

CORPORATE PLAN SUMMARY

2011–2012 to 2015–2016

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2011–2012

Canada

Defence Construction Canada



< Cover: Mélanie Pouliot, Contract Services Team Leader, National Capital Region

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EXECUTIVE SUMMARY

Siva Gnananayakan, Manager Operations with DCC Construction Services Coordinator, Deanna O'Leary at CFB Trenton

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

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

As a Crown corporation that operates on a fee-for-service basis, DCC is forecasting services revenue of approximately \$93.6 million for the current year ending March 31, 2011, representing an increase of 4.5% over the previous year. During the same period, staff strength, expressed on a full-time basis, is expected to increase to approximately 880 employees, representing an increase of approximately 3% over the previous year.

DCC is committed to the Government of Canada's cost containment plan and seeks ways to reduce costs and to maximize efficiencies, so that its client partner and Canadian taxpayers receive value for money. The Corporation is pleased to support the objectives of Canada's Economic Action Plan as it works with its industry and client partners.

The volume of DND's capital construction (including construction to support equipment acquisition) and environmental remediation programs is expected to remain high in 2011-12, with moderate increases in 2012-13. Funding for operations and maintenance is expected to return to 2008-09 levels in 2011-12 and then increase slightly in 2012-13. That new level is then expected to remain constant for some time, as DND meets the objectives of the Canada First Defence Strategy.

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

Due to the Corporation's growth over the past few years, DCC views some elements of internal business management as having strategic-level consequences. In particular, it sees issues such as service delivery performance, human resources capability, leadership capacity, and information technology (IT) systems as relevant to its strategic planning process.

The Corporation implemented two changes in management structure in the past fiscal year. First, it created the position of Senior Vice-President, Operations. This role provides operational oversight to the two Vice-Presidents, Operations for service line management and delivery. Second, the National Operations Group became the National Capital Region. This management model allows for full service line integration of national and international DND programs and projects, such as the DEW Line Clean-Up, the unexploded explosive ordnance program and support to military operations.

Strong business performance and results have always been a focus for DCC. At the planning session in September 2010, senior managers reviewed the key performance indicators (KPIs) for DCC's business. The two main indicators are the utilization rate and the service delivery rating. Senior managers affirmed that both were still relevant at the strategic planning level. They also added several other KPIs, including measures of the integrity of IT systems, joint performance with the Corporation's client partner, workplace diversity, progress on corporate initiatives, and results from the application of DCC's Code of Business Conduct. These indicators allow for more comprehensive reporting of DCC's annual performance.

New initiatives for the 2011-12 planning period include enhancing IT systems to meet future business needs, developing joint performance measures with DND, developing a new Code of Procurement Conduct and reviewing the enterprise risk management model. Several multi-year initiatives from last year's plan that relate to human resources, IT, service delivery and corporate governance will continue.

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

DEFENCE CONSTRUCTION CANADA STRATEGIC PLAN OVERVIEW 2011–2012 TO 2015–2016

| Government of Canada Key Priorities and Outcomes That DCC Supports | | | | | | | | | |
|---|--|--|--|---|--|---|--|---|--|
| STIMULATE CANADA'S ECONOMY | | | | CANADA'S SOCIAL FOUNDATIONS | CANADA'S PLACE IN THE WORLD | EFFECTIVE MANAGEMENT IN THE GOVERNMENT OF CANADA | | | |
| Stimulate economic growth through infrastructure spending | An innovative and knowledge-based economy | An effective and streamlined marketplace | Preserving Canada's environment | An inclusive society that promotes linguistic duality and diversity | A better, more secure world | Sound management of Government | Transparency (access to information and privacy) | Values and ethics in the public service | Government communications strategy |
| Mission | | | | | Vision | | | | |
| To deliver infrastructure and environmental projects and services required for the defence of Canada | | | | | To be a leading provider of innovative solutions that add value for its client, foster professional development of its people and make meaningful contributions to its industry | | | | |
| Values | | | | | | | | | |
| Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For 60 years, DCC employees have dependably and diligently carried out that mission. | | | Fairness: DCC deals with its client, contract partners and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties. | | | Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to the client's needs. | | | |
| Strategic Objectives and Outcomes | | | | | | | | | |
| PLANNING THEME | Business Management | | Service Delivery | | People | | Strategic Management and Leadership | | Corporate Governance and Stakeholder Relationships |
| STRATEGIC OBJECTIVE | To develop and maintain sustainable business management structures, tools, teams and practices | | To ensure client requirements are met | | To recruit and support a skilled, professional and motivated workforce | | To provide strong, ethical and effective strategic management and leadership for the Corporation | | To be recognized as competent and responsive to government priorities, policies and practices |
| STRATEGIC OUTCOMES | <ol style="list-style-type: none"> Corporate infrastructure, policies, systems and tools are in place to effectively support the organization in achieving DCC's mission. Human resources strategies, programs, policies and practices are planned and managed to meet business and operational requirements effectively and efficiently. Corporate assets are safeguarded by sound internal control systems and practices, and management oversight, monitoring and audit. | | <ol style="list-style-type: none"> Service line management processes and systems optimize service delivery. A strong partnership with DND/CF. DCC and client planning are aligned and information sharing is integrated to respond effectively and efficiently to needs. Business practices, policies and tools are in place to support effective service delivery. DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity. | | <ol style="list-style-type: none"> DCC provides a healthy and productive work environment that supports: <ul style="list-style-type: none"> collaboration and leadership; fair compensation, benefits and pay equity; professional development opportunities; and workforce and succession planning. DCC encourages and fosters innovation. Employees relate to DCC's mission and objectives, and participate in achieving the desired outcomes. | | <ol style="list-style-type: none"> DCC maintains an effective risk management framework that is integrated into its strategic planning process. DCC is able to efficiently and effectively manage business opportunities and changes in business activity. DCC maintains an effective corporate planning and business monitoring framework and practice. DCC continues to show ethical leadership in the management of its business affairs. | | <ol style="list-style-type: none"> DCC is accountable to the Government of Canada through transparent, ethical corporate governance and management. DCC demonstrates its competence and value as an agent of the Crown. Corporate leadership and oversight are provided in the fulfillment of the mandate of the Corporation. DCC supports government policies and practices, including those related to: <ul style="list-style-type: none"> employment equity; official languages; environmental stewardship; health and safety; security; access to information; and financial administration and reporting. |
| 2011–2012 CORPORATE PLAN INITIATIVES | DCC will enhance the corporate enterprise resource planning solution in the areas of finance, project collaboration and corporate reporting to meet future business needs. | | DCC will continue an optimization review of its processes and practices for its contract service and construction service lines. DCC will seek opportunities to assist in the improvement of DND project and program delivery. DCC will collaborate with DND on the identification of joint performance measures. | | DCC will continue to promote a culture of innovation through the Ideas at Work initiative. DCC will act on the results of the employee engagement survey. DCC will continue the development of a competency-based performance management program, including leadership development. | | DCC will develop a Procurement Code of Conduct for industry. DCC will review its enterprise risk management model. | | DCC will continue to focus on industrial security by refining its processes in compliance with the TBS Policy on Government Security. DCC will demonstrate fiscal restraint as per Government of Canada requirements, TBS and Budget 2010. DCC's Board of Directors will finalize the Corporation's By-Law Consolidation and Revision Project. |
| KEY PERFORMANCE INDICATORS | <ul style="list-style-type: none"> Utilization rate Direct personnel expense multiplier Operating and financial results Progress on documents and records management system | | <ul style="list-style-type: none"> Service delivery rating Industry feedback and consultations Joint performance measures with DND | | <ul style="list-style-type: none"> Results from Ideas at Work Employee retention rate Professional-development-to-salary cost ratio Employment equity rating Diversity in the workplace | | <ul style="list-style-type: none"> Management reporting Overall business performance results Annual Public Meeting feedback Achievement of corporate initiatives DCC Code of Business Conduct results Procurement Code of Conduct for industry results | | <ul style="list-style-type: none"> Results from government performance requirements Environmental, safety and security results Internal and external audit results and OAG Special Examination results Timeliness of submissions and reporting |



CORPORATE PROFILE

Kenda Hudson, Manager Operations and James Covey, Construction Services Team Leader in Halifax

SERVICE LINES AND PRACTICE AREAS

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

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

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

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

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

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

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

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

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

CLIENT PARTNER

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

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

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

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

MANDATE AND ROLE

Legislative Framework and Mandate

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

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

Public Policy Role

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

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

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

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

The benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. In recent years,

DCC's contract expenditures have been valued at approximately \$500 to \$700 million annually. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

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

CORPORATE GOVERNANCE AND STRUCTURE

Board of Directors and Committees

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

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

DCC's Board is made up of seven members and there currently are two vacancies. All Board members are independent of DCC management, except for the President. The members are Robert Presser, Chair of the Board, Kris Matthews, Shirley McClellan, Marc Ouellet and DCC's President, James S. Paul. The terms of the current Board members happen to be staggered with end dates of 2011, 2012, 2013 and 2014. The members of DCC's Board are paid an annual retainer and a per diem, the amounts of which are set by the Privy Council Office (PCO). Short biographies of all members are available on DCC's website and in DCC's Annual Report.

PCO has created standards for Crown corporation director profiles, including roles, competencies and experience. As a result, DCC's Board created a Director Profile outlining the skills and expertise that DCC requires, which is available on DCC's website. Board members are to be appointed based on this Director Profile.

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

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

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

For DCC's Director Profile, the core attributes, competencies and experience that Board members need include informed judgment, integrity and accountability, impact and influence, financial literacy, understanding of public policy, and knowledge of DCC's stakeholders.

In addition, DCC's Board members represent both public and private sectors and bring varied knowledge and experience to the Board. As per the Director Profile, the specific skills and knowledge that a DCC Board member should have relate to a wide range of fields, including business, contracting, construction, architecture, engineering, infrastructure, environment, law and human resources. The current Board members match well with the profile in that they have the pertinent skills and experience that DCC requires. The members include business owners, a Certified Management Accountant, and a Distinguished Scholar in Residence at the University of Alberta.

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 management. The Chair is responsible for the effective functioning of the Board as it carries out its duties and responsibilities. The Board is responsible for the overall governance of the Corporation and provides oversight on matters such as corporate risk management.

The Board has articulated its duties and responsibilities in a Board Charter. This document helps Board members understand how they are expected to oversee the Corporation. Board members regularly review the Charter to ensure it remains appropriate.

To help it fulfil 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 Board established the Governance and Human Resources Committee in March 2010 after reviewing the practices of Boards of Directors of other Crown corporations and considering what was most appropriate for DCC. This Committee took on the roles and responsibilities of the former Nominating Committee and the former Governance Committee.

