

PASSPORT OFFICE

ANNUAL REPORT 2000 – 2001

MOVING AHEAD



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MESSAGE FROM THE CEO

Though the world still revolves at the same rate, its inhabitants seem to move at a faster pace. Technology has increased the speed of our lives. Fortunately, new technologies offer more than just speed. As you will see in the following pages, the Passport Office has already embarked on an ambitious process of adopting new technologies for processing images and managing information. Once complete, the application of these technologies will mean more convenient service to Canadians and enhanced integrity for Canadian travel documents. The process hasn't been easy, and it's far from complete, but we are committed to the path we have taken and there is no turning back.

Michael J. Hutton *Chief Executive Officer*



Our clients are behind this initiative. They expect the Passport Office to move ahead with all the improvements we have so far put in place and to make Canadian travel documents quickly and easily accessible without compromising integrity. When we launched our on-line passport application forms, access became easier for everyone, especially for Canadians residing in remote areas. Moving ahead, an electronic version of all our forms will soon be available on the Internet. We also continue to upgrade our automated passport issuing system (IRIS) and to investigate security enhancements that will allow complete passport services on-line.

As is often the case with new technology, the learning curve has been steeper than anticipated. Several transformations of IRIS have been necessary to tailor it to our specifications and to improve ease of use for our staff. The implementation of the IRIS system means a concerted effort on our part to move ahead. There is no doubt about the benefits that IRIS ultimately provides both our employees and the travelling public. The electronic system will enable us to produce passport booklets at central production facilities from applicant information and photographs transmitted electronically from regional offices. This will shorten turnaround time while improving passport security.

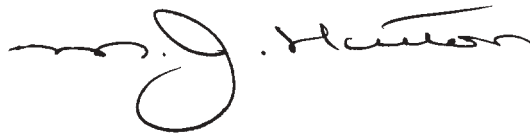
The Passport Office has also undertaken a number of service improvement initiatives. Our new Q-Matic system efficiently prioritizes customers by type of request to reduce waiting times. Already operational in a number of offices, the results have convinced us to implement this system in all regional offices by the end of next year. Our partnership with Canada Post is another initiative to make applying for a passport more convenient. Under this project, selected Canada Post outlets act as receiving agents for passport applications, thus increasing our points of service across the country.

Moving ahead, an electronic version of all our forms will soon be available on the Internet.

The 1999 KPMG study on External Governance recommended a review of the Passport Office's organizational structure. The Executive Committee was restructured and a Management Committee formed. These committees are positive, forward-looking forces to give us new direction and steer us successfully into the next decade.

It is easy to acknowledge that our success is due to outstanding employee performance. But the overwhelming response of personnel to the crises we experienced in 2000-2001 demonstrated what superb employees we have at the Passport Office. The willingness of staff to pitch in to help solve a problem proved that the pillars of this organization are, indeed, the people who work here. Our employees are vital to the success of this organization and I want to thank every one of them on behalf of the Passport Office for their indefatigable dedication and support.

Sincerely,



Michael J. Hutton
Chief Executive Officer

THE ORGANIZATION

In 1990, in an effort to improve service to Canadians, the Government of Canada designated the Passport Office a special operating agency (SOA) of the Department of Foreign Affairs and International Trade. The SOA status of the Passport Office allows it to operate somewhat like a private sector enterprise. Financing its operations entirely from the fees charged for passports and other travel documents, the Office receives no public funds.

Our Mandate

In 1988, the Secretary of State for External Affairs (now the Department of Foreign Affairs and International Trade) defined the Canadian Passport Order, which charged the Passport Office with the administration of all matters relating to the issuing, revoking, withholding, recovery and use of Canadian passports. The Passport Office also provides guidance to missions issuing passports abroad and supervises all matters relating to Canadian travel documents.

Our Mission

Our fundamental purpose is to facilitate the travel of Canadians throughout the world by providing internationally respected travel documents and services. We also work in alliance with other government agencies to provide secure identification documents and services.

Our Vision

We intend to be a role model of successful, efficient service within government.

Our Values

Competence

We recruit, hire and train for competence. We encourage and recognize high standards of achievement. We get results through sound management practices.

Integrity

We maintain a passport issuing system whose processes are sound. Staffed by reliable people, the system enables us to issue travel documents that are internationally honoured and respected.

Service Excellence

We ask Canadians what their service expectations are, and we aim to meet or exceed them.

New Governance Structure

The Passport Office has reorganized to streamline decision making and enhance accountability.

A smaller Executive Committee is responsible for corporate policy and strategic planning and accountable for the operational and fiscal efficiency of the organization. The Committee consists of the Chief Executive Officer, the Coordinator of Operations, the Directors of Financial and Administrative Services; Security, Policy and Entitlement; and Management Services and the Secretary.

The Management Committee is made up of all operational directors, two regional managers and managers from support services to ensure broad cross-functional representation. Its job is to oversee the implementation of decisions made by the Executive Committee, to make recommendations about improving processes and to ensure that the Passport Office meets performance objectives.

OUR PRODUCTS AND SERVICES

Passport Security and Integrity

Canadians make approximately 4 million trips abroad every year. They also make about 14 million overnight visits to the United States, including more than 2.5 million business trips. The relative ease and freedom that Canadians enjoy crossing international borders is due to the high esteem in which the Canadian passport is held. Maintaining the integrity of the passport is of paramount importance to us. We are vigilant about ensuring that all Canadian travel documents conform to or exceed specifications concerning the format, issuance and integrity of international travel documents.

The reputation of the Canadian passport makes it a target for people who want to abuse its privileges. Passport fraud includes attempts to obtain a passport by using another person's identity, by altering the passport booklet, or by counterfeiting the document.

Security measures include hidden features in the passport booklet and training our examiners to detect fraudulent applications.

To assist in the effort to curb imposters and fraudulent passports, all passport holders are required to report any lost or stolen passports to police and the Passport Office. Working closely with Interpol, the Passport Office uses a system to track and report lost

or stolen documents. We also participate in international conferences to design strategies for detecting and preventing use of fraudulent travel documents.

Our corporate structure, policies, processes, communications, training and client services are all designed with security as a priority. To keep on top of international security issues, the Passport

Office maintains working relationships with the International Civil Aviation Organization and the International Standards Organization. Our Security, Policy and Entitlement division also provides consulting

and advisory services to other government departments concerning the security standards of their documents.

Security measures include hidden features in the passport booklet and training our examiners to detect fraudulent applications.

