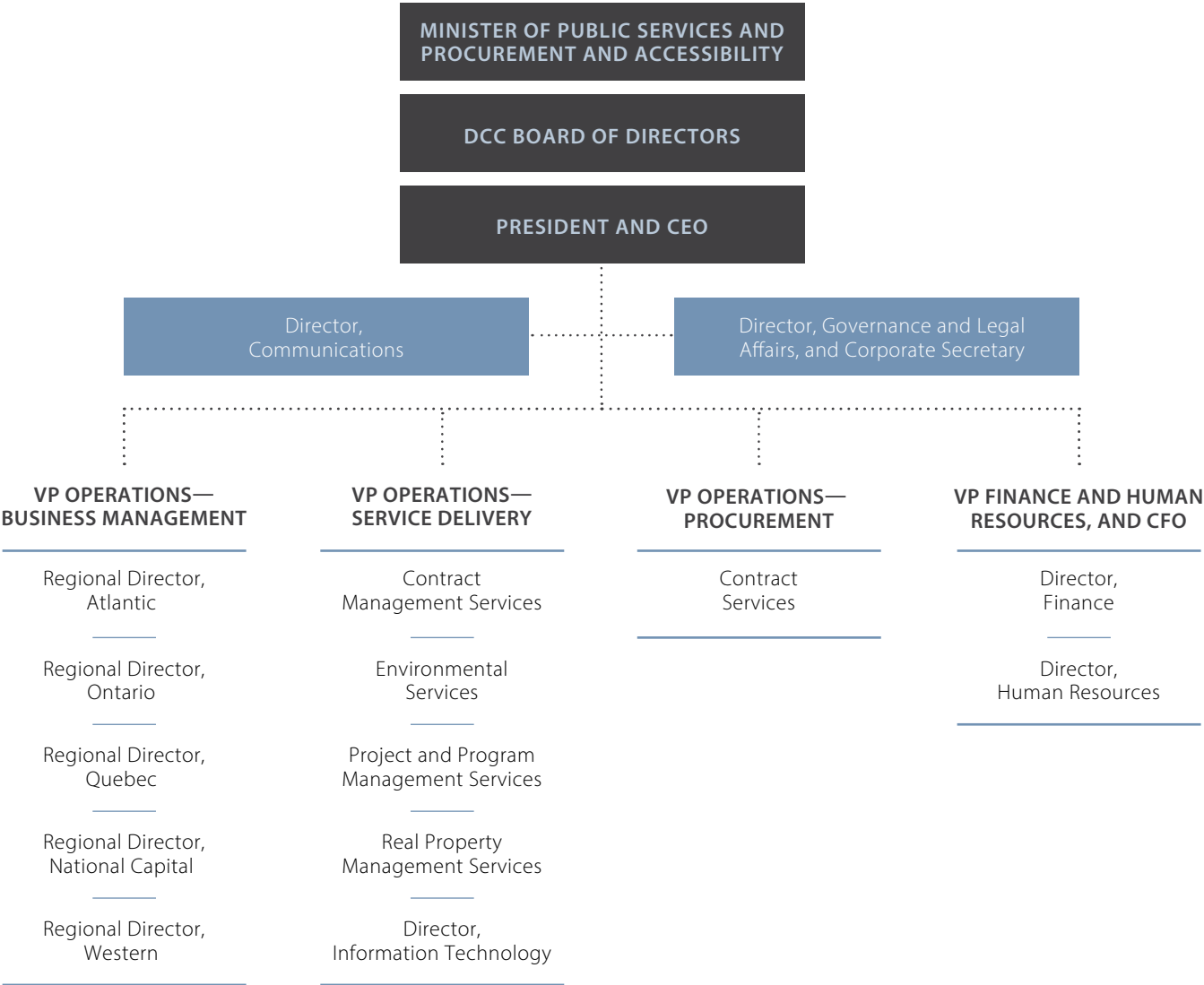
Compensation assumptions in the 2019–20 to 2023–24 Corporate Plan

	ESTIMATED	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Economic increase	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Merit-based salary increases	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary and employee benefits increases due to higher revenue	14.4%	4.3%	0.0%	0.0%	0.0%	0.0%
Other changes due to salary mix and efficiency difference	-6.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total salary and employee benefit increase assumption	11.6%	7.8%	3.5%	3.5%	3.5%	3.5%

Compensation assumptions in the 2018–19 to 2022–23 Corporate Plan

	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23
Economic increase	1.0%	1.0%	1.0%	1.0%	1.0%
Merit-based salary increases	2.5%	2.5%	2.5%	2.5%	2.5%
Total salary and employee benefit increase assumption	3.5%	3.5%	3.5%	3.5%	3.5%

Appendix I: Corporate Governance and Structure



Board of Directors

DCC’s Corporate Governance Framework summarizes the corporate governance structure, principles and practices for DCC and its Board of Directors. 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

and Accessibility. The Board participates, as required, in the Government of Canada’s Governor in Council appointments process, which ensures open, transparent and merit-based appointments to commissions, boards, Crown corporations, agencies and tribunals.

All members of the Board of Directors, and the President and Chief Executive Officer are appointed by the Governor in Council, upon the recommendation of the Minister of Public

Services and Procurement and Accessibility. Members of DCC's Board hold office at the pleasure of the Governor in Council, and, may remain as board members until successors are appointed, should they wish.

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. The Board is responsible for the management of the business, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*. The Board provides oversight on matters such as strategic planning, corporate risk management and internal controls. The Board Charter outlines how board members are expected to oversee the Corporation.

Table 1 lists the current members of DCC's Board of Directors and their terms of office.

See Table 1

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 oversees DCC management's maintenance of appropriate financial and management controls, ensures that DCC's assets are safeguarded, and ensures that DCC's transactions comply with the appropriate legislation and policies. 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 corporate officers or employees of DCC are members of the Committee.

The mandate of the Governance and Human Resources Committee encompasses governance and human resources. The Committee develops DCC's approach to corporate governance; evaluates DCC's corporate governance practices, including its Code of Business Conduct for employees, to ensure they reflect current best practices; and assesses the Board's effectiveness. 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, and ensures that DCC has an appropriate succession plan for its corporate officers.

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, members meet regularly as the Executive Management Group, supported by the Corporate Secretary, to review strategic, operational, financial and human resources matters for the Corporation.

