Canadian Commercial Corporation

2006-2007 to 2010-2011 Corporate Plan

Operating Budget
Capital Budget
Borrowing Plan

Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canada

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EXECUTIVE OVERVIEW

As Canada's international contracting agency, CCC's top priority is helping Canadian exporters secure market access through excellence in the delivery of international contracting solutions in complex government-to-government markets.

The first year of the planning period, 2006, marks the 60th anniversary of the Canadian Commercial Corporation (CCC). Over the course of its sixty year history, CCC has taken on various international contracting responsibilities ranging from its initial lead role in the delivery of Canada's post-World War II development and reconstruction contracts in Europe, to its ongoing custody of the government to government defence procurement mechanism known as the Defence Production Sharing Arrangements (DPSA) between Canada and the United States (US), which has been in place for five decades.

CCC's operations will continue to draw on its historic experience in these areas and are aligned to deliver its products and services through two distinct business branches: Aerospace, Defence and Security, and International Development.

CCC operates within the International Trade portfolio, along with Export Development Canada (EDC), and works closely with ITCan in pursuit of Canada's trade policy objectives.

As Canada's international contracting agency, CCC's top priority is helping Canadian exporters secure market access through excellence in the delivery of international contracting solutions in complex government-to-government markets.

Although recent economic forecasts have suggested that the growth rates of the Canadian and global economies are expected to slow in 2006[i], increased emphasis and spending in defence and development markets are likely to continue to stimulate demand for government-to-government contracts and international end-use procurement throughout the planning period.

The 2006-2007 to 2010-2011 Corporate Plan (CP) draws heavily on strategic direction received from CCC's Board of Directors in addition to internal consultations with management and staff. The CP also reflects the Government of Canada's renewed governance framework for Canada's Crown corporations.

At the business branch level, CCC's Aerospace, Defence, and Security operations will focus on increasing client value, proactive engagement with key agencies within the US Department of Defense (DoD), leveraging relationships in the non-US defence market, and increasing cost-effectiveness. Within the International Development branch, the focus will be placed on reconceptualizing the business unit, repositioning existing business, managing existing commitments, and identifying new capacity requirements.

CCC has also identified the following four enabling strategies designed to achieve the corporation's business objectives over the course of the planning period: assuring exemplary corporate governance, fostering highly motivated and skilled personnel, building effective partnerships, and implementing robust business processes along with meaningful performance measures.

These strategies will be complemented by efforts to optimize our financial resources by preserving the corporation's capital, growing fee bearing business volume, reducing risk based exposure to additional contract costs, and streamlining overhead.

Throughout the planning period CCC will continue to connect Canadian exporters to international public sector opportunities, with a view to being the Government of Canada's instrument of choice for delivering focused, effective and reliable international contracting solutions in complex government-to-government markets.

CORPORATE PROFILE

Mandate: "To assist in the development of trade between Canada and other nations."

The Canadian Commercial Corporation Act of 1946 established CCC in order to assist in the development of trade between Canada and other nations during the transitional post-World War II period. CCC's initial focus was on procurement of Canadian products on behalf of foreign governments in the interest of post war reconstruction in Europe. CCC also undertook defence procurement on behalf of the Canadian armed forces prior to the creation of the Department of Defence Production.

Throughout the course of its history CCC has served as a practical delivery mechanism to bring Canadian capabilities to bear on international policy objectives while contributing to broader Canadian trade policy goals. Although CCC's activities have been brought into sharp relief at times of national and/or international crisis associated with post-conflict stabilization efforts, the corporation has also contributed to the maintenance of North American peace and security, by virtue of its custody of the bilateral defence procurement mechanism between Canada and the US known as the DPSA. Now in its 50th year of existence, CCC's DPSA operations currently represent the corporation's single largest business line and one of Canada's most productive bilateral arrangements with the US.

Historic Milestones

- **1946** At the end of WW II, Canada has the means but not the mechanism to provide assistance to countries overseas. The government of Canada responds by creating the Canadian Commercial Corporation.

Mission: "To help Canadian exporters secure market access through excellence in international contracting and procurement, specializing in projects related to defence and development."

- **1956** Canada signs the (DPSA) with the US. CCC is designated as the custodian of the DPSA, providing the means by which Canadian companies can gain preferred access to US Department of Defense (DoD) procurement opportunities.
- **1960** The space race that began in 1957 accelerates. CCC signs an agreement with the National Aeronautics and Space Administration (NASA) allowing Canadian suppliers to be accepted on the same basis as other US government suppliers.
- **1968** With the growth of external aid programs comes a need for Canadian products and services for export. The Canadian International Development Agency (CIDA) is established to manage most of Canada's development assistance budget. Since CCC has been directly involved in providing assistance to foreign countries since 1946, it is chosen to act as purchaser to meet CIDA's growing requirements.
- **1970** CCC's role as CIDA's procurement agency for the World Food and International Food program expands. The corporation makes substantial purchases of Canadian wheat for distribution overseas. Meanwhile, Spar Aerospace and CCC negotiate a five-year contractual agreement with NASA to develop the "Remote Manipulator System", now known as the Canadarm.
- **1976** CCC brings leading edge Canadian astronomy technology to bear on the renowned Canada-France-Hawaii Telescope (CFHT) project associated with the creation of the world-class optical/infrared telescope located at the summit of Mauna Kea Mountain in Hawaii.
- **1987** Throughout the decade CCC undertakes various development projects including among others: a 215 bed hospital in Ivory Coast, a measles vaccination plant for UNICEF, and water well drilling equipment for Belize.

Vision: "To be the Government of Canada's instrument of choice for delivering focused, effective and reliable international contracting solutions in complex government to government markets."

- **1992** CCC signs contracts for the next-generation Light Armoured Vehicle (LAV) produced by General Motors, commencing with sales to Australia.
- **1996** CCC celebrates its golden anniversary.
- **1998** CCC begins procuring vitamin A capsules (highly effective in reducing the risk of acquiring measles, diarrhea and malaria) on behalf of the Micronutrient Initiative (Ottawa based not-for-profit organization, formerly housed within the IDRC) in association with a CIDA funded program designed to address micronutrient malnutrition in the developing world in cooperation with UNICEF. By 2006, the program will have provided nearly 4 billion capsules to malnourished children in over 70 developing countries and will have saved well over 2 million lives.
- **2000** While it continues to specialize in aerospace, defence, and development, CCC contracts carry a greater variety of products and services in a wider range of sectors. Working closely with Canadian exporters, CCC helps open new public sector markets around the world.
- **2002** Amendments to the Canadian Commercial Corporation Act strengthen CCC's governance by separating the position of Board Chair from that of President, modernize its borrowing authority and sharpen its commercial focus. In keeping with commitments undertaken by the Government of Canada at the Kananaskis G-8 Summit, CCC coordinates the selection of a fund manager for the $200 M Canada Investment Fund for Africa (CIFA) in support of the New Partnership for Africa's Development (NEPAD).
- **2004** CCC serves as the mechanism for procuring and transferring transport helicopters to the African Union for peace support operations in the Darfur region of Sudan, associated with Canada's Global Peace and Security Fund.
- **2006** CCC celebrates its 60th anniversary. The DPSA enters 50th year of service.

Products and Services

As Canada's international contracting agency, CCC offers three principal products: sovereign contracts, procurement agent services, and contract advisory services.

Sovereign Contract Service

CCC signs a contract with a foreign government buyer and a back-to-back contract with the exporter. In transactions of this nature, CCC offers a guarantee of contract performance to the foreign buyer and flows the contractual performance obligations to the exporter. The result is a secure government-to-government contract on the best possible terms and conditions for all parties concerned.

CONTRACT CASH MANAGEMENT

As an option to the sovereign contract service, CCC can manage the cycle of payments from the foreign government buyer to the Canadian exporter in order to establish and maintain a predictable and timely payment schedule for the exporter.

Procurement Agent Service

CCC accesses goods and/or services on behalf of a government buyer or multilateral organization for international end use, while managing the contracting process and purchasing cycle.

Contract Advisory Services

CCC's contract specialists provide valuable guidance and advice on how to meet a buyer's contractual requirements and how to navigate the procedures and rules associated with complex government-to-government markets. CCC can also assist exporters by helping them structure transactions in order to enhance the appeal of their offering to the buyer and/or supporting the negotiation of the best possible terms and conditions.

Organizational Overview

The Canadian Commercial Corporation Act established the Canadian Commercial Corporation in 1946, to assist in the development of trade between Canada and other nations, and to help persons in Canada export goods from Canada or obtain goods from outside Canada. CCC operates within the International Trade portfolio along with EDC and works closely with ITCan in the pursuit of Canada's trade policy objectives. Whereas the EDC provides structured financial services and insurance, CCC provides international procurement and contracting services. The two corporations work in conjunction with ITCan with respect to the department's responsibility for portfolio management, trade promotion, and trade policy.

CCC is a parent Crown corporation under schedule III part I of the *Financial Administration Act,* and reports to Parliament through the Minister of International Trade. CCC is headquartered in Ottawa, Ontario and employs approximately one hundred personnel. The corporation is, for all its purposes, an agent of Her Majesty in right of Canada.

CCC is governed by a Board of Directors that is responsible for the affairs of the corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. The Board provides leadership and guidance to the corporation's management team, and analyzes and sets the corporation's strategic direction. It is composed of a chairperson, the president, and nine directors appointed by the Minister of International Trade and approved by the Governor-in-Council.

Board of Directors

Alan Curleigh
Chairman
CCC Board of Directors
Montréal, Québec

Martine Corriveau-Gougeon
President
Gestion Corriveau-Gougeon Inc.
St. Bruno, Québec

John Duffy, CA
Chief Financial Officer and Vice-President Finance
Neate Roller Limited
Mississauga, Ontario

Andrew Saxton
Chairman
King George Financial Corporation
Vancouver, British Columbia

Dave W. Stapley
President, DRS Technologies Canada Inc.
Senior Vice-President, DRS Technologies International
Business Development/Government Relations
Carleton Place, Ontario

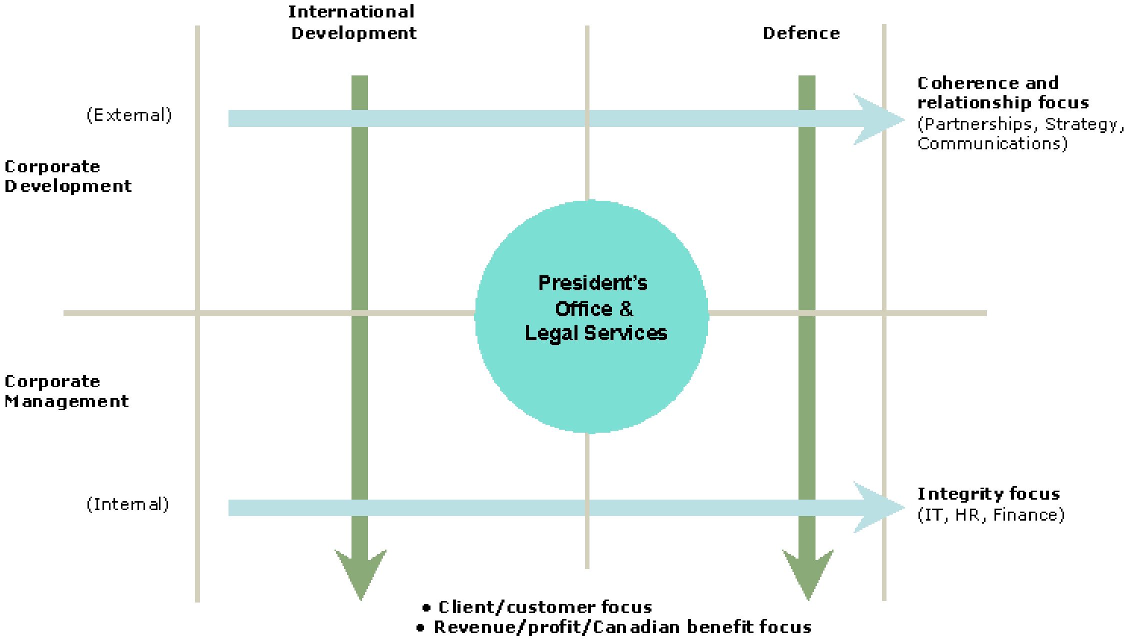
Ken Sunquist
Assistant Deputy Minister
World Markets Branch
International Trade Canada
Ottawa, Ontario