The Audit Committee assists the Board in its oversight responsibilities, particularly those related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, and compliance programs. This Committee also oversees matters related to the integrity and accuracy of financial reporting and oversees the annual financial audits, the Office of the Auditor General's Special Examinations and the internal audits. Pursuant to the *Financial Administration Act*, all members of the Audit Committee are independent of DCC management in that no officers or employees of DCC are members of this Committee.

The mandate of the Governance and Human Resources Committee encompasses three main areas: governance, human resources and Governor in Council position nominations. This Committee develops DCC's approach to corporate governance, evaluates DCC's corporate governance practices to ensure they reflect current best practices and oversees the Board's annual self-assessment process. It uses the Board assessment tool to identify highly functional areas, as well as areas where the Board could improve its management and effectiveness. The questionnaire includes questions related to Board Committees and to individual directors.

Regarding human resources matters, this Committee ensures that DCC's core human resources policies are sound and appropriate for the Corporation, and that related processes are in place. It also oversees the performance management process for DCC's President, pursuant to PCO's Performance Management Program, as well as the annual performance review of DCC's senior management. In addition, this Committee ensures that DCC has a succession plan.

The Committee also participates in the nomination process for Order in Council appointments, such as for Board members and the President position, as requested by the Minister of Public Works and Government Services. It also ensures that the Board Competency Profile is up to date and that the Minister is aware of the core attributes the Board members should demonstrate, as stated in the Director Profile.

Members of the Board of Directors also participate in DCC's Annual Public Meeting, along with DCC's stakeholder groups. In particular, at the 2010 event, the Chair of DCC's Board emphasized that this meeting provided a formal opportunity for all parties to offer feedback to DCC on a variety of issues and acknowledged that DCC's employees continually demonstrate their expertise and commitment to serving DCC's client partner, DND. DCC will continue to hold an Annual Public Meeting as per the FAA and a summary of proceedings will be posted on DCC's website for all to view.

ORGANIZATIONAL AND 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, Robert Presser. The executive management group, made up of the President and CEO, a Senior Vice-President, Operations, three Vice-Presidents (two for Operations, one for Corporate Services), and a Corporate Secretary, is located at DCC's Head Office in Ottawa.

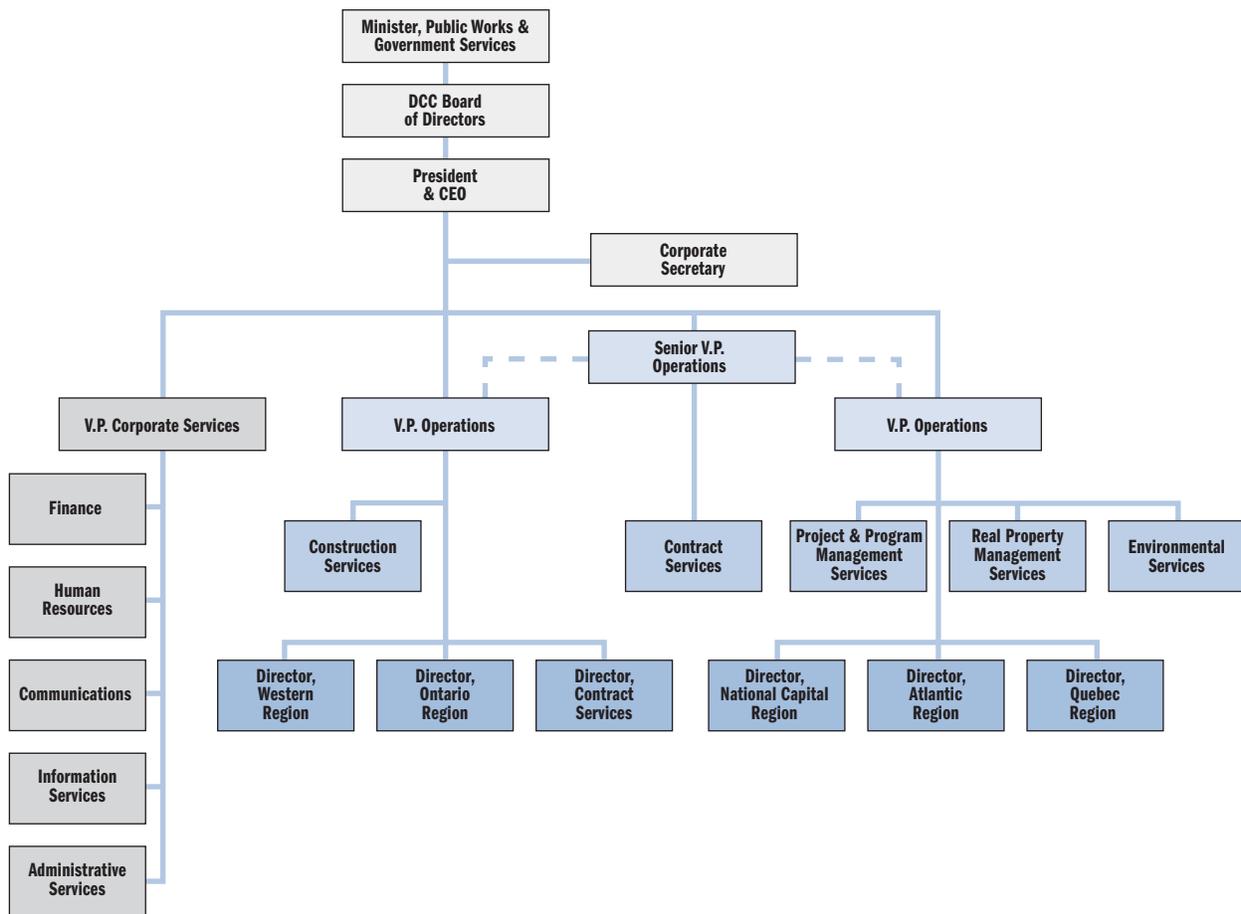
The Senior Vice-President, Operations is responsible for operational oversight related to service line management and service delivery. Two Vice-Presidents, Operations share responsibility for DCC service delivery and business management activities.

Regional Directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic Regions through regional offices located in Edmonton, Kingston, Ottawa, Montreal and Halifax, respectively. One Director operating in Ottawa manages Contract Services.

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

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

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



Auditor

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

In 2010–11, DCC's Board of Directors approved a five-year audit plan developed by Interis Consulting Incorporated. The audit plan objectives are aligned with the strategic initiatives that are set out in this Plan.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General (OAG) must carry out a Special Examination at least once every 10 years. DCC continues to ensure it has responded appropriately to the recommendations that arose from the Special Examination that took place in 2008 of DCC's systems and practices.



Alison Lawford, Corporate Secretary with Marc Ouellet, DCC Board Member

MISSION, VISION AND VALUES

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

Corporate Planning Process

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

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

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

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

PLANNING CONTEXT

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

Government Priorities

As a result of the Canada First Defence Strategy of May 2008, DND plans to replace approximately half of its existing facilities infrastructure over the next 20 years. The March 2010 Speech from the Throne reconfirmed the government's commitment to the investments necessary to rebuild Canada's military. However, in Budget 2010, the Government asked Departments to review all programs carefully to make sure that spending is as effective as possible. This program review could affect DCC's business activities if it results in any change to DND priorities and program spending in the 2011-12 Defence Budget. DCC is committed to the Government of Canada's cost containment plan and seeks ways to reduce costs and maximize efficiencies. The Corporation remains flexible and responsive to fiscal strategies ranging from stimulation to restraint.

The March 2010 Speech from the Throne affirmed Canada's position as a northern country. As part of Canada's Northern Strategy, the government is prepared to vigorously defend Canada's Arctic sovereignty. DCC stands ready to apply its accumulated northern expertise if Canada calls upon it to do so.

Service Demand

The volume of DND's capital construction (including equipment-driven construction) and environmental remediation programs is expected to remain high in 2011–12, with moderate increases in 2012–13. Funding for operations and maintenance is expected to return to 2008–09 levels in 2010–11, to increase slightly in 2012–13 and then to remain constant for some time, so that DND can meet the requirements of the Canada First Defence Strategy.

Industry Capacity

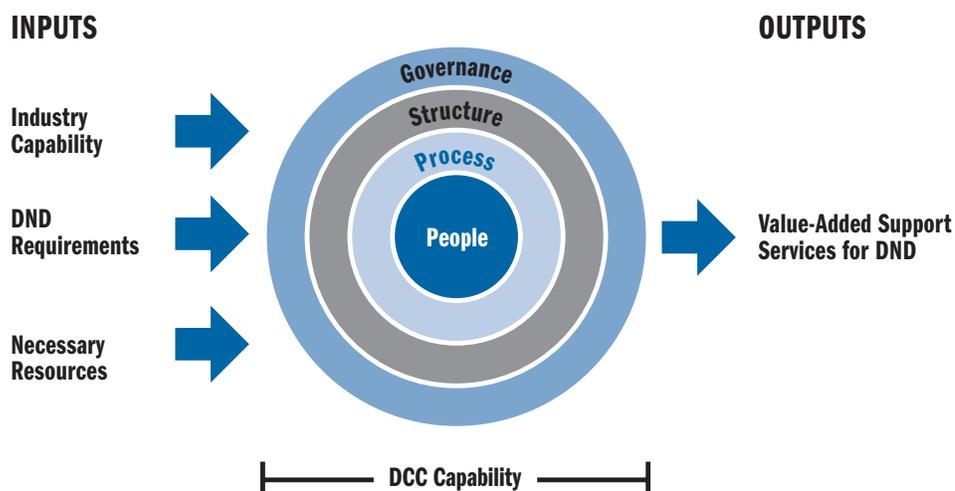
The capacity of the industry to respond to the design and construction needs of defence programs, especially in times of high demand, has been of strategic concern for several years. The recent economic downturn may ease some of the demand on the construction industry and, consequently, increase the critical supply of both contractor capacity and skilled labour. Some slowdowns have already occurred in some market sectors and in some regions, but they have not happened consistently across the country. The Canadian Construction Association views a shrinking skilled workforce as one of its key risk areas over the next five years. DCC is entering a business cycle in which contractor performance will continue to be a risk factor, due to limited capacity in some market sectors or the weakened financial condition of some firms. To manage this risk, DCC will continue to ensure adequate responses to DCC bids and incorporate performance guarantees into contracts.

Internal Business Management

Both the volume and the diversity of client requirements continue to challenge the Corporation's ability to respond quickly to changes in service demand. Recruiting and retaining skilled professionals must remain corporate priorities in the near to medium-term future. The Corporation faces an ongoing requirement for highly specialized expertise. At the same time, it must manage its own workforce demographic environment, including a wave of impending retirements. Currently, 67% of employees have been with DCC for five years or less, and 34% of all employees have been with DCC for three years or less. DCC will continue to adjust its processes, procedures, controls and systems to suit the new scale of the Corporation. The matrix management approach to service line management is now part of DCC's culture. It allows DCC to shift expertise to different areas, as required. That is beneficial when there is a market slowdown in one part of the country or added capacity is required in another. Management continues to work to fully leverage the service delivery matrix for the benefit of the client partner.

