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# Message from the CEO



s the period described in this

report began, the Passport Office was looking forward to making significant progress on three major initiatives: the automation of the passport application process, the design and production of a new digitized passport document, and the introduction of a new set of passport fees and regulations. We were also planning to review and expand our pilot projects involving the use of receiving agents, specifically Canada Post, to

And we hoped to improve cooperation with our provincial counterparts in strengthening the security and reducing fraudulent use of personal identity documentation.

provide more convenient access to our services in

areas not currently served by a passport office.

Then came September 11. As with many other organizations, this tragedy profoundly affected the Passport Office – its services, security processes, operations and, perhaps most significantly, our clients and staff. Shortly after this event, we experienced a dramatic increase in the volume of applications. In a number of our offices and in our mail-in operation the effects of

this increase continued to be felt for many months. At the same time, however, we had to respond to the threats presented by September 11, and introduce a series of enhanced security measures to protect the integrity of our passport process and document, which further increased our workload. A number of clients were understandably upset by the resulting delays in receiving their passport and difficulties in obtaining information about them. Passport employees, who have a history and culture of excellent service delivery, were frustrated by their inability to respond to these developments.

It is to the immense credit of Passport Office staff that while they struggled with service delivery issues, they were able to respond to the requirement for enhanced security measures and make important progress on the major initiatives mentioned above:

- Extensive changes to our fees and regulations on December 11, including a one-person-onepassport policy, were approved on December 11 and successfully implemented.
- Application forms were revised to incorporate more information to assist in confirming the identity of applicants.
- Background checks on applicants were increased significantly.
- As of November 26, in order to address problems with Quebec baptismal certificates, we began to accept only those Quebec birth certificates issued by Le Directeur de l'État civil after January 1, 1994.
- To implement the new security measures, a large recruitment and training effort was mounted to provide the additional staff required.



It is to the immense credit of Passport Office staff that while they struggled with service-delivery issues, they were able to respond to the requirement for enhanced security measures and make important progress on several major initiatives.

- To ensure fairness in decisions regarding the refusal to issue or revocation of a passport, we established and filled an independent Adjudicator position.
- Pilot projects were launched to explore improved document verification with provinces, and to investigate the potential of facial recognition software in the prevention of passport fraud.
- The IRIS® System, which captures application information electronically, now processes 100% of passport applications received within Canada. It provides the potential for a much simplified passport renewal process in the future, and has made possible the new, more secure passport design. The new technology to be used in the production of this improved passport book was tested and ready for implementation by the end of March.

As we reflect on this past year, it is important to remember that, despite all of the challenges we faced, we were able to maintain and improve the security of the Canadian passport, and to provide service to the great majority of our applicants within established standards. We have also laid the groundwork for significant improvements in security and service over the next several years. I would like to dedicate this annual report to Passport Office staff who worked long hours, and with extraordinary dedication, to make all of this possible.

Sincerely,

Michael J. Hutton

Chief Executive Officer

# Highlights of 2001–02

June: Customer Satisfaction Survey (96% 'satisfied' or 'very satisfied')

October: Increased Background Checks and more Detailed Application Form

**December 11:** New fees and regulations, including a new policy

(One Person/One Passport)

**January 14:** Creation of an Independent Adjudication and Conflict Management Office

February: Mission and Vision reviewed and redefined

March 31: Over 2 million Travel Documents issued during the past year

**Coming:** • New Passport Booklet

Passport Renewals

• On-line Applications

The top three values noted by clients were competence of staff, acceptance of the passport by other countries, and efficiency of staff. The main improvement desired was reduction of waiting time, both for walk-in service and in general.



# **Challenges and Changes**

n our fast-changing, 21st century world, globalization (of production, commerce, money, ideas, crime, terrorism, and certainly human mobility and travel) is creating new opportunities, risks and requirements. Canadians – perhaps the world's most international-minded, multicultural, trade-dependent people – need and expect official documents that are secure and universally respected, to ease their way across borders and around the globe.