TABLE 1

BOARD MEMBER	APPOINTED	LENGTH OF TERM	EXPIRY DATE OF TERM
Moreen Miller	November 22, 2017	Five-year term	November 21, 2022
James S. Paul	Reappointed September 8, 2014	Five-year term	September 7, 2019
	Appointed September 8, 2009	Five-year term	
Stephen Burbridge	June 11, 2018	Four-year term	June 10, 2022
Cynthia Ene	June 11, 2018	Four-year term	June 10, 2022
Claude Lloyd	June 11, 2018	Three-year term	June 10, 2021
Angus Watt	June 11, 2018	Three-year term	June 10, 2021
Steve D. Anderson	January 2, 2019	Four-year term	January 1, 2023

Three vice-presidents, operations, are responsible for DCC service delivery, 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 is responsible for service delivery by DCC's five service lines. This person also acts as the Corporate Security Officer. The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation.

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

Members of the Senior Management Group include regional directors; the national service line leaders for Contract Management and Real Property Management Services, and Contract Services; and directors. 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 and legal affairs, 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.

Appendix II: Financial Statements and Budgets

Cash Management and Financial Statements

CASH MANAGEMENT APPROACH

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.

The intent of the Corporation is to operate on a slightly better than break-even basis. 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 future operating plans and budgets, particularly through the setting of billing rates for services provided and/or through the extraordinary payment of a dividend to the Government of Canada.

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 approach is to keep sufficient cash reserves available—recognizing the potential for short-term interruptions in collections of receivables—to meet DCC's obligations. Potential obligations considered in the cash management approach 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 cash reserve level that DCC management deems necessary is between \$21 million and \$24 million. These amounts will change over time as DCC's financial position changes over the planning period. By the end of the planning period, the estimated cash reserve level should be \$26 million to \$29 million, based on the increase in long-term unfunded liabilities for employee future benefits and increased compensation costs. The following factors help DCC determine adequate cash reserves.

- Working capital: DCC typically has \$13 million to \$14 million in trade payables, which it manages on a timely basis.
- Payroll: The Corporation's monthly payroll costs will reach \$10.6 million by the end of the planning period. The cash reserves should be sufficient to cover approximately two to 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 may affect collections of some receivables. Greater risks occur in the situations described below, which DCC manages through 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 2019–20 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 self-fund over \$35.4 million in employee future benefits, including retirement, health and sick leave benefits. These obligations are expected to grow to \$45.9 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 its long-term liabilities and must ensure that sufficient cash is available for these purposes as they come due.
- Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing its information management systems and enterprise resource planning systems.

It is unlikely that all of these financial contingencies would occur at the same time. If they did, the Corporation's current reserves would be grossly inadequate. To mitigate this financial risk, DCC conducts prudent forward planning of its resource levels and ongoing active business operations.

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 employee future benefits. 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.

DCC has adopted a proactive approach to its ongoing fee arrangements to ensure that it manages cash levels going forward. Traditionally, DCC establishes fee arrangements with Client-Partners at the start of each fiscal year through several hundred service-level arrangements (SLAs). There are two types of fee arrangements: fixed fee and time based.

Client-Partner representatives have been reluctant to revisit these arrangements during the year due to the administrative burden and costs involved, as well as the fact that amendments could create uncertainty around billing rates. However, with the increase in volume of services delivered through fixed-fee arrangements (versus the more common time-based arrangements), DCC could address this issue by taking different approaches for each type of arrangement. DCC will continue to review its monthly cash, break-even profit and gross margin results when deciding actions to take regarding its cash level.

Fixed-fee arrangements: There are relatively few of these arrangements; however, they represent approximately 50% of services revenue. Going forward, when DCC approaches its planned operating target for the year, the Corporation will lower the gross margin on its fixed-fee arrangements by lowering the payroll gross-up factor (fixed-fee multiplier) to reduce the amount of cash generated by the additional revenue dollars. Changes can be made quickly with little disruption, while minimizing the administrative burden and costs to DCC and the Client-Partner.

Time-based arrangements: DCC will maintain consistent billing rates for time-based arrangements during the year. This will help Client-Partner representatives avoid the administrative burden, costs and uncertainty associated with amending them. When setting billing rates for time-based arrangements each year, DCC will establish a higher or lower billing rate, as needed to achieve its target results. Among other factors, it will consider the prior year's results, the current year program forecast from the Client-Partner, and the gross margin required to fund DCC's operating and capital requirements.

**FINANCIAL STATEMENTS, BUDGETS
AND NOTES**

This financial projection reflects the Corporation's return to a sustainable financial position in 2019–20. As a result, DCC plans to increase billing rates by 3.5% in the first year of the Plan, reduce the increases to 3.3% for the next two years and reduce them again to 3% for the remaining years of the Plan. However, the following factors could affect the projected billing rates:

- significant variances in program spending or demand for services from the Client-Partner;
- changes in the inflation rate, which would directly affect compensation; and
- DCC's investment in process and system improvements to meet operational requirements.

Operating expenses include investments planned in the first two years to modernize the Corporation's IT infrastructure by making operational improvements and improving network security. These investments will reduce the requirement for future capital investments.

These projections reflect the current most likely scenario for demand from Client-Partners and related spending requirements to meet operational needs. In line with the cash management approach, the Corporation has projected losses for 2019–20 as DCC increases its billing rate. Despite incurring a net loss, the Corporation expects to generate a positive cash flow in the 2019–20 year of the Plan. The Corporation will achieve positive net income and cash flow in 2020–21.

Financial Statements

STATEMENT OF FINANCIAL POSITION

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
<i>Assets</i>								
Cash	\$ 3,972	\$ 4,928	\$ 5,850	\$ 7,109	\$ 8,468	\$ 8,321	\$ 8,605	\$ 7,953
Investments	2,178	2,700	2,098	2,000	500	1,743	1,720	1,400
Trade receivables	22,196	19,011	22,893	24,240	25,212	27,353	28,646	29,437
Prepays and other current assets	2,339	2,293	2,675	2,938	3,033	3,132	3,226	3,323
Other receivables	1,954	2,000	1,800	1,800	1,750	1,700	1,650	1,600
Current assets	32,639	30,932	35,316	38,087	38,963	42,249	43,847	43,713
Investments	16,551	11,520	15,800	16,197	18,347	17,759	18,442	19,427
Property, plant and equipment	1,623	11,677	950	9,688	7,786	6,241	4,785	4,571
Intangible assets	252	321	150	—	267	400	400	400
Assets under finance lease	235	285	180	—	—	—	—	—
Non-current assets	18,661	23,803	17,080	25,885	26,400	24,400	23,627	24,398
Total assets	\$51,300	\$54,735	\$52,396	\$63,972	\$65,363	\$66,649	\$67,474	\$68,111
<i>Liabilities</i>								
Trade and other payables	\$ 13,394	\$ 12,609	\$ 13,000	\$ 13,211	\$ 13,607	\$ 14,015	\$ 14,435	\$ 14,002
Current portion: Finance lease obligation	96	3,797	107	2,106	1,858	1,939	2,016	677
Current portion: Employee benefits	2,502	2,300	2,300	2,300	2,325	2,350	2,375	2,400
Current liabilities	15,992	18,706	15,407	17,617	17,790	18,304	18,826	17,079
Finance lease obligation	147	5,702	102	7,153	5,390	3,370	1,276	1,938
Employee benefits	29,963	25,510	33,065	35,565	37,540	39,515	41,490	43,465
Non-current liabilities	30,110	31,212	33,167	42,718	42,930	42,885	42,766	45,403
Total liabilities	\$46,102	\$49,918	\$48,574	\$60,335	\$60,720	\$61,189	\$61,592	\$62,482
<i>Equity</i>								
Share capital Authorized: 1,000 shares at no par value Issued: 32 shares	—	—	—	—	—	—	—	—
Retained earnings	5,198	4,817	3,822	3,637	4,643	5,460	5,882	5,629
Total equity	5,198	4,817	3,822	3,637	4,643	5,460	5,882	5,629
Total liabilities and equity	\$51,300	\$54,735	\$52,396	\$63,972	\$65,363	\$66,649	\$67,474	\$68,111

