



Canadian
Commercial
Corporation

ANNUAL REPORT 1999-2000

On TARGET for Export Growth

Canada

Board of Directors

(April 1, 1999 to March 31, 2000)

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Message from the Minister

Canada's trade picture is strong, and getting stronger. In 1999, we set our eighth consecutive record-breaking year in exports, and the pay back to Canada has been in jobs. Today, one in three jobs depends on exports and most of the 2 million jobs created since 1993 are related to our growth in trade. We have seen some dramatic transformations toward "the new economy" and that shift is showing in the mix of our exports.



Canada-U.S. free trade. Based on its ability to guarantee contract performance to a buyer and its special government status, it has been instrumental in not just opening doors, but providing the practical contract advice and assistance Canadians need to turn business opportunities into export sales. This past year, CCC's exporters came from a wider range of industries than ever before.

Today, fully two-thirds of our exports are in high value-added areas, and it is clear that Canadian companies are taking on global competitors in knowledge-intensive sectors and showing that we can compete with anyone, anywhere. This bodes very well for our continued success as a trading nation in a modern economy.

As Minister for International Trade, my key responsibilities are trade policy, trade promotion, trade finance and investment. I want to win access to markets by strengthening the international rules-based trading system, creating the appropriate infrastructure through international agreements and supporting our trade agencies, which are key to the competitiveness of our exporters.

The Canadian Commercial Corporation has a long and distinguished record of service to Canada's exporters and their customers abroad. Its unique role as an export sales agency has led to Canadian success in complex markets. It was providing a privileged access for Canadians to the U.S. defence and aerospace markets long before the advent of

In speaking of trade, too often we forget that it is not about facts and figures, but first, foremost and always, about people: people finding rewards for their efforts, markets for their products and services, creating businesses, jobs and hope for their future. It is for this reason that I particularly appreciate the role played by CCC within Team Canada Inc. In Chile, Argentina and Uruguay I witnessed first-hand how CCC works with exporters, foreign buyers and other trade players to land a sale. In these projects CCC made the difference by scoping out the opportunity, making the Canadian bid more attractive, and providing the customized, practical assistance needed to let the exporter and buyer successfully do business with each other. As we all face the challenges of building on the gains we have made in trade, CCC will continue to be a key ingredient for success in specialized markets throughout the world.

The Honourable Pierre S. Pettigrew
Minister for International Trade

On Target for Export Growth

A Year of Achievement, A Year of Renewal

As the Canadian Commercial Corporation (CCC) entered 1999-2000, an interdepartmental review of its activities had concluded that the Corporation makes a unique contribution to the success of Canadian exporters, and that its specialized services are best delivered through a separate Crown corporation dedicated to export sales. This vote of confidence from the Government of Canada was followed by the appointment of the Corporation's first full-time president since 1991, a commitment to strengthen its Board of Directors with increased representation from the private sector, and an injection of an additional \$5 million in capital.

Throughout the year, CCC has laid the groundwork to increase its contribution to export sales, grow its business, sustain that growth, and provide enhanced levels of service to a much larger and broader group of exporters. It undertook market studies, assessed exporters' needs and

solicited the views of its clients, its shareholders, and other public and private trade stakeholders. All of this input helped the Corporation emerge with a clear vision for itself in the global economy.

With that work complete, CCC enters the new century with ambitious plans, which it will now implement to increase awareness, invest in marketing and technology, and build on its strengths to ensure it can meet its clients' changing needs.

While 1999-2000 saw significant planning for the future, it was also a year of setting business records for CCC's exporters and their customers abroad.

In 1999-2000, a total of 1,810 Canadian firms worked with the Corporation to put the power of Canada behind their international sales efforts. Some 280 of them sold through CCC to buyers in 38 countries, for a record business total of \$1.1 billion.

Over 30 per cent of the companies working with CCC were new to the Corporation, while 80 per cent of them were small and medium-sized enterprises (SMEs). These companies gave the Corporation its highest client satisfaction scores ever, and once again CCC's clients gave it their highest ratings among the trade services they used that year.

CCC's exporters represent virtually all sectors. As globalization has liberalized trade, particularly with respect to public-sector purchasing, Canadians are increasingly interested, and competitive in these specialized procurement markets. The year has seen increasing numbers of companies from Canada's environmental technologies, advanced technologies and other knowledge-based industries accessing CCC's services. Together with its exporters, CCC is carrying out existing projects, and developing proposals in more countries than ever before. These projects also

involve sales to buyers in the private sector, whether on a strictly commercial basis, or where private firms are acting on behalf of government buyers.

In the last three years, CCC has increased its client base

by over 80 per cent and has redoubled its efforts to work with its customers abroad to pull foreign demand to Canada. The key to CCC's success this year has been its ability to strengthen its relationships with Canadian exporters, with

foreign buyers, and to formalize its ties with its partners within Team Canada Inc to enhance service accessibility and delivery to all Canadian exporters who can benefit from them.

Role and Services

The Canadian Commercial Corporation is in the export sales business. Using its governmental status to sign sales contracts on behalf of Canadian exporters, the Corporation puts the power of Canada behind an export sale, guaranteeing its full and satisfactory completion.

CCC's participation adds a dimension to the relationship between buyer and seller. It does so by signing international contracts on behalf of Canadian companies, and providing

buyers with its guarantee of effective completion of a sale with respect to price, quality and terms.

When an exporter sells a product or service through CCC, it makes it a sale by the Government of Canada. This provides foreign buyers with a unique asset: the assurance that when they purchase through CCC, the contract will be completed according to its terms. By minimizing a buyer's perceived contract performance risks,

CCC's involvement wins Canadian exporters access to market opportunities, enables them to win business on better contract terms, and helps them obtain working capital from commercial sources. CCC is particularly effective in helping Canadian exporters sell in the specialized and complex markets of foreign governments and international organizations. CCC provides special access to the United States defence and aerospace markets. Its services are also



available for Canadian sales to private-sector buyers worldwide.

Centred on its ability to sign and guarantee export contracts, CCC provides a range of services which assist Canadian exporters and their customers abroad at every stage of the export sales process.

In the business development phase, CCC identifies opportunities and sources them to qualified Canadian companies, identifies Canadian sources of supply for foreign buyers, and assists companies or groups of companies to structure proposals in response to business leads.

In the contracting phase, CCC works with an exporter in the preparation of bids, and helps negotiate and sign a contract with the buyer. CCC's participation can enhance an exporter's ability to arrange contract financing either through accessing pre-shipment financing through banks, or through CCC's own service enhancements such as the offer of open account on contracts with certain customers in the Organization of Economic Cooperation and Development (OECD) countries, negotiation of advance payment from buyers, and the accelerated payments it offers SMEs. As

the contract is performed, CCC monitors performance, administers payment and helps mediate conflicts, should they arise.

In U.S. markets, CCC identifies U.S. federal government business opportunities and matches them to the profiles of qualified Canadian firms registered to do business in that market. CCC also provides and maintains the special access that Canadian exporters have to the U.S. defence and aerospace markets under the Defence Production Sharing Arrangement (DPSA).

In other countries, CCC acts as a prime contractor on behalf of Canadian exporters in the sale of goods and services to foreign buyers around the world, helping them develop proposals, bid, and win export projects on favourable terms. CCC can also act on behalf of foreign buyers to find qualified sources of supply in Canada for their requirements, and then contract to meet those requirements at fair and reasonable prices.

CCC facilitates access for SMEs to commercial sources of pre-shipment export financing through the Progress Payment Program (PPP), and provides contract management services when requested.

CCC works with the members of Team Canada Inc to ensure that when an exporter seeks assistance, it can draw on all the levers of the Government of Canada to bring that business home. Its services complement the market intelligence and access services available from the Department of Foreign Affairs and International Trade (DFAIT) through its posts abroad, and the buyer financing and export insurance services of the Export Development Corporation (EDC).

CCC's range of services is relevant to exporters of all sizes and experience. For smaller, newer exporters, CCC's greatest value often lies in accessing its expertise to reduce red tape, minimize risks, negotiate contracts and win enhanced payment terms. For larger companies already enjoying an international reputation, the main benefit is CCC's government-to-government role, which can be used to facilitate sales to public-sector buyers abroad on a sole-source basis.

Big, medium or small, all exporters value CCC's ability to choose from among those tools and customize a solution to meet their particular needs and those of their customers abroad to land sales.

Douglas Patriquin, President
Canadian Commercial Corporation



President's Report

In May of 1999, I was appointed President of the Canadian Commercial Corporation, its first full-time president since 1991. Since I came to the Corporation in 1993, its story has been one of change and growth: change in exporter needs, the requirements of foreign buyers, and the types of goods and services those buyers are looking to find in Canada, and growth in the number of its exporters and the markets where they work with CCC.

In the past year, the Corporation achieved an impressive list of "firsts." Among these firsts set on behalf of its exporters, CCC reached its highest business volume ever, and that came from working with Canadian exporters from more sectors and in more markets than ever before. The Corporation received a record revenue from its optional services, and in delivering its services, CCC received its highest-ever client satisfaction scores.

This record of achievement can be found in all parts of the Corporation. Its business in the U.S. market grew an impressive 20 per cent, with this total representing sales of a wider range of civilian and military products to a greater number of buyers.

In its international sales, the Corporation exceeded the previous year's total by 56 per cent, with that volume resulting not from one or two exceptional sales, but from a sustained increase in the number of lower-dollar-value contracts in international markets on behalf of SMEs.

Finally, completing its fifth full year of operation, the Corporation's Progress Payment Program, which enables SMEs to access commercial sources of financing for export sales, achieved a record total of \$85 million, its highest ever. In its first five years of operation, the Program has enabled SMEs to access \$300 million in export financing which would otherwise not have been available to them, and has seen the number of Canadian financial institutions participating in the program increase from five to nineteen.

While setting new records, the Corporation also embarked on a process to create a long-term vision of what CCC would look like, and what contribution it would make to the Government's trade agenda.

The elements of that vision rapidly became clear: CCC is in the business of developing Canadian trade. It has the unique ability among public agencies to sell goods and services on behalf of Canadian companies, thereby putting the Government's credibility behind capable Canadian exporters. It must provide services that respond proactively to the needs of both its exporters and their customers abroad, and contribute strategically to the Government's trade and economic policies.

To work effectively, it must align itself closely with related trade agencies in Team Canada Inc. It must also make itself known more broadly in order to promote its services to companies that can use them, and seek out markets where its capabilities can make a strategic difference to the success of Canadian exporters.

These elements form the foundation of CCC's plans to increase the number of its clients, and its business over the next five years. After an internal review of its business and potential, CCC's management put the following vision forward:

To fulfil its mandate "to assist in the development of trade," CCC should be recognized broadly as an agency that significantly increases the ability of Canadian companies to land export sales on improved terms. It will promote its services as an agency skilled in making export sales happen, employing its unique powers to mitigate contract risk and offering related services to put successful deals together.

The Board of Directors approved this vision for CCC and requested management to undertake studies in a number of areas to assist the Corporation in elaborating and realizing that vision.

Throughout 1999-2000, CCC, with the assistance of independent experts, identified where and how it could best contribute to the success of Canadian exporters. These studies assessed exporters' needs, potential foreign markets where CCC can make a difference to Canadian success, and CCC's current and required financial structure, if it is to reach its business potential. What these studies indicate is that government procurement markets have never been more attractive to Canadian exporters, and CCC should significantly increase its efforts on their behalf. Much of this growth will come from SMEs, which need the type of hands-on, customized support CCC provides.

Over the past four years, CCC has pursued a four-track strategy to better serve Canada's exporters and their customers abroad: increasing *awareness*, enhancing *services*, targeting *markets*, and ensuring the Corporation has the *capacity* to meet its clients' expectations and needs. As a result of the work it has done in 1999-2000, the Corporation enters the 21st century with a clear game plan

for each strategy. By 2005, CCC is committed to realizing the following initiatives and activities:

- **Awareness:** CCC will be recognized broadly within the export community, understood by 10,000 exporters and used each year by 3,000 exporters with a special emphasis on SME clients.
- **Services:** CCC will offer its clients the services they need to make an export sale happen, and will do so by providing services related to its core expertise and facilitating access to the services of other institutions through partnerships and alliances.
- **Markets:** CCC will target countries and sectors of strategic importance to Canada, where it can increase the success rate of Canadian exporters in sales to foreign governments, international institutions and other select buyers, and will aim for a balanced portfolio with 50 per cent of its business volume coming from its mandated services such as the DPSA, and 50 per cent from other markets.
- **Capacity:** CCC will strengthen its finances to enable it to grow and deliver quality services in order to meet changing client needs.

In 1999-2000, CCC pursued each of these four tracks, setting the course to achieve its long-term goals.

The Corporation has started re-engineering its Website (www.ccc.ca) to transform it into an interactive business site, enabling clients to register on-line, update their company profiles, and allow companies to interact with CCC on their active contract files. The Corporation also entered into a new partnering arrangement with Industry Canada on its *SourceCan* initiative, which will enable more companies to access CCC's U.S. Business Opportunities site, and utilize its bid-matching services. These enhancements will enable the Corporation to harness new technologies, and change its processes, so that it can deal with a much larger clientele, particularly among SMEs. The Website will also be at the heart of CCC's plans to keep up with the global pace of change in electronic commerce (e-commerce) among exporters and foreign buyers.