The Canadian Passport

There are approximately 8 million valid Canadian passports in circulation. The Passport Office issued about 1.83 million travel documents this year, a nine percent increase from the previous year. An average of about 870 passports are issued every working hour of the day.

Customer Service

We provide service to our customers at 29 public offices. Offices are open to the public at least 7.5 hours a day and for up to 9.5 hours in some metropolitan centres.

Our Web site and our toll-free telephone services operate 24 hours a day, seven days a week.

We provide all of our services in English and in French. We also provide TTY services for people who are deaf or hard of hearing.

Passport applications are available at our 29 public offices, at all Canada Post outlets and franchises or they may be downloaded from our Web site (www.ppt.gc.ca). Forms are available in Braille and in a digitized format for persons with a visual impairment.

Types of Documents

To meet the various travel requirements of our clients, we issue seven types of travel documents.

- The 24-page passport with the navy blue cover is issued to Canadians for business and leisure travel. It accounts for 98 percent of all travel documents issued by the Passport Office.
- The 48-page passport is identical in design to the 24-page passport but its extra pages offer more convenience for frequent travellers such as business people.
- Diplomatic passports are issued to Canadian diplomats, top ranking government officials, diplomatic couriers and private citizens nominated as official delegates to diplomatic international conferences. It is also issued to Members of Parliament and other people representing the Canadian government on official business.

The Passport Office issued about 1.83 million travel documents this year, a nine percent increase from the previous year.

- Special passports are issued to the families of officials if they are also travelling at public expense. The Minister of Foreign Affairs and International Trade

determines eligibility for special passports.

Although diplomatic and special passports are valid for five years, entitlement ends with the termination of the holder's official status.

- Canadian diplomatic and consular missions may issue emergency passports, on behalf of the Passport Office, to Canadians stranded abroad.
- Refugee travel documents are issued to people determined by Immigration Canada to be refugees under the 1951 United Nations Convention on the Status of Refugees and who are legally landed in Canada. Refugee travel documents are endorsed for travel to all countries except the holder's country of origin. They are valid for two years but may be extended for an additional period of one or two years up to a maximum of five years.
- Certificates of identity are issued to legally landed immigrants who have been permanent residents in Canada for less than three years, are stateless or who are 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 and valid for not less than one year or more than two years, with one year extensions up to a maximum of three years.

Passports Issued in Canada and Abroad

Issued in Canada	1999-2000	2000-2001	% Change
Regular Passports	1,658,081	1,803,697	8.07
Business Passports	12,886	14,440	10.76
Special Passports	4,575	8,814	48.09
Diplomatic Passports	1,659	1,692	1.95
Certificate of Identity	989	861	-14.87
Refugee Travel Documents	4,481	5,615	20.2
TOTAL	1,682,671	1,835,119	8.31

Issued at Posts Abroad

Regular Passports	72,487	67,849	-6.84
Business Passports	11,322	10,598	-6.84
Special Passports	70	66	-6.84
Diplomatic Passports	421	394	-6.84
Collective Certificates	0	0	0
Emergency	994	930	-6.84
Letter of Introduction	0	0	0
TOTAL	85,294	79,836	-6.84

Global Issues

Regular Passports	1,730,568	1,871,546	7.53
Business Passports	24,208	25,038	3.31
Special Passports	4,645	8,880	47.69
Diplomatic Passports	2,080	2,086	0.29
Certificate of Identity	989	861	-14.87
Refugee Travel Documents	4,481	5,615	20.2
Emergency	994	930	-6.84
Collective Certificates	0	0	0
Letter of Introduction	0	0	0
TOTAL	1,767,965	1,914,955	7.68

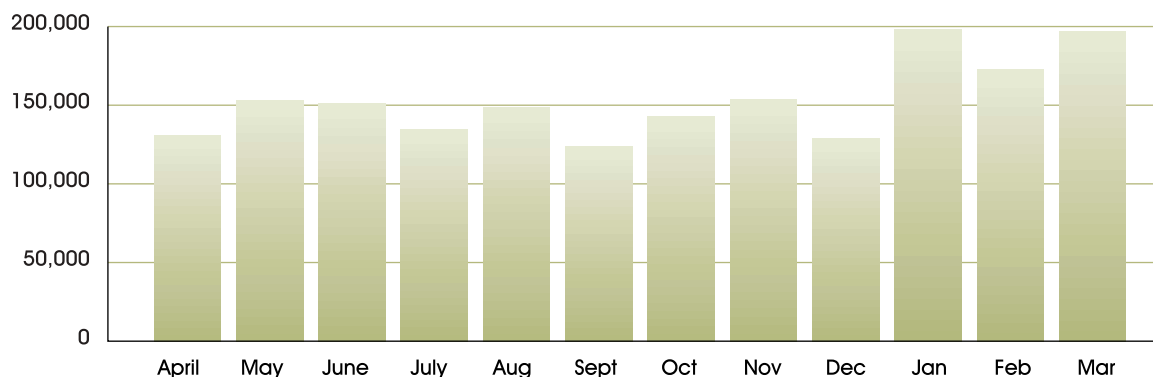
Meeting the Needs of Our Clients

Any Canadian citizen may apply for a passport.

Passport applicants range from young backpackers taking their first trip outside Canada to well-travelled retirees revisiting their favourite holiday destinations. They include business people criss-crossing the globe on sales trips, newlyweds on their honeymoon, diplomats and peacekeepers on assignment and the bereaved travelling overseas to a family member's funeral.

The demand for Canadian passports has fluctuated over the years. The financial climate, international political stability and even weather conditions here at home all play a role. Passport demand in any given year also varies from month to month. It typically increases in the winter months, when many Canadians seek warmer climates.

Passports Issued in Canada 2000-01 Monthly Volume



OUR SERVICE STANDARDS AND PERFORMANCE

The Passport Office aims to process passports as quickly as possible and applying in person offers the fastest service. Canadians can apply in person at any of 29 regional offices across the country from St. John's, Newfoundland to Victoria, British Columbia.

Walk-in Service

About 85 percent of all passports are issued to clients who apply in person. We aim to provide passports within five working days from the submission of a completed application and all supporting documents. In 2000-2001, 93.3 percent of all walk-in clients received their passports within five business days, a four-point drop compared to the previous year. Higher-than-usual demand increased processing time and contributed to this drop in performance.