STATEMENT OF **PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME AND LOSS**

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Services revenue	\$ 98,858	\$ 110,144	\$ 113,068	\$ 124,198	\$ 128,234	\$ 132,402	\$ 136,374	\$ 140,465
Travel and disbursement revenue	2,773	2,106	3,148	2,587	2,613	2,639	2,665	2,692
Investment revenue	728	500	660	650	655	660	665	670
Total revenue	102,359	112,750	116,876	127,435	131,502	135,701	139,704	143,827
Salaries and employee benefits	92,468	101,547	103,203	111,283	115,178	119,209	123,381	127,700
Operating and administrative expenses	8,955	10,571	10,664	10,481	10,023	10,233	10,447	10,640
Travel and disbursement expenses	2,773	2,106	3,148	2,587	2,613	2,639	2,665	2,692
Depreciation of RoU assets	—	—	—	2,034	1,929	1,928	1,929	2,188
Depreciation of property, plant and equipment	1,033	3,655	824	756	373	417	327	362
Depreciation of assets under finance lease	99	180	180	—	—	—	—	—
Amortization of intangible assets	196	135	208	150	133	267	400	400
Finance costs	8	120	25	329	247	191	133	98
Total expenses	105,532	118,314	118,252	127,620	130,496	134,884	139,282	144,080
Gain (loss) for the year	(3,173)	(5,564)	(1,376)	(185)	1,006	817	422	(253)
<i>Other comprehensive loss</i>								
Actuarial loss on employee benefit obligations	(8,128)	—	—	—	—	—	—	—
Total comprehensive income (loss)	\$ (11,301)	\$ (5,564)	\$ (1,376)	\$ (185)	\$ 1,006	\$ 817	\$ 422	\$ (253)

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Opening retained earnings	\$16,499	\$10,381	\$ 5,198	\$ 3,822	\$ 3,637	\$ 4,643	\$ 5,460	\$ 5,882
Gain (loss) for the year	(3,173)	(5,564)	(1,376)	(185)	1,006	817	422	(253)
Actuarial loss on employee benefit obligations	(8,128)	—	—	—	—	—	—	—
Ending retained earnings	\$5,198	\$4,817	\$3,822	\$3,637	\$4,643	\$5,460	\$5,882	\$5,629

STATEMENT OF CASH FLOWS

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
<i>Cash flows from (used in) operating activities</i>								
Gain (loss) for the year	\$ (3,173)	\$ (5,564)	\$ (1,376)	\$ (185)	\$ 1,006	\$ 817	\$ 422	\$ (253)
<i>Adjustments to reconcile profit for the year to cash provided by operating activities</i>								
Depreciation of property, plant and equipment	1,033	3,655	824	756	373	417	327	362
Depreciation of RoU assets	—	—	—	2,034	1,929	1,928	1,929	2,188
Depreciation of assets under finance lease	99	180	180	—	—	—	—	—
Amortization of intangible assets	196	135	208	150	133	267	400	400
Amortization of investment premiums	96	130	130	130	120	120	110	110
Gain on sale of property, plant and equipment	1	—	—	—	—	—	—	—
Increase (decrease) in non-working capital balances related to operating activities	(2,146)	3,824	1,627	1,101	1,379	218	1,083	729
Net cash flows provided by (used in) operating activities	(3,894)	2,360	1,593	3,986	4,940	3,767	4,271	3,536

STATEMENT OF **CASH FLOWS (CONT'D)**

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
<i>Cash flows from (used in) investing activities</i>								
Redemption/ (acquisition) of investments	1,405	1,170	701	(429)	(770)	(775)	(770)	(775)
Acquisition of property, plant and equipment and RoU assets	(414)	(1,625)	(151)	(11,528)	(400)	(800)	(800)	(2,335)
Acquisition of intangible assets	(50)	(100)	(106)	—	(400)	(400)	(400)	(400)
Net cash flows from (used in) investing activities	941	(555)	444	(11,957)	(1,570)	(1,975)	(1,970)	(3,510)
<i>Cash flows (used in) financing activities</i>								
Repayment (write off) of finance lease obligations	(97)	(2,453)	(159)	180	—	—	—	—
Addition of RoU assets	—	—	—	10,928	—	—	—	1,536
Repayment of RoU obligation	—	—	—	(1,878)	(2,011)	(1,939)	(2,017)	(2,214)
Net cash flows from (used in) financial activities	(97)	(2,453)	(159)	9,230	(2,011)	(1,939)	(2,017)	(678)
Increase (decrease) in cash during the year	(3,050)	(648)	1,878	1,259	1,359	(147)	284	(652)
Cash at the beginning of the year	7,022	5,576	3,972	5,850	7,109	8,468	8,321	8,605
Cash at the end of the year	\$3,972	\$4,928	\$5,850	\$7,109	\$8,468	\$8,321	\$8,605	\$7,953

2018–19 Corporate Plan Versus 2018–19 Estimated Results

STATEMENT OF FINANCIAL POSITION

When comparing the estimated results for the year ending March 31, 2019 in the Statement of Financial Position to the 2018–19 Corporate Plan forecast for the year ending March 31, 2019, the only significant variances relate to the fact that DCC did not implement early adoption of International Financial Reporting Standard (IFRS) 16, Leases as anticipated. As a result, no right-of-use (RoU) assets were recorded. The Corporation is on track to meet the remaining Plan forecasts, assuming it collects accounts receivable as anticipated and pays accounts payable at the appropriate time as is normal.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Services revenue for 2018–19 is estimated to be \$113.1 million, compared to the Corporate Plan amount of \$110.1 million, an increase of \$3.0 million or 2.7% over Plan. The increase occurred because the Client-Partner initiated project procurements earlier in the year than expected, resulting in higher-than-anticipated demand for services.