This creates complex new challenges for the Passport Office. Working in an environment where the pace, scope and direction of change is increasingly unpredictable, we can't just keep trying to do things the same way, only better. Rather, the Passport Office must cope with today's demands, plus the fall-out of September 11, by balancing three essential factors – cost, service, security – while also looking ahead, planning for the future, and investing in the technology and human resources that together can meet the needs of coming years.

As part of the ongoing process of improvement and innovation, the Passport Office carried out a Strategic Planning Conference early in 2002 to review its planning assumptions and establish short-term priorities. Among the results, within the framework of a five-year business plan, were revised and redefined statements of our vision and mission, and new strategic orientations as well as priorities for fiscal year 2002-03:

Mission – To issue internationally respected travel documents.

To achieve this result, we will pursue three organizational goals:

- ensuring zero-defect for identity authentication and passport production;
- ensuring on-time delivery and greatest possible access to service;
- delivering maximum value for each dollar spent.

# Vision – In a rapidly changing policy and technological environment, we aim to:

- achieve a leadership role on secure identity and travel documents within the Government of Canada; and
- consistently meet clients' expectations.

We will do this by:

- contributing to the enhancement of secure identity in Canada;
- investing in our employees;
- · improving access to and simplifying services; and
- strengthening our management regime.

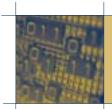
**Strategic orientations** are thus: securing identity in Canada; tailoring client service; and modernizing management. Appropriate objectives have been set, and priorities established for 2002-03, to support progress in our vision.

The review process will continue, resulting in an updated and more detailed business plan that will include an operational translation of the strategies, with new performance indicators and targets.

Where are we headed? The Passport Office is building systems that will give Canadians a service of world-leading convenience and security. Within the next few years:

- Applicants will have a variety of choice in applying – including from anywhere, through Passport On-line (using a secure channel).
- On-line data checks with provincial/territorial registrars' offices will make verification quicker and easier.
- Canadian passports will be extremely tamper-proof thanks to digital imprinting of the bearer's photo and holograms (since 2002). Biometric (facial recognition) technology (starting 2003) will further guard against abuse.

- A simple process will, for the first time, allow renewal of existing passports (starting 2003), improving convenience for customers while cutting costs and waiting times.
- Canadians will be able to check the status of their application by phone or Internet at any time ... to apply from, for instance, Iqaluit and pick up the passport in Hamilton ... to use, for a fee, Urgent and Express services.



The fee increase would allow the Passport Office to implement additional security measures and to enrich further its automated issuing system (IRIS®) and to improve client service in anticipation of passport renewal and Passport on-line.

The Passport Office was planning, investing and innovating during 2001-02 so that its overall service to Canadians will be increasingly convenient, prompt and cost-effective in coming months and years, while passport production and identity authentication become even more secure.

# Organization, Products and Services

he Passport Office is entrusted with the responsibility of issuing travel documents to Canadians and permanent residents of

Canada for the purpose of travelling abroad. To fulfill this mandate, we work closely with other government agencies, and strive to be a model of efficient service to the public by stressing the values of service excellence, integrity, competence and respect.

In 1990, the Passport Office was designated a Special Operating Agency of the Department of External Affairs (now Foreign Affairs and International Trade). This means that it operates somewhat like a private-sector enterprise. The Passport Office is operating under a revolving fund, financing its operations entirely from the fees charged for passports and other travel documents rather than being funded by the government.

Organizationally, the Passport Office is managed through a small Executive Committee (responsible for policy, strategic planning, and efficiency) and a broader Management Committee that implements policy, recommends improvements, and ensures that performance objectives are met.

Service is provided through 29 offices, from St. John's to Victoria, administered by four regional directorates:

- Eastern (Québec and Atlantic provinces)
- Ontario
- Western (British Columbia and Prairie provinces)
- Central Operations (walk-in clients in the National Capital Region, as well as applications mailed in from across Canada and the United States).