The Passport Office aims to reduce waiting time for walk-in service to 45 minutes on 95 percent of the days we are open to the public. Currently, we serve 70 percent of our clients within that time frame.

Regional Offices

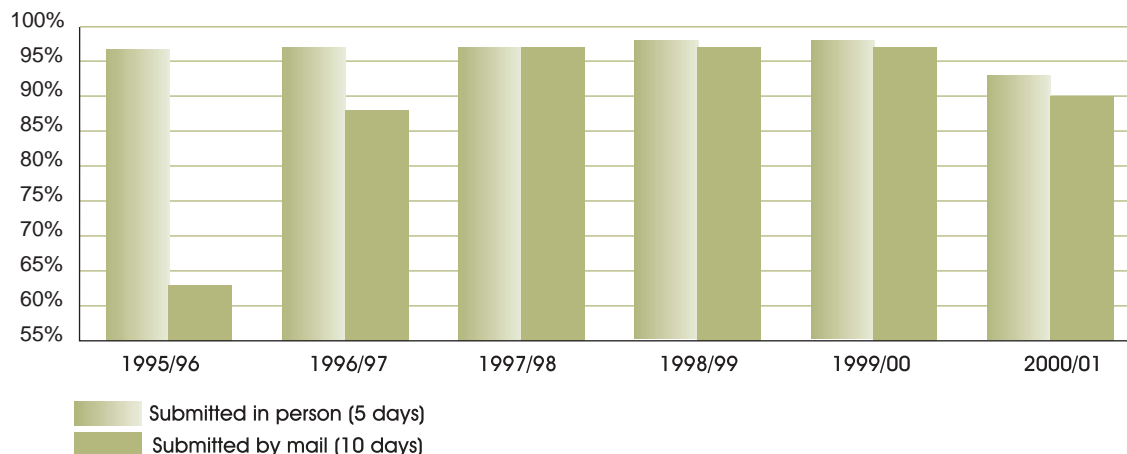
The Passport Office operates 29 public offices administered by four regional directorates: Eastern Operations serves clients in Quebec and the Atlantic provinces, Ontario Operations serves the province of Ontario, Western Operations serves the Prairie provinces and British Columbia and Central Operations handles applications mailed in from across Canada and the United States and walk-in clients in the National Capital Region.

Applicants in Canada's northern territories – Yukon, Northwest Territories and Nunavut – can apply by mail or through their Member of Parliament.

Canadians can apply in person at any of 29 regional offices across the country.

Processing Time

Percent of Applications Processed Within 5-day and 10-day Service Standards





The chart below indicates the number of passports issued in each region this year.

Regular Passports Issued by Region		
Central ¹	388,042	21.50%
Eastern	369,437	20.50%
Ontario	621,642	34.50%
Western	425,576	23.50%
CANADA	1,803,697	100%

¹ Includes mailed applications

Mail Service

Passport applications can also be submitted by mail. Once the application and all required supporting documents have been received in our

office, we aim for a 10-day turnaround. Passports are delivered to applicants by Xpresspost. We estimate that more than 90 percent of mailed applications were processed within the 10-day service objective which represents a decline from last year. This was due to an unusually high peak in demand and resulted in a one-month backlog in the mail service early in 2001. The delay was corrected within three weeks and processing time was reduced to eight days. Our 10-day service standard was met during the rest of the year.

Applications submitted by Canadians residing in the United States are normally processed in eight working days, not including mail or courier delivery times. Passports are returned to US addresses by FEDEX courier.

Special Services

In 1999, the Passport Office began offering Urgent (within one working day) and Express (two working days) services for an extra fee. Now available in 11 regional offices, these services were implemented to meet customer demand for a shorter turnaround time. Urgent and Express services are only available to applicants who apply in person.

Emergency service is also available outside of business hours in cases of illness or death in the immediate family. Other special circumstances may also qualify for emergency service. Applicants must provide documented evidence of urgency, such as airline tickets, and the passport application must meet all requirements.

When a passport is lost abroad, an emergency passport is issued from the nearest Canadian mission.

The Call Centre

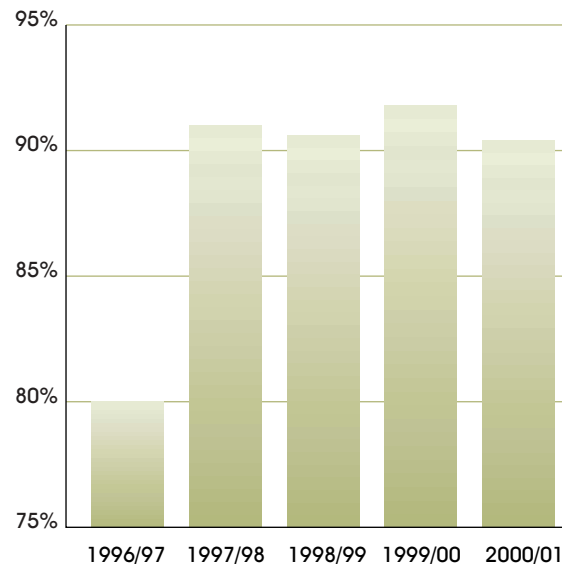
The Passport Office toll-free number (1 800 567-6868) can be dialled from anywhere in Canada. The Computer Telephony Integration (CTI) system provides an automated answering service and directs calls to the call centre located in the region in which the call originates. A local number is provided in the Ottawa-Hull, Montréal, Surrey and Toronto areas.

This year, the Passport Office handled 2,136,261 phone calls including 1,189,234 local calls. Four call centres field calls from Canada and the United States.

The National Capital Call Centre has 20 lines and handles calls originating from the United States. The Ontario Call Centre in Toronto has 28 lines. The Eastern Call Centre in Montréal has 28 lines and handles calls from Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. The Western Region Call Centre in Surrey, British Columbia has 29 lines and handles calls from British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, Northwest Territories and Nunavut.

The number of lines has not been increased since the servers were initially implemented but additional lines are being considered for fiscal year 2001-2002.

Proportion of Calls Answered by the CTI System



Written Inquiries

In 2000-2001, the Passport Office responded to 29,208 inquiries about passport eligibility requirements, specifications for passport photos, guarantors, application status, name changes and citizenship information. Of these, 27,513 (94 percent) were e-mail messages received through our Web site. In addition to inquiries about passports and the application process, we also received 925 commendations and 32 complaints.