MANAGING DCC'S CAPABILITIES

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



OPERATIONAL OUTLOOK

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

The volume of DND's capital construction (including construction to support equipment acquisition) and environmental remediation programs is expected to remain high in 2011–12, with moderate increases in 2012–13. Funding for operations and maintenance is expected to return to 2008–09 levels and experience a slight increase in 2012–13. That new level is then expected to remain constant for some time, so that DND can meet the requirements of the Canada First Defence Strategy.

DND has a goal of improving its processes for program implementation. In the coming year, DCC will continue to work with its client partner to support it in achieving this goal.

As a longstanding partner with DND/CF, DCC is aligned with DND's planning objectives. Under several key scenarios being considered for the planning period, DCC could support DND's capital construction program. These scenarios relate to Canada's Northern Strategy (www.northernstrategy.gc.ca), the National Defence Sustainable Development Strategy and Joint Task Force Afghanistan.

Canada's Northern Strategy lays out a vision for the north that includes an increased military presence. DCC is very experienced in serving its client partner in Canada's Far North. Whether it is building reliable roads or facilities, DCC can meet DND's needs with its 60 years of experience and expertise in managing Arctic infrastructure projects.

DND has been working steadily for the past few years to further its environmental sustainability and to "go green" with its building projects, and to achieve Leadership in Energy and Environmental Design (LEED) objectives where appropriate. Energy sustainability of its facilities is a priority for the Department in its construction program planning. Under the Canada First Defence Strategy, over the next 20 years, DND expects to replace 50% of its infrastructure and it wants to do so in the most energy-efficient way possible. DCC's national service lines are well equipped to work with DND on energy-efficient and green buildings that will take DND into the future.

DCC has been supporting the CF in Afghanistan for the past five years in the efforts to rebuild the country. Although Canada is forecasted to withdraw from Afghanistan in 2011, DCC will stand by its client partner to support the post-withdrawal process, or to remain and provide service, as required.

Overall, for the five-year planning horizon, DCC anticipates moderate to flat growth until 2015-16. At the same time, DCC remains aware of the potential impact that these scenarios could have on the Corporation.

STRATEGIC ISSUES

During its annual planning process, DCC's senior management team conducts a local and national environmental scan and analyzes various business inputs. At the last strategic and corporate planning session, in September 2010, DCC identified current and evolving issues in the internal and external business environments that could have a strategic impact on the Corporation's business in the short or long term. Those issues considered to be of strategic importance for this planning period include Government of Canada cost containment, industrial security, corporate governance, industry relationships, leadership and management.

Government of Canada Cost Containment

DCC is committed to the spirit and intent of the cost containment measures that the Government of Canada outlined in Budget 2010. The Corporation operates on a fee-for-service basis, and the client's demand for services largely determines DCC's spending level. Although it is impractical for DCC to freeze overall spending on operating expenses related to revenue-generating activities, opportunities for cost restraint still exist. The Corporation plans to manage its discretionary

spending very carefully in the areas of salary increases and benefits, conferences, hospitality and non-essential consulting fees. Wherever possible, DCC will cut discretionary costs, or at a minimum, restrain spending to fiscal 2010–11 levels. Additionally, DCC is aware that the government is slowing the rate of previously planned growth in DND's budget. DCC will remain flexible to help DND meet its budgetary goals over the coming years.

Industrial Security

Industrial security remains top of mind for the Corporation and DCC's Board remains vigilant on this issue. In July 2009, the Government of Canada published its Policy on Government Security. In support of this policy, DCC will continue its focus on industrial security, refine and enhance its processes, and further develop strong security awareness among its employees. The Corporation works to ensure there is a robust security regime for assets and information entrusted to the private sector.

Corporate Governance

Over the past several years, events in the private and public sectors have had a significant impact on the way business is conducted. Public stakeholders demand complete transparency and accountability in all operations and management activities. DCC's Board of Directors seeks to ensure that its composition and structure are functional and that its oversight responsibilities are appropriate.

The Corporation continues to monitor other government policy changes and will modify its business procedures as required, while ensuring they remain aligned with standard industry practice. The Board of Directors continues to express its interest in the management and progress of this matter.

Industry Relationships

DCC maintains productive, interactive relationships with construction industry associations to ensure that the contractors and consultants bidding on defence contracts see the Corporation as "a good owner." DCC engages industry regularly and receives feedback on its industry processes. Over the past few years, because the Canadian construction sector has seen huge growth, productive industry relationships have been a DCC priority and the subject of corporate focus. During the planning period, DCC will continue to foster these relationships and to sustain efficient, competitive processes while maintaining contracting integrity. One way that DCC is addressing this issue during the planning period is by developing the Procurement Code of Conduct.

Although there has been some slowdown in certain market sectors in some regions, forward-looking research carried out by the Construction Sector Council Labour Market Initiative indicates that, for the foreseeable future, competition for skilled labour will be intense. Supply and demand in the construction industry also affect the availability of architectural, engineering and environmental consultants.

Leadership and Management

Business growth over the past five years is driving many elements of DCC's current strategy, especially those that relate to people and to internal business management processes and procedures. High DND/CF demand for services in recent years has changed DCC's relationship with client groups and has led to a rapid rise in the number of Corporation employees. This workforce growth, in turn, has tested the Corporation's information systems, internal communications capability, and human resources management structure. To date, the Corporation has responded very well to these pressures and continues to enhance its capacity to manage this growth.

It is important that the Corporation continue to develop its leadership and management capacity at all levels. To provide quality service, the Corporation needs a strong, reliable and competent workforce, and the systems to support it.

DCC continues to move forward on various initiatives, such as the recruitment and retention strategy, to ensure that it can put the right people in the right place, at the right time, to do the best job for the client. The Corporation continues to address any challenges to the business management infrastructure through ongoing initiatives such as developing the records and document archive system, and enhancing the corporate enterprise resource planning solution.

DCC and DND Partnership

DCC and DND have worked together for the past 60 years. Along the way, DCC has acquired specialized expertise and accumulated a large knowledge base related to Canada's military construction. For example, DCC maintains expertise in providing services in Canada's north, constructing green buildings and managing facilities. Over the past 10 years, the relationship has become increasingly complementary, as the scope of projects has become more varied and the volume of projects has increased.

When DCC changed its business model to one of fee-for-service, it saw DND as the client. The Corporation provided services to DND, which paid for them through the infrastructure program. Now that operational requirements are more complex and there is greater opportunity for DCC to apply its knowledge and expertise, there has been a cultural shift in the relationship. For example, during the planning period, the two organizations will work together to optimize program delivery, to set joint performance indicators and to seek ways to collaborate to the benefit of both. DCC views DND as its client partner. Yes, DCC still invoices DND for services, but there is more integration at a strategic level.

DCC has helped its client partner support Government of Canada objectives, such as the government's commitment to environmental stewardship. For instance, DCC recently worked with DND on the 5 Wing Goose Bay environmental remediation project. This commitment, along with DCC's specialized expertise, will help the Corporation support the client over the next few years as DND addresses any requirements under Canada's Northern Strategy or any DND priorities related to energy security.

A black and white photograph of a man in a striped shirt, seen from the side, speaking at a podium. The image is partially obscured by a blue overlay containing text.

PLANNING THEMES, OUTCOMES, INITIATIVES AND PERFORMANCE MEASURES

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

Each planning theme has one strategic objective and a number of desired strategic outcomes. There are 19 strategic outcomes and they are numbered consecutively under their relevant planning theme. If there is a strategic risk or opportunity that should be addressed to achieve a specific outcome, then a Corporate Plan initiative is identified. Not all strategic outcomes will require an initiative during this planning period.

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

During the current planning period, the senior management group reviewed DCC's performance measures, or key performance indicators (KPIs), to ensure they were still appropriate, relevant and meaningful. DCC management sets the KPIs after reviewing industry benchmarks and indicators, and then doing an analysis that takes into account DCC's business model. Some aspects of the business are similar to those in the engineering consultancy industry, but many others are unique to DCC. These comparators are used as a guide, in addition to the Corporation's own trend analysis.

For 2011-12, the KPIs from last year were retained, and six were added. These additional KPIs include measures of the integrity of information technology (IT) systems, joint performance with the Corporation's client partner, the level of diversity in the workplace, progress of corporate initiatives, and results from the application of DCC's Code of Business Conduct and from a soon-to-be-developed Code of Procurement Conduct. These indicators allow for fuller reporting of DCC's annual performance.



PLANNING THEME 1: BUSINESS MANAGEMENT

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

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

STRATEGIC OUTCOMES

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

1. *Corporate infrastructure, policies, systems and tools are in place to effectively support the organization in achieving DCC's mission.*

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

2. *Human resources strategies, programs, policies and practices are planned and managed to meet business and operational requirements effectively and efficiently.*

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

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

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

CORPORATE INITIATIVES: BUSINESS MANAGEMENT

Tracking Past Performance: Business Management Initiatives 2010–2011

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

2010–11: DCC will continue its implementation of the new records and document management systems and tools.

In the first half of 2010–11, the initial phase of tactical work began on this initiative, following the completion of a project implementation plan in 2009–10. Business units completed the preparatory work required to enable a standard, shared corporate document management system. This work included organizing current content and preparing files for transfer to the new system. This step provides the foundation for the integrity of the tool and, subsequently, efficient implementation of the corporate-wide electronic system. Additionally, DCC completed the procurement phases of

request for information (RFI), request for proposal (RFP) and contract award. The second half of 2010–11 will see a staged rollout of the document management system among different business units, including training of the end users, to be completed by March 2011. DCC's IT Department addresses the maintenance-level work of this initiative at the departmental business plan level.

2010–11: DCC will realign the corporate enterprise resource planning (ERP) solution.

The design of DCC's existing ERP system, in place for the past 15 years, needed to be reviewed in light of the Corporation's continued growth and DCC's increased dependence on the ERP system. This system was originally intended to provide solutions for financial management but was stretched to support some of the needs of the Human Resources and Contract Services departments. By enhancing the ERP experience, the Corporation should be in a position to meet future technical operational needs as they arise. In the first half of this year, work continued on the existing ERP system to prepare it for an upgrade. DCC expects to complete this realignment of the current system at the end of 2010–11, after which time the upgrade to the system will begin.

Business Management Initiatives: 2011–2012

DCC has identified one corporate initiative for the 2011–12 planning cycle.

2011–12 Corporate Plan Initiative: DCC will enhance the corporate enterprise resource planning solution in the areas of finance, project collaboration and corporate reporting to meet future business needs.

This initiative has been underway for several years and is expected to continue through to the end of 2011–12, when the system is scheduled to reach full capability. Once the system is upgraded and established, IT will review components of it, such as the revenue and expenditure module (REM), a current budget tool used by business unit managers, and look for ways to improve it. Additionally, DCC will consider developing new functionalities—such as tools for business intelligence, asset management, project collaboration or data analysis—under this initiative.