Norman A. Turnbull, CA
President
NAT Expertise/Conseil
Montréal, Québec

Peter M. Wright
Chairman
Patterson Palmer
Atlantic Canada Lawyers
Moncton, New Brunswick

John McBride
President, Canadian Commercial Corporation
Ottawa, Ontario

Management Structure



PLANNING ENVIRONMENT

External

CCC's external business environment is characterized by heightened shareholder expectations around sound corporate governance, increased emphasis and funding for Canada's international policy agenda, demand-driven requirements for better strategic business intelligence, rejuvenation of the global development agenda, U.S. defence market access vulnerabilities, and a changing array of potential business partners. These factors present both risk and opportunity for CCC over the course of the planning period.

Shareholder Expectations

GOVERNANCE

In February of 2005, in response to findings contained in the December 2000 and November 2003 reports of the Auditor General of Canada regarding the governance of Crown corporations, the Government of Canada released a review of the governance framework for Canada's Crown corporations entitled "Meeting the Expectations of Canadians". The review identified thirty-one measures to improve the effectiveness of the governance framework, while respecting the autonomy and arms length relationship of Crown corporations with government.

The specific measures detailed in the review were intended to:

- clarify the relationship between Ministers and Crown corporations;
- clarify the accountability regimes of Crown corporations;
- make the appointment process more transparent;
- bring the governance of Crown corporations in line with reforms in the private sector;
- strengthen the audit regimes in Crown corporations; and
- make the activities and operations of Crown corporations more transparent.

CCC has fully implemented the vast majority of applicable measures. In addition, the Board of Directors has established a governance committee that will focus on corporate compliance with the relevant measures outlined in the governance framework. The corporation will include a governance statement in its annual report outlining the status of CCC’s governance initiatives.

While CCC has not yet received a ministerial statement of priorities and accountabilities three key principles will guide CCC’s operations throughout the planning period:

- unswerving commitment to international contracting excellence;
- effective stewardship of public resources; and
- compliance with Canada's international obligations.

In keeping with these principles CCC will continue to help Canadian exporters access international public sector markets.

Markets

AEROSPACE, DEFENCE AND SECURITY

US DOD

Currently US DoD business represents the single largest share of CCC's contract billings, approximately 67%. Fuelled by national defense spending in the US, the overall volume of DPSA business is likely to increase throughout the planning period. In December of 2005 the US Senate approved a $453.5 billion (USD) budget for the 2006 fiscal year, an increase of roughly $51 billion USD from FY 2005.

Foreign Military Financing[ii] ($ in thousands)			
	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa	20,947	26,288	24,000
East Asia and the Pacific	24,676	35,712	27,750
Europe and Eurasia	191,008	211,692	203,400
Near East	3,728,580	3,769,848	3,863,000
South Asia	494,735	547,832	305,000
Western Hemisphere	119,614	112,394	122,950
Global	42,250	41,466	42,500
Total	4,621,810	4,745,232	4,588,600

According to the long range forecast identified in the US DoD's national Defense Budget Estimates for FY 2006[iii], the budget for national defense in the US is expected to increase to well over $500 billion (USD) by the end of the current planning period. It is further estimated that, excluding military personnel, two of the largest line items in the US DoD's discretionary expenditure budget: operation and maintenance (O&M); and procurement, are expected to increase from roughly $147 billion and $78 billion respectively to over $172 billion and $111 billion respectively by the end of the planning period.

NATIONAL DEFENSE BUDGET – LONG RANGE FORECAST ($ Billions)							
	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Current Prices							
Budget Authority							
DoD – 051	471.0	402.0	421.1	445.0	464.4	484.0	494.3
OMB rounding/scoring difference	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
OMB DoD – 051	471.0	402.0	421.1	445.0	464.4	484.0	494.2
DoE and Other	19.6	21.6	20.7	20.4	19.4	19.8	19.7
Total National Defense	490.6	423.6	441.8	465.4	483.9	503.8	513.9

Although anticipated defense spending increases are unlikely to diminish during the planning period, particularly if the US remains in its current defense posture, given the potential rigidities of congressional oversight, the persistence of complex export controls applied to defence related intellectual property, and the intricacies of command level purchasing decisions, these spending increases may not necessarily bear a linear relationship to demand for Canadian supply. Furthermore, in December of 2005, the US DoD received the findings of a comprehensive *Defense Acquisition Performance Assessment* (DAPA) conducted by a specially convened panel of experts. Among other things, the panel recommended "reducing government-induced instability through an integrated transformation of major elements of the larger Acquisition System"[iv] with particular emphasis on: organizational structure, human capital, priority based budgeting, definition of requirements, acquisition processes, and industry responsiveness.

The US DoD will have incorporated these findings into the *Quadrennial Defense Review* (QDR), which is a congressionally mandated study conducted every four years to analyze the full range of US DoD activities. Presented to Congress in February 2006, the QDR will serve as an analytical basis for key business process reforms and funding requirements identified in the 2007 US Defense Budget Request.

DEFENCE PROCUREMENT BEYOND THE US MARKET

Beyond the US DoD market, global defence procurement is a major component of government spending. In many cases it serves as an instrument of international security, particularly in

New NATO Members
Bulgaria
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Slovakia
Slovenia

vulnerable regions of the world. Through it's Foreign Military Sales (FMS) process and Foreign Military Financing (FMF) provisions, the US facilitates and/or finances government to government, international end-use defence procurement transactions with its allies in the interest of interoperability, international/regional security and counter-terrorism. The projections for FMF in FY 2006 ($4.58 B USD) are lower than those for FY 2005 ($4.74 B USD). This reflects a reduction in FMF grants in almost all applicable regions of the world such as Africa, East Asia, Eastern Europe, South Asia, and the Western hemisphere with the notable exception of the near east (i.e. Bahrain, Egypt, Israel, Jordan, Morocco, Oman, Tunisia, and Yemen) which is projected to receive 78% of the FY 2006 FMF allocation.

FMF also extends to Eastern Europe and the states of the Baltic region with respect to the ongoing effort to help the ten newest members of the North Atlantic Treaty Organization address their NATO capability requirements. The FY 2006 FMF request also includes a component for the Americas, which contains, among other things, initiatives designed to enhance the capacity of Latin American and Caribbean countries to combat transnational crime and terrorism.

Though countries using the US FMS/FMF process may present market opportunities for Canadian supply, given the distinct features of Canadian foreign policy compared to that of the US, it will continue to be important to ensure that any transactions involving CCC relate exclusively to end use procurement in countries to whom defence exports are permitted under Canadian export controls.

[The G8 countries] have agreed to double aid to Africa by 2010. Aid for all developing countries will increase, according to the OECD, by around $50bn per year by 2010, of which at least $25bn extra per year [is] for Africa. A group of G8 and other countries will also take forward innovative financing mechanisms including the IFF for immunization, an air-ticket solidarity levy and the IFF to deliver and bring forward the financing, and a working group will consider the implementation of these mechanisms. We agreed that the World Bank should have a leading role in supporting the partnership between the G8, other donors and Africa, helping to ensure that additional assistance is effectively co-ordinated.

The G8 has also agreed that all of the debts owed by eligible heavily indebted poor countries to IDA, the International Monetary Fund and the African Development Fund should be cancelled, as set our in our Finance Ministers agreement on 11 June. We also welcomed the Paris Club decision to write off around $17 billion of Nigeria's debt.

-G8 Gleneagles Conference 2005

INTERNATIONAL DEVELOPMENT

The realignment of the International Development Branch will necessitate significant evaluation and assessment prior to the implementation of a viable business model that can help Canadian exporters access the international development market. The major challenge will be reconceptualizing the business unit while simultaneously managing significant existing commitments such as the Quito Airport Engineering Procurement Construction and Management (EPCM) project, the Caribbean Commodity Trade Transaction Program (CCTTP), the wind-down of the Progress Payment Program (PPP), and conducting other international commercial business, and procurement service undertakings such as the "Vitamin A program" and the provision of transport helicopters to Sudan in support of the African Union's protection force operations.

The current context within which CCC re-establishes itself in international development markets is characterized by somewhat favourable external conditions resulting, among other things, from key multilateral initiatives, undertaken over the course of the previous planning period, designed to enhance and modernize development assistance arrangements between developed and developing nations. In particular the Millennium Development Goals (MDGs) resulting from the 2000 UN Millennium Summit, combined with consensus reached at the 2002 Monterrey Conference on Financing for Development and Subsequent G-8 commitments[v] in 2002 and 2005 have contributed to a global increase in aggregate Official Development Assistance (ODA) and debt forgiveness.

The new era of development also reflects a desire to invest in private sector development and help grow the infrastructure required to enable sustainable market mechanisms in developing countries.

In addition to the favourable policy context relating to ODA from public and multilateral sources, there has also been a marked increase in development related capital flows and investment from non-state actors including private capital, and contributions from non-governmental organizations (NGOs). Consequently the global risk market environment is more permissive than it has ever been since the serious retrenchment triggered by the events of September 11, 2001. It is however important to acknowledge the complex interplay of variables that can give rise to a significant shift in the macro and micro-economic landscape(s). For example, if the rate of global economic growth slows significantly in FY 2006, the donor and/or lender environment is likely to change, particularly if reduced aggregate demand in key markets such as the US undermines the risk appetite in capital markets worldwide.

The global outlook in summary[vi]
(*percentage change from previous year)*

	2003	2004	2005	2006	2007
Real GDP growth					
World	2.5	3.8	3.1	3.1	3.2
Memo item: World (PPP weights)	3.9	5.0	4.3	4.2	4.3
High Income	1.9	3.1	2.4	2.6	2.6
OECD Countries	1.8	3.1	2.3	2.5	2.6
Euro Area	0.5	1.8	1.2	2.2	2.6
Japan	1.4	2.6	0.8	1.9	1.9
United States	3.0	4.4	3.9	3.0	2.6
Non-OECD countries	3.2	6.2	4.4	4.4	4.3
Developing countries	5.3	6.6	5.7	5.2	5.4
East Asia and Pacific	8.0	8.3	7.4	6.9	7.2
Europe and Central Asia	5.9	6.8	5.5	4.9	5.0
Latin America and the Caribbean	1.7	5.7	4.3	3.7	3.7
Middle East and North Africa	5.8	5.1	4.9	4.3	4.3
South Asia	7.8	6.6	6.2	6.4	6.7
Sub-Saharan Africa	3.4	3.8	4.1	4.0	4.1

Over the course of the planning period, the interplay of interest rates, exchange rates and inflationary pressures associated with commodity prices (particularly petroleum) could also have a significant impact on the economic prism through which governments view their fiscal and political capacity to uphold ambitious development assistance commitments. However exogenous they may be, these factors will have to be taken into consideration as the corporation maps out its international development business model.

