



Passport  
Canada

Passeport  
Canada



# Passport Canada

*Business Plan*

2006-2009

Canada

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# Purpose and Introduction

This document follows a previous Corporate and Business Plan presented to the Treasury Board of Canada for the period 2005-2008.

Rapid changes to the operating environment have put increasing pressure on Passport Canada's financial resources and strategic orientation. The strategic context has shifted significantly and will continue to change over the next fiscal year. The long-term vision is clearer, but there is a need to put more emphasis on security issues and budgetary pressures in the short and medium terms.

The Passport Canada Business Plan 2006-2009 presents the activities that will support the strategic orientation and outlines the major challenges expected over the planning period. It is expected that the Business Plan will evolve over time as strategic decisions are made by the Government that will significantly impact the operating environment.

## 1. Passport Canada: Our Corporate Profile

### *What is Passport Canada*

Passport Canada was established in 1990 as a special operating agency (SOA) of Foreign Affairs and International Trade Canada. It reports to Parliament through the Minister of Foreign Affairs. Its mission and mandate are derived from the *Canadian Passport Order*. Under the *Canadian Passport Order*, Passport Canada is accountable for all matters related to issuing and using Canadian passports and Canadian travel documents. Through the

Minister of Foreign Affairs, the *Canadian Passport Order* gives Passport Canada broad powers to prescribe the form of the Canadian passport and how a person may apply for one. It also prescribes the information that Passport Canada needs to issue a passport, and the grounds for denying or revoking one. As an SOA, Passport Canada has greater financial flexibility to deliver on its strategic priorities than a department.

Passport Canada operates under a revolving fund, with revenue generated through fees charged. It does not receive any parliamentary appropriations to finance operating expenses. Applicants, not taxpayers, fund the service. However, some specific initiatives are funded through appropriations in conjunction with Foreign Affairs and International Trade Canada. These appropriations cover capital and start-up costs for these specific initiatives. The Passport Canada revolving fund has a continuing non-lapsing authority from Parliament. It makes payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits. The total of the accumulated operating deficits must not exceed \$4,000,000 at any time.

### *The Organization*

Passport Canada is managed through an Executive Committee, chaired by a Chief Executive Officer. The Executive Committee sets the overall strategic direction for Passport Canada. It oversees activities and policies, as well as projects implemented to advance corporate strategic priorities.

Over the past year, Passport Canada grew by 14.1% nationally; specifically, the Security Bureau grew 18.2%, reflecting the preparation for the security focus in the organization. In 2005-06, Passport Canada employees opened 3.084 million electronic files.

Passport Canada currently offers domestic passport-related services to in-person clients through 33 regional offices and 93 Receiving Agent outlets. It also offers services through a central directorate, which receives and processes applications submitted by mail from both Canada and the United States.

In addition to domestic services, Passport Canada works with Foreign Affairs and International Trade Canada to provide services through missions abroad. In 2005-06, Passport Canada repatriated the passport production to Canada through the Mission Print Passport Solution (MPPS) project to ensure that Canadians receive the same high quality secure document no matter where they apply.

A forecasting model is used to assist in business planning. The number of passport applications is estimated in advance, based on expected volume. The model is based on the Passport Demand Model developed by the Conference Board of Canada and it also integrates their Tourism Risk Impact Projection (TRIP) model in order to assess the impact of other socio-economic factors on demand. These projections are used to establish budget levels for the fiscal year.

## 2. The Operating Environment

Given Passport Canada's operating environment and its expanding policy role in the areas of national and international security and travel documents, its primary challenge for the current planning period is to alleviate service pressures while meeting the need for rigorous security measures. Passport Canada must work at leveraging technology to meet client needs and improve security. **The balance between service and security is a challenge to maintain given pressures on existing resources but is critical for success in this operating environment.**

### *The International Context*

The international travel environment has recently experienced significant challenges. It has also undergone fundamental changes. There have been heightened threats and vigilance; there have also been rapid, ongoing developments in technology. This has led to mounting international momentum and pressures to implement new-generation passport security measures, systems, and controls. This has a significant impact on Passport Canada's operating environment.

### *The Post 9-11 Global Environment*

The terrorist attacks of September 11, 2001, and subsequent incidents around the world, such as those in London and Bali, have highlighted the need to ensure the integrity and security of the passport as a key factor

in protecting human security. The events of September 11 significantly increased international pressure and momentum for all countries to strengthen the security and integrity of identity documents and processes, and travel documents in particular. There is ever-increasing emphasis on secure travel systems and identity documents, and new security measures in various countries. This has created an international environment of continuous change and improvement to passport issuance and control systems, practices, and policy. Passport Canada must maintain and improve Canada's reputation as a cooperative, collaborative partner on global travel and security matters, so it can maintain and enhance its relationships with key allies.