The Web Site

Recognizing the potential of the Internet as a convenient source of information for our clients, the Passport Office created its first Web site in 1996. Since then, we have continually monitored customer visits to measure the effectiveness of the site. Activity is recorded by day of week, hour of day, most active day of the month, and the number of visitor sessions per month and per day. In 2000-2001, the Passport Office Web site received 365,539 hits.

In 2000-2001, the Passport Office Web site received 365,539 hits.

Since application forms for Canadians residing in the United States were first posted on the site in September 2000, some 38,000 forms have been downloaded. Our regular application form for residents of Canada was made available on-line in December 2000. Some 191,215 application forms have been downloaded since that time.

Productivity

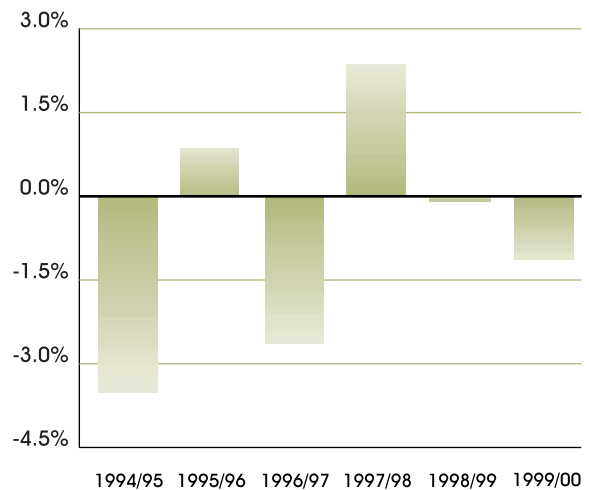
The Passport Office has long recognized the need to link its management decisions to the financial health of the organization. Recognizing that labour productivity can be driven by capital investment or by process innovation, the Office has reviewed the way it measures its own labour productivity. The new measure, known as Total Factor Productivity, better reflects the environment in which the Passport Office operates. It also helps the organization identify the factors that contribute to changes in productivity.

In keeping with international passport issuing standards, a large capital investment was made in automating passport issuance in 1994. The result was the automated issuance and production system known as IRIS. First introduced in two regional offices in 1999, full implementation of the system across the country will soon be completed. The benefits of the system will not be realized until requests for renewal passports start to come in (subsequent IRIS issuance) so the trend in productivity has been down. In light of the five-year validity period of a passport, the first IRIS renewals are expected to be issued in 2003-2004.

Total Factor Productivity

Economic Analysis

% change in TFP



OUR STRATEGIC ACHIEVEMENTS

In the 1997-1998 fiscal year, the Passport Office drew up a long-term strategic plan to chart the organization's direction over a five-year period. The result was the *Passport Office Strategic Plan 1997-1998 to 2000-2001*. A framework of current and future business, the Strategic Plan supports our corporate vision of improved finances, security, customer service, employee morale, and cost-effectiveness. Formulated with input from over 40 Passport Office managers, external advisors, various surveys, reports and recommendations, the Plan identified four strategic imperatives:

- To exploit the concept of alternative service delivery to its full potential;
- To provide skills, information and processes to improve decision making;
- To accelerate the application of technology to our processes;
- To re-engineer the passport application process.

A multi-year action plan was drawn up to establish objectives, identify resources and determine the timelines required to achieve each imperative. We have achieved our goals while maintaining our commitment to service, security and cost management. As the final year of our Strategic Plan draws to a close, the results obtained are outlined below.

Strategic Imperative	Description	Progress 2000-01
<p>Exploit alternative service delivery</p> <p><i>Objective:</i> To increase convenience and access for applicants.</p>	<p>Partnership with Canada Post: Canada Post authorized as passport application receiving agent, increasing access to our services.</p> <p>Passport On-Line (POL): part of the overall Government of Canada initiative to provide information and services on-line.</p> <p>CANPASS: partnership with Canada Customs and Revenue Agency to expedite border crossing for frequent air travellers by means of a card coded with personal information and biometric details</p>	<p>In January 2001, 15 additional Canada Post outlets, located mainly in urban areas, joined the pilot project.</p> <p>Now in its first phase of development, applicants can download passport application forms from the Passport Office Web site. Planning underway for next phase: applying on-line.</p> <p>Currently available at Vancouver airport. National implementation postponed.</p>
<p>Improve decision making</p> <p><i>Objective:</i> To augment efficiency in decision making and to improve management capability</p>	<p>Revised strategic planning framework to improve planning activities</p> <p>Implementation of a new management structure to increase overall management effectiveness</p>	<p>Deployed</p> <p>Creation of a Management Committee</p>
<p>Accelerate the application of technology</p> <p><i>Objective:</i> To enhance Passport Office operational efficiency</p>	<p>IRIS (The Data-Capture and Retrieval Passport Issuing System)</p> <p>Centralizing passport production in Hull and Toronto</p> <p>Q-Matic: a queue-management system that reduces waiting time at public counters</p>	<p>Full implementation being completed</p> <p>Launch scheduled for Winter 2002</p> <p>Operating in 17 offices</p>
<p>Re-engineer the passport application process</p> <p><i>Objective:</i> To provide more convenient service</p>	<p>Urgent and Express services pilot project</p> <p>Development of new application forms</p> <p>Development of a system for on-line verification of citizenship status</p>	<p>Pilot project ongoing</p> <p>Re-design of forms completed. New forms are available on the Passport Office Web site.</p> <p>Discussions are underway with the 13 provincial and territorial registries and Citizenship and Immigration Canada</p>

HIGHLIGHTS OF 2000-2001

Partnership for Improved Service

With its extensive network of service outlets, Canada Post is ideally suited to help the Passport Office increase the number of our points of service. Recognizing the mutual benefits of a partnership, the Passport Office and Canada Post soon arrived at a memorandum of understanding.

In mid-January 2001, fifteen postal outlets in Montréal, Toronto, Windsor and Ottawa began to accept completed passport applications. Fifteen more outlets will offer the service beginning in the fall of 2001.

As receiving agents, Canada Post officers review the submitted application to ensure it is duly completed and that all the required supporting documents are included. Applicants pay a \$10 handling fee to Canada Post for the service. The application is then forwarded to the Passport Office for processing. The newly-issued passport and original documents are sent to the applicant within seven working days.

The project has been jointly promoted by the Passport Office and Canada Post. Some 3,500 applications have been submitted since it was launched, and the feedback has been overwhelmingly favourable.