Net official development assistance (ODA) from principal donor countries[viii]

	2000	2001	2002	2003	Percent change in real terms in 2003
Total ODA	53.7	52.4	58.3	69.0	4.8
G-7 countries	40.2	38.2	42.6	49.9	6.3
United States	10.0	11.4	13.3	16.3	20.4
Japan	13.5	9.8	9.3	8.9	-9.2
France	4.1	4.2	5.5	7.3	8.7
Germany	5.0	5.0	5.3	6.8	5.3
Non G-7 countries	13.5	14.2	15.6	19.1	0.5
EU countries	25.3	26.4	30.0	37.1	3.0

Projected increases in ODA from DAC donors, 2003-6[vii]
ODA as percentage of GNI

	2003	2006	Change
Norway	0.92	1.00	0.08
Denmark	0.84	0.83	-0.01
Luxembourg	0.81	0.87	0.06
Netherlands	0.80	0.80	0.00
Sweden	0.79	1.00	0.21
Belgium	0.60	0.64	0.04
France	0.41	0.47	0.06
Ireland	0.39	0.61	0.22
Switzerland	0.39	0.38	-0.01
Finland	0.35	0.41	0.06
EU members	0.35	0.44	0.09
UK	0.34	0.35	0.01
Germany	0.28	0.33	0.05
Australia	0.25	0.26	0.01
Canada	0.24	0.27	0.03
Spain	0.23	0.33	0.10
New Zealand	0.23	0.26	0.03
Greece	0.21	0.33	0.12
Austria	0.20	0.33	0.13
Japan	0.20	0.22	0.02
Italy	0.17	0.33	0.16
United States	0.15	0.19	0.04
Total	0.25	0.30	0.05

Partners

Over the years CCC's business partnerships have been subjected to varying degrees of rigor. Consequently corporate partnerships and external representation have lacked the essential unifying, outcomes-driven, corporate guidance that can help ensure that CCC's engagement with private and public sector business partners is relevant, cost efficient, productive and of demonstrable reciprocal business value.

Over the planning period, the challenges presented by CCC's external environment will require re-assessment and in some cases, significant re-alignment of strategic and operational partnerships, particularly with respect to industry associations and related affiliations.

OTHER GOVERNMENT DEPARTMENTS

Conditions are good for re-vitalizing the corporation's relationship with key principal government departments. The confluence of CCC's mandate and the aims of principal government partners will enable CCC to play a more strategic supporting role in the pursuit of Canada's international policy objectives over the planning period.

CCC's traditional private sector clients have been somewhat detached from the Government of Canada's development agenda. Throughout the planning period CCC will have to work with its clients and relevant industry associations in order to help create a favourable environment for cooperative engagement particularly with CIDA.

Principal Government Partners
FAITC
EDC
CIDA
DND

With respect to operations, CCC's service delivery relationship with Public Works and Government Services Canada is currently under review in order to address cost-efficiency issues that were brought into sharp relief during a recent re-assessment of the service agreement between CCC and PWGSC. The result of the re-assessment was a revised costing of PWGSC services rendered to CCC in relation to DPSA business. CCC has communicated its intention to reduce its payments to PWGSC in keeping with the re-assessment of the service level agreement. Given the internal dynamics at play at PWGSC and potential structural changes within the department, CCC may have to consider alternate service delivery options in the event that a new service level agreement with PWGSC is not attainable during the first year of the planning period.

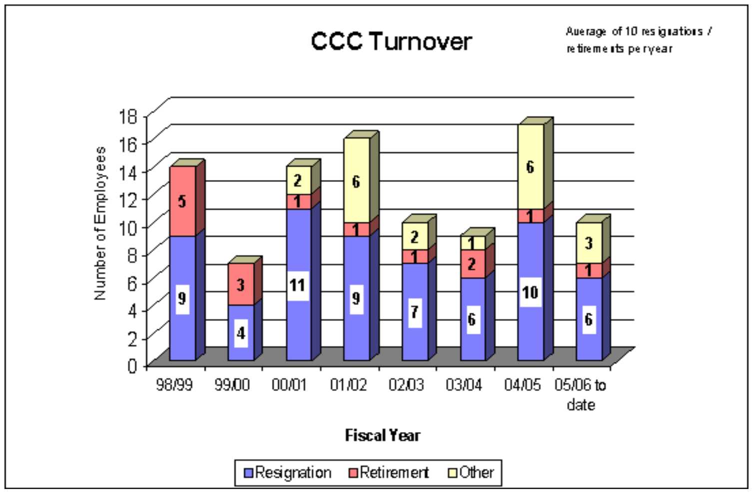
DEFENSE SECURITY COOPERATION AGENCY

Given the market opportunities presented by US FMS clients, CCC has initiated dialogue with the US DoD's Defense Security Cooperation Agency (DSCA), the custodian of the FMS/FMF process, in order to determine the potential for partnership in the area of international end use defense procurement. Although this could potentially generate a new source of revenue for CCC, it may also generate additional compliance measures in order to maintain the integrity of Canadian foreign policy imperatives.

Internal

Realignment

In addition to the external considerations outlined above, CCC's internal environment underwent a considerable number of changes in FY 2005-2006 including among other things:



- the appointment of a new President;
- the appointment of four new members of the Board of Directors;
- over 50% turnover in the executive management team;
- the realignment of business branches; and
- re-focusing of the corporation's strategic direction.

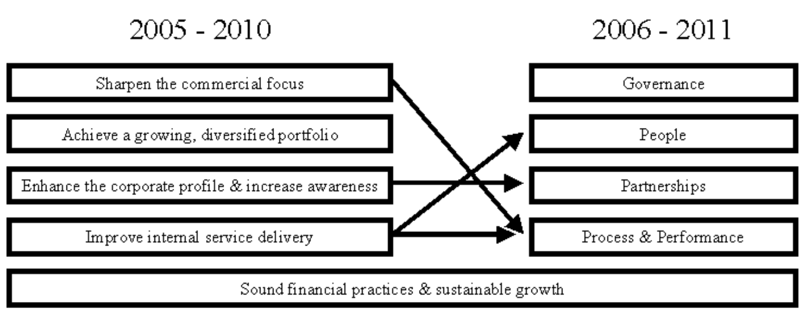
Furthermore, as seen in the broader labour market, CCC's labour force continued to reflect a steady churn, particularly among the younger generation of employees.

CCC's internal environment has contributed to the re-assessment and realignment of the four key strategic objectives outlined in the previous CP.

In the 2005-2006 to 2009-2010 Corporate Plan four key strategic objectives were identified:

1. Sharpening the commercial focus;
2. Achieving a growing diversified export contract portfolio;
3. Enhancing the corporate profile and increasing awareness; and
4. Improving the internal service delivery capacity.

Given the CCC's challenging external environment and significant internal reassessment, over the course of the 2005-2006 fiscal year (FY), it became apparent to the Board of Directors and management that these four objectives could not be realized prior to articulating a more focused overarching business objective and clear corporate enabling strategies:



- Sharpening the commercial focus, particularly with respect to optimizing the fee regime, requires application of a reliable and accurate cost attribution model that helps define what "self sufficiency outside of DPSA" business means in clear operating and financial terms. This objective is subsumed by the effort to implement **robust business processes and meaningful performance measures.**

- Achieving a growing diversified export contract portfolio has been deemed to be an objective of low business value to the corporation. The result of the internal reassessment, which occurred over the course of the 2005-2006 FY, is a decidedly focused strategic outlook that emphasizes **sound governance**, coherence and the achievement of excellence in areas of core competency. Attempting to diversify the export contract portfolio prior to optimizing performance is therefore inconsistent with the current direction.
- Enhancing the corporate profile and increasing awareness was intended to drive mass marketing efforts and communications activity directing resources to promoting rather than optimizing corporate performance. This objective will not be pursued as a primary focus but rather as a potential consequence of pursuing more purposive and productive **partnerships** that can help bring CCC closer to achieving it's overarching business objective.
- Improving the internal service delivery capacity remains a priority though it will require a deliberate focus on two enablers: fostering **highly motivated and skilled personnel** and implementing **robust business processes** along with **meaningful performance measures**.

Strengthened Corporate Governance

Despite the transitional period CCC finds itself in, the corporation has managed to strengthen its governance, retain high quality personnel and nurture core client relationships. There are however vulnerabilities that remain to be managed such as mandate drift, transactional culture, risk related, managerial issues and potential employee disengagement.

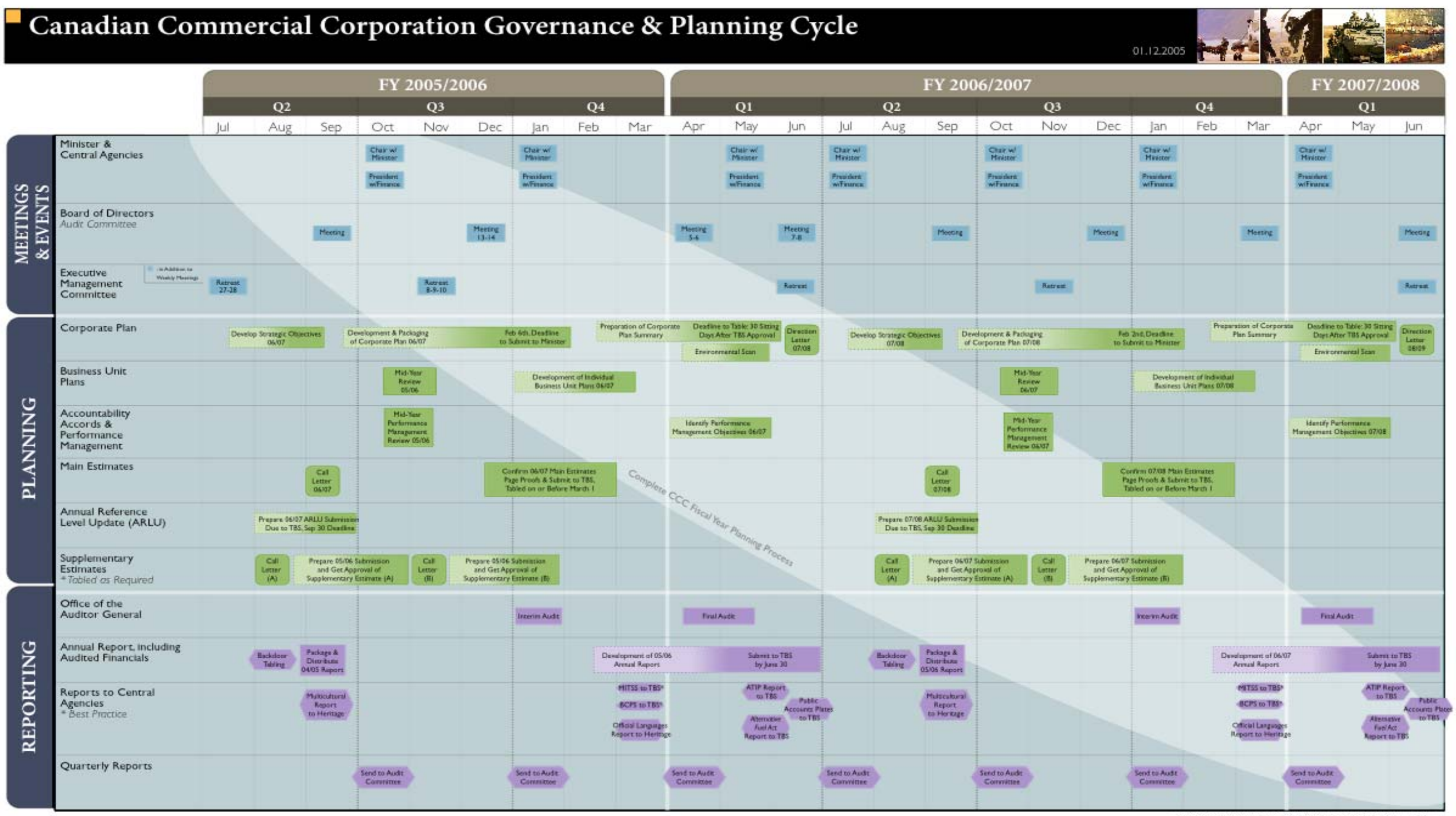
The nature of international contracting has changed significantly over the course of the corporation's sixty-year history, as have the skills sets required to conduct CCC's business. In order to maintain its credibility as an instrument of international contracting excellence these issues will have to be skillfully managed throughout the planning period.