Business Management Key Performance Indicators: 2010–2011 Results to Date

Utilization Rate

The utilization rate represents the hours DCC employees spend on service delivery functions (i.e., billable hours) as a percentage of total paid hours. It provides a measure of employee productivity and operational efficiency that can be compared with industry benchmarks. DCC's annual target utilization rate is 70%. For the six-month period ending September 30, 2010, DCC's utilization rate was 72.7%, compared with 73.7% for the same period in 2009–10 and 74.6% for the 12-month period ending March 31, 2010. In the current fiscal year to date, the utilization rate is slightly lower than the rate from the same time last year, but it remains above target.

Utilization Rate (Percentage of Employee Time Charged to Client Work)

| Results, 2009–10 End of Second Quarter | Results, 2009–10 Year-End | Target | Results, 2010–11 End of Second Quarter |
|---|--------------------------------------|---------------|---|
| 73.7% | 74.6% | 70.0% | 72.7% |

Direct Personnel Expense Multiplier

The direct personnel expense multiplier (DPEM) is the factor by which a firm multiplies direct personnel expenses (i.e., direct billable labour) to recover all overhead costs. This factor is a key determinant of billing rates. A lower number indicates a better result. The target for the DPEM is 1.50. DCC's DPEM for the six-month period ending September 30 2010, was 1.41. It was 1.42 for the same six-month period in 2009–10 and 1.45 for the year ending March 31, 2009. A DPEM below the target of 1.50 indicates an increase in efficiency and business volumes. The DPEM will likely remain below the target range for the remainder of fiscal 2010–11.

Direct Personnel Expense Multiplier

| Results, 2009–10 End of Second Quarter | Results, 2009–10 Year-End | Target | Results, 2010–11 End of Second Quarter |
|---|--------------------------------------|---------------|---|
| 1.42 | 1.45 | 1.50 | 1.41 |

Progress on Documents and Records Management System

As the document and records management initiative becomes operational, work on it remains important at the strategic planning level. Currently, as part of the Government of Canada's information management policy, the Librarian and Archivist of Canada classifies DCC's records management system as a paper-based system. When this initiative is completed, the Librarian and Archivist of Canada will classify DCC's system as an electronic system. Moving from a paper-based archiving system to an electronic system is a significant change in DCC's business administration. Currently, information storage is decentralized across the regions. This change will enhance the sharing of documents and files relating to contracts and operational processes in a centrally accessible database.

At the end of 2010–11, the initiative-level work will be completed and the maintenance aspect of the implementation plan will be accounted for in the IT Department's business plan. However, given the impact this initiative will have on the organization, the Annual Report and the Corporate Plan will report on the progress of this initiative as it unfolds over the next two years. The team is using a staged approach to deliver the final product. It will report on this paper-to-electronic evolution in the context of the achievements made during each of the major phases of the project plan.



PLANNING THEME 2: SERVICE DELIVERY

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

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

STRATEGIC OUTCOMES

Five strategic outcomes define DCC's success under this planning theme.

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

DCC has a matrix management system to manage its operations, one that allows the client to benefit from all of DCC's service offerings from any location. Service line management processes and systems are designed to help maintain, if not enhance, a highly consistent trend in service delivery satisfaction.

5. *A strong partnership with DND/CF.*

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

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

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

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

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

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

DCC has always been well positioned in this respect, but the combination of high demand and low supply in the construction industry over the past several years led DCC to review industry procurement and contract management needs, starting in 2008–09. DCC continues to act on industry feedback to ensure its policies and practices meet industry needs.

CORPORATE INITIATIVES: SERVICE DELIVERY

Tracking Past Performance: Service Delivery Initiatives 2010–2011

The initiative was first described in the 2009–10 Corporate Plan and continued into the 2010–11 planning period.

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

Building a strong rapport with contractors and consultants is important to DCC. The Corporation wants to ensure that it remains a valued partner with them so that the industry regularly seeks work on defence contracts. At the same time, as a public sector organization, DCC complies with Government of Canada rules and regulations, and protects and serves the interests of DND. The objective of this initiative is to review DCC's client-related processes and practices, with a view to increasing efficiencies where possible, while protecting the Crown's interests. Last year, DCC created an implementation plan to address the suggestions made through an industry survey carried out in 2009–10. In the first six months of this fiscal year, all business units were asked to review the industry feedback and look for ways to optimize their processes. These findings were communicated at the fall 2010 operations meeting, and actions resulting from this discussion will be implemented throughout the second half of 2010–11.

Service Delivery Initiatives: 2011–2012

DCC has identified the following three corporate initiatives for the 2011–12 planning cycle.

2011–12 Corporate Plan Initiative: DCC will continue an optimization review of its processes and practices for its contract service and construction service lines.

Based on industry feedback, and the results of its own internal review, DCC will continue the work to optimize its processes and procedures, initially focusing on the construction service and contract service lines. This work is expected to unfold over several years and is more than a fine-tuning or quality control of DCC's existing systems. Instead, it is a global review, with an eye to refining, consolidating and streamlining the entire structure and all systems. Once the work for contract and construction services is finished, work on the remaining service lines will follow.

2011–12 Corporate Plan Initiative: DCC will seek opportunities to assist in the improvement of DND project and program delivery.

The volume and complexity of defence infrastructure projects have increased over the past five years. DCC enjoys a strong partnership with DND and retains a strong corporate memory for the Assistant Deputy Minister Infrastructure and Environment. As DCC works with its client partner in the coming years, the Corporation is committed to collaborating on improvements to project and program management delivery, supporting the establishment of joint project offices, and reviewing project delivery procedures.

2011–12 Corporate Plan Initiative: DCC will collaborate with DND on the identification of joint performance measures.

Historically, DCC has maintained a consistently high rating for its service delivery. However, continuous improvement is always top of mind for the Corporation. In the coming year, DCC, together with its client partner, will develop indicators for the DCC-DND work experience on specific projects. Already, both parties have been working on developing such indicators by reviewing the path of recent projects and noting key aspects of success. This set of indicators and measures can be used as a tool for managing expectations in future project delivery.

Service Delivery Key Performance Indicators: 2010–2011 Results to Date

DCC has several indicators for tracking its performance under the theme of Service Delivery. On an occasional or as-required basis, DCC undertakes industry surveys and similar types of consultations with the contractors and consultants who bid on defence construction contracts. When this type of outreach is completed, DCC will discuss the feedback in its Annual Report.

The same is true of feedback received from its Annual Public Meeting, held most recently in May 2010. The summary of proceedings from this event is posted on DCC's website. For many years, DCC has tracked one client service-related KPI: its service delivery satisfaction rating. This indicator remains the most relevant to the planning theme of Service Delivery. In the coming year, there is an initiative to develop joint performance indicators for the DCC-DND work experience on specific projects. Once these indicators are established, they will become an additional measure of DCC's service delivery capability.

Service Delivery Rating

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

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

Each year, DCC awards and manages nearly 2,000 contracts for DND. In 2009–10, DCC awarded 1,730 contracts and completed 1,927 contracts. There are multiple contracts within each service level arrangement (SLA). For each SLA, there is a DND representative, and DCC surveys these representatives to determine their level of satisfaction with the Corporation's service delivery. In 2009–10, DCC conducted client satisfaction surveys with 233 representatives. Scores were weighted according to the value of each service level arrangement (SLA). For example, a score based on an SLA valued at \$1 million was weighted more heavily than a score based on an SLA valued at \$10,000. During 2009–10, 97% of clients indicated DCC met or exceeded client expectations, with 67% rating DCC's service at four or more and 30% offering scores of between three and four.

Joint Performance Measures with DND

As outlined in the preceding section on service delivery initiatives for 2011–12, DCC will establish indicators and measures for the DCC-DND work experience. DCC Operations, together with the client partner, will finalize these indicators during 2011–12 and analyze the preliminary data. This set of indicators and measures can be used as a tool for managing expectations in future project delivery.



PLANNING THEME 3: PEOPLE

Since the Corporation is a knowledge-based professional services organization, its primary value is vested in its people. The simple expression of the strategic objective of this theme is **to recruit and support a skilled, professional and motivated workforce**. The People planning theme aims to achieve three strategic outcomes.

STRATEGIC OUTCOMES

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

9. DCC provides a healthy and productive work environment that supports:

- collaboration and leadership;
- fair compensation, benefits and pay equity;
- professional development opportunities; and
- workforce and succession planning.

The Board of Directors maintains its focus on strategic human resources issues and DCC continuously tries to enhance its human resources policies and practices. Every Corporate Plan in recent years has had a major initiative focused on people, ranging from classification and compensation to training and development. Growth in the number and diversity of DCC's people remains a challenge. In the first two quarters of 2010–11, DCC's staff grew by approximately 3.8% to 880 employees. DCC maintains a sustainable demographic profile and has a succession plan in place to manage impending retirements. Although DCC had a favourable retention rate at the end of the second quarter of 2010–11 of 97.6%, recruitment and retention remain ongoing priorities for the Corporation.

10. DCC encourages and fosters innovation.

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

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

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

CORPORATE INITIATIVES: PEOPLE

Tracking Past Performance: People Initiatives 2010–2011

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

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

Three recommendations from the recruitment and retention strategy refer to an employee engagement survey, the employer brand initiative and the development of a competency-based performance management system.

Last year, DCC administered an employee engagement survey. Senior management analyzed the results and developed an action plan to address employee needs. One of the survey findings indicated that employees want more information about DCC's strategic direction. Consequently, in the first half of 2010–11, senior management initiated a major communications effort across the company, where all managers discussed DCC's vision and strategic direction with their employees. Not only did this give the employees the information they requested; it was also an exercise to help managers act as corporate communicators.

The implementation of the employer brand project continues. The second quarter saw the launch of new career fair materials in two regions that met immediate recruitment needs. In the last half of the year, the rollout of external recruitment materials continues in the other regions, along with some internal awareness products aimed at retaining employees.

In the first half of 2010–11, senior management reviewed the requirements for developing a competency-based performance management program. The Human Resources Department engaged a consultant to support the development of values-based competencies that drive the organization and contribute to an effective performance-based management system linked to recruitment, performance, training and development, and succession planning. The competency framework is due to be completed in March 2011.

2010–11: DCC will promote innovation through the Ideas at Work initiative.

A year ago, DCC revisited its Ideas at Work initiative to encourage employees to collaborate and to share new ideas throughout the Corporation. In the first half of this year, a working committee was established, and it completed both an implementation plan and a communications plan. By September, three ideas were being addressed at the national level and these employees were being recognized for their contribution. These ideas relate to cost efficiency or to improvements in client relations. Managers, who have already been fully engaged in the initiative, will promote the concepts behind Ideas at Work in the last half of the year.

People Initiatives: 2011–2012

DCC has identified the following three corporate initiatives for the 2011–12 planning cycle.