Cross-marketing CCC's services is crucial to its future business, and to offering full services to its exporters. A review of the 1,810 companies using CCC services indicates that the Corporation achieved its 1999-2000 goal of having at least 25 per cent of those firms accessing CCC services to assist them in the U.S. and internationally. The challenge for CCC is to increase the percentage of those firms successfully contracting through CCC in both the U.S. and overseas.

Partnerships are a key element of CCC getting its message across, introducing new exporters to its services, and putting its services to greater effect for clients in combination with those of other trade agencies. This year, CCC formalized a partnership with the Saskatchewan Trade and Export Program (STEP) to channel qualified exporters in that province to the Corporation, and expects to finalize similar arrangements with provincial agencies in Ontario, Alberta and Newfoundland this year. CCC signed a new agreement with Northstar Financial Services

Inc., which will see greater co-operation and referrals between CCC's Progress Payment Program, which provides exporters with access to pre-shipment financing from commercial sources for export sales, and Northstar's post-shipment financing of foreign buyers of Canadian goods and services.

In February 2000, the Government of Canada provided the Corporation with an additional investment of \$6.7 million in two components: a \$5-million repayable working capital appropriation, and \$1.7 million in additional operating funds, both funded from DFAIT reference levels which support the Canada Account. These funds, which follow an investment of \$5 million last year, will enable the Corporation to continue to meet its obligations under the Canada-U.S. Defence Production Sharing Arrangement.

While these initiatives produced excellent results on behalf of Canadian exporters and their customers abroad, the coming year offers an even greater opportunity for CCC to reach



CCC forms partnership with CATA Alliance to more effectively identify and meet the needs of advanced technology exporters. (Globetech, Washington, D.C.)

Douglas Patriquin, President of the Canadian Commercial Corporation (right), concludes agreement with President Miguel Rodriguez of Costa Rica for Costa Rica's first Cancer Care Centre. (Sonnybrook Regional Cancer Care Centre, Toronto, Ontario)



more SMEs, in an increasingly diverse range of industrial sectors.

Looking ahead, 2000-2001 will see CCC increase its contribution in select markets and sectors where its services can produce the greatest results for Canadian exporters. The Corporation's traditional markets are changing, and Canadian companies are seeking assistance from CCC in new areas. CCC must keep pace with these changes, and supplement its expertise and enhance its services to establish itself in new sectors and markets.

Among these key challenges:

- *The negotiation of new free trade agreements (particularly in Latin America) and a broader liberalized trade environment means that formerly protectionist procurement markets are more open than ever, but remain difficult for Canadian firms.* CCC must increase its expertise and knowledge in these markets.

- *CCC's core aerospace and defence suppliers must continue to diversify their markets if they are to prosper.*

CCC must, with other trade players like Industry Canada, the Aerospace Industries Association of Canada (AIAC) and the Canadian Defence Industries Association (CDIA) develop a strategic role to assist in that diversification.

- *As privatization of procurement functions continues, governments are holding their new private-sector buyers responsible for all procurement risks; as a result, these contractors will increasingly be interested in CCC's ability to strictly control their risks when purchasing from Canadian sources.*

CCC must first target those contractors and make its services and value known to them.

- *International buyers are looking for integrated solutions and turnkey packages; they are contracting to single-source or limited*

suppliers or systems integrators that then subcontract for a full range of goods and services to cover the life of a project. CCC must identify how it can best assist Canadian exporters, particularly SMEs, to participate as subcontractors in such projects.

- *Suppliers of commercial technologies are now selling to defence markets; information technologies are key components of all sectors of strategic importance to CCC, while capital projects are an important source of demand for environmental, transportation, power generation and distribution technologies.* If CCC is to participate in these growth areas, it must identify what relevant role it can play in facilitating systems integration, and by forming supplier-based consortia or joint ventures among Canadian exporters.

- *U.S. military strategies and requirements are changing, reflecting shorter, regional conflicts with a multilateral response with allies or regional powers, and requiring peacekeeping after the conflict.* CCC's DPSA arrangements will offer new opportunities to Canadian companies that can respond to changing U.S. requirements.
- *Successful resolution of the International Traffic in Arms Regulations (ITARs) proposed by the United States is an important element of maintaining Canadian industry's access to worldwide defence and aerospace markets.*
- *E-commerce is the most complex challenge facing CCC.* Now that Year 2000 (Y2K) issues have been overcome, the pace of e-commerce will pick up speed internationally, and will do so also in Canada as

the Government moves forward with its own initiative to provide a secure network for citizens and businesses to interact electronically for government services. It is anticipated this pace of change will mean that most of CCC's services will be delivered electronically by the end of its five-year planning period, providing a great opportunity to streamline and grow its business.

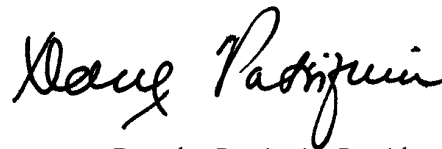
To meet these challenges, CCC intends to build on its strengths, focus on areas where those strengths need to be supplemented, and identify partners with whose products and services its capabilities can be matched to produce greater success for mutual clients.

In the year ahead, more Canadian exporters than ever before will be hearing about CCC, be introduced to its services, and be sitting down with its officers to see how the Corporation can turn business

opportunities into signed deals. Their success is a source of pride at CCC, pride in bringing back to Canada the kind of jobs and growth the country needs, and pride in the difference the Corporation makes to Canada's exporters, the men and women who are taking up the challenge of today's highly competitive global marketplace.

In this, my first year as president, I would like to thank the people at CCC for their commitment and their work, our exporters for making us their partner of choice in the international arena, and our foreign buyers for their confidence that a sale placed through CCC means performance and excellence.

All of us at CCC look forward to the year ahead: more clients, more service, and more export projects successfully won and implemented.



Douglas Patriquin, President
Canadian Commercial Corporation

Business Review
April 1, 1999 through March 31, 2000



The Global Trade Environment

The Canadian Commercial Corporation's clients are aggressive exporters. In 1999-2000, six in ten relied on exports for more than half of their total sales, and at least one in four relied on sales to foreign government agencies for over half of all exports. Close to two-thirds of CCC's exporters expect their sales to foreign governments and other international public agencies to increase within the next two years.

Trends in Government Procurement

The past year witnessed increased activity by Canadian companies in government procurement. This has been evident over the past several years in the growth of CCC's project pipeline and the number of companies seeking CCC's assistance in procurement markets.

Total direct procurement spending on the part of all governments internationally amounted to an estimated US\$5.4 trillion in 1999. The World Bank further estimates that current spending and gross investment activity by governments account for 18 per cent of gross domestic product (GDP) in developed countries, 13 per cent in developing nations, and 19 per cent in transitional economies.

While most goods and services purchased by national governments originate with corporations based in that government's country, an estimated 19 per cent of procurement — or US\$1.05 trillion — was filled from non-resident sources, accounting for 16.5 per cent of world trade. This total includes \$400 billion in military procurement and \$650 billion in export sales for non-military purposes.

Exporters' Needs

In 2000, CCC commissioned Mr. Jayson Myers, Senior Vice-President and Chief Economist of the Alliance of Manufacturers & Exporters Canada (AMEC) to prepare a market study. Mr. Myers was asked to look at CCC's markets, and identify the key trends and target areas where CCC can make a strategic difference to Canadian exporters.

Among the key findings of the *Myers Report* are:

- significant opportunities exist for CCC and Canadian exporters in both U.S. and international markets outside the Corporation's traditional defence and aerospace sectors;

- demand for CCC services will increasingly come from SMEs as they expand into and compete in new markets or require assistance in contract negotiation or in accessing working capital;
- CCC's business volumes will grow from a combination of securing larger-value contracts on behalf of bigger goods and services exporters, as well as from higher-volume and higher-value contracts on behalf of innovative SMEs.

While the Report highlights continuing growth potential in CCC's traditional U.S. and other defence and aerospace business, it sees the greatest areas of potential as:

- non-defence public procurement in the U.S. and internationally;
- capital and infrastructure projects in which CCC participates as part of a broader Team Canada Inc support;
- high-value (and predominantly high-technology) SMEs and service exporters;
- the provision of contract consulting and other trade facilitation services for SMEs.

Markets

U.S. Sales

In 1999-2000, the Canadian Commercial Corporation again set a record in its U.S. business with a total of \$844.6 million, or 77 per cent of its business volume. Of this total, \$638 million was in sales to the U.S. Department of Defense (DoD) under the terms of the DPSA, and \$66.9 million was in sales to the National Aeronautics and Space Administration (NASA). An additional \$9 million was made up of sales to other agencies of the U.S. federal government and various state

and municipal governments. Another \$130.7 million, a record 15 per cent of the business total in the U.S., was in sales to private-sector buyers. Most of these sales were to private-sector prime contractors on U.S. defence requirements, although a significant percentage was also to U.S. private-sector buyers utilizing the Corporation's Progress Payment Program.

This year, the Corporation again saw its activity in light armoured vehicles (LAVs) on behalf of General Motors Diesel Division return to historic levels, with a significant U.S. contract, generating \$202 million in 1999-2000, and an anticipated additional \$200 million annually over the next two years. Yet even outside of LAV business, the year set a record for sales to U.S. defence and aerospace markets with growth of 4 per cent over 1998-99.



A Symbol of Peacekeeping Around the World

The sales success of the light armoured vehicles (LAVs) built in London, Ontario by GM Canada's Diesel Division illustrates the Canadian defence industry's reputation on the world stage and the crucial part CCC plays. Manufactured by General Motors and sold through CCC, the LAVs have served in Kuwait, Kosovo, and most recently in Indonesia, where Australian peacekeepers used them to land in East Timor. CCC has been instrumental in the sale of more than US\$2.5 billion worth of LAVs sold outside Canada since 1981, guaranteeing contract performance on every order.

“ We have a world product mandate for General Motors on the LAV, and we export two-thirds of our production. We have a long history of working closely with CCC, which allows us to give our export customers the option of dealing

on a government-to-government basis. Our LAV customers not only have the guarantee of General Motors, but also the guarantee of the Government of Canada through CCC. ”

Ken Yamashita

Manager, Government Relations
and Industrial Benefits
Diesel Division, General Motors
of Canada Ltd.
London, Ontario



Keeping Pace with U.S. Buyers

The Corporation's business in the United States reflects its efforts to keep pace with changes in the U.S. acquisition system. Since 1993, the U.S. government's program of acquisition reform has presented both a challenge and an opportunity. While it offers Canadian companies simplified rules, easier registration and streamlined processes, it also increasingly brings privatization of U.S. DoD purchasing to the American private sector on major defence purchases. This takes these sales outside of the framework of the DPSA, which has provided Canadians with a level playing field in this market since 1956. Through its Prime Contractor Task Force, CCC has undertaken a visit program to key U.S. prime

contractors to outline how the same services which facilitated DoD's direct purchases from Canadian suppliers are equally effective in assisting prime contractors purchasing on behalf of DoD, but that are obliged to implement DoD procurement rules.

CCC's U.S. results are also a product of its efforts to enhance its relationships with U.S. buyers. This has occurred through the visits to key U.S. DoD buying commands, participation in the North American Defence Industrial Base Program, and presentations to over 80 U.S. defence procurement officers, highlighting the DPSA and CCC's role in assisting them to access quality Canadian sources of supply.

Together with its government partners in DFAIT and Industry Canada, as well as the AIAC and the CDIA, CCC also assisted in developing the Canadian response to the new ITARs proposed by the U.S. government in 1998. These proposals would have eliminated significant portions of previous exemptions from export licensing requirements enjoyed by Canadian companies when purchasing a wide range of products and technologies from U.S. sources. The compromise position reached by Canada and the U.S. will be implemented over the next year, and CCC will continue to monitor that implementation and identify ways of working with the U.S. DoD to mitigate any negative impacts on sourcing from Canada.

Finding U.S. Opportunities

In the United States, CCC's success has also partly resulted from its efforts in bringing specific U.S. opportunities to the attention of qualified Canadian companies. Established in 1996, this "bid-matching" service is based on an electronic version of the *U.S. Commerce Business Daily*, which lists all U.S. federal government opportunities. These opportunities are then vetted at CCC, and

opportunities open to Canadian competition are posted on the CCC Website. The site has a search mechanism, enabling exporters to key in on requirements of most interest to them, review the type and number of opportunities, and help them determine whether they want to include the U.S. procurement market in their international business development efforts.

Since CCC registers Canadian company profiles with the U.S. government, the Corporation is able to operate an electronic system to match incoming U.S. requirements to the capabilities of Canadian firms registered through CCC. These, in turn, are monitored by CCC's bid-matching officers, who then notify Canadian firms of these opportunities.