The Alternative Service Delivery section spearheaded the Canada Post project and continues to investigate other government agencies for potential partnerships.

Secure Cards

A Passport Office-Citizenship and Immigration Canada (CIC) partnership project was originally conceived to come up with a common card format for producing CIC's permanent resident citizenship card, a passport card and other secure cards for other government departments. Funding to build and operate our in-house secure card production centre was to have been provided through the partnership with CIC. However, the project has been indefinitely postponed.

We have maintained our partnership with Canada Customs and Revenue Agency (CCRA) for the Expedited Passenger Processing Services (CANPASS) initiative. This is an automated means of expediting border crossing for frequent air travellers. A card coded with personal information and biometric details (fingerprints or hand geometry) is swiped to confirm the cardholder's identity and citizenship. The information is transferred electronically to the CANPASS Registration Centre to approve entry.

The pilot project still operates at the Vancouver airport where response has been positive. However, due to the expense of implementing the system, CCRA has put the project on hold.

The Passport Office continues to study the potential of a passport card. Used in conjunction with the passport booklet or by itself, the automated card system would simplify border crossing, particularly at heavily frequented US-border-crossing points.



The Data-Capture and Retrieval Passport Issuing System (IRIS)

In 1994, the Passport Office made a large capital investment to implement the automated passport issuing system we call IRIS. The IRIS system combines enhanced security with sophisticated photo-scan and reliable data-capture and retrieval capabilities. IRIS responds to client requests for greater convenience, more flexible service delivery and allows for the development of a more sophisticated passport booklet.

Examiners have received training to prepare them for an all-IRIS office. In the meantime, as we work to fine-tune the automated system, passports can still be processed manually when necessary. The rollover to IRIS began in the Spring of 1999. By March 2000, about one third of the offices were equipped with the electronic system.

The IRIS system combines enhanced security with sophisticated photo-scan and reliable data-capture and retrieval capabilities.

This year, 28 of our 29 offices were fully IRIS-functional and 78 percent of all passports were issued using the automated system. Our new office in Richmond, BC is the first to operate exclusively with IRIS. The implementation process is on schedule and beginning in June 2001, all passports issued in Canada will be processed using IRIS.

With IRIS, examiners input applicant information, scan the applicant's photo, the guarantor's declaration and the documentary proof of citizenship and store them in the electronic data-capture and retrieval system while the applicant waits.

But the real benefits of IRIS will be realized when the first IRIS-processed passports are due for renewal beginning in 2004.

When the passport is about to expire, a new passport can be re-issued by retrieving the stored data. The applicant will no longer have to re-submit the required birth or citizenship documents. Canada now enjoys international recognition as a leader in the technological development of passport design and processing systems.

Print Production Centres

Two central print production centres – in Hull and Toronto – will soon replace on-site printing facilities in regional offices. Data captured in regional offices will be transmitted electronically to a print centre where the passport will be produced and mailed directly to the applicant. IRIS makes this streamlined system and the reduced turnaround time possible.

The new print technology and its security features will be virtually impenetrable to forgers.

The two print production centres are scheduled to begin production by the end of 2001. By Spring 2002, the two centres should be fully operational.

IRIS makes this streamlined system and the reduced turnaround time possible.

The Five Nations Virtual Secretariat

Since 1994, Canada has been a member of the Five Nations Conference, which brings together the passport agencies of the United Kingdom, the United States, Australia, New Zealand and Canada to discuss common concerns and issues.

The Conference is a forum to consider these matters and to share ways of doing business.

Meeting more often than once a year is not an option so Canada proposed a common secure Web site that would allow member nations to exchange information in a virtual forum. We also offered to set it up and maintain it. The Virtual Secretariat was officially launched on November 1, 2000.



Engineered to be both a document repository and an on-line discussion forum, the Virtual Secretariat is accessible only to members 24 hours a day. This allows participants to enter queries, comments and replies during their regular working hours without having to resort to middle-of-the-night conference calls.

The site administrator monitors the site daily. Of the 30 eligible participants, 20 members have registered for access to the site so far. Still in its early stages, the full potential of the site has yet to be realized. Progress of the virtual forum is evaluated quarterly by the Five Nations.

New Application Forms

Three years ago, the Passport Office began the daunting task of re-designing our forms to make them easy to download from the Web site. The new format allows the forms to be printed on letter-size paper.

The new forms for Canadians residing in the United States were the first available on-line in September 2000. The hard copy was released in December along with electronic and hard copies for other forms. By February 2001, the new forms were in use throughout the Passport Office. We are now in the process of supplying Canada Post outlets with the new forms.

All 16 passport forms have now been redesigned and will be published in hard and electronic versions by January 2002.

The Backlog

The demand for passports peaks each year during the winter months. In early 2001, peak demand was higher than usual and, combined with a slowdown caused by the introduction of IRIS, this resulted in an unprecedented backlog at the Hull production centre. Our normal 10-working-day turnaround time stretched out to 29 days. This, in turn, led to a flood of calls and e-mail inquiries from applicants wondering why their passports were not ready.

To address this extraordinary situation, emergency measures were implemented. Examiners worked extended hours including weekends. Call Centre staff was increased to deal with the overload of inquiries and examiners were brought in from Montréal to help out in the production centre. Thanks to such efforts on the part of Passport Office staff, processing time was restored to our 10-day service standard within three weeks.

The Passport Recall

In November 2000, passports issued by the North York office were printed with bar codes that were not machine-readable. When the error was discovered, the Passport Office moved to recall and reissue 10,000 passports. Canadian missions abroad and foreign authorities were immediately informed and databases were created to develop, print and mail out recall letters. Space had to be located and rented to set up a temporary production area where clients could be served with a minimum of inconvenience. Once again, staff rallied together in an amazing demonstration of teamwork and the situation was soon rectified.

NEW CHALLENGES

Government On-Line/ Passport On-Line

Government On-Line (GOL) is the government-wide initiative to provide Canadian citizens and businesses with comprehensive electronic access to government services. This multi-year project aims to make all federal government departments and agencies accessible through a single common Web site by April 2004.

This Internet gateway will provide all Canadians with access to government information and services directly from their home, school or business computer. The Web site will also offer a window on Canada's diverse culture and environment, not only for Canadians but also for people around the world.

The GOL initiative includes the development of pathfinder projects that will serve as the first phase of on-line services. The Passport Office has been chosen the pathfinder project for the Department of Foreign Affairs and International Trade.