Although CCC adheres to appropriate guidance in assessing contract risk, there is a need to strengthen its strategic risk management framework through the implementation of an enterprise risk management (ERM) mechanism, in order to systematically identify and prioritize risks to the corporation, and allocate resources accordingly. In FY 2005-06 CCC asked PricewaterhouseCoopers to conduct a gap analysis - the Risk Management Framework Project - related to risk identification, assessment, mitigation, implementation and communication practices, with a view to producing a strategic framework for the assignment of roles and responsibilities associated with ERM. Among other things, the framework will address credit risk issues related to CCC's CCTTP. The report was delivered to the corporation's recently established cross-functional Risk Management Table at the end of FY 2005-2006, and will serve as a catalyst for the completion of the CCC's ERM architecture. The ERM mechanism is projected to be implemented over the course of the first year of the planning period.

Focus on Internal Processes

In recent years CCC undertook significant investments in information technology prior to optimizing it's business processes and clarifying its strategic focus. As focus sharpens, the current IT platform will be reconfigured in conjunction with new business models to ensure compliance with CCC's long-term business objectives.

CCC requires an integrated, coherent, corporate communications strategy in order to ensure that the internal environment embodies a high degree of consistent messaging and continuity across business branches/lines. This will reduce the transactional nature of the internal culture and can have a positive effect on the corporation's ability to maintain functional business relationships and preserve its brand value.



OBJECTIVES, STRATEGIES AND PERFORMANCE INDICATORS

Corporate Business Objective

CCC's primary business objective is to help Canadian exporters secure market access through excellence in the delivery of international contracting solutions in complex government-to-government markets. CCC therefore typically enters into transactions involving Canadian exporters and foreign government buyers with the exception of transactions undertaken in support of appropriate public policy objectives at the request of the Government of Canada.

CCC's Aerospace, Defence, and Security operations will focus on increasing client value, proactive engagement with key agencies within the US Department of Defense (DoD), leveraging relationships in the non-US defence market, and increasing cost-effectiveness. Within the International Development branch, the focus will be placed on reconceptualizing the business unit, repositioning existing business, managing existing commitments, and identifying new capacity requirements.

In addition to drawing heavily on strategic direction received from CCC's Board of Directors and internal consultations with management and staff, the 2006-2007 to 2010-2011 CP is also informed by the Government of Canada's international policy objectives as well as the renewed governance framework for Canada's Crown corporations.

Accordingly, CCC has identified four enabling strategies designed to achieve the corporation's business objectives over the course of the planning period:

- assuring exemplary corporate governance;
- fostering highly motivated and skilled personnel;
- building effective partnerships; and
- implementing robust business processes along with meaningful performance measures.

In order to assure the corporation's freedom to act over the course of the planning period, the four enabling strategies will be buttressed by the following financial strategies:

- preserving the corporation's capital;
- growing fee bearing business volume;
- reducing risk based exposure to additional contract costs as a percentage of contract billings; and
- streamlining overhead

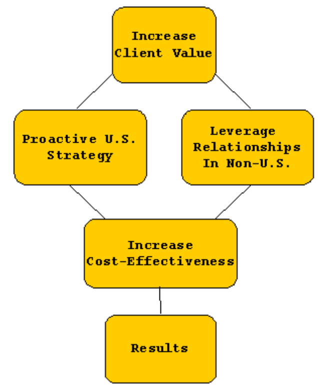
In the first year of the planning period, it should be noted that in some instances, CCC's performance measurement will be guided by qualitative indicators in the form of frameworks. These will progressively be replaced with quantitative indicators as data becomes available.

Business Unit Level Strategies

Aerospace, Defence and Security (ADS)

With a view to reinforcing CCC's role as a platform for Canadian exporters to access the international government to government aerospace, defence and security market, the Aerospace, Defence and Security Branch will concentrate its efforts on four key business unit level strategies: increasing client value; proactive engagement in the US DoD market; leveraging relationships beyond the US DoD market and increasing cost-effectiveness.

INCREASING CLIENT VALUE



In order to provide an informed, integrating point for suppliers, over the course of the planning period, ADS will continue to evolve as a centre of expertise for contracting in the aerospace, defence and security market(s). On a preliminary basis, the unit will focus on the needs of an established client base in order to establish priority countries for proactive effort. Particular attention will be drawn to facilitating resolution of issues related to export controls (e.g. International Traffic in Arms Regulations, or ITARs), industrial regional benefits/offsets, and linking Canadian capabilities to market opportunities. In pursuit of this strategy CCC will strengthen its working relationship with key partners such as the Department of National Defence, Foreign Affairs Canada, International Trade Canada, Industry Canada and Public Works and Government Services Canada as well as the Defence Contract Management Agency and the Defence Security Cooperation Agency in the US.

PROACTIVE US STRATEGY

Given the depth and breadth of the Canada-US defence industrial relationship, steps must be taken to ensure that the relationship continues to receive the appropriate level of attention. Over the course of the planning period it will therefore be important to maintain a proactive engagement strategy in the US defence market, particularly given the persistent threats to continued US market access (e.g. International Trade in Armaments Regulations [ITARs], Buy America Act and congressional oversight of major US DoD procurement projects). In cooperation with the Defence Contract Management Agency (DCMA) CCC will therefore re-establish regular targeted outreach with key "buying commands" responsible for US DoD acquisition. CCC will develop a strategy for dealing with US prime contractors currently supplying US DoD in the interest of defence industrial base coordination between Canada and the US. The corporation will also work with the Trade Commissioner Service in select consular missions throughout the US in order to leverage the Government of Canada's Enhanced Representation Initiative.

LEVERAGE RELATIONSHIPS BEYOND THE US DOD MARKET

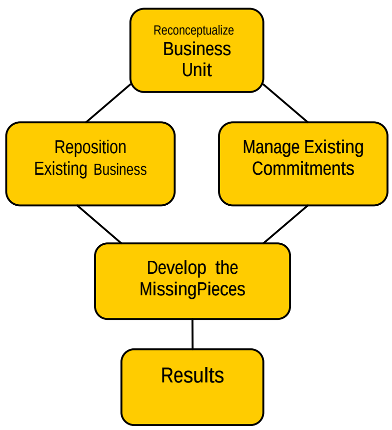
Building on discussions that have occurred with the US Defence Security Cooperation Agency (DSCA), CCC will selectively leverage the DSCA's foreign military sales network in order to facilitate access to defence procurement markets beyond the US. Furthermore, CCC will endeavour to conclude an agreement with the DSCA with respect to fee based service delivery associated with the application of CCC's sovereign contract service to sourcing supply in Canada in order to address US DoD "international end use" inventory shortages.

These efforts will be complemented by continued efforts to leverage joint procurement opportunities (similar in structure to the Canada-Netherlands "Sirius" project model) with allied nations in cooperation with DND. CCC will also pursue targeted training for the Trade Commissioner Service in order to leverage Canada's international trade development strategy.

INCREASE COST-EFFECTIVENESS

In the interest of cost-efficiency, CCC will re-align its relationship with PWGSC in keeping with the recent findings of the performance-based analysis of cost, risk and service value. Accordingly, CCC intends to reduce its demands on, and subsequent payments to, PWGSC in the first year of the planning period. CCC will also make contingency plans for the development of an internal capacity to provide the contract support services currently delivered by PWGSC if required. In any case process improvements will also be undertaken in order to increase overall efficiency and optimize the accounts receivable function and cash flow management.

International Development Branch (IDB)



In order to help Canadian exporters access the international development market, over the course of the planning period, IDB will be focused on reconceptualizing the business unit, repositioning its existing business, managing current commitments and addressing new capacity requirements.

Developing country markets often present Canadian exporters with complex market access challenges. The IDB is currently in the process of designing a business model that can more effectively position Canadian exporters to secure contracting and procurement related opportunities in developing country markets. It is envisioned that the new business model can be structured around a Canadian market access and trade facilitation toolkit concept with: CIDA Inc. performing feasibility studies at the front end of potential development related projects; ITCan providing trade policy support and in-country market intelligence through the Trade Commissioner Service; CIDA providing a source of funds for ODA supported projects; CCC assembling the project's government-to-government, contractual architecture and/or procurement requirements; and EDC providing structured project financing and/or insurance. CCC recently undertook a water management and hydro-electric power project of this nature in the Dominican Republic.

IDB recently initiated a dialogue with CIDA in order to explore a strategic partnership arrangement that would allow CCC to bring it's international contracting and procurement expertise to bear on international development projects while helping establish sound procurement and contracting practices that can level the playing field and reduce market distorting practices that can disadvantage Canadian exporters in developing country markets.

In the first year of the planning period, as the IDB business model solidifies, meaningful and measurable performance indicators will be developed in order to capture, communicate and manage performance against the objectives mentioned above.

RECONCEPTUALIZING THE BUSINESS UNIT

The process of reconceptualizing the IDB unit will be driven by diagnostic efforts designed to identify lessons learned from historic success and failures, that can enhance CCC's understanding of development clients and associated opportunities. New relationships will have to be established along with the re-alignment of pre-existing functional relationships with CIDA, ITCan, EDC, and FAC in an effort to move from transactional to performance-based partnerships.

REPOSITIONING EXISTING BUSINESS

Going forward, CCC will assess the sustainability of undertaking Engineering Procurement Construction (EPC) and Engineering Procurement Construction Management (EPCM) projects in consultation with EDC and ITCan in order to determine a viable and relevant business model. In regards to its CCTTP business, in keeping with the Risk Exposure

Reduction Plan submitted to the Minister of Finance in November 2004, CCC will continue to implement measured limitations on business volume, while exploring opportunities to more effectively manage its risk exposure in collaboration with EDC.