Salaries and benefits are expected to total \$103.2 million, an increase of \$1.7 million or 1.6% from the Corporate Plan. Salaries and benefits did not increase as quickly as revenue because the utilization rate also increased during the period, which resulted in greater efficiency of labour.

Operating and administrative expenses for the estimated period ending March 31, 2019, are estimated to be \$10.7 million compared to \$10.6 million in the Corporate Plan.

This comparison does not reflect the fact that the estimated results for operating expenses include rent—because DCC has not adopted IFRS 16, Leases—and that the Corporate Plan figure did not.

If rent expense had been added to the operating expenses from depreciation in the Corporate Plan, the forecasted operating expenses would have been \$12.6 million. As a result, the estimated operating expenses in this year's Plan would have been \$1.9 million or 15% below the Corporate Plan, mainly because the planning and procurement phase of the IT modernization project has taken longer than anticipated. DCC has shifted expenses related to implementing the IT plan to 2019–20 and 2020–21.

Depreciation and amortization are lower than Plan because DCC has not yet adopted IFRS 16, Leases. If the amount was adjusted to show what it would have been if DCC had adopted that standard, depreciation and amortization would be consistent with those in the prior year's Plan.

The Corporation is estimating a total comprehensive loss of \$1.4 million, compared to a planned total comprehensive loss of \$5.6 million in the prior-year Plan. The lower estimated loss is due to a number of factors, including higher-than-planned revenue; the shifting forward of costs related to the IT modernization plan; and higher-than-anticipated staff utilization, which increased DCC's gross margin.

CAPITAL BUDGET

See Table 2

Overall, capital expenditures for 2018–19 are estimated to be 94% below Plan. The variance is mainly due to two asset categories, computer systems hardware and RoU assets for

TABLE 2: **CAPITAL BUDGET**

For the year ending March 31, 2019

(in \$ thousands)	ESTIMATED	PLANNED	VARIANCE
Computer systems hardware	\$ 100	\$ 1,400	\$ (1,300)
Intangible assets	—	100	(100)
Office furniture and equipment	449	150	299
Leasehold improvements	200	75	125
RoU assets: Office space	—	11,384	(11,384)
	\$749	\$13,109	\$(12,360)

office space. The decrease in planned spending for computer systems hardware occurred because DCC decided to lease all personal computing devices, which removed one need for capital purchases. For corporate computing devices (servers), the Corporation is moving to a platform as a service (PaaS) model as part of the IT modernization, which removed another need for capital purchases. The variance from the forecast in the prior-year Plan for RoU assets occurred because DCC has not yet adopted IFRS 16, Leases.

DCC does not expect to invest in new intangible assets this year, resulting in net savings. The increases from Plan in spending on office furniture and equipment and on leasehold improvements relate to planned Head Office renovations to increase density of accommodations.

2019–20 to 2023–24 Planning Periods

SERVICES REVENUE

For the period ending March 31, 2019, services revenue is estimated to total \$113.1 million, representing an increase of approximately \$14.2 million or 14% over the previous fiscal year. The increase in services revenue from 2017–18 to 2018–19 is due mainly to the billing rate increase of 4.5% and to an increase of 9.5% in Client-Partners' demand for services.

For 2019–20, the Corporation forecasts that demand for DCC's services will be higher than it was in 2018–19. This increase, combined with the anticipated billing rate increase, will lead to a rise in services revenue of \$11.1 million or 10% to \$124.2 million above the estimate for 2018–19.

The Corporation is anticipating an increase in billing rates of 3.5% in 2019–20. This is in line with the Corporation's Cash Management Policy to maintain a sustainable financial position while operating at a slightly better than break-even position.

DCC's primary way of managing its cash balance level is through the freezing of its billing rates. The five-year billing rate freeze from 2012–13 to 2016–17 reduced the gross margin from 38.6% at the beginning of the freeze period to 30.8% in 2016–17. Reducing the gross margin from 2012–13 to 2016–17 and declaring a dividend of \$8.5 million in 2016–17 allowed the Corporation to reduce its cash to an appropriate operating level. However, higher margins will be required in the future to maintain a sustainable financial position and to allow DCC to return to a slightly better than break-even operating position.

The Corporation estimates that the gross margin required for sustainability at the projected revenue levels discussed earlier is approximately 36.5%, which it expects to achieve by 2019–20. The planned billing rate increases reflect anticipated demand from the Client-Partner, anticipated inflation and requirements for investing in operations. DCC will re-evaluate the billing rates annually and may raise or lower them, based on these factors. DCC's Client-Partner representatives are aware of the planned billing rate increases and will incorporate them into their annual project budgets.

The following table illustrates the impact of billing rates on the gross margin percentage, profit and loss, retained earnings, and cash and investments from 2013–14 to 2023–24.

See Table 3

TABLE 3: **BILLING RATE, PROFIT AND LOSS, RETAINED EARNINGS AND CASH HISTORY COMPARED TO PLAN**

	ACTUAL					FORECAST	PLANNED				
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Billing rate increase	0.0%	0.0%	0.0%	0.0%	4.5%	4.5%	3.5%	3.3%	3.3%	3.0%	3.0%
Gross margin percentage	36.2%	32.9%	31.2%	30.8%	33.1%	36.0%	36.9%	36.7%	36.0%	36.3%	36.0%
(in \$ thousands)											
Profit (loss)	\$ 1,189	\$ (5,834)	\$ (451)	\$ (5,556)	\$ (11,301)	\$ (1,376)	\$ (185)	\$ 1,006	\$ 817	\$ 423	\$ (253)
Retained earnings	\$36,840	\$31,006	\$30,555	\$16,499	\$ 5,198	\$ 3,822	\$ 3,637	\$ 4,643	\$ 5,460	\$ 5,882	\$ 5,629
Cash and investments	\$39,988	\$38,886	\$38,168	\$27,252	\$22,701	\$23,748	\$25,306	\$27,315	\$27,823	\$28,767	\$28,780

For the remaining years of the planning period, the Corporation is forecasting no increase in business volume. The anticipated billing rate rises are shown in the following table.

See Table 4

INVESTMENT REVENUE

Investment revenue is generated from cash reserves held in bank accounts and from the Corporation's investment portfolio. During the planning period, investment revenue will fluctuate in relation to cash reserves and investments.