Innovative Aerospace Solutions

Bristol Aerospace Limited has a long-standing reputation with the United States government for performing innovative and quality repairs to jet engine components and afterburner assemblies. That reputation is getting even stronger. The company is a year ahead of schedule on one of its many U.S. contracts — repair of the F101 divergent flap for Tinker Air Force Base.

In 1998, Winnipeg-based Bristol Aerospace, a Magellan Aerospace company, designed and developed a repair procedure for divergent flaps that the air force base would otherwise have scrapped. The requirement was put out to tender, and Bristol's quote, certified by the Canadian Commercial Corporation, was successful. The company has since received seven purchase orders against the original multimillion-dollar contract.

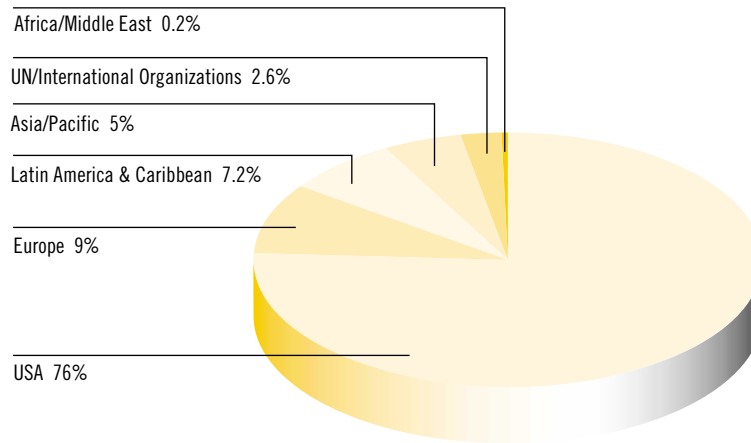


“ We have an excellent working relationship with CCC, and have on occasion travelled with CCC Project Manager James Kelly, whose knowledge of the Federal Acquisitions Regulations [FARS] has proven invaluable. During these trips, Mr. Kelly has spent time with the customer, explaining CCC's role, including such details as contract performance, progress payments, and price certification. The customer has much appreciated the service. We look forward to future work with CCC. ”

Garth Palanuk

Marketing Executive
Bristol Aerospace Limited
Winnipeg, Manitoba

CCC Sales Worldwide (by Geographic Region) 1999-2000



In 1999-2000, 1,209 firms received 6,504 notices of opportunities. At the same time, CCC's U.S. Opportunities Website was receiving over 1,500 visits a week from companies interested in the U.S. procurement market. CCC's bid-matching efforts generated 537 requests for bid documents from Canadian companies, which in turn generated bids valued at

\$467 million. This activity resulted in successful contracts valued at \$158 million. Targeting its bid efforts more effectively, fewer opportunities were transmitted, yet the Corporation experienced its best bid/win ratio ever last year.

In 2000, CCC's bid-matching efforts will be enhanced through a partnership with Industry Canada on its new Website

SourceCan, the Department's registration system for Canadian business. CCC will provide access to its electronic business opportunities feed to *SourceCan* users, and in return, CCC will be able to extend its bid-matching capabilities to all Canadian firms registered through *SourceCan*.

International Sales

In 1999-2000, CCC's international sales outside of the U.S. totalled \$266.9 million to buyers in 37 countries and to the United Nations. This represented a 56-per-cent increase over the total registered in 1998-99. Of these, 64 per cent were with

government entities, and 36 per cent were to private-sector buyers. While PPP cases accounted for some of this private-sector business, increasingly CCC is being used internationally by large foreign corporations subcontracting to Canadian

suppliers. These firms are attracted by CCC's ability to reduce their perceived risks in dealing with smaller, lesser-known Canadian companies.

CCC's largest international contract (\$52 million) was with the Dutch State Lottery

On Target for Export Growth:

New Products, New Markets

Calgary's Global Thermoelectric Inc. is a recognized world leader in thermo-electric generators. When an opportunity to develop and supply \$18 million worth of heaters for the U. S. military arose in 1996, Global used CCC's contracting services to help win the sale over two larger competitors. Global had to perform a year's worth of testing on the heaters, which are specially designed for tracked vehicles. Operating on diesel fuel, the heaters had to meet strict specifications for electrical power use. Today, Global's heaters have joined an expanding product line that includes exciting new developments in fuel cell technology.

“ We've had a very successful relationship with CCC. The sale to the U.S. military was a major breakthrough for us, and took us into a whole new product area. Those heaters now represent about 40 per cent of our revenue stream. ”



Jim Perry

President
Global Thermoelectric Inc.
Calgary, Alberta

Corporation, but as in previous years, CCC's international business growth volume was not the result of one or two large projects. The \$266.9 million which CCC achieved is the result of more contracts signed on behalf of more companies, mostly SMEs, for lesser total values. Increasingly, the profile of CCC's repeat international business clients is SMEs that rely on exports for over half of their business, and that are expanding either into a market for the first time, or are graduating to slightly higher-value contracts. In both instances, CCC's ability to bolster their credibility in the buyer's eyes, thus opening doors and winning better terms, makes the Corporation their partner of choice in their international business efforts.

As in the U.S., CCC's LAV business will be important to the Corporation over the next few years. Both Australia and New

Zealand are in the process of developing their LAV programs, and constitute a potential \$500 million in sales between both countries. There is continuing interest in CCC's ability to facilitate capital projects, and the Corporation's project pipeline in this area includes buyers in Argentina, Uruguay, Mexico, Costa Rica, Algeria, Congo, and St. Lucia.

In the year ahead, CCC will be exploring how it can play a more strategic role in select foreign markets, just as it has since 1956 been the effective bridge for Canadian companies selling into the U.S. defence and aerospace markets.

The *Myers Report* assessed the specific international procurement markets that CCC should target because it can make a strategic difference to Canadian success rates, while growing and diversifying its business. These include:

- non-defence U.S. government procurement markets;
- international defence and aerospace markets;
- Mexican and Chilean procurement markets, particularly in the areas of infrastructure, electrical power equipment, information and environmental technologies;
- China and India, where massive investments are expected in infrastructure over the next five to ten years.

Increasingly, CCC's international business will also reflect the competitiveness of Canadian industry in sectors beyond the Corporation's traditional aerospace and defence base, including environmental technologies, advanced technologies and other knowledge-based industries, and power and energy equipment.

Success for Canada's Small Businesses

Small and medium-sized enterprises (SMEs) with annual revenues of less than \$25 million continue to grow in importance for CCC and the Government of Canada. They are major players in the future of Canada's economic growth, particularly as more SMEs take up the challenge of exporting and seek opportunities in the new global economy.

CCC's assistance to SMEs comes through a variety of services including bid matching, contracting advice and assistance with contract negotiation, arranging access to pre-shipment export financing from commercial sources, and offering enhanced payment terms.

In 1999-2000, SMEs again accounted for just over 80 per cent of the 1,810 Canadian firms that accessed the Corporation's services. Of the 280 companies successfully contracting through CCC, 60 per cent were SMEs, and their sales totalled \$250 million, representing an increase of 13 per cent over the previous year.

Cancer Care in Costa Rica

Canadian expertise in the area of cancer care is internationally recognized, and patients in Costa Rica are now one step closer to receiving better cancer programs thanks to the completion of a Canadian-led feasibility study for system-wide improvement. Under the US\$1.5-million government-to-government contract between the Government of Costa Rica and the Canadian Commercial Corporation, Toronto-based Cancer Care International (CCI) carried out the concept and financing study, which provides recommendations for developing a comprehensive oncology system, including the construction of a US\$40-million cancer treatment hospital in San José.

CCI is a project management and technology transfer firm specializing in international oncology projects. The firm offers consultation, public and patient education, professional training, technology and research to help improve world health. Thanks to the CCC-identified opportunity in Costa Rica, the small consulting organization has already tripled in size — from 3-4 employees to a full-time staff of 10-12.



“ CCC deserves kudos for helping Canadian exporters. We are a small service organization, with a structure different from most companies CCC typically assists. CCC went through hoops to help us put together a financially credible bid on this project. We are extremely impressed with the service we’ve received and the business-like environment in which they operate. We could not have landed this contract without them. ”

Katherine Jones

President
Cancer Care International
Toronto, Ontario

In its annual client satisfaction survey, CCC again received its highest scores from SMEs, which also reported the greatest likelihood of reusing CCC's services in the coming year.

On sales under the DPSA, CCC offers small businesses the terms of its Accelerated Payment Program (APP). Under the APP, companies with sales of less than \$5 million are paid on

DPSA contracts within 15 days of a valid invoice. In 1999-2000, the Corporation disbursed \$39.3 million to SMEs under the APP. Also, under the DPSA, the Corporation pays all suppliers on due date in 30 days, which is above current commercial standards where companies are paying 10-15 days beyond due date. While this applies to all CCC exporters, it is of particular importance to SMEs.

In 1999-2000, the Corporation set aside a special allocation of \$250,000 to support SME projects which presented contract risks beyond CCC's current risk framework. During the year, this allocation supported \$9 million in SME contracts.

Pre-shipment Export Financing: A Record-breaking Year

January 2000 marked the fifth year of operation for CCC's Progress Payment Program (PPP). Over this time, more than 120 companies have accessed over \$300 million in pre-shipment export financing from the 19 Canadian financial institutions in partnership with CCC on this program. This

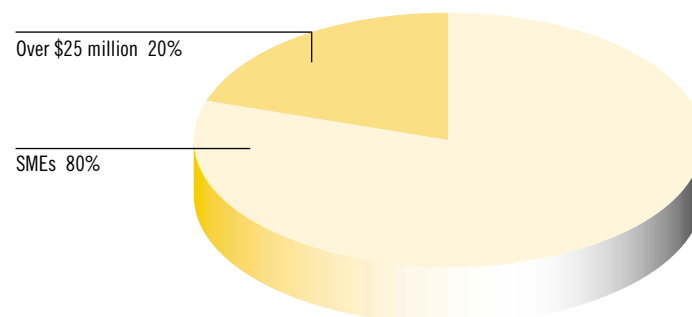
financing would not have been available without the PPP.

The program combines CCC's expertise in international project assessment and contract management with the lending capabilities of partner banks. PPP is used when an exporter is unable to negotiate progress or advance payments from the

buyer, and as a result, the sale cannot be financed within the exporter's existing domestic credit facility.

Unlike CCC's other services, most PPP applications relate to contracts which have already been signed with a buyer so there is normally no need for CCC to act as a prime

Transactions by Business Size



Educational Software in Mexico

Logo Computer Systems Inc. (LCSI) is no novice in the exporting world. The 20-year-old company, winner of 26 major awards for its innovative educational software, exports 98 per cent of its business. Its flagship product is used in schools in Mexico, Central America, Colombia, Brazil, Japan, Australia, the United States, Italy, France and Greece. But even a company as export savvy as LCSI can benefit from the services of the Canadian Commercial Corporation.

In 1999, CCC acted as prime contractor in a government-to-government agreement with the Government of the State of Jalisco in Mexico for the state-wide distribution in its schools of the Montreal-based company's *MicroWorlds Pro* — a tool allowing students to create dynamic, interactive projects that can be loaded on the Web and shown to other students around the world.

“Having the Canadian government speak for us raises the credibility of our firm to a very high level and puts us in a different league. When we go in the door with CCC, we're not playing in the minor leagues — we're in the NHL. The buyer has the security of knowing that an organi-

zation of the Government of Canada is providing the goods and services. I would use their services again in a flash.”



Michael Quinn

President
Logo Computer Systems Inc.
Montreal, Quebec

Business in Brief

CCC by the Numbers

\$1.1 billion	CCC's total business volume for the fiscal year
30%+	Percentage of exporters contracting successfully through CCC who were new clients
\$704.9 million	Sales volume to the U.S. DoD and NASA
64%	Percentage of CCC's sales made to the U.S. DoD and NASA
\$139.7 million	Sales volume to U.S. civilian agencies and private sector
\$266.9 million	International business volume
\$85 million	Progress Payment Program
1,209	Number of Canadian firms receiving opportunity notices through CCC's bid-matching service
6,504	Total number of notices they received
1,500+	Number of visits per week to CCC's U.S. Opportunities Website
\$467 million	Value of bids generated by CCC's bid-matching efforts
537	Number of successful contracts resulting from CCC's bid-matching efforts
\$158 million	Total value of above contracts
92.5%	Percentage of clients surveyed who rated CCC as "excellent," "very good" or "good"

CCC's greatest strengths were useful trade advice, export knowledge, credibility before the buyer, reduction of payment risks and provision of better payment terms, expertise in contract negotiation, and CCC's contacts and ability to assist in networking.

contractor. In the PPP, the Corporation assesses the risks of the buyer, the contract and the exporter. If the project falls within the Corporation's accepted risk parameters, it assumes the task of monitoring progress on the contract. As performance milestones are met, the financial institution is notified that further funds can be sent to the exporter, and the exporter draws down on a project line of credit established separately for the PPP transaction.

Participating banks and financial institutions rely on CCC's core capability to monitor contract performance and mitigate performance risks, enabling them to provide financing which would otherwise not be available for the sale.