Accordingly, CCC is adhering to a planned reduction in its CCTTP borrowing requirements from $40 million in the first year of the planning period to $15 million by the end of the planning period. With regard to its procurement service, CCC will build on its successful projects (e.g. Vitamin A program) in order to establish key relationships and ultimately create a centre of excellence to meet the anticipated demand in this area. In the interest of reducing the risk of additional contract costs, in the first year of the planning period CCC, in cooperation with EDC, has initiated its strategy for exiting the Progress Payment Program (PPP) redirecting would be clients to comparable services offered through by EDC's Pre-Shipment Financing program.

MANAGING EXISTING COMMITMENTS

In addition to managing a substantial EPCM/C project in Ecuador, IDB will also have to ensure that its business relationships in the Caribbean are kept intact. During IDB's transitional period, the corporation will also carry a small number of residual PPP projects on it books as they approach completion.

NEW CAPACITY REQUIREMENTS

CCC will examine the relationship between Canada's international trade strategy and development, particularly as it relates to capital projects and IFI procurement. Focusing on private sector partnership. CIDA's Global Development Marketplace Initiative may also present opportunity for CCC to match the capabilities of its client base to proposed development projects.

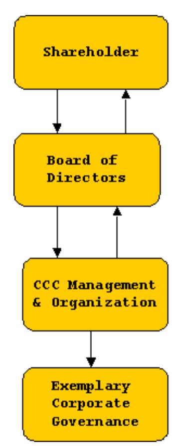
Enabling Strategies

Governance

As outlined in the Government of Canada's recent review of the governance framework for Canada's Crown corporations "Ministers are ultimately accountable to Parliament for the overall effectiveness of Crown corporations in their portfolio, in addition to being answerable for all activities of the Crown corporation, including its day-to-day operations. The Board of Directors is accountable to the responsible Minister for the stewardship of the corporation. The chief executive officer (CEO) of the corporation is accountable to the Board of Directors.

> *Whether people are shareholders or taxpayers, they want systems in place to protect their interests.*
>
> Sheila Fraser, Auditor General of Canada

As clear as the corporate governance structure may seem, it does require active modalities in order to maintain its integrity and keep potentially competing interests in check. Whereas clear lines of accountability are necessary conditions for good corporate governance, they are not sufficient. In order to exemplify good corporate governance, CCC must demonstrate clarity of objectives and expectations, as well as transparency in application of, and compliance with, rules and a sound ethical foundation.



Accordingly, in the first year of the planning period CCC will apply the performance indicators identified below:

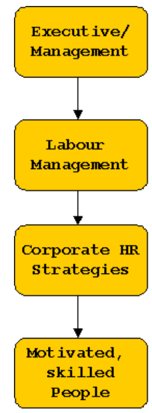
Corporate Strategies	Performance Indicators for Corporate Governance	Planned Supporting Objectives
Exemplary Corporate Governance Demonstrate the clarity of objectives and expectations, the clear lines of accountability, the transparency in application of and compliance with rules, and the ethical foundation required for sound corporate governance.	**Governance Framework Compliance Scorecard:** 2006-2007 target is to ensure full compliance with the applicable measures identified in the governance framework for Canada's Crown corporations. **Planning Process Scorecard:** 2006-2007 target is 100% on-time delivery of key corporate planning and reporting documents to shareholder. **Public Policy Alignment Scorecard:** 2006-2007 target is to develop framework to understand CCC performance against key trade policy objectives CCC supports on a day-to-day basis. **Operational Excellence Rating:** 2006-2007 target is to develop framework to understand CCC performance in addressing operating deficiencies identified by audits. **Stewardship of Public Resources Measures:** 2006-2007 target for Performance Against Operating Budget is actual results within +/- 5% of budget. (A) 2006-2007 target for Capital Preservation (Return on Equity) is 2.3%. **Corporate Social Responsibility Scorecard:** 2006-2007 target is to develop framework for understanding progress in key CSR areas of focus.	• Continue work to address recommendations in the Review of the Governance Framework for Canada's Crown Corporations • Establish regular meetings of Chair with Minister of International Trade and hold regular exchanges with Department of Finance and Treasury Board • Provide support to Board for engagement with Shareholder • Implement new committee structure • Continue Board peer review and performance feedback Improve Board member orientation and education • Improve information to Board with more intense focus on strategic issues • Establish internal planning, reporting and accountability cycle and engage staff in governance process

People

We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit."

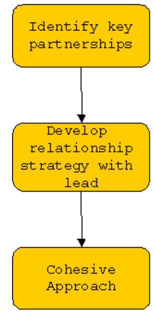
Aristotle

In order to achieve excellence CCC must ensure the ongoing recruitment, retention, and development of motivated and skilled employees. The corporation will therefore foster an internal culture of perpetual learning, meaningful engagement and dynamism with a view to sustaining strategic competencies required to effectively carry out its mission, while delivering increasing value to its clients as well as the shareholder. In the first year of the planning period CCC will apply the performance indicators identified below:



Corporate Strategies	Performance Indicators for People	Planned Supporting Objectives
Motivated and Skilled People Foster a culture of learning, engagement and growth with a focus on enterprise leadership and strategic competencies and capabilities to become an employer of choice.	**Climate Assessment Score:** 2006-2007 target is to increase favourable rating by employees of the internal environment of the corporation by 10%. **Employee Engagement Score:** 2006-2007 target is to develop framework for understanding performance around employee engagement. **Workforce Productivity Indicator:** 2006-2007 target is to develop framework for understanding performance around workforce productivity.	• Continue work on management team restructuring, renewal and strengthening and building sense of team and common purpose • Clarify expectations, accountabilities and performance management going forward • Re-examine compensation policy • Implement renewed Labour Relations strategy to rebuild relationship and engage on performance management • Develop a corporate human resources strategy to guide succession planning, knowledge management, and strategic competencies and capabilities for the long-term • Align HR policies and procedures for the future

Partnerships



As a strategic business instrument, partnerships should be designed to enhance the corporation's performance by measurably strengthening its ability to achieve corporate business objectives through well managed, and mutually beneficial exchanges with public and private sector actors and/or organizations particularly in areas where CCC is unable to achieve valuable business goals unilaterally. Partnerships and their associated undertakings should also reinforce the corporation's mandate, mission and vision in order to ensure relevance and coherence. In the first year of the planning period CCC will apply the performance indicators identified below:

"A friendship founded on business is a good deal better than a business founded on friendship."

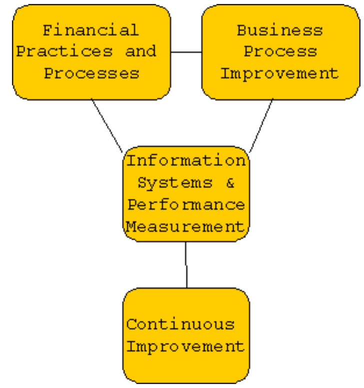
John D. Rockefeller

Corporate Strategies	***Performance Indicators***	Planned Supporting Initiatives
Effective Partnerships Enhance relationships with our partners (shareholder, clients, suppliers, and buyers) to better fulfil CCC's role as the international contracting agency of the Government of Canada.	Partner Engagement Scorecard: **2006-2007 target is to develop framework for measuring the effectiveness of key relationships with our partners.** **Voice of the Customer Measures:** 2006-2007 target for the Client Value Index, a measure of the value we deliver to our client partners, is 7.9. 2006-2007 target for the Client Loyalty Index, a measure of the health of the relationship with our client partners, is 80%.	• **Develop Partnership Strategy that prioritizes the key relationships to be enhanced to better fulfill CCC's role as the international contracting agency of the Government of Canada** • Clarify CCC mandate for international end use procurement with PWGSC and entrench in Treasury Board and Departmental procurement policies • Engage in strategic management of top 30 defence client accounts building on CCC's position as a centre of expertise for contracting in international defence markets • Increase Defence client value by strengthening networks with DND, FAC, ITCan, TCS, PWGSC, DCMA and DSCA • Assist in resolution of broader set of defence client issues such as foreign policy, export controls, ITARs, Offsets (IRBs) and matching Canadian capabilities with international opportunities • Establish leadership on DPSA through a proactive U.S Outreach Program to U.S. defence procurement officials, in conjunction with Trade Commissioner Service • International Trade portfolio approach to EPCM and other pursuits with EDC and ITCan. • Implement new CCTTP Strategy with reduced borrowing authority and EDC participation to rebuild relationships with central agencies • Focus on transitioning relationship with CIDA from transactional to partnership arrangement for international end use procurement in the interest of market access for Canadian exporters. • Implement final phase of exit strategy for the Progress Payment Program while managing transition to EDC • In coordination with ITCan's existing activities, develop options for CCC to help Canadian exporters secure greater access to international development markets through IFI opportunities in connection with CIDA's Global Development Marketplace initiative.

Processes and Performance Measurement

The integration of CCC's processes, technology and resources must be optimized to deliver cost-effective, and timely international contracting solutions of benefit to CCC's clients, shareholder and business partners. In addition to business line operations, business process improvement will involve functional areas, such as Finance, Risk, HR, IT, Legal Services and Corporate Development. In particular CCC will need to strengthen its enterprise risk management practices, business support systems and corporate performance measurement tools in accordance with the requirements of a clearly articulated business process. In the first year of the planning period CCC will apply the performance indicators identified below:

"What gets measured gets done, what gets measured and fed back gets done well…"
John E. Jones



Corporate Strategies	Performance Indicators	Planned Supporting Initiatives
Robust Processes and Performance Measures The integration of CCC's processes, technology and resources will be optimized to deliver contracting excellence: efficient, cost-effective, and quality contracting solutions to the benefit of CCC clients and partners.	**Process Flow Optimization Scorecard:** 2006-2007 target is to develop framework to understand key business process effectiveness (as measured through service value), efficiency (as measured through cycle time and cost improvements), and optimize for risk management, automation and security considerations. Account management Contract management Cash/Treasury management Risk management Information management **Process Flow Management Rating:** 2006-2007 target is to develop framework for the evaluation of how effectively CCC manages (documents, shares, enforces, and measures) key business process flows. Service level agreements Enterprise risk management guidelines Process communication and training Process controls Process performance measurement **Financial Performance Measures:** 2006-2007 target for new orders is $1.2 billion 2006-2007 target for revenues is $25,579,000 2006-2007 target for cost reduction is $880,000 2006-2007 target for operating surplus is $928,000 2006-2007 target for average % non-direct overhead costs (non-attributable overhead) is 20% 2006-2007 target is to demonstrate CCC's excellence in international contracting by reducing additional contract costs to 0.2% of annual contract billings.	• Implement Enterprise Risk Management System (ERM) • Develop Business Continuity/Resumption Plans (BCP) • Focus on business process improvement in key financial and contract management activities for greater processing efficiency and effective cash flow management • Deliver greater operational efficiency through technology and training investments with a focus on the cash management function of the corporation • Define the business processes to ensure success on Development side of business • Increase cost effectiveness of outsource arrangements with PWGSC • Implement Information Technology Strategy with Oracle Portal integration to ERP to enhance view into operational performance • Reducing cost of ownership for IT

Financial Strategies, Assumptions, and Budgets

In order to assure the corporation's freedom to act over the course of the planning period, the enabling strategies will be buttressed by the following financial strategies:

Preservation of Capital

The corporation will have to build and maintain a sound financial footing by preserving its capital base. Over the course of the planning period, the corporation believes it can achieve this by introducing revenue and expense strategies that can sustain operating surpluses between $1.0 and $1.5 million on an annual basis. Revenue strategies will be centered on (1) establishing a systemic mechanism to secure appropriation funding for collective bargaining salary increases and services related to public policy, (2) developing a reliable fee generating model less dependant on the CCTTP program and (3) increasing interest income by strengthening the treasury function and improving cash management. Expense strategies will focus on (1) reducing additional contract costs (discussed below), (2) streamlining overhead costs (discussed below) and (3) developing a new relationship with Public Works and Government Services Canada (PWGSC) based on paying for performance and level of effort.