### *New ICAO Passport Specifications*

In May 2003, the International Civil Aviation Organization (ICAO) adopted a global, harmonized blueprint for integrating biometric identification information into passports and other machine-readable travel documents (MRTDs). Under development for several years, these new international passport specifications call for the inclusion of advanced storage technologies, in the form of an integrated circuit chip. This chip will store the passport holder's biographical data and photo. Passport Canada must remain current with internationally accepted advances in passport specifications and collaborative in global security matters. However, Passport Canada is falling behind as the investments in financial and human resources required to deliver on these improvements is a challenge.

### *Western Hemisphere Travel Initiative*

Following the National Commission on Terrorist Attacks upon the United States (known as the 9-11 Commission), the US Congress adopted new legislation known as the *Intelligence Reform and Terrorism Prevention Act of 2004*. Under the legislation, all travellers from Western Hemisphere countries, including US citizens and those living in the Americas, will be required to have a passport or an approved travel document to enter the US. On April 5, 2005, the US government announced the implementation of the Western Hemisphere Travel Initiative (WHTI).

Passport Canada is already experiencing, and must be prepared for an increasing volume as a result of WHTI. By 2009, all Canadian citizens will require a passport to enter the US if the US decides to proceed with this proposal and alternative documentation cannot be agreed upon. Passport Canada is playing a key role with central agencies, other government departments and the US to identify the appropriate strategy for WHTI.

### *The Evacuation of Canadians from Lebanon*

Passport Canada played a critical role in confirming the identity of Canadians evacuated from Lebanon during the conflict. The evacuation highlighted issues around dual-citizenship and the importance of identity authentication that could form discussions around identity management and citizenship.

### *The Domestic Context*

Here in Canada, a number of issues, such as trends in identity theft, changes in technology and the nature of the economy and client expectations, will continue to have a direct impact on how Passport Canada can and must operate. Also, increased demand places pressure on Passport Canada's operations. It is forecasted that demand will continue to grow up to 2009-2010.

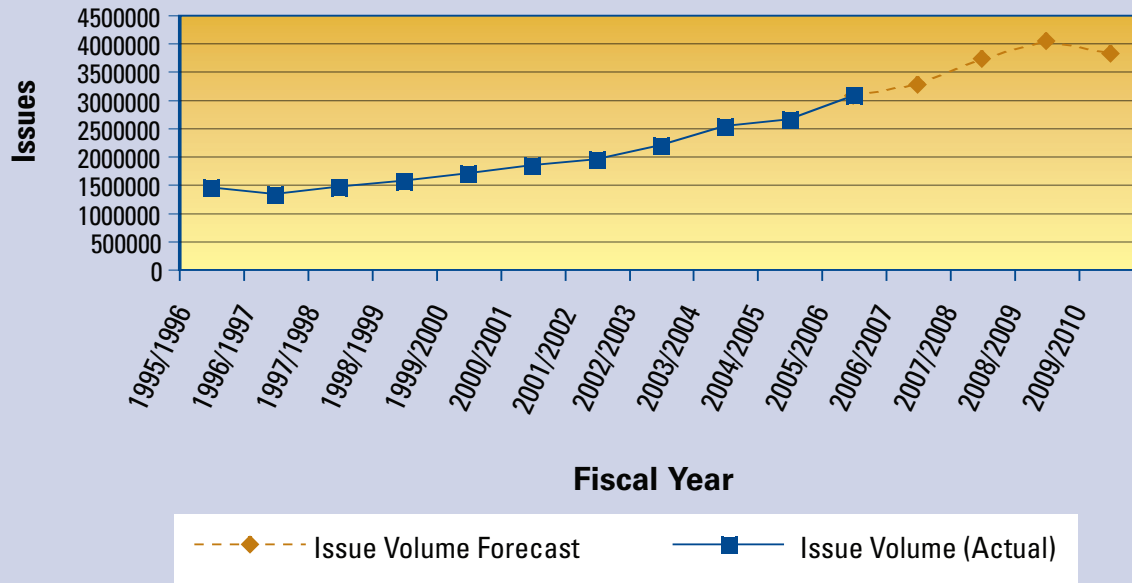
#### *<sup>1</sup> The Volume Forecast*

<b>Fiscal Year</b>	<b>Forecast - Applications Treated (Revenue)</b>	<b>Forecast - Issues (Number of Books)</b>
<b>2006/07</b>	3,288,330	3,260,152
<b>2007/08</b>	3,742,120	3,710,052
<b>2008/09</b>	4,067,684	4,032,828
<b>2009/10</b>	3,989,894	3,806,990

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<sup>1</sup>The United States Congress is reviewing the legislation for WHTI which may delay the implementation date.