In the past year, CCC has continued enhancing PPP services, providing faster response times and assessments for new business prospects. The PPP team has also been responsible for a pilot on a new service, the Contract Management Service (CMS). This service grew out of a demand from some banks that intended to provide pre-shipment financing through their own programs, but were interested in utilizing CCC's contract assessment and administration skills to reduce performance risks on the deal. The work of CCC officers was recovered on a fee basis. The pilot project indicates there is sufficient interest that the service can be further marketed to participating banks.

Easing the Cash-flow Crunch

Forest Technology Systems (FTS) is a small company with a big reputation. The 32-employee Victoria-based firm is a world leader in the design, manufacture and supply of complete environmental monitoring solutions. Clients include the world's most respected government agencies responsible for monitoring the status of forests, waters and weather systems.

As part of its World Bank-funded project to update its environmental monitoring system, the Mexican government was only too happy to order 40 FTS weather stations in December 1999. But with the first payment not to be received until deliveries were made in the spring, FTS realized it needed interim financial assistance to pay its suppliers. The company turned to the Canadian Commercial Corporation and its Progress Payment Program.

“ CCC did a great job for us. We didn't get awarded the contract formally until mid-December and then all arrangements had to be made — including supplying a performance bond and letter of credit — before the end of the year. Time was tight and CCC pushed. With the help of Project Manager Emmanuel Florakas, I had CCC's commitment and a PPP line of credit set up with my bank within a two-week period that included Christmas. It all came together very swiftly and over a tough period. We were very impressed. ”

Kevin Bradley

Chief Executive Officer
Forest Technology Systems
Victoria, British Columbia



Performance Against Targets

Business Objectives

In its 1999-2000 Corporate Plan, the Canadian Commercial Corporation set four business objectives:

Clients Served

1998-1999 result	1,883
1999-2000 target	2,000
1999-2000 result	1,810

CCC had set a target of 2,000 companies accessing its services, and fell short of that in its official count of 1,810.

Companies Signing Contracts through CCC

1998-1999 result	276
1999-2000 target	300
1999-2000 result	280

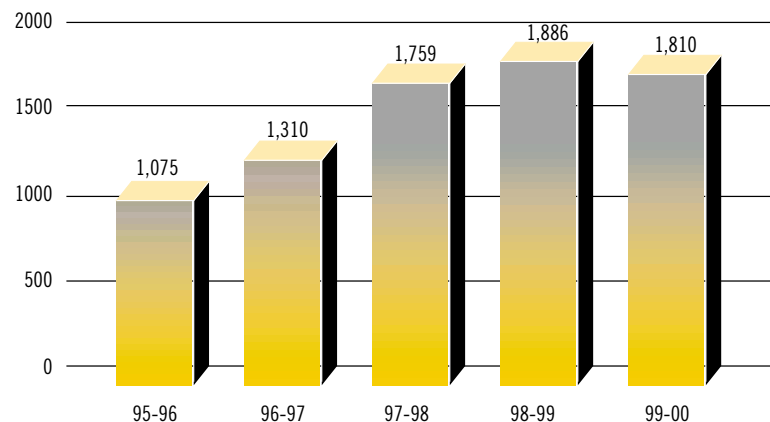
CCC wanted to establish a new threshold of 300 clients signing contracts and amendments through the Corporation. The total of 280 is up marginally from 1998-99. Reaching the 300 mark is a function of resources. To do so, CCC needs to help more SMEs win contract bids. The greatest number of SMEs new to the Corporation are primarily bidding on international requirements, which tend to be more labour-intensive. Serving more SME clients would require an investment in additional contracting officers.

CCC recognizes that it cannot control whether a particular company *finalizes* a sale in a given year, but considers the

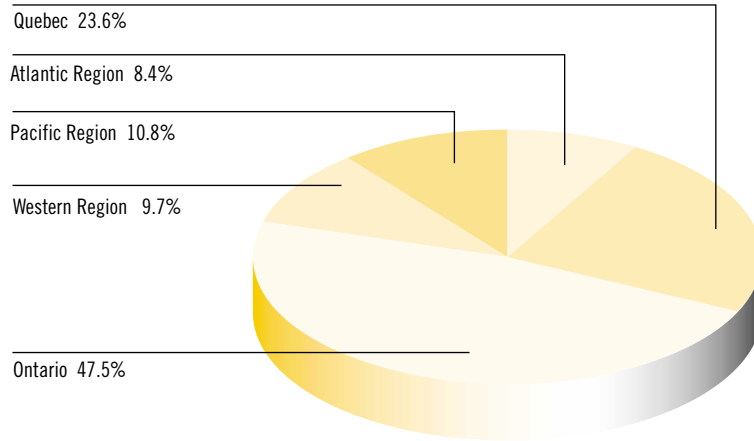
success rate of its companies to be an important measure of its contribution to Canada's international trade goals.

In addition to investing in more contracting officers, the Corporation also intends to build the number of clients successfully contracting by cross-marketing its services more effectively, pulling more buyer demand to Canada and matching this demand to Canadian company capabilities. It also intends to allocate more resources to following up on business leads generated from marketing to industries in targeted sectors as well as on opportunities generated through its bid-matching service.

Canadian Companies Accessing CCC Services



CCC's Exporters (by Geographic Region)



Business Volumes

1998-1999 result	\$748 million
1999-2000 target	\$1 billion
1999-2000 result	\$1.1 billion

CCC's objective was to increase the number of its projects, both large and small. As a result, CCC plans to extend its project pipeline to the point where it can sustain an annual business volume of between \$1 billion and \$1.2 billion, regardless of whether a large project is landed in any one year. While a LAV contract in the U.S. valued at \$202 million took the Corporation over its target, CCC is pleased that its non-LAV business grew by \$183 million over 1998-1999, an increase of 25 per cent.

The business volume total is also the result of the Corporation's teams exceeding the

targets in all three operational areas: sales to the U.S. (25% increase over the target); sales internationally (30% increase over the target); and the PPP (56% increase over the target).

Entering 2000-2001, the Corporation has a \$3.5-billion project pipeline, and is confident that it has established a new benchmark for its business volume, and that it will record its first two consecutive years with business volumes over \$1 billion.

Cost-recovery Targets

1998-1999 result	\$1.75 million
1999-2000 target	\$1.8 million
1999-2000 result	\$3.18 million

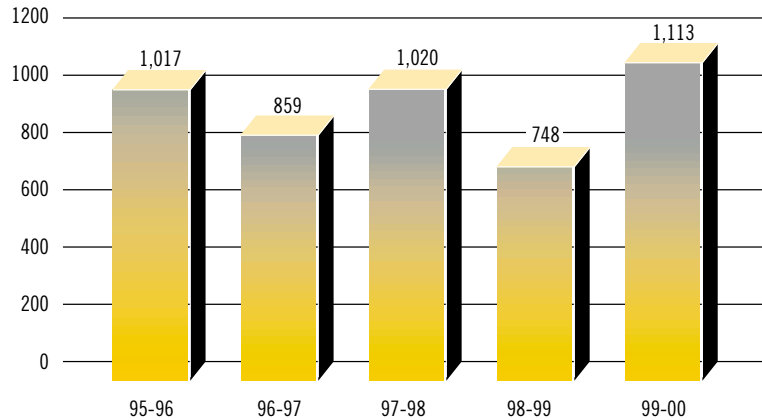
CCC applies cost recovery to all services which are optional to its clients. The Corporation's mandated role under the

Canada-U.S. DPSA remains exempt from any cost recovery and is wholly supported by parliamentary appropriation.

Under its existing cost-recovery policy, CCC does not fully recover its costs. For example, it does not allow for full recovery of labour costs unless the exporter is successful in winning the contract; only direct out-of-pocket expenses are charged on unsuccessful bids. CCC also provides special discounts for SMEs.

Since the inception of cost recovery on all non-DPSA services in 1996, cost recovery has grown from \$900,000 to \$3.18 million in 1999-2000, reflecting the growth in the use of CCC services, primarily in international markets.

Value of Orders Received (in millions of dollars)



Risk Assessment and Financial Performance

In 1998-99, the Canadian Commercial Corporation's risk management practices were validated by two external parties. The Auditor General of Canada, through its in-depth Special Examination Report, noted that CCC's risk management practices had significantly improved from the previous report. This was reinforced by Zurich Insurance through its placement of insurance to cover CCC in the event of catastrophic loss on its contract portfolio.

In 1999-2000, the Corporation continued to improve its risk management practices through the adoption of enhanced internal reporting of its contract portfolio and success in the first year of utilizing its \$250,000 SME Risk Fund.

CCC's existing risk management practices stem from its modest capital base, and are quite rigorous as a result. While CCC's foreign customers appreciate this, it does prevent some SMEs from using the Corporation's services. CCC will seek alternative sources of risk capital or partner with commercial and

public lenders to find ways to assist these SMEs.

With almost \$900 million in payments to Canadian suppliers in 1999-2000, treasury management is a key aspect of CCC's business operations. The Corporation received \$5 million in fiscal year 1999-2000 from its Shareholder as a repayable working capital appropriation to improve its liquidity position. This will greatly assist the Corporation in maintaining timely payments to its clients, the vast majority being SMEs, which are often faced with the challenge of meeting payroll requirements.

On the operational side, although CCC generated its highest cost-recovery revenues to date, the Corporation required the support of the Shareholder for an additional \$2 million in parliamentary appropriations in 1999-2000 for increased operating costs, including costs related to Year 2000 preparedness.

To position itself to better serve its clients, the Corporation has been working with external parties to review the appropriate level of resources that the Shareholder could provide to fulfil CCC's parliamentary mandate. The Corporation plans to share the outcome of this review with its Shareholder next fiscal year.

Other Performance Indicators

Additional Contract Costs as a Percentage of Business Volumes

CCC standard	0.2%
1999-2000 actual	0.3%

The Canadian Commercial Corporation's risk standard attempts to keep additional contract costs at less than 0.2 per cent of business volumes. In recent years, CCC has kept these costs at less than 0.1 per cent of business volumes. Maintaining this standard requires significant labour,

resources and time for each individual contract before it is signed.

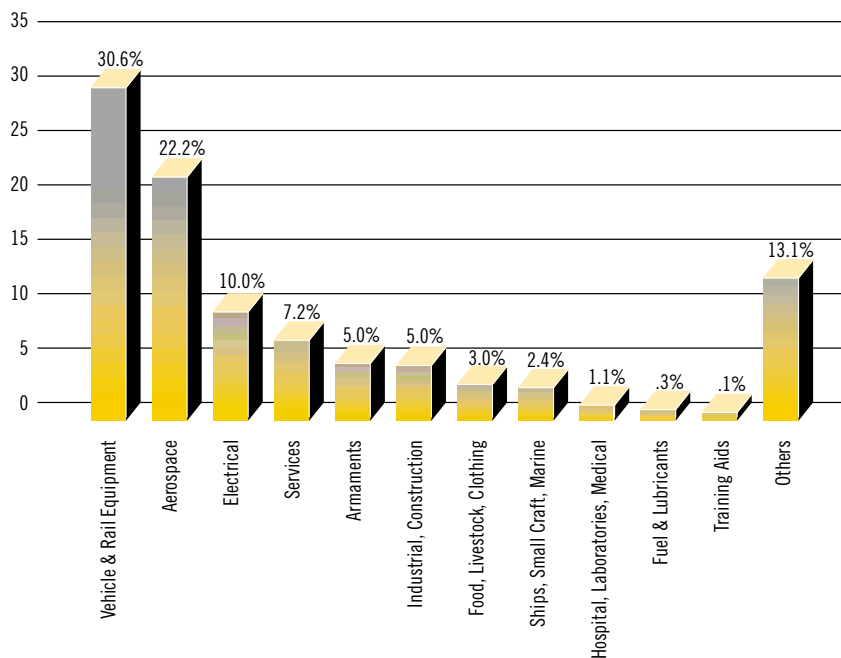
The standard of 0.2 per cent reflects the Board of Directors' approved risk tolerance level, excluding the special allocation of \$250,000 to enable CCC to take on some SME projects which would otherwise not fit within its risk parameters. The Corporation exceeded its standard in 1999-2000 because more provisions for losses for SME projects were recognized than expected.

Provision for Doubtful Accounts Compared to Accounts Receivable

CCC standard	1.0%
1999-2000 actual	0.0%

In 1999-2000, the Corporation continued its success in collecting from foreign buyers, in part due to its stringent customer credit guide. This indicator is important to Canadian exporters, who frequently view CCC as a means of not only winning contracts with more

Percentage of Sales by Product Category
(April 1999-March 2000)





advantageous payment terms, but also of significantly reducing the risk of non-payment.

Time Required to Make Payment for Exporters

CCC standard	30 days
	(15 days, APP)
1999-2000 actual	31 days
	(16 days, APP)

One of CCC's key values is its prompt payment to exporters as funds are received from foreign buyers according to the terms of the contract. Payments to suppliers are made on a timely basis, and include special arrangements for SMEs under its Accelerated Payment Program (APP).

CCC is pleased to note that the Government of Canada has supported its efforts to meet the needs of exporters to receive payments on a timely basis. In 1998-99, an injection of \$5 million was made to assist the Corporation in this area, and an additional \$5 million was made available in February 2000 in the form of a repayable working capital appropriation.