2011–12 Corporate Plan Initiative: DCC will continue to promote a culture of innovation through the Ideas at Work initiative.

Work on this initiative continues into the second half of this year and beyond. The key to the success of this campaign is to maintain momentum in order to influence the workplace culture. In the first half of this year, DCC reached several milestones that added to the momentum. Employees who participate by submitting ideas receive recognition through a system of monthly, national and regional awards. Additionally, participants are featured in the DCC weekly internal newsletter. Future elements of this initiative include working with managers to help them improve the means for sharing ideas across the company, developing regional innovation forums and continuing to recognize innovation champions at DCC.

2011–12 Corporate Plan Initiative: DCC will act on the results of the employee engagement survey.

Overall, the results of the engagement survey were quite positive. However, work is ongoing to ensure that DCC remains a comparable employer to other organizations in its industry. Actions in the second half of the year may include employee consultation, region-specific actions and ongoing communication with staffers. In future years, there will be follow-up and measurement activities to ensure that DCC addressed the concerns expressed in the survey feedback and aligned its response with the continuous improvement plan.

2011–12 Corporate Plan Initiative: DCC will continue the development of a competency-based performance management program, including leadership development.

People are at the core of DCC's ability to provide service. At the fall 2009 planning session, an initiative was identified to further support DCC's commitment to fostering a competent and motivated workforce. This initiative will see the creation of a competency-based performance management system that also includes leadership development. It will be a cohesive system that will help DCC to select people, to encourage high performance, to identify critical positions and to provide training. Its performance management component will link accountabilities with results. It will assess employees' work and consider that work within a comprehensive structure that takes into account the full range of their capabilities in relation to business requirements. Employees will help set performance objectives and performance appraisals, participate in career development, and enjoy a more enriched role. Based on the competency framework due to be completed in 2010–11, DCC expects to implement this program over the next two fiscal years.

People Key Performance Indicators: 2010–2011 Results to Date

DCC has several indicators for tracking its performance under the theme of People. As required, when DCC undertakes an employee engagement survey, it will discuss the results in its Annual Report. Progress made through the Ideas at Work program will also be reported in the Annual Report. The people-related KPIs that DCC has tracked over many years are the employee retention rate and the professional-development-to-salary cost ratio. In this section, DCC also reports on its employment equity rating and discusses its work in the area of promoting a diverse workplace.

Results from Ideas at Work

At the end of the first quarter of 2010–11, DCC is considering three employee Ideas at Work submissions at the national level: having DCC collaborate with DND to reduce long-distance phone rates, finding software for costing consultant fees and developing a client partnering program for service lines in the Quebec region. Additionally, there is a lot of activity at the regional level; employees made 18 submissions in the first half of the year.

Employee Retention Rate

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

For fiscal 2009–10, DCC's retention rate was 92.4%, slightly higher than its annual target of 90%. For the six-month period ending September 30, 2010, DCC's retention rate stood at 97.6%, which was higher than the 95.7% rate it reported for the same six-month period in 2009–10. Final full-year results will be presented in the Annual Report.

Employee Retention Rate

| Results, 2009–10 End of Second Quarter | Results, 2009–10 Year-End | Target | Results, 2010–11 End of Second Quarter |
|---|------------------------------|--------|---|
| 95.7% | 92.4% | 90.0% | 97.6% |

Professional-Development-to-Salary Cost Ratio

DCC has set a spending target of 5% of base salary for professional development activities for employees. This spending target includes the costs associated with external training activities (e.g., fees and travel), as well as the cost of the staff training hours spent on professional development activities. This 5% comprises a 1% allocation of base salary costs to the development and delivery of internal training, national service line forums and executive training, and 4% of base salary costs for internal and external training in all other categories. In the last several years, the Corporation has invested considerably in developing a curriculum of internal courses to meet key training and development needs. The general use of these courses is reducing the demand for (and, therefore, the cost of) external training, while increasing the time spent on internal training. That is a positive return on the investment in course development. In 2009–10, the spending on professional development activities as a percentage of base salaries was 4.5%. Year-to-date expenditures for the six-month period ending September 30, 2010, were 4.1%, a 0.9-percentage-point deviation from the target of 5%. The amount fluctuates slightly from quarter to quarter, and from year to year. It is dependent on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions.

Professional-Development-to-Salary Cost Ratio

| Results, 2009–10 End of Second Quarter | Results, 2009–10 Year-End | Target | Results, 2010–11 End of Second Quarter |
|---|------------------------------|--------|---|
| 4.7% | 4.5% | 5.0% | 4.1% |

Employment Equity Rating

DCC has taken steps to improve its performance with respect to the government's employment equity objectives. In Human Resources and Skills Development Canada's *Employment Equity Act 2009 Annual Report* (the most recent available), "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; and "D" indicates poor performance. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers.

Employment Equity Rating

| Category | Results, 2007 | Results, 2008* |
|---------------------------|---------------|----------------|
| Women | B | A |
| Aboriginal people | A | A |
| Persons with disabilities | A | A |
| Visible minorities | A | B |

* Source: *Employment Equity Act 2009 Annual Report* (Ottawa: Human Resources and Skills Development Canada, 2008). This report uses data as at December 31, 2008.

Diversity in the Workplace

Corporately, DCC takes the concept of diversity in the workplace seriously and works to comply with Canada's employment equity guidelines. In everyday life at DCC, people enjoy the benefits of an equitable and inclusive workplace. Where possible, employees, together with the Human Resources Department, promote and celebrate multiculturalism. Diversity is promoted through activities that focus on education and the sharing of social practices. These activities include a very popular international luncheon that is also part of the Government of Canada Workplace Charitable Campaign, and a well-received multicultural quiz that is featured in DCC's weekly internal newsletter.



PLANNING THEME 4: STRATEGIC MANAGEMENT AND LEADERSHIP

Managing the diversity and growth of DCC's business is a key focus of DCC's senior management for the current planning period and beyond. DND is focusing on the Canada First Defence Strategy, which dramatically increases DND's need for resources in several areas, such as real property management and project management. DCC has increasingly stepped into the breach. The number of DCC employees has doubled in the last five years and now stands at almost 900. At the same time, DCC remains flexible in its ability to meet the needs of its client as circumstances vary, as it has done for 60 years.

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

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

STRATEGIC OUTCOMES

Four strategic outcomes are associated with this planning theme.

12. DCC maintains an effective risk management framework that is integrated into its strategic planning process.

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

13. DCC is able to efficiently and effectively manage business opportunities and changes in business activity.

To maintain its strong relationship with the construction industry, and to ensure that it continues to have access to the contractors and consultants necessary to satisfy DND's needs, DCC will ensure that its processes remain effective for industry, while complying with applicable Government of Canada regulations. Furthermore, DCC will continue to work closely with the various levels and sectors within the industry to ensure alignment with new trends and standards of practice.

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

14. DCC maintains an effective corporate planning and business monitoring framework and practice.

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

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

15. DCC continues to show ethical leadership in the management of its business affairs.

The Corporation continues to operate in a fully transparent and responsible manner, and ensures appropriate oversight of its daily operations. A Code of Business Conduct and a system of internal and external audits support DCC's accountability to Canadians.

CORPORATE INITIATIVES: STRATEGIC MANAGEMENT AND LEADERSHIP

Tracking Past Performance: Strategic Management and Leadership Initiatives 2010–2011

This initiative was first described in the 2009–10 Corporate Plan and continued for the 2010–11 planning period.

2010–11 Corporate Plan Initiative: DCC will review its management structure and management practices.

DCC's volume of work and revenues have doubled over the past five years. An initiative was identified to ensure that the day-to-day management structure suited this much larger Corporation. Together with the Board of Directors, senior management reviewed accountabilities, organization and workflow. Several changes came from this review. The National Operations Group (NOG) evolved into the National Capital Region (NCR) and adopted a full regional business structure. The NCR provides support for DND national program requirements based in Ottawa. Additionally, NCR provides technical support associated with these programs to DCC service lines across the country. DCC enhanced the service delivery matrix, based on developments that arose during the course of business with the client over the past several years. These enhancements include administrative changes, leadership training and outlining of accountabilities for client maintenance. At the executive level, the role of Senior Vice-President was created to oversee the much larger Operations Division. These adjustments all support appropriate management of growth and DCC's ability to fulfil its mandate to the client.

Strategic Management and Leadership Initiatives: 2011–2012

2011–12 Corporate Plan Initiative: DCC will develop a Procurement Code of Conduct for industry.

In the coming year, DCC will develop a Procurement Code of Conduct. This is in addition to DCC's existing Code of Business Conduct for its employees. The new Code of Procurement Conduct will focus on the contractors and consultants who bid on contracts that DCC is awarding on behalf of its client partner. DCC operates in an accountable, ethical and transparent manner, in all levels of its business. The intent of this Procurement Code of Conduct is to enhance public confidence in the Corporation's procurement activities.

2011–12 Corporate Plan Initiative: DCC will review its enterprise risk management model.

Given the significant growth and changes in business over the past few years, DCC will review its enterprise risk management model to determine whether any changes or modifications are necessary.

Strategic Management and Leadership Key Performance Indicators: 2010–2011 Results to Date

In this theme, leadership is separated from the governance theme and expanded to include the idea of strategic management. One way to meet the objective of this theme—to provide strong, ethical and effective strategic management and leadership—is to report holistically on overall business results and the Corporation’s success in meeting its management reporting requirements.

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

Another indicator that demonstrates strategic management and leadership is DCC’s enforcement of and adherence to its own Code of Business Conduct. The separate Code of Procurement Conduct, which will be developed this year, will complement this code. When DCC has implemented the Code of Procurement Conduct, it will report on the results under the theme of Strategic Management and Leadership. In the first half of 2010–11, DCC met the requirements of each of this theme’s established indicators with no deficiencies.



PLANNING THEME 5: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

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

STRATEGIC OUTCOMES

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

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

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

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

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

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

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

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

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

Tracking Past Performance: Corporate Governance and Stakeholder Relationships Initiatives 2010–2011

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

2010–11: DCC will continue to implement International Financial Reporting Standards.

The Corporation's first financial statements that comply with International Financial Reporting Standards (IFRS) will be those for the year ending March 31, 2012. However, one year of comparative IFRS financial information is to be provided for the year ending March 31, 2011. DCC effectively moved to IFRS on April 1, 2010, and completed its preliminary IFRS-compliant statement in the first half of 2010–11. The Office of the Auditor General (OAG) will be providing its review of this statement in the second half of this year. DCC is on track to becoming fully IFRS compliant by April 1, 2011.

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

Developing security awareness among DCC employees is an ongoing process and efforts in that area continued in the first half of 2010–11. Activities in this area include a monthly campaign of security reminders to employees, security forums and online security training. The Corporation continues to refine its internal security processes and procedures, and continues to improve joint processes with DND. DCC follows a corporate security plan and senior management briefs the Board of Directors regularly on its progress.