People in the North – Yukon, Northwest Territories, and Nunavut – can apply by mail or through their MPs.

Web site and toll-free telephone services operate around the clock. We provide all services in English and French, as well as TTY services for people with hearing difficulties. Passport applications are available at our offices, and at all Canada Post outlets and franchises, or may be downloaded from our Web site (www.ppt.gc.ca).

Passports help Canadians make some 4 million trips abroad every year, plus about 14 million overnight visits to the United States. There are approximately 8.8 million valid Canadian passports in circulation. In 2001-02, for the first time, more than 2 million Canadian passports were issued (1,934,813 in Canada and 105,398 in our missions overseas), an increase of 5% over the year before. On average, more than 900 passports are issued each working hour of the day.

# TYPES OF DOCUMENTS

Seven types of **travel documents** are issued to meet our clients' various needs:

- The 24-page passport (navy blue cover) for business and leisure travel makes up 98% of all travel documents issued by the Passport Office.
- The 48-page passport is identical, except for extra pages to suit frequent travellers such as business people.
- Diplomatic passports are issued to diplomats, officials, couriers, delegates to international conferences, etc. They are also issued to MPs.
- Special passports are issued to the families of officials, if they are also travelling at public expense (eligibility is determined by the Minister of Foreign Affairs and International Trade).
- 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
  who are determined by Citizenship and Immigration
  Canada to be refugees under the 1951 United
  Nations Convention, and who are legally landed
  in Canada. Such documents are endorsed for travel
  to all countries, except to the holder's country
  of origin, and are valid for two years with the
  possibility of extension.
- Certificates of identity are issued to legally landed immigrants who have been permanent residents of Canada for less than three years, and are stateless or are unable to obtain a passport or travel document from their country of origin. The certificate is endorsed for travel to countries specified in the document, and is valid for one to two years, with possible extensions.

Security of passports and other travel documents, always top-priority, became an even more pressing issue in the wake of September 11. Worldwide acceptance of the Canadian passport makes it a target of choice for those who attempt fraud by

using someone else's identity, or by altering or counterfeiting a document. Maintaining the passport's integrity is of vital importance, and we ensure that all Canadian travel documents meet or exceed international specifications concerning format, issuance and integrity.

During 2001-02 the Passport Office also carried out, or prepared the way for, several new measures to make Canadian documents and procedures even more secure and fraud-resistant, as detailed later in this report.

Services are provided to a broad spectrum of clients, ranging from business people and diplomats, to young Canadians off to see the world, to those who travel overseas to be reunited with seldom-seen family. Any Canadian citizen over the age of 16 may apply for a passport. Demand varies with economic conditions, conflict abroad, and the weather at home, typically peaking as winter approaches and many Canadians follow the sun.

Almost 90 % of travel documents are issued to clients who apply in person. Walk-in service is the fastest: through the 1990s, more than 95% of those who applied in person received their passports within the target time of five working days. More recently, the added workload of introducing new technology, and stiffened security post-September 11 – that percentage has dropped. To reflect current reality, the target time has been increased to 10 working days for walk-ins, and to 20 working days (rather than 10) for mail-ins.

To save time for people applying in person, a Q-Matic system in larger offices minimizes delay, with a coordinator looking at each person's situation and directing the client to the staff member who can handle the application most efficiently. The target for maximum waiting time is 45 minutes; delays are shorter on average, but can be longer in offices in major cities and in those near the American border.

If applications arrive by mail, passports are delivered by Xpresspost (or FEDEX courier in the U.S.).

Special services are provided for clients who need their

passports on a rush basis. For an extra fee, they can request Urgent (one working day) or Express (two to nine working days) service. These arrangements are available only to walk-in applicants, in all of our regional offices. Emergency service is also possible outside of business hours, in cases of illness or death in the immediate family; applicants must provide evidence of urgency, such as airline tickets, and the passport application must meet all requirements. If a passport is lost abroad, an emergency passport service is available at the nearest Canadian mission.