### Passport Issues (Actual and Forecasted)



#### Report of the Auditor General

In a report issued on April 5, 2005, the Office of the Auditor General (OAG) captured the essence of Passport Canada's challenges and pressures as a result of new expectations and its evolving role, noting that Passport Canada is struggling to meet increasing security expectations and demands for service.

Passport Canada continues to perform and monitor the activities developed as part of the Passport Canada Action Plan in response to the Auditor General's report. Passport Canada identified ten key initiatives in response to the comments of the OAG. Funding in the amount of \$11.2 million was received from the Government of Canada for these initiatives.

The OAG is currently performing a follow-up audit with the results expected in early 2007.

### 3. The Planning Environment

Passport Canada is evolving. It is responding to immediate pressures in its operating environment. It also needs to position itself strategically for the future. Passport Canada has established a new long-term vision and strategic orientation to guide that evolution. We will continue to develop the longer-term vision and strategic orientation over the period covered by this Business Plan. Given Passport Canada's operating environment and its expanding policy role in the areas of national and international security and travel documents, its primary challenge for the current planning period is to alleviate service pressures while meeting the need for rigorous security measures. All of this must be done in the context of increasing pressures on existing resources.

### *Key Performance Indicators*

Passport Canada has established several key performance indicators (KPI) to assess performance:

<b>Indicator</b>	<b>Target</b>
Turnaround time - Walk-In	95% + passports delivered within 10 days
Turnaround time - Print Centres	95% passports printed within 2 days
Turnaround time - Mail-In	95% passports delivered within 20 days
Turnaround time - Receiving Agents	95% passports delivered within 15 days for Service Canada and 20 days for Canada Post
Turnaround time - CEO Correspondence	80% + replied within 25 days
Turnaround time - INFOPASS Correspondence	90% + replied within 2 days
Turnaround time - Ministerial Correspondence (MPs)	70% + replied within 15 days
Turnaround Time - Ministerial Correspondence (General Public)	80% + replied within 25 days
Client Wait time	75% + wait less than 45 minutes
Percent of Calls answered within 5 minutes	95% +
Client Satisfaction	95% + satisfied and very satisfied clients