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

DCC examined the practices of 40 Crown corporations in two key areas: the delegation of authority from the Board of Directors to the President and CEO; and the types of corporate policies that boards of directors and their committees review and approve. Of these, the practices of Crown corporations that had won reporting awards from either the OAG or the Chartered Accountants of Canada / Canadian Institute of Chartered Accountants were considered to be good benchmarks, so they were given more in-depth consideration.

DCC took two actions as a result of this research. First, in March 2010, it reconstituted two Board Committees (the Corporate Governance Committee and the Nominating Committee) into the Governance and Human Resources Committee. The Charter of this newly constituted committee ensures Board oversight in the areas of DCC's corporate governance structure and practices, the Corporation's key human resources policies, and the Board's role in the nomination process for Governor in Council appointments.

Second, DCC decided that the delegation of authority between DCC's Board of Directors and the President and CEO should be codified. To that end, in the second quarter of 2010–11, the Governance and Human Resources Committee reviewed and recommended for approval, a formal delegation of authority process, which the Board of Directors subsequently approved in the third quarter of 2010–11.

Corporate Governance and Stakeholder Relationships Initiatives: 2011–2012

DCC has identified the following three corporate initiatives for the 2011–12 planning cycle to support government policies and practices.

2011–12 Corporate Plan Initiative: DCC will continue to focus on industrial security by refining its processes in compliance with the TBS Policy on Government Security (PGS).

In the coming year, DCC will complete all actions necessary to become subject to the PGS. This includes having the Chief Executive Officer recognized as a Deputy Head under the authority of the *Canadian Security Intelligence Service Act*. This recognition grants the Deputy Head of an organization the power to grant or deny a security clearance in question.

2011–12 Corporate Plan Initiative: DCC will demonstrate fiscal restraint as per Government of Canada requirements, TBS and Budget 2010.

In its planning for 2011–12, DCC is abiding by the direction of TBS and will seek opportunities for cost restraint. DCC operates on a fee-for-service basis and its spending is largely determined by the demand for its services from its client partner. Although the Corporation may incur additional overhead expenses when they support revenue-generating activities, DCC plans to limit its discretionary expenses for the 2011–12 and 2012–13 fiscal years to 2010–11 levels wherever possible.

2011–12 Corporate Plan Initiative: DCC's Board of Directors will finalize the Corporation's By-Law Consolidation and Revision Project.

Last year, DCC reviewed its governance practices, in relation to the delegation of authorities by the Board to the President and the CEO, and in the area of policy approvals by the Board of Directors. Following this review and research, DCC decided it would be prudent to review, consolidate and update the By-Laws of the Board of Directors. Given the evolution of the scope of the Corporation's business over the past five years, it is an appropriate time to revisit the current governance documents.

Corporate Governance and Stakeholder Relationships Key Performance Indicators: 2010–2011 Results to Date

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

Safety Incidents

DCC tracks, reports on and follows up on safety incidents and accidents involving its own employees that result in lost work time under DCC's Corporate Safety Program. An accident is defined as an unexpected and undesirable event that results in an injury or property damage to Crown assets during work-related activities. An incident is defined as a usually minor event or condition that is subordinate to another and includes near misses during work-related activities.

The target is no lost-time safety incidents. For the period ending September 30, 2010, there were six DCC employee safety incidents that resulted in 225 hours of lost time. In 2009–10, two injuries accounted for seven days (52.5 hours) of lost time. One accident that occurred in 2008–09—primarily, one major incident—accounted for 277 days (2,077.5 hours) of lost time in 2009–10.

| Safety Accidents and Incidents Involving DCC Employees Resulting in Lost Work Time | | |
|---|---------------|---|
| Results, 2009–10 Year-End | Target | Results, 2010–11 End of Second Quarter |
| 2 (2,130 hours lost) | 0 | 6 (225 hours lost) |

Environmental Incidents

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

For the period ending September 30, 2010, no worksite environmental incidents resulting from DCC management actions were reported. This result is in line with DCC's target of zero incidents and maintains the record of zero incidents over the past several years.

Government Performance Requirements and Audit Results

DCC tracks its performance using some key Government of Canada reports. For example, the OAG conducts an external audit annually and a Special Examination once every 10 years, at a minimum. DCC's goal is to have no significant deficiencies in its audits. In the first half of this fiscal year, no external audits were completed. An internal audit of information management was completed in April 2010 that reviewed the management control framework in place for managing corporate information throughout its lifecycle. The audit confirmed that DCC has effective controls in place that support the current paper-based records management system. DCC must also complete TBS submissions, as required by the *Financial Administration Act*. In the first half of this fiscal year, DCC submitted its Annual Report on time.



Marcel Mykytyshyn, Program Support Officer, National Capital Region

FINANCIAL MANAGEMENT POLICY

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

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

COST CONTAINMENT

In the 2010 Budget, the Government of Canada announced measures to reduce the rate of growth of its operating expenditures and improve efficiency while lowering the rate of growth in the size and operations of the public service. As part of this effort, the government has asked departments and Crown corporations funded by parliamentary appropriations to freeze their operating budgets for 2011–12 and 2012–13 at 2010–11 levels. The government also announced that it expects federal organizations not funded by parliamentary appropriations to follow suit and freeze their operating expenses.

As DCC is a revenue-generating Crown corporation, its spending is largely determined by DND's demand for its services. As such, it cannot simply implement a corporate-wide spending freeze on operating expenses incurred to generate revenues. Although most of DCC's operating costs relate to revenue-generating activities, opportunities to constrain costs still exist and, in keeping with the intent of the 2010 Budget, DCC plans to manage its discretionary spending carefully with the goal of limiting discretionary expenses for 2011-12 and 2012-13 at 2010-11 levels. Operating budgets will be formulated and monitored with this objective in mind. The Corporation will take the following steps to limit discretionary spending in the following areas.

i) Salary increases and benefits

The Corporation's strength lies in the expertise and knowledge of its people. As such, it is of the utmost importance that the Corporation maintain an ongoing capacity to recruit and retain qualified individuals who can deliver the services its client requires. It can only do so by continuing to offer salaries and benefits that are competitive with those offered in the public and private sectors.

For the 2011-12 and 2012-13 fiscal years, the Corporation will continue to monitor trends in the private and public sectors to determine appropriate salary increases. DCC will also maintain the level of benefits and attempt to minimize increases in benefit rates wherever possible. Salary increases will be recovered through a corresponding increase in DCC billing rates.

ii) Staffing levels

Staffing levels for overhead positions that do not directly support revenue-generating activities will be limited to 2010-11 levels in 2011-12 and 2012-13. These levels may, in fact, decrease from 2010-11 levels, should business activity and demand for services decrease during this period.

iii) Business travel

Discretionary business travel will be limited to 2010-11 levels for 2011-12 and 2012-13. In addition, DCC will continue to investigate ongoing opportunities to reduce discretionary business travel throughout this period.

iv) Conferences

Attendance at conferences in 2011-12 and 2012-13 will continue to be limited to those that are directly required for training and development opportunities linked to supporting revenue-generating activities.

v) Hospitality

Spending on hospitality for 2011-12 and 2012-13 will be limited to 2010-11 levels.

vi) Professional and consulting fees

Discretionary and non-essential spending on professional and consulting fees will be limited to 2010-11 levels for 2011-12 and 2012-13.

vii) Other discretionary spending

DCC will carefully review and monitor its spending on all other areas where a certain degree of discretion and restraint can be exercised, with the goal of limiting spending in these areas in 2011-12 and 2012-13 to 2010-11 levels, where feasible. This spending includes but is not limited to spending on such goods and services as office supplies and maintenance, data and telecommunications, recruiting, staff relocation, training and development, and communications.

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

| For the years ending March 31, 2010 to March 31, 2016 (in \$ thousands) | | | | | | | |
|---|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Actual March 31/10 | Estimated March 31/11 | Planned March 31/12 | Planned March 31/13 | Planned March 31/14 | Planned March 31/15 | Planned March 31/16 |
| Revenue | | | | | | | |
| Services | \$ 89,654 | \$ 93,616 | \$ 102,085 | \$ 105,148 | \$ 107,251 | \$ 109,396 | \$ 111,584 |
| Interest | 73 | 136 | 200 | 210 | 221 | 232 | 244 |
| | 89,727 | 93,752 | 102,285 | 105,358 | 107,472 | 109,628 | 111,828 |
| Expenses | | | | | | | |
| Salaries and employee benefits | 74,552 | 80,664 | 89,285 | 93,749 | 95,624 | 97,536 | 99,487 |
| Operating and administrative expenses | 7,925 | 9,481 | 9,982 | 10,481 | 10,638 | 10,798 | 10,960 |
| Amortization of property, plant and equipment | 939 | 1,004 | 1,200 | 1,968 | 1,973 | 2,109 | 2,142 |
| | 83,416 | 91,149 | 100,467 | 106,198 | 108,235 | 110,443 | 112,589 |
| Net income (loss) and comprehensive income (loss) | \$ 6,311 | \$ 2,603 | \$ 1,818 | \$ (840) | \$ (763) | \$ (815) | \$ (761) |
| Retained earnings at beginning of year | 6,858 | 13,169 | 15,772 | 17,590 | 16,750 | 15,987 | 15,172 |
| Retained earnings at end of year | \$ 13,169 | \$ 15,772 | \$ 17,590 | \$ 16,750 | \$ 15,987 | \$ 15,172 | \$ 14,411 |

The Corporation is forecasting services revenue of approximately \$93.6 million for the current year ending March 31, 2011, which represents an increase of approximately 4% from the previous year. About 1.5 percentage points of this increase are due to an increase in billing rates and approximately 2.5 percentage points to an increase in work volume due to higher client demand for DCC services.

For the year ending March 31, 2012, services revenue is expected to increase by approximately 9% to \$102.1 million. The Corporation expects to increase billing rates in fiscal 2011-12 by approximately 1.75%. The remainder of the projected services revenue increase is attributable to an anticipated increase in business volume.

For future plan years, revenue is projected to increase approximately 3% in fiscal 2012-13 which represents a 2% increase in billing rates due to inflation and a 1% increase in volume. For fiscal years 2013-14, 2014-15 and 2015-16, revenue is projected to increase approximately 2% each year which represents an increase in billing rates due to inflation. Business volume is expected to increase in fiscal 2012-13, then level off between fiscal 2013-14 and 2015-16. These forecasts are all based on projections made by DND.

Interest revenue, which is generated from cash reserves, is forecasted to total approximately \$136,000 for the current year ending March 31, 2011, which is an increase of approximately 86% over the previous year. The increase is primarily the result of higher interest rates and higher cash balances throughout the year.

For the year ending March 31, 2012, interest income is expected to be \$200,000, on the assumption that interest rates and average cash balances throughout the year will both increase over the prior year. For future years, interest income has been projected to fluctuate based on anticipated cash levels, with no projected change in interest rates assumed. Temporary cash surpluses are invested in accordance with the Corporation's investment policies, as approved by the Board of Directors.