Sustaining Contract Billings Growth

Contract billings reflect the impact of work performed by suppliers on previous business volume generated by the corporation. The corporation plans to increase contract billings by 25% (up to $1.4 billion) in the short-term and develop a pipeline of business opportunities in order to maintain and grow this volume of activity on an annual basis. As a large proportion of fee revenues are generated from billing activity, sustaining a growth oriented contract billings standard is paramount in achieving a reliable fee-generating model.

Reducing Additional Contract Costs

The corporation plans on reducing its additional contract loss rate to approximately 0.2% of contract billings (the traditional loss rate). Although generated by a small handful of problem contracts, annual losses nearing $5 million (approximately 0.5% of contract billings) that have been witnessed over the last few years are not sustainable. The corporation is confident it can return to its traditional loss rate (and possibly reduce it) by introducing more rigorous risk mitigating controls and processes, strengthening core contracting services, learning from past successes and failures, and reducing its overall risk appetite. Exiting the Progress Payment Program will contribute greatly to achieving this effort.

Streamlining Overhead

The corporation is determined to keep its non-direct/ overhead activities (and administrative processes that are non-attributable to its core business lines) to less than 20% of total costs. Management will implement a continuous review process in order to closely monitor and control expenditure processes, in order to eliminate non-essential costs.

Five-Year Key Planning Assumptions

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

BUSINESS VOLUME THAT GENERATES CONTRACT BILLINGS

- DPSA- Increases $25M per year based a historic trend of approximately 3.5% to 4% per year.

- Global Aerospace, Defence and Security (ADS)- Increases by approximately 23% over the 5-year planning period.
- Procurement Activities- Increase consistently by $10 million per year in the first three years of the planning period and $20 million per year in the last two years a desired level exceeding $100 million in year 5.
- International Commercial Business (ICB)- Increases by approximately 12% per year.
- CCTTP - Stable at $30 million per year based on current borrowing authority limitations.
- EPCM/Capital Projects - After signing of Quito (in 2005-2006), business volume received decreases to $175 million (in 2006-2007) and increases gradually by an average of approximately 6% per year thereafter.

FEES FOR SERVICE

- DPSA - No fees.
- Global ADS – Average fee rate increases from 0.6% in 2007-2008 to 0.75% in 2010-2011.
- Procurement Activities- Average fee rate of 3.0% to 3.5%.
- ICB - Fee rate of 1% in 2005-2006 increases gradually to 1.5% in 2010-2011.
- Caribbean Commodity Trade Transaction Program (CCTTP) - The corporation has initiated discussion to develop a joint strategy with Export Development Canada (EDC) on managing the CCTTP program. The strategy calls for a gradual and measured reduction of Caribbean liabilities, with commensurate reduction in revenues, managed in partnership with EDC. The first year of the planning period assumes status quo (revenue generated given prevailing agreements). However, the risk portion of the fee starts to decrease by $200,000 per year if the risk is shared between the two organizations. The administrative fee portion of the program is consistent at an average rate of 2.0% per year.
- EPCM/Capital Projects - Average fee rate of 0.4%.

INTEREST INCOME

- Interest is earned on the corporate capital base of approximately $40.0 million and any excess cash flows generated from daily business transactions.
- Interest rates are based on the projected Canadian Prime rate of 5.25%, Canadian overnight target rates of 3.50% and U.S. federal Funds rate of 4.50% through to the end of calendar 2006. Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of Nova Scotia (BNS).
- The corporation earns interest at a rate of Canadian Prime less 2% on its bank account, but is able to earn slightly more on investments.

GAIN (LOSS) ON FOREIGN EXCHANGE

The Canadian dollar is expected to strengthen from $0.85 US to $0.90 through to the end of calendar 2006. The loss is measured on an estimated $2.0 million in U.S. working capital. No change in the dollar is assumed from 2007-2008 onward.

PARLIAMENTARY APPROPRIATION

- Government funding of $15,969,000 for 2006-2007, approved by the Minister and submitted to Treasury Board through the Annual Reference Level Update (ARLU) process, will be reduced in 2007-2008 by an additional $220,000, representing the last stage of ERC reductions.
- Over and above the amount approved by the Minister in the ARLU are the following increases for collective bargaining settlements that have been determined and communicated to the corporation by Treasury Board officials; $407,000 for 2006-2007

and $433,000 for 2007-2008 onward. Consequently, the Parliamentary Appropriation in 2006-2007 will be $16,376,000, and the appropriation in 2007-2008 and on will be $16,182,000

ADDITIONAL CONTRACT COSTS

The level is based on the corporation's traditional loss rate of 0.2% of contract billings (as discussed above).

SERVICES PROVIDED BY PUBLIC WORKS & GOVERNMENT SERVICES CANADA (PWGSC)

The plan is based on the initiative to reduce the PWGSC cost to $4.5 million for 2006-2007 and $4.2 million for 2007-2008 and beyond (as discussed above).

OPERATING EXPENDITURES

Operating expenditures increase over the planning period due to inflation and collective bargaining.

2005-2006 Outlook

The corporation is currently forecasting an operating surplus of $837,000 for 2005-2006, greater than the budget of $819,000. Several factors will contribute to this positive result:

- On the whole, self-generating revenues stemming from fees for service, the receivable discounting service, interest earned on cash balances and other miscellaneous sources are forecasted to meet the budget of $9.3 million. A forecasted shortfall on fee for service type transactions of $218,000 entirely due to the winding down of the Progress Payment Program is offset by greater income generated on the corporation's discount receivable service, wire payment transfer service and net interest revenue.
- Due to positive recent developments on the Amertek case, the level of legal cost will be lower than originally anticipated resulting in estimated costs savings of $150,000 for this period. In addition, operating and other expenses are forecast to be $706,000 under budget due to staff vacancies resulting from organizational changes and resource rationalization in this year of transition under new management and the partial reversal of a long standing liability associated with a pay equity issue.
- The corporation will also benefit from supplementary funding owed as a result of collective bargaining settlements. Treasury Board Secretariat has determined that $553,000 including retroactive amounts for 2003-2004 and 2004-2005 is owed to the corporation.
- Unfortunately, all positive gains resulting from operating and interest transactions will be offset by a negative variance of $1.6 million related to additional contract costs. Additional contract costs of $4.0 million were determined based on the reassessment of costs related to the settlement of problems or disputed contracts from previous years.

2006-2007 Operating Budget

CCC is planning for an operating surplus of $1.028 million in 2006-2007, slightly higher than both the 2005-2006 outlook and budget. Net revenues of approximately $9.0 million are planned, $300,000 lower than the 2005-2006 outlook. The primary reason for the decrease relates to the corporation benefiting from the full impact of the $1.2 million success fee linked to the effective signing of the Quito Airport project in 2005-2006. Apart from that event, the corporation is expecting 2006-2007 fee for service revenues to be on par or higher than levels attained in 2005-2006 across all other (other than EPCM/ Capital Projects) business lines. 2006-2007 Discount receivable and electronic wire transfer revenues are expected to approximate similar levels achieved in 2005-2006. However, interest income is planned to be approximately $150,000 higher than in 2005-2006 due to a combination of higher yield rates on investments and higher cash balances resulting from the corporation's continued success collecting its receivables under the DPSA program.

With respect to the corporation's forecasted expenditures (as detailed above), additional contract and related costs are planned at $2.8 million based on the corporation's traditional loss rate of 0.2% and PWGSC service costs are planned at $4.5 million based on the level of performance. Although, traditional operating and administrative expenditures appear to be planned higher at $15.1 million compared to the 2005-2006 outlook of $14.2 million, the 2006-2007 planned level is actually 1.6% lower than what budgeted for 2005-2006. The forecasted 2005-2006 amount is abnormally lower due to several spending initiatives and planned staffing actions put on hold as the new management team reassessed the corporation's direction, processes and resource allocation. The new management is also planning to spend an additional $1.0 million in 2006-2007 to address organizational transformation issues it has identified in its reassessment of the corporation.

The parliamentary appropriation of $16,376,000 in 2006-2007 is based on a level approved by the Minister that includes the corporation's contribution to the government-wide Expenditure Review Committee (ERC) reductions and an increase of $407,000 that was determined and communicated to the corporation by Treasury Board Secretariat.

2006-2007 Capital Budget

Pursuant to section 124 of the *Financial Administration Act*, the corporation is required to submit a Capital Budget.

The corporation has identified an urgent requirement to upgrade its Oracle Enterprise Resource Planning (ERP) system in 2006-2007. The initiative will be funded internally and is subject to the approval of a more detailed proposal by the Board of Directors. The estimated cost of this initiative is $4.0 million. The amount will be capitalized and amortized over a 5-year period.

Standard purchases of equipment, furniture and fixtures required by the corporation during 2006-2007 will approximate $200,000 and are included in the corporation's Operating Budget.

Borrowing Plan

Under section 127 of *the Financial Administration Act*, CCC is required to submit a borrowing plan to the Minister of Finance for approval. In this Plan, the corporation is seeking Ministerial approval to exercise the corporation's authority pursuant to section 11 (1.1) of CCC Act to borrow up to $80M or its US dollar equivalent from various financial institutions. This borrowing request is divided into two components: DPSA/NASA and CCTTP.

DPSA/NASA

The corporation has working capital requirements to facilitate the DPSA and NASA programs. CCC pays Canadian exporters on DPSA/NASA contracts in 30 days from receipt of bona fide invoices, and requires access to an operating line of credit as a prudent safeguard in the event that the US DoD and NASA do not pay those invoices in favour of CCC within the same time period. As the majority of the DPSA/NASA contracts are in US currency, the corporation avoids foreign exchange rate risk by being able to borrow in the same currency. For the 2006-2007 period, the corporation requests $40M – the same level as last year – or its US dollar equivalent. The corporation also requests the same term as it did the previous year, up to 120 days per invoice borrowed against. The corporation expects to borrow in Canadian currency at the Canadian Prime rate, and if in US currency, at the US Prime rate. CCC manages its interest expenditure requirements related to these borrowings by establishing an interest expenditure budget in the corporation's Operating Budget.

CARIBBEAN COMMODITY TRADE TRANSACTION PROGRAM

The corporation requests authority to enter into accounts receivable repurchase agreements with financial institutions to support its CCTTP program for an amount up to $40M based on existing levels. The corporation requests this amount in Canadian currency or its US dollar equivalent in order to manage foreign exchange rate risk as its Caribbean program is conducted in both currencies. The corporation incurs a maximum floating interest rate of Libor + 25 points for terms up to two years in length with a number of financial institutions. Interest costs associated with these borrowings are more than offset by rates applied to Caribbean buyers for repayments on CCC accounts receivable beyond 30 days. These rates range from 10% to 12% depending upon the underlying securities provided by the buyer.