Net Cost of Operations Compared to Business Volumes

CCC standard	1.3%
1999-2000 actual	1.1%

CCC remains largely dependent on its parliamentary appropriation to fund its program. In

1999-2000, the Corporation's greater business volume enabled it to exceed its past record of 1.3 per cent of net operating costs. The greater volume offset the significant increases in demand for CCC's services by more SMEs, which affected the cost of operations. For 2000-2001, the Corporation anticipates net operating costs of 1.2 per cent, reflecting projected increased operating costs such as collective bargaining increases, public-service pension plan reform and informatics requirements.

Serving Clients

Satisfied Customers

In the last quarter of 1999-2000, the Canadian Commercial Corporation undertook three elements of client research to assess exporters' needs, and identify what it must do to better meet the needs of a larger and more diverse client base.

First, the Corporation carried out its annual survey of existing clients on the value of CCC services. Second, the *Myers Report* of CCC markets also looked at Canadian capabilities and exporters' needs, and how CCC could better apply its capabilities to increase exporter success rates. Finally, the Corporation worked with EDC on a joint survey of exporters to assess the views and needs of those not currently using the services of either Crown corporation.

Client Satisfaction Index

To ensure that it is responsive to exporters' needs and expectations, CCC conducts an annual client satisfaction survey. For the first time in 1998-99, it built its client satisfaction index into a performance measure.

In its survey of current clients, CCC showed steady improvement in service delivery, and scored 7.4 out of 10 on overall value to exporters, exceeding the corporate target of 7.2.

1998-1999 target	7.2
1998-1999 index	7.0
1999-2000 target	7.2
1999-2000 index	7.4

Overall, 92.5 per cent of clients thought the service provided by CCC was excellent, very good or good.

A majority of respondents felt CCC meets or exceeds their expectations on all aspects of services, and a large majority expect to use the Corporation more in the future. Key CCC strengths cited were useful trade advice, export knowledge, increasing exporter credibility in the eyes of the buyer, reducing payment risks and enhancing payment terms. As a result of these high scores, over 80 per cent of clients in both the mandated U.S. market and in optional markets indicated a greater likelihood of using CCC services over the next year. Additionally, 61 per cent of CCC's DPSA clients saw their sales increasing in the U.S. defence market over the next two years, while 64 per cent of those using CCC internationally felt their sales to foreign government buyers would grow over the next two years.

The likelihood of future use of CCC was greatest among those relying on exports for more than half of their business and those



that have been active with the Corporation in the last 12 months.

CCC's highest satisfaction and value ratings again came from smaller companies. Some 20 per cent of clients in both the U.S. and overseas felt that CCC's levels of service had improved in the past year, with 75 per cent feeling that levels had stayed the same. Only 5 per cent felt that service had declined, and when asked why this was so, most cited resource-based issues (length of response time, shortage of officers to handle inquiries).

Among clients in the DPSA market, CCC's greatest value-added benefit was found in its knowledge of the DoD market and procedures. Internationally, and in cases where use of CCC is optional, value-added benefits were tied to the extent that CCC could be identified as a factor in landing the business, or improving contract terms. CCC's clients again gave it their highest marks among all trade agencies they used in 1999-2000.

Clients were also asked if CCC met or exceeded their expectations in six standards of service:

Courtesy	98%
Accessibility	91%
Confidentiality	98%
Fairness	92%
Competence	93%
Timeliness	88%

The survey shows that CCC's existing core clients value its services, and see themselves as having a long-term relationship with the organization. They are exporters committed to procurement markets, keenly interested in the continuing availability and enhancement of CCC services, and view CCC as an important ingredient in their export success. CCC can expect to continue to see its U.S. and international business grow through increased use of its services by existing clients.

Assessing Client Needs

The *Myers Report* suggested that in striving to deal with a wider range of clients, and in offering service enhancements or filling service gaps, the best question CCC can ask itself is: *"In what national or sectoral markets can CCC's unique role in putting deals together most effectively assist Canadian exporters in winning contracts on improved terms?"*

The study also suggested that based on exporters' needs and CCC's capabilities, the Corporation is most likely to increase its number of clients and grow its business among:

- aerospace, electronic and other manufacturers and service providers selling to the U.S. defence market;

- engineering firms, equipment or technology providers looking to participate in major capital and infrastructure projects;
- smaller exporters aiming to break into new markets, particularly those selling specialized or high-value technologies and services;
- smaller exporters that can benefit from enhanced services, such as bid matching, consulting on contract terms, and facilitating access to working capital.

The report went further, suggesting that these potential clients were most likely found among three interrelated client groups: technology companies; engineering companies; and high-value service companies.

Reaching New Clients

In January 2000, CCC teamed up with EDC on a survey conducted by Angus Reid of 500 exporters not currently using the services of either organization. Exporters were asked specific questions related to CCC. The survey shows that CCC enjoys a 36-per-cent rate on name recognition, with greatest recognition in Ontario (41%), but this does not translate into knowledge of CCC services. Some 17 per cent of this sample had pursued opportunities with foreign governments. Among this group, CCC scores over 50 per cent on name recognition, greater under-

standing of its services, and 33 per cent have contacted CCC in the past for assistance. The markets these companies are most interested in are government agencies in the U.S., Asia Pacific and Europe.

When asked why they did not target or sell to foreign government buyers, almost half indicated that governments were not users of their products or services, but 23 per cent cited excessive red tape, paperwork, insufficient experience or knowledge, limited contacts or marketing capacity as barriers in procurement markets. These are all areas where CCC services could assist them to enter these types of markets.

When informed of its existence, some 73 per cent indicated they would be interested in using a government agency that could sign contracts on their behalf and provide a government-backed guarantee of contract performance to help win sales. Exporters who did not know of CCC were most interested in services that could identify business opportunities outside of Canada, provide a government-backed guarantee of contract performance, negotiate better terms, reduce bonding requirements, identify Canadian sources of supply for foreign buyers, and facilitate access to commercial sources of pre-shipment export financing.

Some 78 per cent of exporters also indicated they would be interested in the availability of such services in commercial (non-government) sales, and 60 per cent indicated a willingness to pay for those services at a market rate similar to what they would expect to pay for a professional accounting or legal firm.

The Angus Reid survey suggests that there are strong opportunities for CCC to grow its business from new clients in both procurement markets, and from sales to private-sector buyers.

Policy Initiatives, Organization and Governance

Electronic Commerce

By 2005, the majority of the Canadian Commercial Corporation's contracting services will be delivered electronically.

E-commerce constitutes the major challenge to the Corporation as it strives to keep pace with the evolution of its use among Canadian exporters, and more importantly, with buyers in the U.S. and overseas. In most OECD countries, government purchasing is going online. As these changes are

phased in, CCC's business processes and supporting technology must stay in step with these changes.

The Government of Canada's Strategic Infrastructure Initiative (SII) will provide a secure network on top of the Internet for Canadians to interact with their own government for all government services by 2004. This is an ambitious time frame and the availability of this network and the Government-On-Line (GOL) project should enable the Corporation to better track its

own e-commerce initiative, as well as potentially reduce its costs and simplify implementation.

Having passed the critical date of the Year 2000 issue, CCC can now invest more resources in the development of an e-commerce strategy that will guide its efforts. A working group has been established to determine which services present the best opportunities for electronic delivery considering CCC's mix of projects, suppliers and buyers, and map a course of action for the next two years.

Computerization

The emerging Internet economy is forcing organizations to shift their focus from internal back-office processes to external commerce processes that automate interaction and collaboration among customers, suppliers and other business partners. Some of the business processes CCC implemented over the last few years to respond to new requirements are badly in need of automation, while others will have to be re-energized with new technology to achieve desired results.

In 1999-2000, CCC established a strategic computerization plan, assigning priorities to upgrading systems.

- CCC will invest in Customer Relationship Management to relate marketing and business development data with operational or transaction data. This will provide the Corporation with better instruments to monitor and evaluate the success of its marketing and business development efforts.

- CCC will automate the processing of cost-recovery transactions to enhance control and accuracy of data and provide management with monitoring capabilities required to administer the program. CCC will also automate its Risk Analysis process and complete the automation of the PPP process.
- CCC will implement a suite of quality-control methods and tools to improve the value of information management needs to make business development decisions, and manage its business processes more effectively.

Year 2000

As a result of its efforts with respect to Year 2000 issues, the transition occurred without event because of CCC's significant efforts in reviewing its inventory of all contracts having outstanding commitments as of January 1, 2000, verification of its own technological infrastruc-

ture and those of its exporters, contingency planning and establishing a Year 2000 risk assessment procedure for all new contracts with suppliers.

CCC is not aware of any negative consequences on its program due to non-compliance by clients or buyers. While Year 2000 risks still exist, CCC will continue to monitor external risks throughout the year.

Environmental Guidelines

CCC's involvement in overseas projects does not raise the same environmental issues as those of other Crown financial institutions or export credit agencies. Nevertheless, CCC is called on by exporters to participate in capital projects, and the capital project guidelines put into practice last year provide a framework for assessment of attendant risks.

In constructing this framework, CCC management has built in a requirement that an environmental assessment be conducted on such projects by a qualified



source, at the exporter's expense, before CCC agrees to participate in the sale. While this is CCC's corporate practice on all projects with environmental implications, the Corporation is still developing a formal Environmental Assessment Framework, and will work with the Canadian Environmental Assessment Agency to finalize this work, and bring it forward to its Board for consideration in 2000-2001.

Corporate Social Responsibility

In the last few years there has been growing scrutiny of the ways that Canadian businesses conduct themselves abroad. Particular attention has focussed on ensuring that Canadian businesses adopt ethical practices in dealing with foreign public officials and recognize the human rights and social responsibility implications of doing business in some countries.

DFAIT is chairing a process with Canadian business representatives on corporate social responsibility in a trade context, and in 2000-2001 will be undertaking a study on standards

prevalent in G-7 countries.

As a Crown corporation, CCC strictly adheres to the Government of Canada's policies in these areas and will keep pace with DFAIT's work and recommendations.

In 1999, CCC also announced its sponsorship of an award for Corporate Social, Ethical and Environmental Performance at the annual International Cooperation Awards. This award will be presented to a company that has a corporate code of ethics, systematically integrates local community stakeholders into its decision making, and builds appropriate community support systems into the design and implementation of a project in a developing country.

Human Resources

CCC's strength is in its ability to customize services to client needs, and to anticipate and keep pace with changing business requirements. As CCC's client base expands and Canadian exporters become more aggressive in their target sectors and markets, CCC staff will be challenged to keep up

with changes in industry, technology, buyer expectations and market developments. CCC will be increasingly called on to operate in an environment which encourages organizational flexibility and promotes performance excellence.

As a Crown corporation, CCC establishes its own human resource accountability framework and negotiates its own collective agreement within the parameters of the Canada Labour Code. In 1999, the Corporation negotiated a two-year agreement with the Professional Institute of the Public Service of Canada, which included restructuring of salary bands and a number of provisions which will contribute to the modernization of CCC's business practices. The Corporation will continue to introduce a new made-in-CCC Human Resources Framework throughout 2001, clearly acknowledging the distinct nature of its operating environment.

CCC's business vision is also evolving to one more client-focussed and entrepreneurial, and the potential for growth is on the horizon. To respond

effectively to these challenges, CCC will adopt a number of recruitment, retention and career change strategies to ensure that a highly effective work force will be in place.

In 1999-2000, CCC's organizational structure was adjusted to provide an infrastructure for its marketing efforts in new sectors and markets, and to provide more direct linkages between business development and contracting teams to ensure that new business leads are effectively integrated into CCC's service lines. These structural changes were reinforced with the appointment of an Executive Vice-President, with responsibility for business development and operations, and the creation of the position of Vice-President, Corporate Strategy and Marketing. In addition, a new job evaluation plan is under development, which will recognize the value of these critical skills and abilities.

The move toward a CCC-based evaluation and compensation approach will break down artificial barriers within job families, encourage employees to adopt multiple skills, provide appropriate internal career paths and facilitate the movement of staff to respond to emerging business demands. In the context of a continuous learning environment, employees will be encouraged to examine their

career expectations and seek appropriate professional development opportunities, both within and outside of the Corporation.

Governance

CCC is a highly specialized, highly skilled member of Team Canada Inc. It is expected to contribute to the broader goals of the Government of Canada to increase exports, diversify markets and increase the number of companies exporting, particularly among SMEs. These government objectives, and the Corporation's own aggressive plans to increase the number of companies with which it works require strong governance structures.

The *Canadian Commercial Corporation Act* combines the roles of President and Chairman, which deviates from current governance norms for Crown corporations. As a result of the interdepartmental review of CCC, completed in 1998-99, the Government of Canada is committed to changing these provisions to separate the functions of President and Chairman. The Corporation is working with other departments and central agencies to identify a legislative means of implementing this change quickly.

With the appointment of a full-time president in May 1999, the Corporation has adopted new practices for its Board meetings, reflecting these pending changes, which include a lead Director to chair business sessions within the Corporation's legal framework.