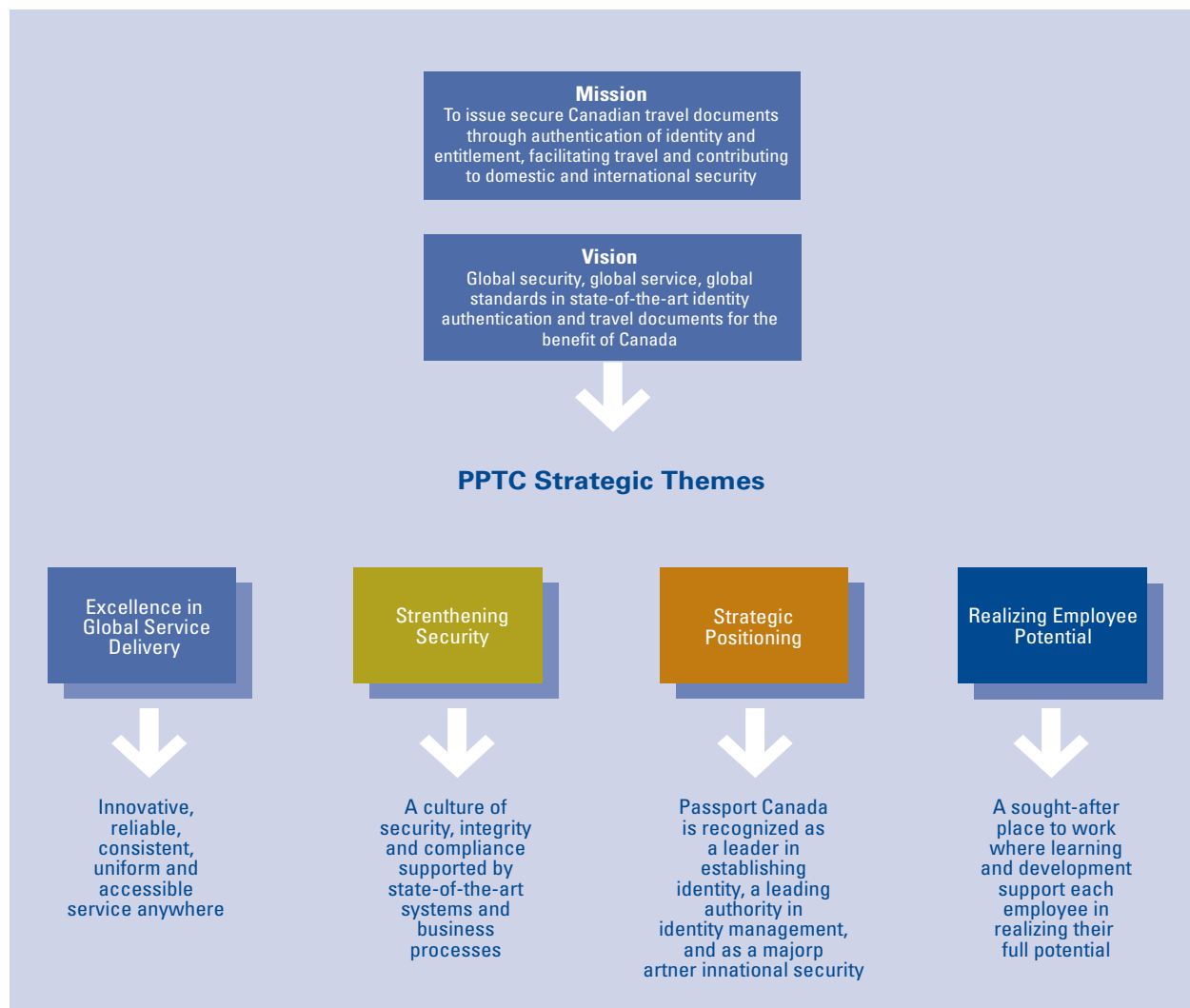
### Strategic Priorities

Passport Canada's mission establishes the foundation for its strategic priorities. Strategic priorities in this Business Plan derive from the mission, achievements from the previous planning cycle and recognition of new challenges emerging in our operating environment. Our strategic orientation introduces several new ways of thinking about passports and the role of Passport Canada. This includes:

- recognizing that passports play a fundamental role in establishing identity at home, not just when travelling;

- recognizing that, in today's environment, security requirements have become the primary drivers of our business, and the most important aspect of our product;
- recognizing that Passport Canada has an increasing role to play in domestic and international security.

To achieve the above, Passport Canada has reviewed its mission, vision and strategic orientations, and will focus on four strategic priorities: excellence in global service delivery; strengthening security; strategic positioning; and realizing employee potential.



## 4. Business Plan 2006-09

### Excellence in Global Service Delivery

Innovative, reliable, consistent, uniform and accessible service anywhere

Passport Canada has historically enjoyed a high level of client satisfaction. However, many pressures pose challenges to sustaining that level of satisfaction while meeting identified service targets. As more people travel, there is a greater demand for passports, passports are increasingly being used as identity documents and heightened security measures are being implemented. In this environment, the public expects convenience and agency responsiveness.

Passport Canada is currently reviewing its business model and undertaking several initiatives geared towards service improvements. These initiatives seek to enable Canadians to apply for and receive passports through additional channels. Ensuring that Passport Offices across Canada are equipped to deal with the volume is critical for client satisfaction. A unit cost-based approach will be used to evaluate the viability and efficiency of these initiatives.

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Renewals Phase 3a</b></p> <p>A continuation of the renewal process where low risk applicants will be targeted with an offer to renew their passport using a simplified process. This service will be available only through the PPTC website during the pilot. During the planning period, the project will expand to include the general population.</p>	552,568			
<p><b>Review of Entitlement Policies</b></p> <p>Policies applied to make decisions regarding entitlement to a passport will be reviewed in order to respond to the new operating environment and to better serve Canadians.</p>				

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<b>Receiving Agents</b> Canada Post outlets and Human Resources Service Centres are in operation as Receiving Agents for Passport Canada. Over the planning period, Passport Canada will proceed with a review of partners and explore ways to expand our Service Canada network of Receiving Agents.	*1,367,000			
<b>Consultation Survey</b> This initiative will increase the number of surveys conducted by PPTC in order to improve client consultation and volume forecast capacity. In addition, it will support planning and user fee consultation required under the <i>User Fees Act</i> .	249,000 (GC)			
<b>Accommodation Projects</b> Includes the re-location of 12 offices, the potential re-design of 9 offices and an optimization project for headquarters in the NCR.	2,501,138	5,918,897	13,294,682	5,396,892
<b>Scanner Replacement</b> Scanners are part of the equipment used by examiners and the current model is at the end of its life span. New models with better performance and new features will be implemented.	720,665			
<b>Printer Replacement</b> Printers used in offices to produce observation labels will be updated.	79,142			
<b>Activity Based Management (ABM)</b> The ABM project will introduce activity-based costing, linking resource utilization and activities, and subsequently activities and products and services. The implementation of activity-based management will give the precise cost of Passport Canada products and services and it will provide a management tool to help managers better forecast resources to cope with forecasted volumes.	253,446 (GC)			

**Note:** (GC) denotes funding received from the Government of Canada to support various projects in support of the Action Plan in response to the Auditor General's Report. Items marked with an \* are funded from Passport Canada revenue and are not part of the capital plan.