The Passport Office's four regional call centres can be dialed toll-free (1-800-567-6868) from anywhere in Canada. An automated answering service directs calls to the nearest regional call centre (each has 20 or more lines). Local numbers are also provided for the National Capital Region, Montréal, Surrey and Toronto areas.

The Passport Office received almost 60,000 e-mail messages and 1,660 letters. (649 e-mails conveyed a compliment and 63 a complaint). To tap the Internet's potential for supplying convenient, up-to-date information, the Passport Office has operated a Web site

since 1996. In 2001-02, the Passport Office Web site received 1.6 million visits. Starting in 2000, application forms for Canadian residents and Canadians living in the U.S. have been posted on the site. A total of 229,215 application forms were downloaded in 2001-02, of which 38,000 by Canadians living in the US and 191,215 in Canada.



Besides direct services to the public, the Passport Office also plays additional roles related to the national government and international agencies. Its Security, Policy and Entitlement Directorate provides consulting and advisory services to other government departments about the security standards of their documents. And the Passport Office keeps aware of global security issues by working with agencies such as the International Civil Aviation Organization and the International Standards Organization, as well as taking part in such forums as the Five Nations Virtual Secretariat (which links us with the passport authorities of the U.K., U.S., Australia, and New Zealand).

# The Impact of September 11

hock-waves from September's tragedy affected everyone, certainly our clients and staff. Implications and repercussions for the Passport Office, as a government agency with serious responsibilities for protecting national security, are major, far-reaching and permanent.

September 11 made the world painfully aware of the immense potential danger of identity fraud, and the vital need for heightened vigilance in maintaining the integrity of the passport, as a key factor in ensuring human security.

Many countries were forced to tighten measures to defend public security. In Canada, the Passport Office played an important role based on expertise in secure identity documents, and in the authentication of identity. Thus, there was intensified cooperation with national and international police authorities, with security agencies and border posts, and with the federal, provincial and territorial authorities that provide documents of identity.

We worked in close cooperation with Treasury Board, the Office of the Information Commissioner of Canada, Citizenship and Immigration Canada, and the Canada Customs and Revenue Agency to promote the standards set by the International Civil Aviation Organization for travel documents. In the weeks and months following September 11, the Passport Office also took several specific steps that helped to strengthen our processes and enhance the integrity of the documents we issue:

- In October we tightened security measures in the process of applying for a passport, by carrying out more detailed examination of the information and references provided by applicants. In February, new application forms, requiring more background information, came into use.
- To cope with the combination of rising demand and more comprehensive checking, we conducted a large-scale hiring of 126 new examiners.
- In cooperation with Québec, we established new requirements for persons born there. Because of problems regarding some baptismal certificates, proof of their Canadian citizenship must now be either a birth certificate provided by *Le Directeur* de l'État civil du Québec issued after January 1, 1994 or a citizenship certificate provided by Citizenship and Immigration Canada.
- In December, a new 'one person/one passport'
  policy came into effect, requiring a separate
  passport for each child (rather than their names
  being included on a parent's passport). This
  policy, adopted by the International Civil Aviation
  Organization, tackles a quite different aspect of
  security: it is designed to reduce the risks related
  to the international traficking of children.

- At the same time, new passport fees were established (\$85 for adults (instead of \$60), \$20 under age 3, and \$35 age 3 to 15). The increased revenue will help meet the cost of closer checking, and of new technology to improve both security and convenience.
- To strengthen the process of verification at the border, the Passport Office is looking at systems such as biometric (facial recognition) technology. The technology will support the Passport Office to enhance the identity authentication process.
- To further improve verification, we have launched an initiative to create electronic links with the databases of the provincial and territorial authorities responsible for issuing documents of identity, starting with a pilot project with British Columbia. The goal is to have infrastructure in place, by the autumn of 2003, for quick electronic verification of birth certificates presented by passport applicants.