Salaries and employee benefits expenses are forecasted to total approximately \$80.7 million for the current year ending March 31, 2011, representing an increase of approximately 8% over the previous year. This increase comprises approximately 3.5 percentage points for increases to wages and benefits and employee mix, and approximately 4.5 percentage points for staff increases, as noted under staff strength (p. 51), to support the increase in revenue-generating activities.

For the year ending March 31, 2012, salaries and employee benefits expenses are projected to total approximately \$89.3 million, representing an increase of approximately 11% over the current year forecast. This increase comprises approximately 4.5 percentage points for increases in salaries and benefits and approximately 6.5 percentage points for staff increases related to the anticipated increase in services revenue. The increase for salaries and benefits comprises approximately 1.75 percentage points for the economic increase and 2.75 percentage points for a merit increase that is based on DCC's performance management system. For future fiscal years, the Corporation's financial forecasts assume an increase in salaries and benefits of approximately 5% in 2013, and increases of approximately 2% in 2014, 2015 and 2016. Staff strength will increase in 2013 by 6%, then remain constant in 2014, 2015 and 2016.

Operating and administrative expenses are forecasted to total \$9.5 million for the current year ending March 31, 2011, representing an increase of approximately 19.7% over the previous year. Inflationary increases and DCC's growth have affected operating and administrative expenses. Some of the more significant changes include an increase in maintenance expenses of \$412,000 or 209%, due to the Corporation signing a licensing agreement for office and productivity tools; an increase in travel expenses of \$183,000 or 32%, due to an increase in business requirements; an increase in employee development costs of \$489,000 or 40%, due to the increase in staffing levels of the last several years; an increase in office expenses of \$68,000 or 14%, due to an increased number of employees; and an increase in professional fees of \$161,000 or 14%, due to increased activity in the Human Resources and Information Technology (IT) departments to meet operational requirements.

For the year ending March 31, 2012, operating and administrative expenses are projected to be approximately \$10.0 million, representing an increase of approximately 5% from the current year forecast. Some of this increase is due to inflationary adjustments to costs and the projected growth in business activity. On an individual item basis, employee training and development costs are projected to increase by 11%, due to increases in staff strength. Maintenance is expected to increase by 22%, due to increases in maintenance costs for office and productivity tools, the realignment of the enterprise resource planning system, and the addition of a document management system. Professional fees are expected to increase by 6% due to increased requirements for Human Resources and IT services to meet the increased demands to support revenue-generating operations.

For future fiscal years, operating and administrative expenses are projected to increase by approximately 5% for 2013 in anticipation of higher business volumes and revenues, and to increase by approximately 1.5% in 2014, 2015 and 2016 due to inflation.

Amortization of property, plant and equipment is forecasted to total \$1.0 million in the current year ending March 31, 2011, representing an increase of approximately 7% from the previous year. This increase is related to the higher level of capital expenditures forecasted for the current year over the previous year, as noted below.

For the year ending March 31, 2012, amortization of property, plant and equipment is expected to total approximately \$1.2 million, representing an increase of approximately 20% from the current year forecast. This increase is primarily driven by the anticipated 90% increase in capital expenditures forecasted for the year ending March 31, 2011, as highlighted in the Capital Budgets section. Future annual projections for capital expenditures, also highlighted under Capital Budgets, will also affect the fluctuation in amortization over the remaining years of the plan.

A net income and comprehensive income of \$2.6 million is forecasted for the current year ending March 31, 2011, compared with a net income and comprehensive income of \$6.3 million in the previous year. The decrease in net income is mainly due to the Corporation limiting its billing rate increase in the current fiscal year to manage profitability in accordance with the Corporation's financial management policy, given that the Corporation's cash reserves are deemed to be adequate.

For the year ending March 31, 2012, a net income and comprehensive income of \$1.8 million is projected, which represents a net margin of less than 2% of revenues and is essentially a break-even result. For future years, the Corporation is projecting a minor loss in each fiscal year from 2012-13 to 2015-16. These losses will not affect cash reserves.

BALANCE SHEET

For the years ending March 31, 2010 to March 31, 2016 (in \$ thousands)

| | Actual March 31/10 | Estimated March 31/11 | Planned March 31/12 | Planned March 31/13 | Planned March 31/14 | Planned March 31/15 | Planned March 31/16 |
|--|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Assets | | | | | | | |
| Current: | | | | | | | |
| Cash | \$ 17,493 | \$ 22,964 | \$ 21,022 | \$ 22,691 | \$ 24,158 | \$ 25,192 | \$ 25,638 |
| Due from related parties | 16,170 | 16,158 | 22,025 | 22,686 | 23,140 | 23,603 | 24,075 |
| Prepays, advances and accounts receivable | 814 | 850 | 927 | 955 | 974 | 993 | 1,013 |
| | 34,477 | 39,972 | 43,974 | 46,332 | 48,272 | 49,788 | 50,726 |
| Property, plant and equipment | 1,935 | 2,522 | 3,341 | 3,032 | 3,059 | 3,450 | 3,808 |
| | \$ 36,412 | \$ 42,494 | \$ 47,315 | \$ 49,364 | \$ 51,331 | \$ 53,238 | \$ 54,534 |
| Liabilities | | | | | | | |
| Current: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 7,652 | \$ 7,883 | \$ 8,119 | \$ 8,363 | \$ 8,614 | \$ 8,873 | \$ 8,607 |
| Due to related parties | 259 | 695 | 650 | 550 | 400 | 250 | 125 |
| Current portion - provision for employee future benefits | 235 | 450 | 550 | 650 | 800 | 850 | 1,050 |
| | 8,146 | 9,028 | 9,319 | 9,563 | 9,814 | 9,973 | 9,782 |
| Provision for employee future benefits | 15,097 | 17,694 | 20,406 | 23,051 | 25,530 | 28,093 | 30,341 |
| | \$ 23,243 | \$ 26,722 | \$ 29,725 | \$ 32,614 | \$ 35,344 | \$ 38,066 | \$ 40,123 |
| Shareholders' equity | | | | | | | |
| Share capital: | | | | | | | |
| Authorized—1,000 common shares of no par value | | | | | | | |
| Issued—32 common shares | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Retained earnings | 13,169 | 15,772 | 17,590 | 16,750 | 15,987 | 15,172 | 14,411 |
| | \$ 13,169 | \$ 15,772 | \$ 17,590 | \$ 16,750 | \$ 15,987 | \$ 15,172 | \$ 14,411 |
| | \$ 36,412 | \$ 42,494 | \$ 47,315 | \$ 49,364 | \$ 51,331 | \$ 53,238 | \$ 54,534 |

LIQUIDITY AND CAPITAL RESOURCES

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

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

The value of property, plant and equipment for the current year ending March 31, 2011, is expected to increase from the previous year by 30%. For the year ending March 31, 2012, the value of property, plant and equipment is expected to increase a further 33%. These fluctuations, and those for the remaining plan years, are directly tied to the projected levels of capital spending, as highlighted in the Capital Budgets section, and to the amortization amount from year to year, based on the Corporation's amortization policies, as described in its Annual Report.

Accounts payable and accrued liabilities for the current year ending March 31, 2011, are expected to increase by approximately 3% from the previous year, and to increase by 3% in the year ending March 31, 2012. These fluctuations, and those of the subsequent plan years, are for the most part tied to changes in the level of operating expenditures from year to year and the anticipated timing of payments to creditors.

The provision for employee future benefits represents the Corporation's liability for the estimated costs of severance for its employees, as well as health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and actuarial assumptions used. The provision for employee future benefits, including the current portion, is expected to total \$18.1 million at March 31, 2011, representing an increase of approximately 18% over the previous year. For the year ending March 31, 2012, the provision is expected to increase by a further 15%. For the remaining plan years, the amount is expected to increase year over year by rates varying from 8% to 13%. The liability for accrued severance benefits is largely long term. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due.

STATEMENT OF CASH FLOWS

For the years ending March 31, 2010 to March 31, 2016 (in \$ thousands)

| | Actual March 31/10 | Estimated March 31/11 | Planned March 31/12 | Planned March 31/13 | Planned March 31/14 | Planned March 31/15 | Planned March 31/16 |
|--|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Operating activities | | | | | | | |
| Net income (loss) and comprehensive income (loss) | \$ 6,311 | \$ 2,603 | \$ 1,818 | \$ (840) | \$ (763) | \$ (815) | \$ (761) |
| Items not requiring cash: | | | | | | | |
| Provision for employee future benefits | 3,400 | 3,263 | 3,362 | 3,395 | 3,429 | 3,463 | 3,498 |
| Amortization | 939 | 1,004 | 1,200 | 1,968 | 1,973 | 2,109 | 2,142 |
| Employee severance and other benefits paid | (411) | (450) | (550) | (650) | (800) | (850) | (1,050) |
| Net increase (decrease) in non-cash working capital balances related to operations | 356 | 642 | (5,753) | (546) | (372) | (373) | (883) |
| | 10,595 | 7,062 | 77 | 3,327 | 3,467 | 3,534 | 2,946 |
| Investing activities | | | | | | | |
| Acquisition of property, plant and equipment | (1,064) | (1,591) | (2,019) | (1,658) | (2,000) | (2,500) | (2,500) |
| Increase (decrease) in cash during the year | 9,531 | 5,471 | (1,942) | 1,669 | 1,467 | 1,034 | 446 |
| Cash at the beginning of the year | 7,962 | 17,493 | 22,964 | 21,022 | 22,691 | 24,158 | 25,192 |
| Cash at the end of the year | \$ 17,493 | \$ 22,964 | \$ 21,022 | \$ 22,691 | \$ 24,158 | \$ 25,192 | \$ 25,638 |

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

STAFF STRENGTH

| For the years ending March 31, 2010 to March 31, 2016 | | | | | | | |
|---|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Actual March 31/10 | Estimated March 31/11 | Planned March 31/12 | Planned March 31/13 | Planned March 31/14 | Planned March 31/15 | Planned March 31/16 |
| Employees based on full-time equivalents | 841 | 880 | 948 | 1,004 | 1,004 | 1,004 | 1,004 |

Staff strength, which is presented on a full-time-equivalent basis, is projected to be approximately 880 for the current year ending March 31, 2011. This figure represents an increase of approximately 4.5% from the previous year and is due to the increase in work volume and in the levels of business activity forecasted for the current year.

The full-time-equivalent staff strength for the year ending March 31, 2012, is projected to be approximately 948, representing an increase of approximately 8% over the current year forecast. This increase is due to the projected increase in business activity. No increase in support staff is budgeted. Staff strength is expected to increase for the year ending March 31, 2013, to approximately 1,004, representing an increase of approximately 6%, and to remain there until 2016.