SALARIES AND EMPLOYEE BENEFITS

For the period ending March 31, 2019, salaries and employee benefits are estimated to total \$103.2 million, representing an increase of approximately \$10.7 million or 11.6% over the previous fiscal year. The increase in salaries and employee benefits from 2017–18 to 2018–19 is due mainly to salary increases of 3.5%, a 7.2% rise in demand from the Client-Partner, and other changes related to salary mix and efficiency difference. DCC calculates billing rates based on the maximum amount for each of its job profile salary ranges. Often, employees take advantage of internal or external opportunities and transition to new positions. Revenue increased faster than

salaries and employee benefits because many new hires in the past year started at the lower end of the salary ranges. Gross margins rose due to these lower labour costs.

In 2019–20, salaries and employee benefits are anticipated to increase by \$8.1 million or 7.8%; of that increase, 1 percentage point is due to the economic increase, 2.5 percentage points are due to merit-based salary increases and 4.3 percentage points relate to increased Client-Partner demand for services. The increase in salaries and benefits of 7.8% is lower than the anticipated increase in services revenue of 9.8%, because billing rates will increase faster than salaries and employee benefits will. For the five years of the Plan, DCC plans to increase salaries and employee benefits at least as quickly as billing rates, to maintain the gross margin required to break even.

See Table 5

For the remainder of the planning period, the Corporation has assumed that the annual economic increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be 1.0%. A difference in the actual CPI change will affect this assumption. Merit-based salary increases are forecasted to remain constant at 2.5% over the planning period, based on historical trends.

TABLE 4: **REVENUE INCREASE ASSUMPTIONS**

	ESTIMATED	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Business volume change	9.9%	6.3%	0.0%	0.0%	0.0%	0.0%
Billing rate change	4.5%	3.5%	3.3%	3.3%	3.0%	3.0%
Total anticipated increase	14.4%	9.8%	3.3%	3.3%	3.0%	3.0%

TABLE 5: **SALARIES AND EMPLOYEE BENEFIT INCREASE ASSUMPTIONS**

	ESTIMATED	PLANNED				
	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Economic increase	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Merit-based salary increases	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary and employee benefits increases due to higher revenue	14.4%	4.3%	0.0%	0.0%	0.0%	0.0%
Other changes due to salary mix and efficiency difference	-6.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total salaries and employee benefits increase assumption	11.6%	7.8%	3.5%	3.5%	3.5%	3.5%

OPERATING AND ADMINISTRATIVE EXPENSES

For the period ending March 31, 2019, operating and administrative expenses are estimated to total \$10.6 million, representing an increase of approximately \$1.7 million or 19% over the previous fiscal year. This increase is due mainly to the following factors:

- an increase in professional services costs of \$466,000, mainly related to implementing the cyber security elements of the Information Technology Strategy;
- an increase in employee development costs of \$455,000, due to increases in training initiatives;
- an increase in travel costs of \$180,000;
- an increase in office equipment rental costs of \$152,000 because DCC has decided to lease all personal computing devices; and
- an increase in recruiting costs of \$143,000 as a result of rising demand for staff due to increased requirements from the Client-Partner.

For 2019–20, the Corporation has forecasted operating and administrative expenses of \$10.5 million, a decrease in operating expenses of 1.0% over the estimate for 2018–19. The amount of \$10.5 million for operating and administrative expenses for 2019–20 does not include \$2 million in rent expenses which was included in the 2018–19 expenses, as a portion of those rent expenses will be accounted for as depreciation expense in the 2019–20 period, due to changes related to IFRS. If these rent expenses had been included in operating and administrative expenses for 2019–20, operating and administrative expenses would have been \$12.5 million, an increase of 17%.

The actual increase in operating and administrative expenses is due to continued significant investments in IT infrastructure. DCC is making these investments due to the universal threat of cyber-attacks, the Government of Canada's requirement for increased security measures and the need to modernize DCC's IT infrastructure.

The Corporation is moving its data centre management to a PaaS model to increase operational efficiency and network security. DCC began investing in this model in 2018–19 and will continue to do so in 2019–20. The PaaS replaces ongoing capital upgrades to DCC's data centre, thereby decreasing future capital costs and depreciation expense.

In 2020–21, the Corporation's operating and administrative expenses are forecasted to decrease by 4.0%, because DCC will have finished implementing the PaaS model. Between 2021–22 and 2023–24, operating expenses are anticipated to increase by 2.0% annually, due to inflation.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization—including depreciation of property, plant and equipment; depreciation of assets under finance lease; and amortization of intangible assets—are estimated to total \$1.2 million in the year ending March 31, 2019, representing a decrease of approximately 8.7% from the previous fiscal year. This decrease is related to lower capital expenditures in the prior fiscal year, mainly related to computer hardware, as the Corporation has started leasing personal computing devices and has limited investment in the data centre prior to the move to a PaaS model.

For the year ending March 31, 2020, depreciation and amortization are expected to total approximately \$2.9 million, representing an increase of approximately 143% from the current fiscal year estimate. This increase is mainly due to the effects of transitioning to IFRS 16, Leases. As of 2019–20, the Corporation will capitalize all leases currently classified as operating leases and convert them to finance leases. This change will increase the value of depreciable RoU assets, which will increase the depreciation expense while decreasing operating and administrative expenses related to rental costs.

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.

PROFIT AND LOSS AND TOTAL COMPREHENSIVE INCOME (LOSS)

A loss and other comprehensive loss of \$1.4 million, or 1.2% of services revenue, is estimated for the year ending March 31, 2019, compared with a loss and other comprehensive loss of \$11.3 million or 11.4% of services revenue in the previous fiscal year. As a percentage of services revenue, the loss is decreasing and will continue to decrease until 2020–21, when the Corporation expects to achieve a net income.

For the year ending March 31, 2020, other comprehensive loss of \$185,000 is projected, which represents an increase of about 87% from the estimated other comprehensive loss for the current fiscal year. The other comprehensive loss in 2019–20 represents a return to breaking even. Gains are forecasted from 2020–21 to 2022–23, as the Corporation balances its revenue and expenses to the slightly better than break-even point. There is a small loss in the final year of the Plan, due to DCC's efforts to keep cash in the \$26- to \$29-million range.

CASH AND INVESTMENTS

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investments balances, is strong and meets its operating needs. Cash and investments are estimated to be \$23.7 million at March 31, 2019 and \$25.3 million at March 31, 2020. Cash and investments will continue to increase over the years of the Plan, as the Corporation increases its cash reserve to take into account the large unfunded liability for employee future benefits. Cash and investments are expected to total \$28.8 million at the end of the planning period.