As a result of the interdepartmental review, the Government is also committed to strengthening the Board and appointing additional private-sector members. The Corporation has developed criteria that follow modern Board practices to assist the Shareholder to identify qualified Board candidates.

Throughout 1999-2000, the Board has been actively involved in CCC's corporate and strategic planning processes, particularly in ensuring that the principal risks facing the Corporation are identified and that management practices and systems are in place to deal with these risks.

The Board has been especially helpful in this process, which, in 1999, provided a clear vision of CCC's future in the 21st century trade environment. This work led to the commissioning and completion of market and client studies, and a financial assessment of the Corporation's operational and capital budgets. The findings and results will be presented to the Shareholder in 2000-2001.

Moving into the 21st Century

The Canadian Commercial Corporation has completed its Corporate Plan for the 2000-2005 period, which builds on the work done in 1999-2000 to identify CCC's potential. The Plan provides the steps the Corporation will take to implement its five-year vision of growth.

The framework of this Corporate Plan maximizes CCC's contribution in markets and sectors where its services can produce the greatest results for Canadian exporters. The Plan recognizes the Corporation's existing strengths, highlights areas where these strengths will have to be supplemented, and identifies partners with whose products and services CCC's capabilities can be matched to enhance the success of mutual clients.

The Corporate Plan reflects a commitment to ensure that CCC is on a secure financial footing, enabling it to grow its business, sustain growth, and provide enhanced levels of service to a much larger and broader clientele.

To this end, CCC set precise targets for 2000-2001 to simplify its messages, transmit them more effectively to target audiences, and partner more effectively within Team Canada Inc. It also set an ambitious program continuing the redevelopment of the Corporation's information systems to support a client-driven organization with a proactive marketing and sales culture. It also proposed to establish and monitor the performance measurements required to reinforce this culture, as well as to implement a comprehensive human resources strategy to ensure that it continues offering its clients the skills they want and need in the 21st century.

The Way Ahead

CCC's plans for the 2000-2005 period seek to maximize its contribution as an export sales agency, and be responsive to the needs of the



exporting community. At the same time, CCC will increasingly focus its efforts in markets and sectors where its services can make a strategic difference in the success rate of Canadian companies. CCC recognizes its existing strengths as well as where these strengths will have to be supplemented to meet changing exporters' needs. CCC has identified partners with whose products and services its capabilities can be matched to produce greater success for mutual clients.

For 2000-2001, the Corporation has set targets which build on its 1999-2000 record, including:

- to increase to 2,100 the number of exporters utilizing its services;
- to enable 310 companies to successfully contract through the Corporation;
- to increase the number of large and small projects to sustain a potential sales volume of \$1.2 billion to \$1.4 billion;
- to generate cost recovery and other income of \$3 million;
- to maintain its client satisfaction index at 7.4, while expanding and investing in new services and capacity.

The year 2000-2001 will be one of investing in increasing awareness, marketing, technology and human resources to enable CCC to achieve significant, sustainable growth in its business in the coming years.

Canadian Suppliers with Contracts or Amendments in 1999/2000

36

3M Canada Company
Brockville (ONTARIO)

Avangen Industries
Calgary (ALBERTA)

Accucaps Industries
Windsor (ONTARIO)

Acro Aerospace Inc.
Richmond (BRITISH COLUMBIA)

Active Gear Co. of Canada Ltd.
Concord (ONTARIO)

ActiveSystems Inc.
Ottawa (ONTARIO)

Acton International Inc.
Acton Vale (QUEBEC)

ADM Agri Industries Ltd.
Windsor (ONTARIO)

AGRA Coast Limited
Port Coquitlam (BRITISH COLUMBIA)

Air Labrador
Goose Bay (NEWFOUNDLAND & LABRADOR)

Aircraft Appliances and Equipment Ltd.
Bramalea (ONTARIO)

Aklak Air Inc.
Inuvik (NORTHWEST TERRITORIES)

Amerace Limited
Richmond Hill (ONTARIO)

A-M-M
Pointe-aux-Trembles (QUEBEC)

AMS Aviation Maintenance & Support Corporation
Winnipeg (MANITOBA)

Anachemia Canada Inc.
Ville St-Pierre (QUEBEC)

Anotec (Hansa - Sealand Limited)
Moncton (NEW BRUNSWICK)

Apex Industries Inc.
Technologies Division
Moncton (NEW BRUNSWICK)

Aqua Jem Farms Ltd.
Shelburne (NOVA SCOTIA)

Artissimo Prints Inc.
Montréal (QUEBEC)

Arvin Ride Control Products Inc.
Toronto (ONTARIO)

Asea Brown Boveri Inc. (Canada)
St. Laurent (QUEBEC)

A S R Technologies Inc.
Ottawa (ONTARIO)

ASW Systems Inc.
Oakville (ONTARIO)

Atlantis Systems International Inc.
Brampton (ONTARIO)

Automatic Coating Ltd.
Toronto (ONTARIO)

Autoshop Systems Corporation
Vancouver (BRITISH COLUMBIA)

BAE Systems Canada Inc.
St. Laurent (QUEBEC)

Banner Pharmacaps (Canada) Ltd
Olds (ALBERTA)

Barer Engineering Co.
Montréal (QUEBEC)

Baultar Composite Inc.
Windsor (QUEBEC)

Beavers Dental Division
Morrisburg (ONTARIO)

B & G Technology Inc.
Downsview (ONTARIO)

BlueStar Advanced Technology Corp.
North Vancouver (BRITISH COLUMBIA)

Bluestar Battery Systems Corporation
Surrey (BRITISH COLUMBIA)

Bombardier Inc.
Kingston (ONTARIO)

Bomem Inc.
Québec (QUEBEC)

Bovar Inc.
Calgary (ALBERTA)

Bradley Air Services Limited
Carp (ONTARIO)

Bragwear Inc.
Montréal (QUEBEC)

Bristol Aerospace Limited
Winnipeg (MANITOBA)

Burden's Services Ltd.
Goose Bay (NEWFOUNDLAND & LABRADOR)

CAE Electronics Ltd.
St. Laurent (QUEBEC)

Calian Technology Ltd.
Kanata (ONTARIO)

Canada Allied Diesel Co. Ltd.
Lachine (QUEBEC)

Canada Forgings Inc.
Welland (ONTARIO)

Canadian Helicopters Limited
Les Cedres (QUEBEC)

Canadian Instrumentation & Research Ltd.
Burlington (ONTARIO)

Canadian Technology Human Resources Board
Ottawa (ONTARIO)

Cancer Care International
Toronto (ONTARIO)

Cara Operations Limited
Mississauga (ONTARIO)

Carleton Life Support Technologies Ltd.
Mississauga (ONTARIO)

Casavant Freres Ltée
St. Hyacinthe (QUEBEC)

C-Core
St. John's (NEWFOUNDLAND & LABRADOR)

CEL Aerospace Test Equipment Ltd.
Longueuil (QUEBEC)

Cercast Incorporated
Montréal (QUEBEC)

Champion Road Machinery Limited
Goderich (ONTARIO)

Champlain Graphics
Whitby (ONTARIO)

Chase Tools & Equipment
St. Laurent (QUEBEC)

Chemac Industries Inc.
Vernon (BRITISH COLUMBIA)

Chianti Food Processors Inc.
Toronto (ONTARIO)

Clickon Technologies Inc.
Montréal (QUEBEC)

Codalex Limited
Montréal (QUEBEC)

Code Incorporated
Ottawa (ONTARIO)

Communications & Power Industries Canada Inc.
Georgetown (ONTARIO)

Computing Devices Canada Ltd.
Ottawa (ONTARIO)

CRESTech
North York (ONTARIO)

Consulting & Audit Canada
Ottawa (ONTARIO)

Croman Woodward Central Distributor
Concord (ONTARIO)

CSP Security Consulting Inc.
Montréal (QUEBEC)

CTF Systems Inc.
Port Coquitlam (BRITISH COLUMBIA)

C.Y.M.C. Inc.
Milton (ONTARIO)

DAC Aviation International Ltd.
Montréal (QUEBEC)

Davanac Inc.
Lachine (QUEBEC)

DGB Développement International Inc.
Montréal (QUEBEC)

DGB Systems Integrators (1993) Inc.
St. Laurent (QUEBEC)

Defence Research Establishment
Raislon (ALBERTA)

Department of National Defence
Hull (QUEBEC)

Department of Natural Resources
Ottawa (ONTARIO)

Derlan Aerospace Canada
Milton (ONTARIO)

Dessau-Soprin International Inc.
Laval (QUEBEC)

Diemaco
Kitchener (ONTARIO)

Dixon Manufacturing Inc.
Concord (ONTARIO)

Donlee Precision
Toronto (ONTARIO)

DPS Railway Equipment Inc.
Montréal (QUEBEC)

DuponTrolley Industries
Québec (QUEBEC)

DRS Flight Safety & Communications
Carleton Place (ONTARIO)

D.W. Gill Supply Company Ltd.
Vaudreuil (QUEBEC)

DY 4 Systems Inc.
Kanata (ONTARIO)

E & G Canada Ltd.
Vaudreuil (QUEBEC)

ELCAN Optical Technologies
Midland (ONTARIO)

ELI Eco Logic International Inc.
Rockwood (ONTARIO)

Environment Recovery Equipment Inc.
Port Colborne (ONTARIO)

Esquimalt Defence Research
Victoria (BRITISH COLUMBIA)

Expro Chemical Products Inc.
St. Timothee (QUEBEC)

FAG Bearings Limited
Stratford (ONTARIO)

FAHR Industries Inc.
St. Jacques (NEW BRUNSWICK)

Fematics Canada Inc.
Pointe Claire (QUEBEC)

FilterVac International Inc.
Kitchener (ONTARIO)

Focus Manufacturing Inc.
Chicoutimi (QUEBEC)

Forest Technology Systems Limited
Victoria (BRITISH COLUMBIA)

Garlock of Canada
Dartmouth (NOVA SCOTIA)

Gem Systems Inc.
Richmond Hill (ONTARIO)

General Electric Canada Inc.
Montréal (QUEBEC)

General Kinetics Engineering Corporation
Bramalea (ONTARIO)

General Motors of Canada Limited
London (ONTARIO)

GIII Ltd.
Winnipeg (MANITOBA)

Global Precast
Maple (ONTARIO)

Global Thermoelectric Inc.
Calgary (ALBERTA)

Hankin Atlas Ozone Systems Ltd.
Scarborough (ONTARIO)

Hard Suits Inc.
North Vancouver (BRITISH COLUMBIA)

Hepburn Engineering Inc.
North York (ONTARIO)

Hermes Electronics Inc.
Dartmouth (NOVA SCOTIA)

Heron Technology Corp.
Markham (ONTARIO)

Héroux Inc.
Longueuil (QUEBEC)

Hitesi Products Inc.
St. Laurent (QUEBEC)

Honeywell ASCa Inc.
Mississauga (ONTARIO)

Honeywell Aerospace Inc.
St. Laurent (QUEBEC)

Honeywell Limited
Ottawa (ONTARIO)

Horton Automation
Burnaby (BRITISH COLUMBIA)

IMP Aerospace Avionics
Halifax (NOVA SCOTIA)

IMP Group Limited
Halifax County (NOVA SCOTIA)

ImStrat Corporation
Carleton Place (ONTARIO)

IMT Corporation
Ingersoll (ONTARIO)

Image Processing Systems Inc.
Markham (ONTARIO)

Indal Technologies Inc.
Mississauga (ONTARIO)

Informission Group Inc.
Québec City (QUEBEC)

Infradev International Inc.
Montréal (QUEBEC)

Inline Fiberglass Ltd.
Etobicoke (ONTARIO)

Inter City Papers International
Lasalle (QUEBEC)

Interactive Circuits & Systems Ltd.
Gloucester (ONTARIO)

International Centre for Human Resources Management
Pickering (ONTARIO)

International Civil Aviation Organization
Montréal (QUEBEC)

International Code Services Inc.
Aurora (ONTARIO)

International Demining Alliance Canada Inc.
Carp (ONTARIO)

International Interior Specialists Inc.
Markham (ONTARIO)

Interpac Corporation
St. Laurent (QUEBEC)

Irvin Industries Canada Ltd.
Fort Erie (ONTARIO)

JANSSEN-ORTHO Inc.
North York (ONTARIO)

Jones Marine Services Ltd.
Chemainus (BRITISH COLUMBIA)

Jordair Compressors Inc.
Richmond (BRITISH COLUMBIA)

KB Electronics Limited
Bedford (NOVA SCOTIA)

KCO Metal Products
Laval (QUEBEC)

Ker-Train Research Inc.
Kingston (ONTARIO)

Kessler International Corporation
St. Laurent (QUEBEC)

Kumaran Systems Inc.
Etobicoke (ONTARIO)

La Peausserie de Quebec Inc.
Québec (QUEBEC)

Labotix Automation Inc.
Peterborough (ONTARIO)

Lancaster Aviation Inc.
Milton (ONTARIO)

Les Bois Lessard - Tessier International Inc.
Boisbriand (QUEBEC)