CAPITAL BUDGETS

| For the year ending March 31, 2011 (in \$ thousands) | | | |
|--|--------------------------|------------------------|-----------------|
| | Estimated March 31/11 | Planned March 31/11 | Variance |
| Office furniture and equipment | \$ 272 | \$ 491 | \$ (219) |
| Computer systems hardware | 710 | 895 | (185) |
| Computer software | 348 | 594 | (246) |
| Leasehold improvements | 261 | 312 | (51) |
| | \$ 1,591 | \$ 2,292 | \$ (701) |

The preceding Capital Budgets table compares the latest estimated capital expenditures for the current year ending March 31, 2011, with planned expenditures. The schedule shows an expected under-spending variance of \$701,000, or approximately 31%, due to the lower overall spending forecasted. In particular, lower expenditures are forecasted for software and computer hardware, due to the lower than anticipated costs for IT projects. Spending on office furniture and equipment is projected to be slightly lower than planned, as certain planned expenditures will be delayed until the next fiscal year. Leasehold expenses are projected to be lower than planned, due to decreased costs of fit-ups.

CAPITAL BUDGETS (continued)

| For the years ending March 31, 2010 to March 31, 2016 (in \$ thousands) | | | | | | | |
|---|-----------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Actual March 31/10 | Estimated March 31/11 | Planned March 31/12 | Planned March 31/13 | Planned March 31/14 | Planned March 31/15 | Planned March 31/16 |
| Office furniture and equipment | \$ 56 | \$ 272 | \$ 485 | \$ 392 | \$ 450 | \$ 750 | \$ 750 |
| Computer systems hardware | 679 | 710 | 858 | 678 | 750 | 750 | 750 |
| Computer software | 112 | 348 | 329 | 269 | 500 | 500 | 500 |
| Leasehold improvements | 217 | 261 | 347 | 319 | 300 | 500 | 500 |
| | \$ 1,064 | \$ 1,591 | \$ 2,019 | \$ 1,658 | \$ 2,000 | \$ 2,500 | \$ 2,500 |

Capital expenditures for the current year ending March 31, 2011, are currently forecasted to be \$1.6 million, representing an increase of approximately 50% over the previous year. This increase is primarily the result of increases in spending for computer hardware to replace aging computer infrastructure, software related to the document management system DCC is implementing, and for new office furniture.

For the year ending March 31, 2012, capital expenditures are projected to be \$2.0 million, representing an increase of approximately 27% over the forecast for the current year. This increase is due to anticipated higher spending on computer hardware, and expenses related to the renewal of office space for the corporate Head Office.

For the year ending March 31, 2013, capital expenditures are projected to be \$1.7 million, representing a decrease of approximately 18% over the previous year plan. This decrease is due to anticipated lower spending on computer software and hardware, as the major portion of the infrastructure renewal will be completed in the year ending March 31, 2012.

For fiscal 2013–14 to 2015–16, capital expenditures are forecasted to remain relatively constant, and the need for additional computer hardware and software renewal will remain constant during those years.

OPERATING BUDGET

| For the year ending March 31, 2011 (in \$ thousands) | | | |
|--|------------------------|--------------------------|----------------|
| | Planned March 31/11 | Estimated March 31/11 | Variance |
| Revenue | | | |
| Services | \$ 94,892 | \$ 93,616 | \$ (1,276) |
| Interest | 60 | 136 | 76 |
| | 94,952 | 93,752 | (1,200) |
| Expenses | | | |
| Salaries and employee benefits | 82,153 | 80,664 | (1,489) |
| Operating and administrative expenses | 9,538 | 9,481 | (57) |
| Amortization of property, plant and equipment | 1,560 | 1,004 | (556) |
| | 93,251 | 91,149 | (2,102) |
| Net income and comprehensive income | \$ 1,701 | \$ 2,603 | \$ 902 |

The Operating Budget table compares estimated operating results with planned results for the current year ending March 31, 2011. Services revenue is expected to be approximately 1% below plan. The decrease is related to lower than anticipated business volume. Interest revenue is expected to be approximately 128% above plan, due to higher than anticipated interest rates and a higher average cash balance throughout the year.

Salaries and employee benefits are expected to be approximately 2% below plan. The decrease is due to the lower than anticipated staffing levels needed to handle a lower volume of work, as previously discussed.

Operating and administrative expenses are expected to be approximately 1% below plan. The decrease is due to the lower than anticipated level of business activity, which resulted in decreased spending on various operating and administrative expenses, particularly for travel, rent and office supplies.

Amortization of property, plant and equipment is expected to be approximately 36% below plan. The decrease is due to the fact that DCC made capital asset purchases late in the fiscal year instead of at the beginning of the fiscal year.

The forecasted net income and comprehensive income is expected to be \$2.6 million, versus a planned net income and comprehensive income of \$1.7 million. This significant variance is due primarily to lower operating and administrative expenses and amortization of property, plant and equipment.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises, must prepare and report their financial statements using International Financial Reporting Standards (IFRS). As a result, IFRS will replace Canadian generally accepted accounting principles (CGAAP). The Corporation's first IFRS-compliant financial statements will be those for the year ending March 31, 2012. However, one year of comparative IFRS financial information must be provided for the year ending March 31, 2011. Consequently, DCC will effectively move to IFRS on April 1, 2010, the first day of the comparative period.

DCC is implementing IFRS in three phases.

Phase one: Preliminary scoping and diagnostic impact assessment

To prepare for the conversion to IFRS, the Corporation engaged an independent international accounting firm in April 2008 to analyze the potential impacts of adopting IFRS on the Corporation's financial statements, and to provide general guidance and direction to the Corporation on the adoption of and conversion to IFRS.

In addition, management and the financial staff responsible for maintaining accounting policies, financial records and financial statements have been increasing their competencies and knowledge of IFRS through participation in various seminars and training sessions, as well as through study and research using related materials and reference books.

The Corporation has done a preliminary assessment of the impact of adopting IFRS. The work completed to date indicates that the differences identified are not expected to have a material impact on the Corporation's reported results and financial position but are likely to affect the type and amount of information that DCC will disclose in the notes to the financial statements.

Phase two: Detailed analysis and design

This phase involved the detailed assessment—from accounting, reporting and business perspectives—of the changes the conversion to IFRS will cause. During this phase, DCC analyzed the differences in policy under CGAAP and IFRS that affected the Corporation's financial reporting.

Other than possible additional financial statement disclosures, the conversion to IFRS will have little or no impact in the following areas: cash due from related parties, prepaids, advances and accounts receivable, intangible assets, accounts payable and accrued liabilities, amounts due to related parties, and revenue recognition.

The Corporation has identified only a few areas of difference between IFRS requirements and DCC's existing CGAAP policies. The most significant ones are property, plant and equipment, employee future benefits, and leases.

As part of the detailed analysis, the Corporation is still assessing the impact of conversion, if any, on information technology and data systems, internal control over financial reporting, disclosure controls and procedures, and business activities. However, to date, no significant issues or concerns have been identified.

Phase three: Execution

This phase involves applying the policy choices available under IFRS and made in Phase Two while preparing the financial statements. DCC expects to complete this work by the end of fiscal 2010-11. By the end of fiscal 2010-11, the Corporation will prepare an IFRS compliant balance sheet as at April 1, 2010, being the first day of the comparative period for IFRS reporting, for examination and audit by the Office of the Auditor General, in preparation for the first full year of IFRS reporting in fiscal 2011-12.

Impact of IFRS on the 2011 financial statements

The following table outlines expected differences between IFRS requirements and DCC's existing CGAAP policies, along with their estimated directional impact on financial reporting in 2011-12 (and restated 2010 comparatives). The table highlights the differences management considers the most relevant but should not be viewed as an all-encompassing list at this time.

In situations where the IFRS permitted choices, the Corporation selected those that management believed best reflected the Corporation's circumstances.

Areas of impact

| Standards | Comparison between CGAAP and IFRS | Preliminary findings |
|---|--|---|
| Property Plant and Equipment (IAS 16 and IFRS 1) | <p>CGAAP: The historical cost model is required. Assets are recorded at cost upon initial acquisition and are to be amortized over their useful lives.</p> <p>IFRS: After initial recognition, there is the option to measure property, plant and equipment using the cost model or the revaluation (mark-to-fair-market value) model.</p> | <p>At initial conversion, the Corporation has the choice under IFRS 1 to use historical cost as the basis of market value upon IFRS adoption or revalue assets to market value. Management selected the use of historical cost as the open value under IFRS.</p> <p>After initial conversion, the Corporation will continue to use the cost model. This will have no impact on our financial statements.</p> <p>IAS 16 does however require extensive additional disclosure in the financial statements.</p> |
| Employee Future Benefits (IAS 19 and IFRS 1) | <p>CGAAP: Gains and losses related to defined benefit obligations are recorded using the 10% corridor approach.</p> <p>IFRS: Gains and losses related to the revaluation of defined benefit obligations can be recorded using the 10% corridor approach or be immediately recognized in other comprehensive income.</p> | <p>IFRS 1 permits the Corporation to reset the actuarial gains and losses to zero by recognizing the full amount in the retained earnings of the opening IFRS balance sheet. The Corporation has not made the final determination yet however the Corporation will likely use the exemption and reset actuarial gains and losses to zero.</p> <p>As for the choice of using the corridor method or immediate recognition in IAS 19, the Corporation will likely use the immediate recognition method and recognize actuarial gains and losses in other comprehensive income in the year incurred.</p> |
| Leases (IAS 17) | <p>CGAAP: Quantitative guidelines distinguish between operating leases and capital (financing) leases. Leases are treated as financing if, at the inception of the lease:</p> <ul style="list-style-type: none"> • There is reasonable assurance that the lessee will obtain ownership of the asset at the end of lease term or if a bargain purchase option exists; • The lease term is 75% or more of the economic life of the assets; or • The present value of the minimum lease payments is 90% or more of the fair value of the lease asset at the inception of the lease. <p>IFRS: There are no specific quantitative guidelines to determine whether the risks and rewards of ownership of the leased asset have been transferred. Each asset must be assessed qualitatively to make the determination.</p> | <p>The Corporation has determined that there are instances where assets under operating leases for CGAAP purposes may be treated as financing leases under IFRS. The Corporation is in the process of determining the net impact.</p> <p>The effect if the lease is classified as a finance lease will be to increase assets and liabilities in the opening IFRS balance sheet.</p> |

Quantitative impact of unamortized amounts related to employee future benefits

At the end of 2008-09, the unamortized actuarial gain was \$626,735, and at the end of 2009-10 it was \$852,503. As per IFRS 1, the Corporation has the option of recognizing the unamortized actuarial gain for employee future benefits in the year of transition and to eliminate the unamortized balance. The likely impact to opening retained earnings of the comparative year, 2009-10 fiscal year, in the 2010-11 financial statements is \$626,735 and an impact to other comprehensive income for the comparative year 2009-10 will be \$225,768 to eliminate the unamortized actuarial gain related to employee future benefits.