TRADE RECEIVABLES

Trade receivables are expected to vary during the planning 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 estimated year ending March 31, 2019, is expected to decrease by \$830,000 or 39% from the previous fiscal year, due to DCC's adoption of the leasing and PaaS models discussed earlier. For the year ending March 31, 2020, the value of property, plant and equipment, assets under

finance lease, and intangible assets is expected to increase by 657%. The increase in the value of fixed assets is due to the adoption of IFRS 16, Leases, which will add \$10.9 million in RoU assets for office space to the balance sheet. The increase in RoU assets will be offset by an equivalent finance lease obligation and will not require a cash payment when DCC adopts the IFRS 16 standard.

These fluctuations, and those for the remaining Plan years, are directly tied to projected levels of capital spending, as highlighted in the Capital Budget 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, 2019, are expected to decrease by 3% from the year ending March 31, 2018. These fluctuations, and those of the subsequent Plan years, are largely tied to changes in 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 \$35.4 million at March 31, 2019, representing an increase of approximately 9% over the figure in the previous fiscal year, due to the accrual of benefits. At March 31, 2020, employee benefits are expected to be \$38.9 million. For the remaining Plan years, the amount is expected to increase year over year by rates varying from 5% to 7%. 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 increase by \$9.1 million in 2019–20 due to the adoption of IFRS 16, Leases, as stated above. It is expected to fluctuate over the planning period due to anticipated changes in business activity, and to additional payments for and renewals of leases for copiers and office space.

STAFF STRENGTH

See Table 6

Staff strength, presented on an FTE basis, is estimated to be 1,040 for the year ending March 31, 2020. This figure represents an increase of approximately 5% from the previous fiscal year. The rise is due to expected increases in work volume.

FTE staff strength for the remaining planning years is not expected to fluctuate due to consistent work volumes.

CAPITAL BUDGET

See Table 7

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2019, to be \$749,000, an increase of \$285,000 or 61% from the previous fiscal year. The increase is mainly due to higher spending on office furniture and equipment and on leasehold improvements to accommodate more staff at Head Office.

For the 2019–20 planning period and beyond, the Corporation will need to continue to renovate office space as leases come to an end and new office space is procured. The costs related to purchasing computer hardware will decrease to nearly \$0 over the planning period because DCC will start leasing personal computing devices and moving to a PaaS model for the data centre; that reduction will be offset by an increase in operating costs in 2019–20 and beyond. The adoption of IFRS 16, Leases, will also increase capital assets.

DCC also expects to replace office furniture and equipment at a steady rate year over year, from 2020–21 forward, but that may change if Client-Partner demands change. None of the costs in this year's capital budget were part of the previous year's operating budget. DCC's financial policies clearly define capital expenditures and operating expenses.

TABLE 6: **STAFF STRENGTH**

For the years ending March 31, 2018, to March 31, 2024

	ACTUAL	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Employees based on full-time equivalents (FTEs)	913	970	1,040	1,040	1,040	1,040	1,040

TABLE 7: **CAPITAL BUDGET**

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	ESTIMATED	PLANNED				
	MARCH 31/18	MARCH 31/19	MARCH 31/20	MARCH 31/21	MARCH 31/22	MARCH 31/23	MARCH 31/24
Office furniture and equipment	\$ 97	\$ 449	\$ 150	\$ 250	\$ 250	\$ 250	\$ 250
Computer systems hardware	245	100	—	—	—	—	—
Leasehold improvements	72	200	600	150	150	150	150
Intangible assets	50	—	—	400	400	400	400
RoU assets: Office space	—	—	10,928	—	—	—	1,535
	\$ 464	\$ 749	\$ 11,678	\$ 800	\$ 800	\$ 800	\$ 2,335

REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY AND CONFERENCES

The Corporation’s total annual expenditures on travel, hospitality and conference fees are disclosed on DCC’s website. For 2017–18, DCC forecasted expenditures for travel, hospitality and conferences to be \$238 million. However, due to timing changes for anticipated national events, the actual expenditure was \$189 million. The increase in hospitality

expenditures from 2017–18 to 2018–19 are the result of higher activity. The following table provides a summary.

See Table 8

LEASES

DCC will not be entering into any leases in 2019–20 or 2020–21 that will require Ministerial approval.

TABLE 8: **TRAVEL, HOSPITALITY AND CONFERENCE FORECAST**

For the years ending March 31, 2018, to March 31, 2024

(in \$ thousands)	ACTUAL	FORECAST	PLANNED				
	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Travel	\$501	\$681	\$693	\$695	\$698	\$700	\$705
Hospitality	\$189	\$262	\$257	\$260	\$265	\$268	\$270
Conferences	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Appendix III: Compliance with Legislative and Policy Requirements

Defence Construction Canada (DCC) was created under a clause of the *Defence Production Act* to provide infrastructure and environmental services for the defence of Canada. It fulfills this mandate through the daily operation of its five service lines: Contract Services, Contract Management Services, Environmental Services, Project and Program Management Services, and Real Property Management Services.

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

In compliance with the *Access to Information Act* and the *Privacy Act*, DCC responds to access to information and privacy requests. In the first half of 2018–19, DCC responded to 27 requests with a total of 5,826 pages. DCC responded to 34 such requests in 2017–18 with a total of 9,505 pages and to 62 in 2016–17 with a total of 12,424 pages. Similarly, DCC adheres to the requirements of the *Privacy Act* in the way it collects, uses and discloses of employees' personal information. DCC submits its *Access to Information Act* annual report and *Privacy Act* annual report on time each year. Both are available to the public on DCC's website.

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.

DCC's Integrity Management Framework includes both the Code of Business Conduct for employees and the Procurement Code of Conduct for suppliers. In addition to obligations under the *Public Servants Disclosure Protection Act*, DCC employees must comply with the Code of Business Conduct. DCC's Board of Directors monitors compliance

with that code, as well as policies and legislation related to business and employee conduct, through regular reports. DCC's Procurement Code of Conduct for suppliers is aligned with Public Services and Procurement Canada's Code of Conduct for Procurement and ensures that DCC's suppliers know what is required of them in order to do business with DCC.

Board members comply with the *Conflict of Interest Act* and DCC's Board has its own Board Code of Conduct. Each board member must sign a declaration that they are aware of the requirements of the Act and of the Code, and that they will continue to comply with them. All new board members signed the declaration upon appointment.

In compliance with the *Canadian Human Rights Act*, DCC ensures that all of its policies and practices reflect the concepts of respect and value in the workplace. The Corporation has specific policies on harassment, duty to accommodate, and health and wellness, to name a few. New employees take Workplace Violence and Harassment training during their orientation, and all employees take similar training once every three years.

Depending on Client-Partner requirements, a few DCC employees are deployed abroad each year in support of CAF missions. These employees must sign and adhere to DCC's Code of Business Conduct, which supports their compliance with the *Corruption of Foreign Public Officials Act*.