Following is a table identifying borrowing needs for CCC for the period 2006 – 2011.

CCC PROPOSED BORROWING PLAN 2006 – 2011

(AT DATES NOTED IN CANADIAN OR EQUIVALENT US$M)

Description	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Short-term borrowing for DPSA & NASA (up to 120 days)	$40	$40	$40	$40	$40
Medium-term borrowing for CCTTP (up to 2 years)	$40	$30	$20	$15	$15
Total Borrowing request	$ 80	$70	$ 60	$55	$55

Financial Schedules

Statement of Operations, 2004-2011

FINANCIAL TABLE A - STATEMENT OF OPERATIONS, 2004-2005 to 2010-2011

CANADIAN COMMERCIAL CORPORATION
($000's)

	Actual	Budget	Outlook	Proposed Operating Budget		Corporate Plan		
	2004-2005	**2005-2006**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**
REVENUES								
Commercial trading transactions:								
Contract billings *1	$ 1,165,012	$ 1,269,150	$ 1,103,350	**$ 1,400,800**	$ 1,395,250	$ 1,483,200	$ 1,423,100	$ 1,455,000
Fee for service	$ 7,598	$ 7,306	$ 7,088	**$ 6,601**	$ 6,317	$ 7,091	$ 7,227	$ 7,979
Other income	$ 995	$ 660	$ 781	**$ 775**	$ 778	$ 802	$ 831	$ 859
Less: Cost of commercial trading transactions	$ (1,165,012)	$ (1,269,150)	$ (1,103,350)	**$ (1,400,800)**	$ (1,395,250)	$ (1,483,200)	$ (1,423,100)	$ (1,455,000)
	$ 8,593	$ 7,966	$ 7,869	**$ 7,376**	$ 7,095	$ 7,893	$ 8,058	$ 8,838
Net interest income:								
Interest income	$ 1,324	$ 1,539	$ 1,673	**$ 1,827**	$ 1,872	$ 1,936	$ 2,009	$ 2,060
Less: Interest expense	$ (94)	$ (163)	$ (10)	**$ (105)**	$ (106)	$ (109)	$ (113)	$ (116)
Gain (loss) on foreign exchange	$ (226)	$ (24)	$ (200)	**$ (100)**	$ -	$ -	$ -	$ -
Net revenues	**$ 9,597**	**$ 9,318**	**$ 9,332**	**$ 8,998**	**$ 8,862**	**$ 9,720**	**$ 9,954**	**$ 10,781**
EXPENSES								
Additional contract and related costs:								
Additional contract costs	$ 4,950	2,478	$ 4,029	**2,602**	2,591	2,766	2,646	2,710
Legal fees and disbursements	$ 232	$ 400	$ 250	**$ 200**	$ 200	$ 200	$ 200	$ 200
Administrative expenses:								
Services provided by Public Works & Government Services Canada	$ 5,380	$ 5,520	$ 5,380	**$ 4,500**	$ 4,200	$ 4,200	$ 4,200	$ 4,200
Operating expenses	$ 15,377	$ 15,315	$ 14,212	**$ 15,077**	$ 15,668	$ 16,284	$ 16,779	$ 17,602
Organizational Transformation	$ -	$ -	$ 492	**$ 1,000**	$ -	$ -	$ -	$ -
Amortization expense	$ 717	$ 817	$ 767	**$ 817**	$ 1,079	$ 900	$ 900	$ 900
Other	$ 197	$ 150	$ 105	**150**	$ 151	$ 155	$ 161	$ 166
Total expenses	**$ 26,853**	**$ 24,680**	**$ 25,235**	**$ 24,346**	**$ 23,888**	**$ 24,506**	**$ 24,886**	**$ 25,778**
Net results of operations before parliamentary appropriation	$ (17,256)	$ (15,362)	$ (15,903)	**$ (15,348)**	$ (15,026)	$ (14,786)	$ (14,931)	$ (14,997)
Parliamentary appropriation	$ 16,405	$ 16,181	$ 16,740	**$ 16,376**	$ 16,182	$ 16,182	$ 16,182	$ 16,182
Operating surplus (deficit) for the year	**$ (851)**	**$ 819**	**$ 837**	**$ 1,028**	**$ 1,156**	**$ 1,396**	**$ 1,251**	**$ 1,185**
Equity at beginning of the year	$ 39,964	$ 39,113	$ 39,113	**$ 39,950**	$ 40,978	$ 42,134	$ 43,531	$ 44,781
Equity at year end	$ 39,113	$ 39,932	$ 39,950	**$ 40,978**	$ 42,134	$ 43,531	$ 44,781	$ 45,966

*1 Contract billings represent work completed and billed to customers against the orders received.

Statement of Changes in Financial Position, 2004-2005 to 2010-2011

FINANCIAL TABLE B - STATEMENT OF CHANGES IN FINANCIAL POSITION, 2004-2005 TO 2010-2011

CANADIAN COMMERCIAL CORPORATION
($000's)

	Actual	Outlook	Proposed Operating Budget		Corporate Plan		
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Cash and Short-Term Deposits							
at the beginning of the year	$ 50,156	$ 56,453	$ 43,691	$ 37,245	$ 39,386	$ 40,965	$ 43,613
Financing Activities:							
Parliamentary appropriation-operating	$ 16,399	$ 16,740	$ 16,376	$ 16,182	$ 16,182	$ 16,182	$ 16,182
	$ 16,399	$ 16,740	$ 16,376	$ 16,182	$ 16,182	$ 16,182	$ 16,182
Operating Activities:							
Receipts from customers	$ 1,156,026	$ 1,115,091	$ 1,366,923	$ 1,396,013	$ 1,474,589	$ 1,430,961	$ 1,452,741
Interest and other income received	$ 9,823	$ 9,532	$ 9,098	$ 8,862	$ 9,720	$ 9,954	$ 10,781
Payments to suppliers	$(1,154,357)	$(1,131,855)	$(1,373,776)	$(1,398,687)	$(1,478,072)	$(1,433,110)	$(1,455,717)
Operating payments	$ (21,268)	$ (20,570)	$ (20,967)	$ (20,228)	$ (20,840)	$ (21,339)	$ (22,168)
	$ (9,776)	$ (27,802)	$ (18,722)	$ (14,041)	$ (14,603)	$ (13,534)	$ (14,363)
Investing Activities:							
Capital Expenditures	$ (100)	$ (1,500)	$ (4,000)	$ -	$ -	$ -	$ -
Increase (Decrease) in Cash	$ 6,523	$ (12,562)	$ (6,346)	$ 2,141	$ 1,579	$ 2,648	$ 1,819
Effect of exchange rate changes	$ (226)	$ (200)	$ (100)	$ -	$ -	$ -	$ -
Cash and Short-Term Deposits							
at the end of the year	$ 56,453	$ 43,691	$ 37,245	$ 39,386	$ 40,965	$ 43,613	$ 45,432

Balance Sheet, 2004-2005 to 2010-2011

FINANCIAL TABLE C - BALANCE SHEET, 2004-2005 TO 2010-2011

CANADIAN COMMERCIAL CORPORATION
($000's)

	Actual 2004-2005	Outlook 2005-2006	Proposed Operating Budget 2006-2007	2007-2008	Corporate Plan 2008-2009	2009-2010	2010-2011
ASSETS							
Cash and short-term deposits	$ 56,453	$ 43,691	$ 37,245	$ 39,386	$ 40,965	$ 43,613	$ 45,432
Accounts receivable:							
Foreign governments	$ 201,335	$ 204,120	$ 259,148	$ 258,123	$ 274,392	$ 263,274	$ 269,175
Government of Canada	$ -	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200
Other	$ -	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Advances to suppliers	$ 22,304	$ 29,400	$ 53,445	$ 52,800	$ 57,803	$ 51,420	$ 51,938
Progress claims paid or due	$ 68,335	$ 88,919	$ 86,025	$ 86,406	$ 89,063	$ 92,188	$ 95,313
	$ 348,427	$ 366,630	$ 436,363	$ 437,215	$ 462,722	$ 450,994	$ 462,357
Capital assets	$ 1,652	$ 2,385	$ 5,568	$ 4,489	$ 3,589	$ 2,689	$ 1,789
TOTAL ASSETS	$ 350,079	$ 369,014	$ 441,931	$ 441,703	$ 466,311	$ 453,683	$ 464,146
LIABILITIES							
Accounts payable and accrued liabilities	$ 191,388	$ 193,086	$ 245,140	$ 244,169	$ 259,560	$ 249,043	$ 254,625
Advances from customers	$ 43,058	$ 39,400	$ 63,445	$ 62,800	$ 67,803	$ 61,420	$ 61,938
Progress payments received or due	$ 70,735	$ 88,919	$ 86,025	$ 86,406	$ 89,063	$ 92,188	$ 95,313
Bank operating line of credit	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to Government of Canada	$ -	$ 400	$ 400	$ 400	$ 400	$ 400	$ 400
Provision for additional contract costs	$ 4,804	$ 6,309	$ 5,033	$ 4,894	$ 5,056	$ 4,952	$ 5,005
	$ 309,985	$ 328,114	$ 400,043	$ 398,669	$ 421,881	$ 408,002	$ 417,280
Employee termination benefits	$ 981	$ 950	$ 910	$ 900	$ 900	$ 900	$ 900
TOTAL LIABILITIES	$ 310,966	$ 329,064	$ 400,953	$ 399,569	$ 422,781	$ 408,902	$ 418,180
EQUITY OF CANADA							
Contributed capital	$ 28,000	$ 28,000	$ 28,000	$ 28,000	$ 28,000	$ 28,000	$ 28,000
Retained earnings	$ 11,113	$ 11,950	$ 12,978	$ 14,134	$ 15,531	$ 16,781	$ 17,966
TOTAL EQUITY	$ 39,113	$ 39,950	$ 40,978	$ 42,134	$ 43,531	$ 44,781	$ 45,966
TOTAL LIABILITIES AND EQUITY	$ 350,079	$ 369,014	$ 441,931	$ 441,703	$ 466,311	$ 453,683	$ 464,146

Working Capital Requirements and Cash Forecast, 2004-2005 to 2010-2011

FINANCIAL TABLE D - WORKING CAPITAL REQUIREMENTS AND CASH FORECAST, 2004-2005 TO 2010-2011

CANADIAN COMMERCIAL CORPORATION
($000's)

	Actual 2004-2005	Outlook 2005-2006	Proposed Operating Budget 2006-2007	2007-2008	Corporate Plan 2008-2009	2009-2010	2010-2011
WORKING CAPITAL REQUIREMENTS							
Accounts receivable	202,987	207,005	265,216	263,111	278,481	266,463	271,464
Customers' advances (net)	-23,154	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000
Accounts payable and accrued liabilities	-197,173	-200,746	-251,483	-250,363	-265,916	-255,294	-260,930
Total working capital required (provided)	-17,340	-3,741	3,733	2,748	2,565	1,168	534
WORKING CAPITAL PROVIDED							
Contributed capital	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Retained earnings	11,113	11,950	12,978	14,134	15,531	16,781	17,966
Total working capital provided	39,113	39,950	40,978	42,134	43,531	44,781	45,966
Cash and Short-Term Deposits	56,453	43,691	37,245	39,386	40,965	43,613	45,432
Customers' advances and holdbacks not available to Corporation	10,292	10,000	10,000	10,000	10,000	10,000	10,000
Cash available to Corporation	46,161	33,691	27,245	29,386	30,965	33,613	35,432