Thanks to the security measures of the Passport On-Line initiative, currently being developed, Canadians will soon have the convenience of applying for travel documents on-line. Overall transaction time will be reduced and access to passport services for those living in remote areas or outside the country will be increased. The Government of Canada is providing \$1.6 million in funding for this project.

The Internet also makes possible other initiatives, such as the development of an on-line system for verifying citizenship and birth records. The Passport Office has initiated discussions with Citizenship and Immigration Canada and the

13 provincial and territorial vital statistics registrars to develop a system for verifying citizenship on-line. On-line verification of birth records will help eliminate fraud.

Discussions are also underway with the private sector to develop a secure on-line payment system linked to the Passport Office financial management system (PASSAP).

Queue Management System

IRIS counter transactions take an average of eight minutes but more complex applications can take longer, thus increasing waiting times for other clients. Our new Q-Matic system for efficiently prioritizing customer needs and allocating staff has now been implemented in 17 regional offices.

The system includes a ticket printer, counter information, electronic displays, and a computer workstation. A coordinator analyzes the complexity of each application for customers in the queue and determines the best way of processing them. Finally, the coordinator directs each customer to the examiner who can best serve him or her. Eventually, every passport office with four or more counters will be equipped with the Q-Matic system.

The Q-Matic software creates a statistical database of transaction and waiting times and peak volumes over the course of the day, week, and month. This provides managers with a global view of their operations and permits analysis of walk-in traffic in order to anticipate peak service demand. Management training for implementation is now underway.

OUR EMPLOYEES

This year, the Passport Office employs 989 people, an 18 percent increase over last year.

The recent increase in staff is the result of the increase in demand for passports, with the accompanying increase in the volume of written and telephone inquiries, and the implementation of IRIS.

The new print production centres will also require more employees as will the Government On-Line initiative and alternative service delivery projects.

The Passport Office views staff training as a key investment that will generate benefits in years to come. More than 95 percent of our training budget is directed to employees in the support, junior and middle levels. In a recent employee survey, employees said they wanted an environment of personal growth in order to make a positive contribution to the organization.

Our Awards and Recognition Program recognizes long service, outstanding performance, meritorious contributions and practical suggestions. The merit and innovation awards are determined through a peer-review process. We have also implemented a number of progressive people management programs, including alternative work options that allow employees a degree of flexibility in arranging their working schedule to balance work, home life and health.

The skill and expertise of our employees is due, in part, to the commitment the Office has made to training and development. We strongly encourage our employees to suggest ways to improve productivity, service delivery and the administration of the organization.

The skill and expertise of our employees is due, in part, to the commitment the Office has made to training and development.

Years of Service

Two hundred and seventy employees have worked with the Passport Office for more than a decade. The number of staff members who have been with us for more than 10 years is an indication of a mutually satisfactory working relationship.

25 Years of Service

Brigitte Boudreault
Paul Cavanagh
Céline Donaldson
Guy Dufort
Brenda Helferty
Judy Kessler
Peter Ridder
Donna Weatherall

30 Years

Françoise Benoit
Susan Laewen
Paul Langlois
Denise Loyer

35+ Years

Barbara Badali
Betty Cameron

FINANCIAL PERFORMANCE

Passport Office Revolving Fund

As a special operating agency with a revolving fund, the Passport Office finances its operations entirely from revenues generated by fees received for the provision of travel documents.

The financial statements of the Passport Office Revolving Fund have been prepared in accordance with the Treasury Board policy on revolving funds and the reporting standards and requirements of the Receiver General for Canada. These financial statements are the responsibility of the managers of the Fund.

Some of the information included in these statements is based on best estimates and gives due consideration to materiality. To meet this reporting responsibility, the Fund maintains a centralized record of financial transactions that is consistent with information submitted in ministerial statements and the Public Accounts of Canada. The Directorate responsible for the Passport Office Revolving Fund, Financial and Administrative Services, complies with departmental financial management and accounting policies. By adhering to financial management and internal accounting controls, the Fund provides reasonable assurance that transactions are recorded and executed in accordance with its authority and that its assets are safeguarded.

Management Report

As illustrated in the Statement of Operations (Table 1), at the end of the 2000-2001 fiscal year, the Passport Office had a loss of \$11.2 million compared with a loss of \$2.9 million for the 1999-2000 fiscal year. This situation has been principally caused by an inability to obtain approval for a fee increase at the appropriate juncture in the Passport Office's four-year revolving fund cycle and by massive investments in technology over the years. While the first returns of these investments will have a positive impact on our finances in the medium term, additional measures to reach the break-even point have been nevertheless deployed: a freeze on any office expansions and a review of internal processes to increase productivity and revenues.

In fiscal year 2000-2001, revenues are 10 percent, or \$6.7 million, higher than those in the previous year. This corresponds to a 10 percent increase in the number of documents issued.

Expenditures are 22 percent or \$15.0 million higher than in 1999-2000. This variance is explained in large part by:

- a) an increase in salaries and employee benefits of \$8.1 million and an additional 114.44 full-time equivalents (FTEs), an increase of 14.2 percent from last year;
- b) an increase of \$4.1 million in amortization, primarily related to IRIS;
- c) increases of \$1.0 million in passport materials and application forms, and \$781,000 in information costs, primarily caused by increases in the number of documents issued.

The net financial resources provided by operating activities are \$10.3 million and the net investing activities total \$9.6 million. This results in net financial resources provided totalling \$0.7 million. During the year, other financing was provided by a loan of \$7.87 million and the return of a previous transfer of the Revolving Fund accumulated surplus of \$5.75 million. This other financing, combined with the above net financial resources of \$0.7 million, resulted in an increase in the Accumulated Net Charge Against the Fund's Authority (ANCAFA) account at year end to \$30.1 million.

The Balance Sheet presents the assets, liabilities and equity. Net capital assets have increased by \$2.6 million. Current liabilities have increased by \$13.8 million and long-term debt by \$8.7 million. With the Office's ANCAFA account at \$30.1 million and the accumulated surplus at \$39.1 million, the equity decreases to \$9.0 million.