DCC has built its employment equity program on a solid foundation and is in a good position to support Canada's *Employment Equity Act*. Diversity and inclusion is a strategic initiative in the Corporate Plan. DCC has secured strong senior- and executive-level support for the program, and it has developed a three-year Diversity and Inclusion Strategy and Action Plan. DCC ensures employment equity across the

organization by applying its competency-based performance management program, which includes a job profile classification procedure.

Numerous policies, tools and resources enable the Corporation to comply with the *Official Languages Act*. For instance, the Hello! Bonjour program helps ensure that DCC serves all Canadians in their chosen official language at their first point of contact with DCC. Other resources that help employees comply with the *Official Languages Act* include the Official Languages Accountability Framework, an internal Translation Portal that makes translation services accessible to all DCC offices and a corporate lexicon.

Directive on Travel, Hospitality, Conference and Event Expenditures

DCC complies with the Directive on Travel, Hospitality, Conference and Event expenditures. In its 2017–18 financial audit, the Office of the Auditor General reviewed DCC's new travel, hospitality, conference and event expenditure directive and policies for compliance with the Treasury Board

of Canada Secretariat Directive and found no significant items to report. On its website, DCC voluntarily discloses the travel and hospitality expenses of the Chair and all members of the Board of Directors, as well as its CEO and all vice-presidents.

Trade Agreements

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 Corporation also complies with trade agreements, such as the North American Free Trade Agreement.

Appendix IV: Government Priorities and Direction

Transparency and Open Government

DCC wants to encourage open and transparent competition, and to ensure that all enterprises have equal access to DCC procurement opportunities. DCC sets a key performance indicator to award a minimum of 98% of DCC contracts through public opportunities. During the first half of 2018–19, it awarded 99.8% of all procurements through public business opportunities.

DCC also receives a variety of inquiries from its government stakeholders each year, including order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. In 2017–18, DCC responded to 42 inquiries. The volume of these requests fluctuates, depending on the business environment. During the first six months of 2018–19, DCC received and responded to 40 requests.

Gender-Based Analysis Plus

DCC supports the Government of Canada's commitment to gender-based analysis plus (GBA+). In 2017–18, all DCC senior managers received GBA+ training. In 2019–20, all DCC employees will receive gender-based awareness training. Through this training, DCC will help its employees develop a broader understanding of sexual diversity and gender; show how they can foster a respectful and inclusive workplace; and make them aware of their rights and responsibilities as members of the DCC team.

As DCC's Client-Partners explore the many aspects of social procurement, DCC will at the same time research and recommend ways to create a positive social impact with their planned procurements. During the planning period, DCC will help its Client-Partners meet its GBA+ requirements for operational procurement and project planning.

Diversity and Employment Equity

DCC helps build a diverse public service and has been recognized for its employment equity achievements for two years in a row. DCC received a 2017 and 2018 Employment Equity Achievement Award in the sector distinction category. The award recognizes employers who are inspirational role models, championing employment equity in their sector while successfully implementing employment equity internally.

DCC is implementing a three-year Diversity and Inclusion Strategy and Action Plan that is being led by DCC's senior management group.

See Table 9

Supporting Business Opportunities for Indigenous Peoples

For any contracts due to be posted in a geographic area where there are land claimants, DCC sends out an advance notice of procurement. Contracts awarded on behalf of DND

TABLE 9: DIVERSITY OF THE DCC EMPLOYEE POPULATION

As at March 31, 2018

DESIGNATED GROUP	PERCENTAGE OF THE TOTAL EMPLOYEE POPULATION	LABOUR MARKET AVAILABILITY IN THE CONSTRUCTION INDUSTRY
Women	42.1%	12.5%
Persons with disabilities	5.4%	4.9%
Indigenous people	4.5%	4.5%
Visible minorities	10.8%	9.6%

for facilities maintenance and support services in Canada's North require the contractor to provide at least 10% of the contract value by hiring land-claim beneficiaries and subcontracting with Indigenous firms. The objective is to achieve long-term, sustainable and meaningful economic benefits for Indigenous beneficiaries and Indigenous firms.

DCC posts its career ads on recruiting websites that target Indigenous groups, such as Indigenous Link—the Canadian Indigenous Peoples Job Seekers Portal. DCC has also participated at a Montreal Indigenous employment fair organized by the First Nations Human Resources Development Commission of Quebec.

Sustainable Development and Greening Government Operations

DND manages one of the largest and most complex infrastructure portfolios in the federal government. As a result, it is the single largest contributor to federal greenhouse gas emissions, and the Government of Canada cannot meet its greenhouse gas emission targets without DND's help. DCC is supporting DND in meeting its environmental goals.

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC has put three energy performance contracts in place on behalf of DND since 2017–18, and plans to implement 10 more by 2020–21.

DND plans to invest \$225 million by 2020 in infrastructure projects to reduce its carbon footprint. New projects must meet the Silver Leadership in Energy and Environmental Design (LEED) standard or equivalent. DCC stands ready to support the procurement and contract management of these projects.

Additionally, DCC is supporting the following DND green infrastructure initiatives:

- the accelerated assessment program—a national assessment of suspected contaminated sites—under which DND will spend \$16 million to assess suspected sites related to former military operations and sites on active bases;
- the \$239-million site remediation at 5 Wing Goose Bay—one of the largest contaminated site clean-ups ever undertaken by DND—due to be completed in 2020;
- the ongoing Unexploded Explosive Ordnance (UXO) and Legacy Sites Program at DND sites across Canada, at an estimated cost of \$15 million annually;
- the \$100-million program to clean up Esquimalt Harbour; and
- the \$200 to \$500-million project to refurbish heating plant infrastructure at CFB Halifax, which includes rehabilitating attached buildings and distribution systems to reduce emissions. CFB Halifax represents 17% of DND's greenhouse gas emissions, and the upgrades at the plant will reduce emissions by up to 7%, improve energy efficiency and reduce heating costs.

For its own operations, DCC has an Environmental Management Framework that provides its employees with guidance on how to manage the environmental aspects of DCC's day-to-day business activities. This guidance seeks to minimize environmental effects, track environmental performance, promote sustainable practices and set out requirements for environmental incident reporting for employees. DCC provides all employees with education and training on environmental policies, procedures and practices to enable them to work with respect for the environment and their community.

Appendix V: Defence Infrastructure and Environment Projects 2019–2020 to 2023–2024



DEPLOYED OPERATIONS

LOCATIONS: Latvia and Kuwait
PROGRAM COST: \$18 million
COMPLETION DATE: Ongoing

DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence. DCC is currently managing the construction of the Unit Medical Station to be completed in May 2019 and it will contract the build of the Task Force Headquarters Building, due to be completed in October 2019. DCC is providing support for four construction projects at the Operational Support Hub—Kuwait. DCC is contracting for and managing the building of power generation services, and the installation and lease of shelters, both due to be completed in April 2019.