## Strengthening Security

A culture of security, integrity and compliance supported by state-of-the-art systems and business processes

Maintaining and improving passport security is one of Passport Canada's primary activities. Passport security can come under threat in two ways; impostors attempt to obtain a passport using another person's identity, or the passport book is tampered with, either by substituting data in a correctly issued passport (such as replacing the photograph), or by counterfeiting the document outright. Effective security measures must address both types of threat.

Passport Canada has identified initiatives to reduce passport fraud. These initiatives ensure that the Canadian passport maintains its high level of respect internationally. They also contribute to global and international efforts related to identity authentication and secure document processes. Passport Canada has planned several initiatives to remain consistent with global developments and expectations. These initiatives also respond to the deficiencies discussed by the Office of the Auditor General in their 2005 report on Passport activities.

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Security and Intelligence Case Management System</b></p> <p>Implementation of security and intelligence software will enable management to strengthen the process of verifying identity before the issuance of a Canadian passport and strengthen the investigation of special cases.</p>	1,552,806 (GC)			
<p><b>National Routing System (NRS) – PPTC</b></p> <p>The NRS is conceived as a national network that will make it possible to validate vital-events information needed to authenticate citizenship and identity. Passport Canada will seek support to implement one element of the NRS during the 2006-07 fiscal year, the validation functionality, since it will allow Passport Canada to query provincial vital statistics databases to validate information related to citizenship or identity.</p>	273,358 (GC)			

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Office Security</b></p> <p>This initiative is comprised of various projects to improve the protection of staff and critical assets and materials. It will also provide the capability to respond quickly to emergencies threatening the safety and efficiency of its operations at all its locations.</p>	361, 835			
<p><b>Regional Security Officers</b></p> <p>New regional security officers will be hired to further ensure that the security continuum, from identity verification to passport printing, is strengthened. The units will be located in regional headquarters across the country and will be used to support the compliance program, conduct on-site interviews of applicants with complex cases, and investigate fraudulent applicants or applications.</p>	58,515 (GC)			
<p><b>Facial Recognition (FR)</b></p> <p>FR is a way to identify a person by their unique facial features, using advanced computerized recognition techniques. With each new or renewal application, the photo submitted will be compared to a database of previously issued passports, to confirm that a passport has not already been issued to the applicant under another name. FR is expected to reduce successful fraud in the passport entitlement process.</p>	4,528,013 (GC)			

## Strategic Positioning

Passport Canada is recognized as a global leader in establishing identity, a leading authority in identity management, and as a major partner in national security

Passport Canada is becoming a key player in travel document and border security issues. While its policy role is expanding, Passport Canada must ensure that its involvement in the national and international policy agenda increases and that it remains involved in critical policy issues. Changes in the operating environment means that Passport Canada must function effectively under its current authority set out in the *Canadian Passport Order*; this will be addressed in the planning period.

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>National Routing System (NRS)</b></p> <p>The NRS is conceived as a national network that will make it possible for federal departments to validate vital-events information needed to authenticate citizenship and identity to facilitate enrolment in various governmental programs. Passport Canada is coordinating the establishment of the network across federal and provincial partners. Passport Canada will seek support to implement this system.</p>	1,790,979 (GC)			
<p><b>Identity Policy</b></p> <p>Passport Canada continues to work with the interdepartmental community on identity policy. Strengthening the capability of the identity authentication process is central to efforts to enhance passport security. Passport Canada also continues to work with interdepartmental, provincial and territorial partners on the National Routing System, which could enhance the ability of governments to authenticate identification.</p>				

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Review Legislative Framework</b></p> <p>Review the existing legislative, business and financial framework, and modernize where necessary to address the realities of the current operating environment.</p>				
<p><b>Project Management System</b></p> <p>A Project Management Bureau was established in February 2005 to allow Passport Canada to prioritize its improvement initiatives and rank them according to approved project management criteria. Improved project management processes will have a positive impact in supporting the long-term strategic vision of the Passport Canada as a whole.</p>	140,000 (GC)			

## Realizing Employee Potential

A sought-after place to work where learning and development support each employee in realizing their full potential

Realizing strategic priorities depends on having the right environment to get the job done. Passport Canada will work on setting the conditions that prepare its people to meet the challenges of the future, to promote excellence and implement the tools necessary for successful transformation. This strategy is key to delivering on the other three strategic priorities.

Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Learning Institute</b></p> <p>Passport Canada will develop an internal learning program in line with the program at the Canada School of Public Service to provide continuous learning and growth opportunities for employees.</p>	*307,000			
<p><b>Orientation Program</b></p> <p>A program will be implemented to provide new employees to Passport Canada with relevant information on the organization and tools to support them in their new job.</p>	*133,400			
<p><b>Re-classification of Positions</b></p> <p>As the operating environment evolves, skills required to do the job are also changing. Re-classification of certain operational positions will address the new reality of passport entitlement.</p>				



Activities	Capital Plan			
	2006-07	2007-08	2008-09	2009-10
<p><b>Human Resources Plan</b></p> <p>Passport Canada is working to ensure that staffing practices are in line with the new legislation and addresses the new operating environment and business processes.</p>				
<p><b>Strategic Management Framework</b></p> <p>The Strategic Management Framework will integrate strategic and business planning throughout Passport Canada, and will identify key performance measures. It will include the introduction of a Balanced Scorecard with a series of cost, performance, and security indicators. With this approach, Passport Canada will be better able to determine the impact of new initiatives on its cost structures and take the appropriate action.</p>	384,831 (GC)			
<p><b>PRISM</b></p> <p>This project will update the IT infrastructure to ensure better performance of operating systems.</p>	745,592			

## 5. Financial Information

### *Budget*

This section presents Passport Canada's budget and fiscal situation. It summarizes Passport Canada's 2005-2006 financial results. It also highlights fiscal constraints for the current fiscal year (2006-2007) as well as providing a projected financial picture for the next three years, until 2009-2010. The financial forecast for planning years are based on assumptions that revenues generated from travel document will be the main source of funding to cover operating expenses and capital acquisitions.

### *Financial results 2005-2006*

Although Passport Canada experienced a revenue growth in 2005-2006, expenses to meet the increased demand and to invest in infrastructure has led the organization to report an operating deficit of \$3.4M for the last fiscal year **on an accrual basis**. On the cash side, Passport Canada ended the 2005-2006 fiscal year with a cash surplus of \$13.6M (including funding of \$10.3M received from the Government of Canada in order to invest in National Security Policy initiatives and to implement OAG recommendations).

At the end of fiscal year 2005-2006, the revenue component of Passport Canada totalled \$195.9M. This amount represents an increase of \$28.8M or 17.2% above the previous fiscal year's reported revenue numbers. This increase in revenue was due to an increase in volume. Passport Canada is

reporting having processed 3,084,737 applications in fiscal year 2005-2006 thus representing an increase of 406,289 transactions or 15.2% over the previous year.

For the same period, operating costs rose from \$167.5M in 2004-2005 to \$199.4M in 2005-2006. The biggest dollar cost increases were for salaries and related employee benefits, which rose to \$116M, representing a 23% increase over the previous year. Freight, express and cartage rose significantly to \$18.9M, representing a 28% increase over the previous year, mainly as a result of increased postage rates, more passports being mailed back to applicants and increased demand. The volume growth also led to a 24% increase in passport material costs over the previous year.

### *Financial situation 2006-2007*

Financial projections for 2006-2007 were revised in June 2006, in light of the most recent available volume forecast. Expenditures were updated to reflect current projected demand. This revision includes the financial impact of different initiatives that were undertaken in 2005-2006 and will carry on in 2006-2007.

As of the end of June 2006, Passport Canada is forecasting revenues of \$211.6M in comparison to projected expenditures of \$217.3M for an anticipated operating deficit of \$5.8M.

The anticipated revenue of \$211.6M in 2006-2007 represents an increase of \$15.7M or 8% over 2005-2006. Volume-wise, it represents an increase of 6.6% in applications processed.

It is anticipated that this increase in demand will bring the operating costs up to \$217.3M if acceptable levels of client service are maintained. Increases over 2005-2006 include mainly salaries and employee benefits in the amount of \$10.7M, \$4.1M for additional costs for professional services and \$2.7M for freight, express and cartage.

Passport Canada's short-term flexibility is extremely limited. Salaries and benefits represent a large share of its operating expenses. The increase in salaries and benefits stems in part from increases in salary rates, as a result of collective agreements and from fluctuations in the calculation of employee benefit costs. Passport Canada also needed to re-visit the classification of certain operational positions given the new and advanced skills required by the new operating environment. While Passport Canada has no influence on the salary scales and increases in benefits, initiatives are under way to better control salary cost and number of employees. The use of passport materials, freight, express and cartage, and application forms are directly linked to the increase in volume.

Other operating costs — such as accommodations, passport operations at missions abroad and amortization — are amounts predetermined by agreement or by the capital asset base and are relatively fixed. To the extent possible, these expenses will be kept at the strict minimum level required to meet demand.

While Passport Canada normally allocates funds to capital projects with the highest break-even point within the limits of its resource envelope, it is also faced with having to undertake projects purely intended to improve service or meet

security expectations. The Mission Passport Print Solution project, which repatriated passport printing from missions abroad back to Canada, and which was a result of the National Security Policy, was completed in 2005-2006. Passport Canada is also currently engaged in other projects resulting from that policy.