Les Produits FREDDY Inc. Products
St. Hyacinthe (QUEBEC)

Liburdi Engineering Ltd.
Dundas (ONTARIO)

Liftking Industries Inc.
Woodbridge (ONTARIO)

Litton Marine Systems Canada
Mississauga (ONTARIO)

Litton Systems Canada
Toronto (ONTARIO)

LNS Systems Inc.
St. Laurent (QUEBEC)

Lockheed Martin Canada
Montréal (QUEBEC)

Logo Computer Systems Inc. (LCSI)
Montréal (QUEBEC)

Lucas Industries Canada Limited
Montréal (QUEBEC)

Macdonald Dettwiler Space and Advanced Robotics Ltd.
Brampton (ONTARIO)

Machine Outils Henri Line Ltée
Granby (QUEBEC)

Macrodyne Technologies Inc.
Woodbridge (ONTARIO)

Magneto-Inductive Systems Limited
Dartmouth (NOVA SCOTIA)

Marathon Watch Company Limited
Richmond Hill (ONTARIO)

Marine Diesel Engines Ltd.
Caraquet (NEW BRUNSWICK)

MDS Aero Support Corporation
Ottawa (ONTARIO)

MDS-PRAD Technologies Corporation
St. Laurent (QUEBEC)

Mecair Inc.
Pointe Claire (QUEBEC)

Med-Eng Systems Inc.
Ottawa (ONTARIO)

Menasco Aerospace
Oakville (ONTARIO)

Menasco Aviation Services Ltd.
Burlington (ONTARIO)

Merrill Engineering Ltd.
Delta (BRITISH COLUMBIA)

METOCEAN Data Systems Limited
Dartmouth (NOVA SCOTIA)

Messier-Dowty Inc.
Ajax (ONTARIO)

MetalCraft Marine Inc.
Kingston (ONTARIO)

Mid Canada Millwork Ltd.
Steinbach (MANITOBA)

Montreal Parquetry Floors inc.
Montréal (QUEBEC)

Motorola Canada Ltd.
Calgary (ALBERTA)

Mr. Ranojoy Basu Ray
Nepean (ONTARIO)

MRF Geosystems Corporation
Calgary (ALBERTA)

MTU Maintenance Canada Ltd.
Richmond (BRITISH COLUMBIA)

Mustang Survival Corp.
Richmond (BRITISH COLUMBIA)

Nanaktek Corporation
Brampton (ONTARIO)

National Research Council of Canada
Boucherville (QUEBEC)

Neptec Design Group Limited
Kanata (ONTARIO)

NewSun Technologies Ltd.
Nepean (ONTARIO)

Niedner Limited
Coaticook (QUEBEC)

Nordic Systems Inc.
Mississauga (ONTARIO)

Norland Canada Inc.
Dorval (QUEBEC)

Northwest Territorial Airways Limited
Yellowknife (NORTHWEST TERRITORIES)

NSI Communication Inc.
St. Laurent (QUEBEC)

Nunasi Corporation
Yellowknife (NORTHWEST TERRITORIES)

O-Two Systems International Inc.
Mississauga (ONTARIO)

Olympic Gear and Manufacturing Inc.
Bramalea (ONTARIO)

Optech Inc.
North York (ONTARIO)

Orenda Aerospace Corporation
Mississauga (ONTARIO)

Orgues Létourneau Ltée
Saint-Hyacinthe (QUEBEC)

Ovalsys International Inc.
Longueuil (QUEBEC)

P.J. Hannah Equipment Sales Corp.
Surrey (BRITISH COLUMBIA)

Papp Plastics & Distributing Ltd.
Windsor (ONTARIO)

Park Thermal International (1996) Corp.
Georgetown (ONTARIO)

Pelorus Navigation Systems Inc.
Calgary (ALBERTA)

Poly-Pacific International Inc.
Edmonton (ALBERTA)

Potash Corporation of Saskatchewan
Saskatoon (SASKATCHEWAN)

Pratt & Whitney Canada Inc.
Longueuil (QUEBEC)

Premiere Vision
St. Laurent (QUEBEC)

Pro-Safe Fire Training System Inc.
Nobel (ONTARIO)

Professional Machine Service
Markham (ONTARIO)

Public Works and Government Services Canada
Verdun (QUEBEC)

PyroGenesis Inc.
Montréal (QUEBEC)

Q-Tron Limited
Calgary (ALBERTA)

Raber Glove Manufacturing Co. Ltd.
Winnipeg (MANITOBA)

Rail Industries Canada Inc.
St. Laurent (QUEBEC)

Raytheon Canada Limited
Waterloo (ONTARIO)

Regan-Grant Corporation
Newmarket (ONTARIO)

Regor Inc.
Montréal (QUEBEC)

Remtec Inc.
Chambly (QUEBEC)

Rolls-Royce Canada Limited
Lachine (QUEBEC)

Sanmina Enclosure Systems
Toronto (ONTARIO)

Satlantic Inc.
Halifax (NOVA SCOTIA)

Scepter Corporation
Scarborough (ONTARIO)

Scotia Rainbow Inc.
Aricchat (NOVA SCOTIA)

Serco Facilities Management Inc
Goose Bay (NEWFOUNDLAND & LABRADOR)

Shell Canada Products Limited
Calgary (ALBERTA)

S.J. Precision Machine & Tool Inc.
Scarborough (ONTARIO)

Simunition
Le Gardeur (QUEBEC)

Sipco Aviation Fuels Inc.
Toronto (ONTARIO)

SNC Technologies inc.
Le Gardeur (QUEBEC)

SNC-Lavalin International Inc.
Montréal (QUEBEC)

SkyWave Mobile Communications Inc.
Ottawa (ONTARIO)

Soheil Mosun Ltd.
Toronto (ONTARIO)

Soucy International Inc.
Drummondville (QUEBEC)

Soucy Techno Inc.
Rock Forest (QUEBEC)

Spar Aerospace Limited
Surrey (ONTARIO)

Spar Aviation Services
Pointe Claire (QUEBEC)

Sparton Corp.
London (ONTARIO)

Spielo Manufacturing Inc.
Moncton (NEW BRUNSWICK)

SpringQuilt Industries Inc.
Pickering (ONTARIO)

Standard Aero Ltd.
Winnipeg (MANITOBA)

Standard-Modern Lathes Inc.
Mississauga (ONTARIO)

Stephens Analytical Inc.
Montréal (QUEBEC)

Stone Marine Canada Ltd.
Iberville (QUEBEC)

Stride Industries Ltd.
Mississauga (ONTARIO)

Swiftsure Spatial Systems Inc.
Victoria (BRITISH COLUMBIA)

Treacan Combustion Limited
Hubley (NOVA SCOTIA)

Tecscult Eduplus inc.
Montréal (QUEBEC)

Tektrend International Inc.
Dollard-des-Ormeaux (QUEBEC)

Teleflex (Canada) Ltd.
Richmond (BRITISH COLUMBIA)

Terra Surveys Limited
Ottawa (ONTARIO)

Tokmakjian Limited
Milton (ONTARIO)

Tourism Standards Consortium (TSC) Inc.
Edmonton (ALBERTA)

Trackless Vehicles Limited
Courtland (ONTARIO)

TradeBytes Data Corporation
Vancouver (BRITISH COLUMBIA)

Tri-Star Industries Limited
Yarmouth (NOVA SCOTIA)

Triangle Engineered Products Co.
Pointe Claire (QUEBEC)

Triton All-Terrain
Saskatoon (SASKATCHEWAN)

Uni-ram Corporation
Markham (ONTARIO)

University of Calgary
Calgary (ALBERTA)

University of Waterloo
Waterloo (ONTARIO)

Usinage Wild Cat Inc.
St. Georges Beauce (QUEBEC)

Valcom Limited
Guelph (ONTARIO)

Valley Associates Inc.
Ottawa (ONTARIO)

Virtual Prototypes Inc.
Montréal (QUEBEC)

Visual Insights Canada, Inc.
Toronto (ONTARIO)

Vulkan Harex Steelfiber (North America) Inc.
Brantford (ONTARIO)

W R T Equipment Ltd.
Saskatoon (SASKATCHEWAN)

Wabco
Stoney Creek (ONTARIO)

Wajax Industries Limited
Langley (BRITISH COLUMBIA)

Walbar Canada
Mississauga (ONTARIO)

Watts, Griffiths and McQuat Limited
Toronto (ONTARIO)

Wescam Inc.
Flamborough (ONTARIO)

West Heights Manufacturing
Kitchener (ONTARIO)

Winsafe Corp.
Markham (ONTARIO)

Wire Rope Industries Limited
Pointe Claire (QUEBEC)

Wright Environmental Management Inc.
Richmond Hill (ONTARIO)

Zenon Environmental Systems Inc.
Oakville (ONTARIO)

Contracted Customer Agencies by Country for Fiscal 1999/2000

Argentina

Consejo Federal De
Inversiones
Unidad de Coordinacion
del Proyecto PASMA

Australia

Department of Defence
Director, Weapons and
Vehicle Procurement
St. Mary's Cathedral

Belgium

Ortho-Clinical
Diagnostics

Bermuda

Precision Somers Joint
Venture
The Bermuda Regiment

Chile

Servicio Nacional de
Capacitación y Empleo

China, People's Republic

Chungwa Picture Tubes
(FUZHOU) Ltd.
Import and Export
Corporation of Liaohe
Oilfield
Office of the State
Commission for Public
Service
Yaohua-Inline Energy-
Saving Dorwin Co., Ltd.

Costa Rica

Instituto Costarricense
Contra el Cancer

Cuba

Abatur S.A.
Autoimporte de la
República de Cuba
Empresa Contruimport
Empresa Produimport
Empresa Tractoimport
Provedora General
Del Transporte
Quimimport

Denmark

Danish Army Materiel
Command

Dominican Republic

ABCO S.A.

Egypt

Civil Aviation Authority
of the Arab Republic
of Egypt

Gabon

Ministère de l'Économie,
des Finances, du Budget

Germany

Bundesamt fur
Wehrtechnik
Hamberger
Industriewerke Gmbh
MTU Motoren-Und
Turbinen-Union
Ludwigsfelde Gmbh
SOLON AG fur
Solartechnik

Hong Kong, China

Ace Fur Manufacturing
Limited

India

CMC Limited
Mahanagar Gas Ltd

Indonesia

UNAMET

Italy

ALI Parquets
Fincantieri

Jamaica

Ministry of Health

Japan

Kawasaki Heavy
Industries
Sanko Tsusho Co., Ltd

Luxembourg

Armée Luxembourgeoise
Nato Maintenance and
Supply Agency (NAMSA)

Mexico

Bombardier Concarril,
S.A. de C.V.
Comisión de
Adquisiciones y
Enajenaciones
Comision Nacional
del Agua
Minera Del Norte S.A.
De C.V.

Nepal

Ministry of Tourism and
Civil Aviation

Netherlands

Catharina-Ziekenhuis
Hospital
Ministry of Defence
Stichting Exploitatie
Nederlandse Staatsloterij
Stichting Nationale
Sporttotalisator
Stichting Trombosedienst
& Artsenlaboratorium

Norway

Norwegian Army Central

Pakistan

Al Mubarak CNG Station
Caltex Oil (Pakistan)
Limited
Syed Service Station

Portugal

Direcção de Navios
Ministerio Da Defesa
Nacional

Romania

Ministry of Labour &
Social Protection

Russia

Aeroflot Russian Airlines

Saint Lucia

Caribbean Customs Law
Enforcement Council
(CCLEC)

Saudi Arabia

Ministry of Municipal
and Rural Affairs
Saudi Est. for Commerce
and Contracting

Singapore

Singapore Technologies Kinetics Ltd.

Sweden

AB Svenska Spel

Switzerland

Solothurnische Gebäudeversicherung

Tanzania

Tanzanian Railway Corporation

Trinidad and Tobago, Republic of

Ministry of Health

United Kingdom

Aberdeenshire Council

British Aerospace (Operations) Limited

Defence Clothing and Textiles Agency

Island Waste Services Limited

London Fire and Civil Defense Authority

Pratt & Whitney Canada (UK) Limited

Rolls-Royce Derby

Royal Air Force

United Nations

UNICEF

UN Population Fund

UN Procurement and Transportation Division

World Food Program

United States of America

USAID

US Air Force

US Army

US Marine Corps

US Navy

Bacardi-Martini U.S.A Inc.

Beltrone Construction Co. Inc.

Boeing Aerospace Operations Inc.

Boeing Company-Shared Services Group

Charles Jacquin & Cie., Inc.

Coastal Helicopter Inc.

County of Orange

Defense Distribution Center

Defense Industrial Supply Center

Defense Logistics Agency

Department of the Treasury

Dollar Tree Stores Inc.

Duke University Health Systems

Dunn-Malco

EDO Corporation

ESD L. G. Hanscom Field

Electronic Systems Centre (PKRC)

Expack Seafood Inc.

FISC Norfolk Acq Group

FISC Shipyard Support Det

First Presbyterian Church

Frank M. Booth Inc.

General Motors Corporation

Goddard Space Flight Center

H.R.H. Construction Corporation

Hanwa American Corp.