NORTHERN FACILITIES

LOCATIONS: Inuvik, Northwest Territories; and Rankin Inlet and Iqaluit, Nunavut
PROJECT COST: \$78 million
COMPLETION DATE: 2021

DCC opened a new office in Yellowknife in November 2017 to support CAF infrastructure requirements in the North. DCC will manage a five-year facilities maintenance and support services contract covering 80 buildings in forward-operating locations and communities. The Corporation will also handle various capital construction, minor new construction, maintenance and repair, and environmental projects.

Canadian Army



NORTH PARK ARMOURY REHABILITATION AND FIT-UP

LOCATION: Halifax, Nova Scotia
PROJECT COST: \$115 million
COMPLETION DATE: 2025

The North Park Armoury is a federally designated heritage building and National Historic Site of Canada. This rehabilitation and fit-up project will provide facilities to meet the operational requirements of two Canadian Army Reserve units, the CFB Halifax Base Clothing Stores Detachment and two cadet units. DCC has contracted for the first phase of the project (rehabilitation of the west wall), valued at \$7.9 million, with a completion date of October 2019.



ROYAL CANADIAN DRAGOONS

LOCATION: CFB Petawawa, Ontario
PROJECT COST: \$80 million
COMPLETION DATE: 2022

Under this project, several single-storey buildings—to be used for materiel storage, and vehicle storage and maintenance, as well as offices—will be built or retrofitted. DCC will use an integrated project delivery (IPD) contract with DND—the first of its kind for DCC and the federal government. This collaborative lean construction approach helps to minimize waste and maximize efficiency.



HOUSING FACILITY FOR 5 COMBAT ENGINEER REGIMENT

LOCATION: Valcartier Garrison, Quebec
PROJECT COST: \$84 million
COMPLETION DATE: 2020

DCC is managing the construction contract for a new 20,850-square-metre facility that will house 5 Combat Engineer Regiment—the highest-value contract ever awarded at Valcartier Garrison. The design-bid-build contract was awarded in May 2017 with an anticipated completion date of 2020. The contract includes the renovation of two existing temporary shelters and demolition of an outdated building.



TRANSPORTATION, ELECTRICAL AND MECHANICAL ENGINEERING BUILDING

LOCATION: CFB Bagotville, Quebec
PROJECT COST: \$82 million
COMPLETION DATE: 2020

DCC is providing contract management for a new building that will be used by the Transportation, Electrical and Mechanical Engineering (TEME) sections of the Wing. The project includes the demolition of four outdated buildings, and project planning, environmental, technical, procurement and contract management services.

Royal Canadian Navy



JETTY NJ

LOCATION: CFB Halifax, Nova Scotia
PROJECT COST: \$83 million
COMPLETION DATE: January 2019

DCC contracted for and is managing the construction of this new jetty in Halifax Harbour. The new concrete jetty will be approximately 247 m long x 29 m wide with a water depth of approximately 12 m. It will have a large back up apron area and is being designed to be an all-weather jetty for the primary berthing of operational vessels.



A/B JETTY RECAPITALIZATION

LOCATION: CFB Esquimalt, British Columbia
PROJECT COST: \$743 million
COMPLETION DATE: 2024

The A/B Jetty project supports Canada's National Shipbuilding Procurement Strategy that will deliver modern ships to the Royal Canadian Navy over the next 30 years, and will be home to the new Arctic/Offshore Patrol Ship and Joint Support Ship. This \$743-million project to replace aging 70-year-old jetties consists of three contracts for the design, demolition and construction of the new jetty. Work includes extending the utility corridor, dredging the seabed, demolishing B Jetty, preparing the site, building a new seawall and relocating several elements of the Oily Water Waste Treatment Plant.

Environmental Clean-Up



ESQUIMALT HARBOUR REMEDIATION PROGRAM

LOCATION: CFB Esquimalt, British Columbia
PROJECT COST: \$100 million
COMPLETION DATE: 2019–20

The environmental remediation of contaminated sediments in Esquimalt Harbour from legacy commercial and military operations is a DND priority. DCC is supporting DND with the extensive removal of contaminated sediments from the harbour seabed by dredging. All dredged materials will be disposed of in an environmentally safe manner and reduce the exposure of marine life to contaminated sediments. A separate remediation project is also underway in the harbour by Public Services and Procurement Canada to address cleanup adjacent to the Esquimalt Graving Dock.



GOOSE BAY REMEDIATION

LOCATION: Goose Bay, Newfoundland and Labrador
PROJECT COST: \$239 million
COMPLETION DATE: 2020

DCC is helping manage one of the largest environmental clean-ups ever undertaken by DND—reducing or eliminating the potential risks of contaminated areas at 5 Wing Goose Bay. Most of the contamination can be attributed to past storage and handling of such materials as hydrocarbons, heavy metals, polychlorinated biphenyls (PCBs), pesticides, and household and commercial waste. Nearing the project's completion in 2020, more than 50 contracts have been awarded to address over 100 individual contamination sites.



UXO AND LEGACY SITES PROGRAM

LOCATIONS:	Sites across Canada
PROGRAM COST:	\$15 million annually
COMPLETION DATE:	Ongoing

DCC helps DND manage public safety on properties that may contain unexploded explosive ordnance (UXO). DCC provides planning, procurement, technical and contract management services for UXO projects on active and inactive (legacy) military sites across Canada. These sites are in varying stages of remediation, with many supported by DCC’s in-house teams of contract managers, geophysicists, UXO technicians and geographic information system (GIS) specialists.

Public-Private Partnerships (P3s)



CSE: THE EDWARD DRAKE BUILDING

LOCATION:	Ottawa, Ontario
PROJECT COST:	\$4.1 billion
CONTRACT COMPLETION DATE:	2040 (Contract)

Built as a P3, the \$4.1-billion Edward Drake Building provides a modern and efficient facility for the Communications Security Establishment (CSE). The building spans over 72,000 square metres. The associated design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements. DCC is involved with the operations and maintenance of the facility as part of the 30-year contract.



SHARED SERVICES CANADA DATA CENTRE BORDEN

LOCATION:	CFB Borden, Ontario
PROJECT COST:	\$330 million
CONTRACT COMPLETION DATE:	2041 (Contract)

The expansion of Shared Services Canada’s Enterprise Data Centre Borden will help to modernize and standardize federal IT infrastructure. DCC’s second P3 procurement, this \$330-million contract was completed in May 2018. As part of a consortium, DCC will support the design, building, financing, operations and maintenance of the data centre for 25 years.