In summary, while the increase in demand for travel documents is having a positive effect on revenues, Passport Canada assumes major expenses to meet that increased demand. Passport Canada has an obligation to maintain high security standards, and must also maintain an acceptable level of service for our clients. In order to meet increasing demand and to deliver projects that are core business related, Passport Canada projects a cash shortfall of \$7.8M for the fiscal year 2006-2007. To cover this deficit, Passport Canada anticipates asking access to its accumulated cash balance through the Revolving Fund's non-lapsing authority.

### *Medium-Term Projections for 2007-2008 and the Next Two Years*

Financial projections for 2007-2008 and the next two years have been revised to reflect the most recent updates to volume projections that include the WHTI impacts discussed above. These projections differ from those underlying the information presented in the Public Accounts of Canada, and Passport Canada will incorporate these in its proposal for the subsequent proforma financial statements.

As shown in the financial table, Passport Canada forecasts a growth in its revenues for this planning period. Although revenues are growing at an interesting pace until 2008-2009, operating costs are also increasing to face the demand and to

meet increased security requirements. Starting in 2008-2009, Passport Canada anticipates operational losses and cash deficits. This will be more obvious in 2009-2010 with an anticipated reduction in revenue. If, during these years, major new initiatives would be required, the organization is likely to face severe cash flow problems resulting in the depletion of the accumulated cash surplus at a faster rate.

While funds for capital projects will be severely restricted in 2007-2008, 2008-2009 will see an increase in investments in order to modernize Passport Canada's technology infrastructure, as well as for accommodation projects where leases will expire. If no fee increase is granted or special funding provided, Passport Canada anticipates the need to request access to its accumulated cash balance in order to fund projects that can no longer be delayed.

Key elements of the Passport Canada fiscal strategy to improve its financial situation include the following:

- Control of total payroll, by reengineering passport issuance processes.
- Adherence to the Budget Management Framework which was implemented in order to strengthen financial management. This framework adds rigor to the budget allocation and forecasting process. It also provides a framework to deal with financial pressures. Finally, it presents a financial contingency strategy in case revenues are lower than anticipated.
- Control of freight, express and cartage by reengineering the passport shipping process.
- Control of infrastructure expenditures by diversifying points of service through the use of Receiving Agents.
- Strengthening of the ability to allocate funds to the most productive capital projects.
- Implementation of an activity-based management model to enhance and improve decision-making by providing detailed analysis for all Passport Canada activities.

**Passport Office Revolving Fund  
Proforma Statement of Operations  
(in thousands of dollars)**

	Actuals		Plans			
	2004/05	2005/06	2006-07	2007-08	2008-09	2009-10
<b>Revenues</b>	<b>167,213</b>	<b>195,929</b>	<b>211,555</b>	<b>240,034</b>	<b>260,588</b>	<b>246,998</b>
<b>Expenses</b>						
Salaries and employee benefits	94,470	115,994	126,665	139,011	153,873	151,035
Amortization	11,091	12,613	12,171	14,496	14,472	13,411
Passport material usage	12,107	15,033	15,368	17,853	19,862	19,306
Professional and special services	8,456	7,118	11,229	9,842	10,566	11,547
Passport operations at missions abroad	4,447	4,447	4,447	4,447	4,447	4,447
Accommodations	9,875	10,438	10,719	10,800	10,877	10,966
Freight, express and cartage(incl postage)	14,929	18,929	21,608	25,257	28,678	28,688
Printing, stationery and supplies	2,823	3,140	2,804	2,957	3,175	3,469
Telecommunications	2,394	3,309	3,382	3,567	3,830	4,185
Information (incl application forms)	1,920	3,450	2,622	2,765	2,969	3,244
Travel and removal	1,565	1,747	2,728	2,877	3,089	3,376
Repair and maintenance	2,679	2,630	2,785	2,937	6,001	5,898
Rentals	302	341	388	410	440	480
Other	425	166	403	425	456	498
<b>Total Expenses</b>	<b>167,483</b>	<b>199,355</b>	<b>217,319</b>	<b>237,647</b>	<b>262,735</b>	<b>260,550</b>
<b>Net profit (loss)</b>	<b>(270)</b>	<b>(3,426)</b>	<b>(5,765)</b>	<b>2,387</b>	<b>(2,147)</b>	<b>(13,552)</b>
<b>Forecasted Volume Increases</b>			<b>6.6%</b>	<b>13.8%</b>	<b>8.7%</b>	<b>(5.6%)</b>
<b>Cash Forecast</b>						
Net Profit (Loss)		(3,426)	(5,765)	2,387	(2,147)	(13,552)
Amortization & non cash items		14,304	12,171	14,496	14,472	13,411
Capital		(6,653)	(17,700)	(9,753)	(18,255)	(8,997)
Purchase of Passport Material		(15,862)	(15,672)	(19,730)	(21,232)	(20,877)
Usage - Passport Material		15,033	15,368	17,853	19,862	19,306
<b>Funding received from Government of Canada</b>		10,266	3,780			
<b>Total Cash Provided (Used)</b>		13,662	(7,817)	5,252	(7,300)	(10,709)
<b>Accumulated Net Cash Balance at March 31</b>	<b>16,683</b>	<b>30,345</b>				
<b>Amounts charged after March 31</b>	<b>(14,064)</b>	<b>(11,726)</b>				
<b>Amounts credited after March 31</b>	<b>4,809</b>	<b>2,704</b>				
Adjusted Net Cash Balance at March 31	<b>7,428</b>	<b>21,323</b>	<b>13,506</b>	<b>18,758</b>	<b>11,458</b>	<b>749</b>
Authority Limit		<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
Authority available (Shortfall)		<b>25,323</b>	<b>17,506</b>	<b>22,758</b>	<b>15,458</b>	<b>4,749</b>