APPROVED BY

Pierre R. Bélisle

*Director, Financial and
Administrative Services*

Michael J. Hutton

Chief Executive Officer

FINANCIAL STATEMENTS

Passport Office Revolving Fund

Year Ended March 31, 2001

AUDITORS' REPORT TO ASSISTANT DEPUTY MINISTER, CORPORATE SERVICES, PASSPORT AND CONSULAR AFFAIRS

We have audited the Balance Sheet of the Passport Office Revolving Fund as at March 31, 2001 and the Statements of Operations, Accumulated Surplus and Cash Flows for the year then ended. These financial statements are the responsibility of the management of the Passport Office Revolving Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

Since we were appointed auditors of the Fund after March 31, 2000, we were not present at the physical inventory count at the beginning of the year and we have not been able to satisfy ourselves as to inventory quantities at that date by other auditing procedures. Accordingly, we were unable to determine whether adjustments to passport materials and application forms expense and net loss for the year and opening accumulated surplus might be necessary.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to observe the physical inventory count at the beginning of the fiscal year as described in the preceding paragraph, the Statements of Operations, Accumulated Surplus and Cash Flows present fairly, in all material respects, the results of operations and cash flows of the Fund for the year then ended in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2. Further, in our opinion, the Balance Sheet presents fairly, in all material respects, the financial position of the Fund as at March 31, 2001 in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2.

KPMG, Chartered Accountants

Ottawa, Canada
June 8, 2001

Balance Sheet March 31, 2001, with comparative figures for 2000

(In thousands of dollars)

	2001	2000
Assets		
Current assets:		
Accounts receivable:		
Government of Canada	\$ 1,319	\$ 971
Outside parties	88	185
Inventories	2,998	2,224
Prepaid expenses	50	71
	4,455	3,451
Capital assets (note 4):		
At cost	16,106	13,971
Less accumulated amortization	11,901	10,981
	4,205	2,990
Other capital assets (note 4):		
Technology Enhancement Plan Project	33,332	30,879
Other capital projects	16,161	11,185
	49,493	42,064
Less accumulated amortization	10,418	3,410
	39,075	38,654
	\$ 47,735	\$ 45,095
Liabilities and Equity of Canada		
Current liabilities:		
Accounts payable and accrued liabilities:		
Government of Canada	\$ 15,322	\$ 4,071
Outside parties:		
Accounts payable	5,266	3,350
Vacation pay	1,435	931
Retroactive salaries	176	797
Contractors' holdbacks	628	204
Deferred revenues	1,205	1,044
Current portion of employee termination benefits	780	625
	24,812	11,022
Long-term:		
Employee termination benefits	6,050	5,239
Loan payable (note 5)	7,870	-
	13,920	5,239
Equity of Canada (note 6):		
Accumulated net charge against the Fund's authority	(30,052)	(15,676)
Accumulated surplus	39,055	44,510
	9,003	28,834
Commitments (note 7)		
	\$ 47,735	\$ 45,095

See accompanying notes to financial statements.

Statement of Operations

Year ended March 31, 2001, with comparative figures for 2000

(In thousands of dollars)

	2001	2000
Revenue:		
Fees earned	\$ 70,660	\$ 64,308
Miscellaneous	598	238
	71,258	64,546
Expenses:		
Salaries and employee benefits	43,318	35,213
Provision for employee termination benefits	1,088	1,039
Amortization of capital assets	7,928	3,471
Passport materials and application forms	6,580	5,556
Professional and special services	4,667	4,902
Passport operations at missions abroad	4,447	4,447
Accommodation	4,401	3,920
Freight, express and cartage	2,516	2,323
Printing, stationery and supplies	2,103	1,420
Telecommunications	1,321	1,547
Information	1,271	490
Travel and removal	1,011	976
Repair and maintenance	987	1,561
Postal services and postage	520	336
Rentals	159	181
Miscellaneous	76	85
Interest	70	–
Loss on disposal of capital assets	–	17
	82,463	67,484
Net loss	\$ (11,205)	\$ (2,938)

Statement of Accumulated Surplus

Year ended March 31, 2001, with comparative figures for 2000

(In thousands of dollars)

	2001	2000
Balance, beginning of year	\$ 44,510	\$ 47,448
Net loss	(11,205)	(2,938)
	33,305	44,510
Return of previous transfer of the Revolving Fund accumulated surplus (note 3)	5,750	–
Balance, end of year	\$ 39,055	\$ 44,510

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

(In thousands of dollars)

	2001	2000
Cash provided by (used in):		
Operations:		
Net loss	\$ (11,205)	\$ (2,938)
Add:		
Provision for termination benefits	1,088	1,039
Amortization of capital assets	7,928	3,471
Loss on disposal of capital assets	-	17
	(2,189)	1,589
Changes in current assets and liabilities	12,786	2,332
Payments on and change in provision for employee termination benefits	(277)	(569)
	10,320	3,352
Investments:		
Capital assets acquired	(9,564)	(10,743)
Financing:		
Loan payable	7,870	-
Return of previous transfer of the Revolving Fund accumulated surplus (note 3)	5,750	-
	13,620	-
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	14,376	(7,391)
Accumulated net charge against the Fund's authority account, beginning of year	15,676	23,067
Accumulated net charge against the Fund's authority account, end of year	\$ 30,052	\$ 15,676

See accompanying notes to financial statements.

Notes to Financial Statements Year ended March 31, 2001

(In thousands of dollars)

1. Authority and purpose:

The Passport Office Revolving Fund (the Fund) was established in 1969 to provide for the issue of appropriate travel documents to Canadian citizens and to certain permanent residents of Canada who are unable to obtain valid passports from their country of origin. The *Revolving Fund Act* authorized the operation of the Fund.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$4,000 at any time. An amount of \$746 representing net assets assumed by the Fund and assets contributed to the Fund were charged to this authority when the Fund became budgetary in 1981.

2. Significant accounting policies:

(a) Inventories:

The inventory of materials and supplies is carried at cost.

(b) Capital assets:

Capital assets are recorded at cost and amortized from the year of acquisition on a straight-line basis over their estimated useful lives as follows:

Asset	Years
Leasehold improvements	Term of lease
Furniture	16 years
Electronic data processing (EDP) equipment	5 years
Other machines and equipment	10 years

(c) Other capital assets:

Effective April 1, 1994, all expenditures associated with the Technology Enhancement Plan (TEP) are capitalized. The project costs have been separated in four categories, which are amortized on a straight-line basis over the useful life of each category as follows:

Asset	Years
Machines and equipment	10 years
System	10 years
Furniture	16 years
Electronic data processing (EDP) equipment	4 years

(c) Other capital assets (continued):

All project costs for the other capital projects are amortized on a straight-line basis over the useful life of the project.