Operating Budget, 2006-2007

FINANCIAL TABLE E - OPERATING BUDGET, STATEMENT OF OPERATIONS 2006-2007

CANADIAN COMMERCIAL CORPORATION
($ 000's)

	2005-2006			2006-2007	
	Budget	Outlook	Main Estimates	Proposed Budget	Main Estimates
REVENUES					
Commercial trading transactions:					
Contract billings	$ 1,269,150	$ 1,103,350	$ -	$ 1,400,800	$ -
Fee for service	$ 7,306	$ 7,088	$ 7,663	$ 6,601	$ 7,052
Other income	$ 660	$ 781	$ 606	$ 775	$ 721
Less: Cost of commercial trading transactions	$ (1,269,150)	$ (1,103,350)	$ -	$ (1,400,800)	$ -
	$ 7,966	$ 7,869	$ 8,269	$ 7,376	$ 7,773
Net interest income:					
Interest income	$ 1,539	$ 1,673	$ 1,635	$ 1,827	$ 2,023
Less: Interest expense	$ (163)	$ (10)	$ (1,187)	$ (105)	$ (209)
Gain (loss) on foreign exchange	$ (24)	$ (200)	$ -	$ (100)	$ (24)
Net revenues	$ 9,318	$ 9,332	$ 8,717	$ 8,998	$ 9,563
EXPENSES					
Additional contract and related costs:					
Additional contract costs	$ 2,478	$ 4,029	$ 1,799	$ 2,602	$ 2,593
Legal fees and disbursements	$ 400	$ 250	$ 408	$ 200	$ 408
Administrative expenses:					
Services provided by Public Works & Government Services Canada	$ 5,520	$ 5,380	$ 6,020	$ 4,500	$ 5,626
Operating expenses	$ 15,315	$ 14,212	$ 16,067	$ 15,077	$ 15,950
Organizational Transformation	$ -	$ 492	$ -	$ 1,000	$ -
Amortization expense	$ 817	$ 767	$ 717	$ 817	$ 817
Other	$ 150	$ 105	$ 105	$ 150	$ 138
Total expenses	$ 24,680	$ 25,235	$ 25,116	$ 24,346	$ 25,532
Net results of operations before parliamentary appropriation	$ (15,362)	$ (15,903)	$ (16,399)	$ (15,348)	$ (15,969)
Parliamentary appropriation	$ 16,181	$ 16,740	$ 16,399	$ 16,376	$ 15,969
Operating surplus (deficit) for the year	$ 819	$ 837	$ -	$ 1,028	$ -

Variance Analysis, 2004-2005

FINANCIAL TABLE F - VARIANCE ANALYSIS, OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2005

CANADIAN COMMERCIAL CORPORATION
($000's)

	Actual	2004-2005 Budget	Variance	Explanations
REVENUES				
Commercial trading transactions:				
Contract billings	$ 1,165,012	$ 1,204,988	$ (39,976)	Due to a slightly lower than anticipated level of billings during the year. The billings reflect the impact of work performed on business volume. Billings are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year.
Fee for service	$ 7,598	$ 7,171	$ 427	Fees for service exceeded the targeted total, principally as a result of a series of contracts under the CCTTP.
Other income	$ 995	$ 550	$ 445	The Corporation continues to benefit from the discount receivable program as more exporters are accessing the service contributing a total of over $800,000 of revenue compared to the targeted $550,000. Another contributor to the variance was a $200,000 reversal of an outstanding liabilty.
Less: Cost of commercial trading transactions	$ (1,165,012)	$ (1,204,988)	$ 39,976	Corresponds to contract billings due to the "back-to back" nature of CCC's contracts.
	$ 8,593	$ 7,721	$ 872	
Net interest income:				
Interest income	$ 1,324	$ 1,336	$ (12)	Cash balances were maintained as originally forecasted.
Less: Interest expense	$ (94)	$ (1,037)	$ 943	Commercial borrowing costs were significantly reduced due to the Corporation's much improved receivable collection efforts on it's DPSA business.
Gain (loss) on foreign exchange	$ (226)	$ (50)	$ (176)	Results from the translation of U.S. dollar assets to Canadian dollars that strenghtened against its U.S. counterpart. The Corporation converted a substantial portion of its U.S. dollar holdings in 2003-2004 in order to minimize the impact of dramatic foreign exchange translation gains or losses.
Net revenues	$ 9,597	$ 7,970	$ 1,627	

	Actual	2004-2005 Budget	Variance	Explanations
EXPENSES				
Additional contract and related costs:				
Additional contract costs	$ 4,950	$ 1,689	$ 3,261	Over 85% of the total cost was generated by four problem contracts that were spread across all business lines.
Legal fees and disbursements	$ 232	$ 400	$ (168)	The majority of the cost was related to the Amertek litigation case. The cost is shared on a 50:50 basis with PWGSC. Although costs and related activity were essentially on budget, $200,000 were offset by a reversal of an unrequired accrual from the previous year.
Administrative expenses:				
Services provided by Public Works and Government Services Canada	$ 5,380	$ 5,808	$ (428)	These costs are negotiated annually based on the projected level of service required by the Corporation. All costs above the base $5.2 million related to DPSA are recovered in the form of fees from the exporters.
Operating, amortization and other expenses	$ 16,291	$ 16,083	$ 208	The Corporation was able to maintain expenditures close to budget despite the occurance of several unanticipated spending requirements.
Total expenses	$ 26,853	$ 23,980	$ 2,873	
Net results of operations before parliamentary appropriation	$ (17,256)	$ (16,010)	$ (1,246)	
Parliamentary appropriation	$ 16,405	$ 16,399	$ 6	
Operating surplus (deficit) for the year	$ (851)	$ 389	$ (1,240)	

Variance Analysis, 2005-2006

FINANCIAL TABLE G - VARIANCE ANALYSIS, OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2006

CANADIAN COMMERCIAL CORPORATION
($000's)

	2005-2006 Outlook	2005-2006 Budget	2005-2006 Variance	Explanations
REVENUES				
Commercial trading transactions:				
Contract billings	$ 1,103,350	$ 1,269,150	$ (165,800)	Due to a slightly lower than anticipated level of billings during the year. The billings reflect the impact of work performed on business volume. Billings are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year.
Fee for service	$ 7,088	$ 7,306	$ (218)	The expected under budget variance is entirely attributed to the winding down of its Progress Payment Program. The Corporation had originally planned to generate some $250,000 from this business line.
Other income	$ 781	$ 660	$ 121	Revenues generated from the Corporation's discounting receivable service and wire payment transfer service were approximately $100,000 higher than expected levels.
Less: Cost of commercial trading transactions	$ (1,103,350)	$ (1,269,150)	$ 165,800	Corresponds to contract billings due to the "back-to back" nature of CCC's contracts.
	$ 7,869	$ 7,966	$ (97)	
Net interest income:				
Interest income	$ 1,673	$ 1,539	$ 134	The expected positive result is due to the Corporation's continued success in collecting receivables from the U.S. Government.
Less: Interest expense	$ (10)	$ (163)	$ 153	As a result of the Corporation effectively collecting its U.S. Government receivables, the Corporation did not have to use its borrowing line.
Gain (loss) on foreign exchange	$ (200)	$ (24)	$ (176)	Results from the translation of U.S. dollar assets to Canadian dollars that strenghtened against its U.S. counterpart.
Net revenues	$ 9,332	$ 9,318	$ 14	

	2005-2006 Outlook	2005-2006 Budget	2005-2006 Variance	Explanations
EXPENSES				
Additional contract and related costs:				
Additional contract costs	$ 4,029	$ 2,478	$ 1,551	The result is due to re-assessment of costs required to settle problem or disputed contracts that are ongoing from previous years.
Legal fees and disbursements	$ 250	$ 400	$ (150)	The majority of the cost was related to the Amertek litigation case. The cost is shared on a 50:50 basis with PWGSC. Due to positive developments on the case, the level of activity was lower than originally anticipated.
Administrative expenses:				
Services provided by Public Works and Government Services Canada	$ 5,380	$ 5,520	$ (140)	These costs are negotiated annually based on the projected level of service required by the Corporation. All costs above the base $5.2 million related to DPSA are recovered in the form of fees from the exporters.
Operating, amortization and other expenses	$ 15,576	$ 16,282	$ (706)	The expected under budget result is due to staff vacancies resulting from organizational changes and resource rationalization during a year of transition under new management. Another contributer to the variance is the reversal of $375,000 related to a liability that was set up years ago, but the matter was settled at a lower amount.
Total expenses	$ 25,235	$ 24,680	$ 555	
Net results of operations before parliamentary appropriation	$ (15,903)	$ (15,362)	$ (541)	
Parliamentary appropriation	$ 16,740	$ 16,181	$ 559	Supplementary funding owed to the Corporation as a result of Round 4 of collective bargaining. The amount includes retro-active amounts from 2003-04 and 2004-05 in addition to amounts owed for 2005-06.
Operating surplus (deficit) for the year	$ 837	$ 819	$ 18	

Acronyms

ARLU - Annual Reference Level Update

CCTTP - Caribbean Commodity Trade Transaction Program

CCC – Canadian Commercial Corporation

CIDA – Canadian International Development Agency

CIFA - Canada Investment Fund for Africa

Crown Corporation

DCMA - Defence Contract Management Agency

DND – Department of National Defence

DPSA – Defence Procurement Sharing Arrangements

DSCA - Defence Security Cooperation Agency

EDC – Export Development Canada

EPCM - Engineering Procurement Construction and Management

EPCM/C – Engineering Procurement Construction and Management Capital

ERC - Expenditure Review Committee

ERM – Enterprise Risk Management

ERP - Enterprise Resource Planning

FAA – *Financial Administration Act*

FAC – Foreign Affairs Canada

FMF – Foreign Military Financing

FMS – Foreign Military Sales

G-8 – the 'Group of Eight' nations

GDP – Gross Domestic Product

GIC – Governor-in-Council

Global ADS - Aerospace, Defence and Security

GPS – Global Peace & Security Fund

ICB - International Commercial

Business/ Branch

IDRC – International Development Research Canada

IFI – International Financial Institution

IMF – International Monetary Fund

IPS - Canada's International Policy Statement

ITARs – International Trade in Armaments Regulations

ITCan – International Trade Canada
LAV – Light Armoured Vehicle

Libor – London Interbank Offered Rate

MDGs – Millennium Development Goals

NASA – National Aeronautics and Space Administration

NEPAD - New Partnership for Africa's Development

NGO's – Non-governmental Organizations

O & M – Operations and Maintenance

ODA - Official Development Assistance

PPP - Progress Payment Program

PWGSC – Public Works and Government Services Canada

QDR - *Quadrennial Defence Review*

TBS – Treasury Board Secretariat

TCS – Trade Commissioner Service

UNICEF – United Nations Children's Fund

US DoD – United States Department of Defense

END NOTES

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