## *Assumptions*

- 2006-2007 forecast is based on the first Financial Situation Review (FSR-1) budget information (with exception of revenue, salaries, freight, costs of goods sold, amortization and passport material purchases)
- 2007-2008 and following years are based on the following assumptions:
  - Revenues are based on the volume of passport applications published internally and calculated with Long Term Financial Planning spreadsheet.
  - Volume of applications at missions abroad will increase by 5% per year.
  - Revenues do not include a \$2.00 fee adjustment for mailing costs.
  - Salary is based on the 2005-2006 average salary for operational and functional groups. Average salary increase is 2.5% per year for collective agreements.
  - The operational full-time equivalent (FTE) increase will be in proportion with volume productivity and the functional FTE will increase by 2% per year
  - Passport material usage was calculated using a planning file based upon the current information for 24-page books and the consumable price. An increase of 2.5% per year is based on a possible increase from the Canadian Bank Note (CBN), the manufacturer of passport books
  - Passport Material Purchases is based on 2005-2006 actual usage (excluding Missions abroad) plus 2.5% annual inflation in proportion to volume forecast (with a 3 month ending inventory calculation).
  - Freight is calculated based on 2 rates (National & Regional) and Long Term Financial Plan forecasted issues (less urgent/express/pick-up fees).
  - Accommodations cost is based on planning information updated for FSR-1 increased by 1% per year
  - The Cremazie Building rent, which represents 30% of the total accommodation cost, will be renewed in November 2008. We assume a 3% increase at the time of renewal (the rate of 3% to be reconfirmed, as this rate may be low).
  - Amortization is based on capital plan.
  - All other expenses have been increased using the 2005-2006 average inflation rate published by the Bank of Canada at a rate of 1.79%.
  - Capital projects are based on a capital plan.

# Appendix A

## Primary Products / Services

Passport Canada provides the seven unique Canadian travel documents listed below:

Product	Description
<b>24-page Passport</b>	The 24-page passport (navy-blue cover) makes up 98% of all the documents we issue.
<b>48-page Passport</b>	We issue the 48-page passport for the convenience of frequent travelers, such as business people.
<b>Temporary Passport</b>	A new temporary passport was introduced in 2005–2006. It is made valid for up to one year, depending on the applicant's travel plans, and must be exchanged for a regular passport within that time.
<b>Diplomatic Passport</b>	We provide diplomatic passports to Canadian diplomats, senior government officials, diplomatic couriers and private citizens nominated as official delegates to international diplomatic conferences.
<b>Special Passport</b>	We issue special passports to people representing government on official business. These include members of the Privy Council who are not members of the Cabinet, members of Parliament, provincial Cabinet members, public servants, and private citizens nominated to non-diplomatic conferences.
<b>Emergency Passport</b>	If Canadians are stranded abroad, Canadian government offices can issue emergency passports on behalf of Passport Canada, so Canadians can return to Canada.

Product	Description
<b>Refugee Travel Documents</b>	We issue travel documents to people whom Citizenship and Immigration Canada determines to be refugees under the 1951 United Nations Convention, or persons in need of protection under the Immigration and Refugees Protection Act, and who are legally residing in Canada. Such documents are endorsed for travel to all countries, except the holder's country of origin. They are valid for two years and can be extended.
<b>Certificates of Identity</b>	We issue certificates of identity to permanent residents of Canada who are stateless or unable to obtain a passport or travel document from their country of origin. The certificate of identity is endorsed for travel to countries specified in the document. It is currently valid for up to two years and can be extended.