(d) Employee termination benefits:

Termination benefits accrue to employees over their years of service with the Government of Canada, as provided for under collective agreements. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

(e) Pension plan:

Employees of the Passport Office are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Passport Office to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Passport Office and are charged to operations on a current basis. The Passport Office is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(g) Revenue recognition:

Revenues from passport fees are prepaid on application and accounted for on an accrual basis. Deferred revenues represent fees received for which the services have not yet been provided as of the year-end.

3. Transfer of the Revolving Fund accumulated surplus:

Pursuant to Treasury Board Decision 828716 dated February 8, 2001, there was a refund of \$5,750 for previous transfer of the Revolving Fund accumulated surplus to the Consolidated Revenue Fund. The transfer was recorded directly to accumulated surplus and accumulated net charge against the Fund's authority.

4. Capital assets and accumulated amortization:

Capital assets	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Leasehold improvements	\$ 3,298	\$ –	\$ –	\$ 3,298
Furniture	2,318	–	–	2,318
EDP equipment	5,827	1,651	–	7,478
Other machine and equipment	2,528	484	–	3,012
	\$ 13,971	\$ 2,135	\$ –	\$ 16,106

Accumulated amortization	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Leasehold improvements	\$ 3,298	\$ –	\$ –	\$ 3,298
Furniture	1,079	138	–	1,217
EDP equipment	4,594	644	–	5,238
Other machine and equipment	2,010	138	–	2,148
	\$ 10,981	\$ 920	\$ –	\$ 11,901

Other capital assets	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Technology Enhancement				
Plan Project	\$ 30,879	\$ 2,453	\$ –	\$ 33,332
Other capital projects	11,185	4,976	–	16,161
	\$ 42,064	\$ 7,429	\$ –	\$ 49,493

Accumulated amortization	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Technology Enhancement				
Plan Project	\$ 533	\$ 3,677	\$ –	\$ 4,210
Other capital projects	2,877	3,331	–	6,208
	\$ 3,410	\$ 7,008	\$ –	\$ 10,418

5. Loan payable:

Pursuant to Treasury Board Decision 828716 dated February 8, 2001, the Passport Office received an amount of \$7,800 as a loan from the Department of Foreign Affairs and International Trade. The initial amount and interest in the amount of \$1,177 are repayable as follows:

2003 – 2004	\$ 4,500
2005 – 2006	\$ 4,477

6. Equity of Canada:

(a) Accumulated net charge against the Fund's authority:

Accumulated net charge against the Fund's authority is the cash position of the Revolving Fund, held by the Government on behalf of the Revolving Fund.

(b) Accumulated surplus:

The accumulated surplus is an accumulation of each year's surpluses including the absorption of the opening net assets of \$746 upon establishment of the Revolving Fund.

7. Commitments:

The Passport Office rents office premises under long-term operating leases, which expire in 2010. Future minimum lease payments by year and in aggregate are approximately as follows:

2002	\$ 4,440
2003	\$ 4,049
2004	\$ 2,308
2005	\$ 1,238
2006 and thereafter	\$ 2,353
	\$ 14,388

8. Related party transactions:

Through common ownership, the Passport Office is related to all Government of Canada created departments, agencies and Crown corporations. Payments for passport operations at missions abroad, accommodation and legal services are made to related parties in the normal course of business.

9. Insurance:

The Passport Office does not carry insurance on its property. This is in accordance with the Government of Canada policy of self-insurance.

10. Income taxes:

The Passport Office is not subject to income taxes.

POINTS OF SERVICE IN CANADA

Alberta

Harry Hays Building
Suite 254
220-4th Avenue South East
*Calgary

Canada Place Building
Suite 160
9700 Jasper Avenue
*Edmonton

British Columbia

Suite 135
8011 Saba Road
Richmond

Suite 900
13401-108th Avenue
Surrey

Sinclair Centre
Suite 200
757 Hastings Street West
*Vancouver

Scotiabank Building
5th Floor
747 Fort Street
*Victoria

Manitoba

Suite 400
433 Main Street
*Winnipeg

New Brunswick

Frederick Square
Suite 470
77 Westmorland Street
*Fredericton

Newfoundland and Labrador

TD Place
Suite 702
140 Water Street
St. John's

Nova Scotia

Maritime Centre
Suite 1508, 15th Floor
1505 Barrington Street
*Halifax

Ontario

Standard Life Building
Suite 330
120 King Street West
*Hamilton

The Galleria
Suite 630
101 Frederick Street
*Kitchener

Suite 201, 2nd Floor
400 York Street
*London

Suite 305
Brampton Civic Centre
150 Central Park Drive
Brampton

Joseph Shepard Building
Suite 380, 3rd Floor
4900 Yonge Street
North York

C.D. Howe Building
Level C, East Tower
240 Sparks Street
*Ottawa

Landmark Building
6th Floor
43 Church Street
*St. Catharines

Suite 210, 2nd Floor
200 Town Centre Court
Scarborough

Royal Insurance Building
Suite 302
28 Cumberland Street North
*Thunder Bay

Suite 300
74 Victoria Street
Toronto

CIBC Building
Suite 1010
100 Ouellette Avenue
*Windsor

Quebec

Place du Centre
Commercial Level 2
200 Promenade du Portage
*Hull

Immeuble Saint-Michel
Suite 408
3885 Harvey Boulevard
Jonquière

Suite 500, 5th Floor
3 Place Laval
Laval

Complexe Guy-Favreau
Suite 803, West Tower
200 René-Lévesque
Boulevard West
*Montréal

Belle Cour Tower,
Place de la Cité
Suite 2410, 4th Floor
2600 Laurier Boulevard
*Sainte-Foy

Suite 112
3300 chemin Côte Vertu
Saint-Laurent

Saskatchewan

CIBC Tower, Suite 350
1800 Hamilton Street
*Regina

Federal Building
Suite 405
101-22nd Street East
*Saskatoon

Mail-In Service

The Passport Office
Department of Foreign Affairs
and International Trade
Ottawa, Ontario K1A 0G3
Canada

Certificate of Identity

Level 2, Place du Centre
200 Promenade du Portage
Hull, Quebec

Enquiries

Local calls from
Ottawa-Hull and area
(819) 994-3500

Montréal and area
(514) 283-2152

Toronto and area
(416) 973-3251

Vancouver and area
(604) 586-2500

Toll free 1 800 567-6868

TTY (For deaf or hard
of hearing persons)
Ottawa-Hull and area
(819) 994-3560

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services are offered*