Harmon Ltd.

Hercules Construction & Development Inc.

Hingham Municipal Lighting Plant

Honeywell Inc.

Imperial Bedding Corporation

Interstate Mechanical

Items International Inc./Airwalk

Itochu Aviation Co. Ltd.

John J. McMullen Associates Inc.

Kampi Components Co., Inc.

Kenaidan Construction Corp.

Litton Procurement PRC

Lockheed Martin

Marlyn Steel Decks Inc.

Martin International

Merrimack Valley Regional Transit Authority MVRTA

Military Sealift Command

National Aeronautics and Space Administration

National Imagery and Mapping Agency

Oil Stop Inc.

Perfection Hydraulics Inc.

Plaza Construction Corporation

Primex Technologies Inc.

Raytheon Electronic Systems (AN2-F04)

Rockland County Sheriff's Dept.

Sealy Inc. Brenham Texas

Sealy Inc. Denver Colorado

Sealy Inc. Trinity North Carolina

Selectron Industrial Company

St. John's Episcopal Church

St. Mary's on the Highlands Episcopal Church

Swinerton & Walberg Co.

TNT Logistics North America

The Cathedral of St. Andrew's

The Stanley Works

The World Bank

Tobyhanna Army Depot

Trinity United Methodist Church

Turner Construction Company

U.S. Department of Energy

U.S. Department of State

United States Department of Agriculture

Wallops Flight Center

Warner Robins Air Logistics Center

Watervliet Arsenal

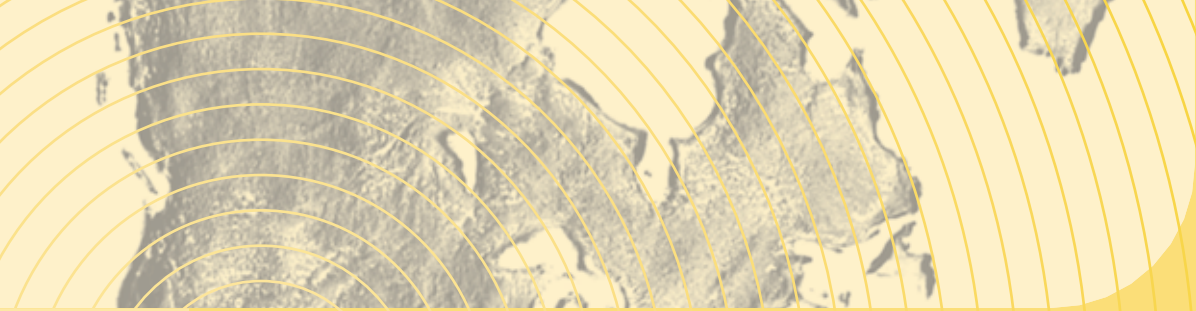
White Sands Missile Range

Wright Laboratory

Wright Laboratory (WL/MLKM)

Vietnam

The Vietnam National Maritime Bureau



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C a n a d i a n C o m m e r c i a l C o r p o r a t i o n

Financial Statements

1999-2000

Management Responsibility for Financial Statements

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.



Douglas Patriquin
President



Paul Thoppil
Chief Financial Officer

Ottawa, Canada
June 2, 2000

Auditor's Report

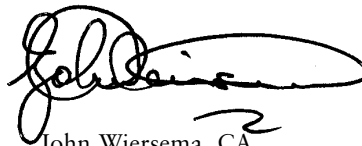
To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2000 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 2000

Balance Sheet

As at March 31, 2000
(in thousands of dollars)

ASSETS	2000	1999
Cash and short-term deposits (Note 3)	\$ 50,806	\$ 51,770
Accounts receivable (Note 4)	188,379	160,691
Advances to suppliers	41,940	29,010
Progress payments to suppliers	75,295	44,731
	\$ 356,420	\$ 286,202

LIABILITIES

Accounts payable and accrued liabilities (Note 4)	\$ 189,941	\$ 168,841
Advances from customers	58,398	48,852
Progress payments from customers	75,840	44,065
Provision for additional contract costs (Note 5)	2,819	279
	326,998	262,037
Employee termination benefits	1,064	998
	328,062	263,035

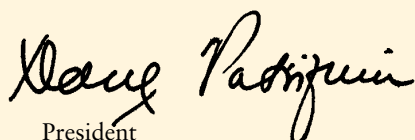
Contingencies (Note 7)

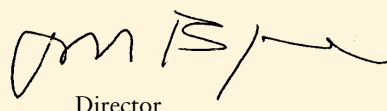
EQUITY OF CANADA

Repayable working capital appropriation (Notes 1 and 8)	5,000	–
Contributed surplus (Note 1)	15,000	15,000
Retained earnings	8,358	8,167
	23,358	23,167
	28,358	23,167
	\$ 356,420	\$ 286,202

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


President


Director

Statement of Operations and Retained Earnings

for the year ended March 31, 2000

(in thousands of dollars)

REVENUES	2000	1999
Contract billings (Note 9)	\$ 897,726	\$ 788,709
Interest and other income	2,812	1,880
Cost recovery	3,183	1,747
Gain (loss) on foreign exchange	(728)	1,040
	902,993	793,376
EXPENSES		
Cost of contract billings	897,726	788,709
Additional contract costs	3,345	1,057
Administrative expenses	14,279	13,403
	915,350	803,169
Net results of operations before parliamentary appropriation	(12,357)	(9,793)
Parliamentary appropriation (Note 8)	12,548	10,443
Net results of operations	191	650
Retained earnings at beginning of year	8,167	7,517
Retained earnings at end of year	\$ 8,358	\$ 8,167

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

for the year ended March 31, 2000
(in thousands of dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	2000	1999
Receipts from customers	\$ 911,846	\$ 800,123
Interest and other income received	5,995	3,627
Payments to suppliers	(920,611)	(801,604)
Administrative payments	(15,014)	(13,499)
Cash flows used in operating activities (Note 13)	\$ (17,784)	\$ (11,353)

CASH FLOWS FROM FINANCING ACTIVITIES		
Parliamentary appropriation - operating	\$ 12,548	\$ 10,443
Parliamentary appropriation - contributed surplus	–	5,000
Parliamentary appropriation - repayable working capital appropriation	5,000	–
Cash flows from financing activities	\$ 17,548	\$ 15,443
Effect of exchange rate changes on cash and short-term deposits	(728)	1,040
(Decrease) increase in cash and short-term deposits	(964)	5,130
Cash and short-term deposits at beginning of year	51,770	46,640
Cash and short-term deposits at end of year	\$ 50,806	\$ 51,770

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 2000

1. Nature, Organization and Funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* (the Act) and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign governments, international organizations and other buyers. Corresponding supply contracts are entered into with Canadian firms by the Corporation.

The Government has provided the Corporation with \$15 million as contributed surplus and a \$5 million repayable working capital appropriation. The Corporation also has authority to draw loans from the Consolidated Revenue Fund, subject to Minister of Finance approval, in amounts up to a total of \$10 million as required to supplement its working capital. Annually, the Corporation's operations are primarily funded through a parliamentary appropriation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation records its contract billings, and related costs, when a delivery has taken place thus passing title to the customer, or, in the case of progress payments, upon acceptance of progress billings from suppliers for work performed.

The Corporation uses the percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress

payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced upon completion of delivery and acceptance by the customer.

Progress payments from customers and to suppliers, represent payments made by foreign buyers and to Canadian exporters respectively on contracts where the partial recoupment of costs (usually up to 80%), associated with the work performed on a contract leading up to delivery, is allowed. Given that the payment flows through to the Canadian exporter, the liabilities are essentially offset on the asset side of the balance sheet.

Advances from customers and to suppliers represent a down payment made at the outset of the contract, before any work has been performed.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

The Corporation recovers its costs on a number of its contracts, mainly international sales. Its ability to recover costs is governed by the Act and international agreements. Amounts are recognized as earned.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Contracts with foreign customers and corresponding contracts with Canadian suppliers are generally entered into in the same currency. The Corporation uses this and other techniques in order to effectively transfer currency risk to the supplier.

Working capital is maintained in currencies other than Canadian dollars to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Parliamentary Appropriation

Parliamentary appropriations for annual operating costs are recorded in the Statement of Operations and Retained Earnings in the year for which they are approved.

(d) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Future Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Cash and Short-term Deposits

As at March 31, 2000, cash and short-term deposits include:

<i>(in thousands)</i>	Year ended March 31			
	2000		1999	
	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
Canadian dollars	\$29,221	\$29,221	\$27,381	\$27,381
U.S. dollars	14,039	20,349	13,707	20,680
Australian dollars	791	697	2,594	2,482
German deutsche mark	516	368	527	440
British pound sterling	74	171	323	787
		\$50,806		\$51,770

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2000, the average term to maturity was three days (1999 - one day). The overall portfolio yield at March 31, 2000 was 5.7% (1999 - 4.9%). Cash and short-term deposits are recorded at cost which approximates market value.

Of the cash and short-term deposits, \$25,639,000 (1999 - \$35,695,000) represents funds received from foreign customers which will be remitted to Canadian suppliers at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except those due to small and medium sized enterprises which are paid within 15 days. In neither case does interest accrue.

5. Provision for Additional Contract Costs

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of \$2,819,000 as of March 31, 2000 (1999 - \$279,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

6. Contractual Obligations

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2000, the total contract value remaining to be fulfilled approximates \$1.1 billion (1999 - \$1.1 billion).

Under the Progress Payment Program the Corporation also indemnifies participating banks for amounts they have advanced to Canadian suppliers. To offset these indemnities, the Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2000 is \$9,331,000 (1999 - \$6,804,000).

7. Contingencies

In 1997, the Corporation was served with a statement of claim arising from its contracting operations. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, the potential liability of the Corporation and consequent damages arising from such a liability are, at present, not determinable.

Amounts, if any, payable on claims by the Corporation will be recorded in the year in which they can be determined.

8. Repayable Working Capital Appropriation

During the year, the Corporation received appropriations in the amount of \$17,548,000 from the Government of Canada. Of this amount, Treasury Board indicated that \$5,000,000 was a recoverable working capital advance and, accordingly, the Corporation has recorded the amount as a repayable working capital appropriation. The contribution is recoverable through reductions of the Corporation's funding levels as follows: \$2,500,000 in fiscal year 2001-02 and \$2,500,000 in fiscal year 2002-03.

The remaining \$12,548,000 was provided for this year's annual operating costs and has been recorded in the statement of operations and retained earnings.

9. Contract Billings

Contract billings are distinct from Corporate business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2000 amounted to \$1.1 billion (1999 - \$748 million).

Contract billings arising from the Corporation's facilitations of sales of Canadian goods to foreign governments, international agencies and other buyers throughout the world were distributed as follows:

<i>(in thousands of dollars)</i>	Year ended March 31	
	2000	1999
U.S. Government and Buyers	\$ 645,670	\$ 527,393
Other Foreign Governments and Buyers	222,380	242,869
United Nations Agencies	29,676	18,447
	<u>\$ 897,726</u>	<u>\$ 788,709</u>

10. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

Generally, Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 2000 the cost of these services amounted to \$3,700,000 (1999 - \$3,083,000) and are included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is estimated that the cost of this service would approximate \$1 million based on the amount that was transferred from the Corporation's funding level, to Public Works and Government Services Canada. The value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2000 the cost of legal fees and expenses for specific actions amounted to \$434,000 (1999 - \$479,000) and are included in administrative expenses.

As a result of all related party transactions, the amounts due from and to these parties are \$506,000 (1999 - \$136,000) and \$574,000 (1999 - \$888,000) and are included in the accounts receivable and accounts payable respectively.

11. Insurance

The Corporation carries default insurance that covers it against additional contract costs in excess of \$4 million per annum, with a maximum coverage of \$75 million.

In addition, the Corporation carries specific insurance relating to fraud, computer hardware and software, office furniture and fixtures, and travel accident and medical.

12. Lease Commitments

Effective October 1, 1995, the Corporation entered into a 10-year lease agreement for office space. The annual payments for the duration of the lease will approximate \$775,000.

13. Reconciliation of Net Results of Operations before Parliamentary Appropriation to Cash Used in Operating Activities**Year ended March 31**

<i>(in thousands of dollars)</i>	2000	1999
Net results of operations before parliamentary appropriation	\$ (12,357)	\$ (9,793)
Adjustments to reconcile net results to net cash used by operating activities:		
(Increase) decrease in accounts receivable	(27,688)	19,180
(Increase) decrease in advances to suppliers	(12,930)	11,654
(Increase) in progress payments to suppliers	(30,564)	(4,841)
Increase (decrease) in accounts payable and accrued liabilities	21,100	(17,618)
Increase (decrease) in advances from customers	9,546	(13,314)
Increase in progress payments from customers	31,775	5,676
Increase (decrease) in provision for additional contract costs	2,540	(1,243)
Increase (decrease) in employee termination benefits	66	(14)
Total adjustments	(6,155)	(520)
Loss (gain) on foreign exchange	728	(1,040)
Cash used in operating activities	\$ (17,784)	\$ (11,353)