The tragic event of September 11 accentuated the crucial role of the Passport Office in protecting Canada's international reputation and in fulfilling part of the human security agenda – particularly in the struggle against criminal and illegal usage of individual (personal) identity.

# Progress on Strategic Initiatives

he events of September 11 created a new environment for the Passport Office, changing not only the way we work but how we see the future. With new priorities, timetables and vision of our task, we are moving ahead through simultaneous initiatives to update and upgrade security, service, convenience and cost-effectiveness. Progress was made on several strategic projects during 2001-02, with important advances coming in the months and years ahead in many major areas.

# SECURE, ACCESSIBLE, CONVENIENT SERVICE

• We have developed a new design for the Canadian passport, with enhanced security features making alteration or forgery almost impossible (digital photo embedded into the page, a 'ghost' photo visible only under ultraviolet light, crystagrams that seem to move when the booklet is tilted, optically variable ink that changes colour under different lighting, digitally printed personal data and signature that cannot be changed or erased). The majority of this new passport, available in 2002, will be produced at secure new printing centres in Gatineau and Mississauga.

- As part of the Government On-line initiative, we are preparing for Passport On-line, with some steps happening in 2003. An interactive application form, accessible on our Web site, will feed information provided by the client into our system. We will also launch an Internet service for passport renewals.
- We are working with British Columbia authorities to set up a system for electronic verification of birth certificates, and will pursue this innovation with the other provinces and territories, and with federal institutions that issue identity documents.
- The biometrics (facial recognition) project is at the stage of testing of concept and products, with system development to come next.
- Improvement of counter service for walk-in clients, by reducing waiting time in major urban centres, is a continuing effort. A general model has been created and will begin operating in 2002-03, with a target of 95% of clients having waited less than 45 minutes in 2004-05.
- A pilot project with Canada Post was carried out until November 2001, in the Montréal and Toronto areas, offering a new service – acceptance of completed applications. Three-quarters of clients were satisfied with the \$10 administrative charge, and 90% with the service. The project will be continued when new security measures are in place.

#### ■ FLEXIBLE SERVICE AND LESS BURDENSOME

- Clients with particular needs can choose, for an additional charge, Urgent, Express, or 'call back' service (after business hours and weekends).
- The decision to create an Independent Adjudication and Conflict Management Office (ACMO) has been formalized in January, with the appointment of its Chairperson. The ACMO will primarily act as a quasi-judicial body reviewing recommendations for passport revocation and passport services withholding in security cases (the Adjudication function), and producing final decisions. It will also provide a mechanism to review unresolved complaints from the public (the Ombudsman function). Complaints will therefore continue to be reviewed internally first. The Ombudsman will also serve as the Passport Office's disclosure's Senior Officer as designated in the *Policy on the* Internal Disclosure of Information Concerning Wrongdoing in the Workplace. Finally, mediation services will be offered, providing for informal out-of-court resolution of commercial disputes. Operating independently, the Office will produce its own annual report.
- We are setting up a simple renewal system, so that holders of an IRIS<sup>®</sup> passport will only need to complete a simplified form, provide a new photo, and pay the fee, rather than going again through the

process of submitting original documents and full information. This new system, starting in 2003, will cut transaction time and by 2005-06 will handle about half of all applications (thereby allowing substantial savings in our internal costs).

#### ■ EFFICIENCY

- The Passport Office is improving work processes, in such matters as counter transactions, with measures that will increase speed and efficiency – including ergonomic improvement of work areas.
- Operational divisions are reviewing key processes to make them simpler and more efficient. For instance, improvements to the internal system for recording fees will eliminate the need for doubleentry of such information. The Passport Office has also upgraded the planning process and has established new project-planning capacity.
- The management structure, as well, has been partly modified, with a revised Executive Committee focusing mainly on strategic issues.
   Two coordinators – one for operations, the other for functional services – will help to simplify communication and decision-making.
- The Passport Office has completely rethought its mission, vision, and strategic plan, and will also fully revise its performance indicators.

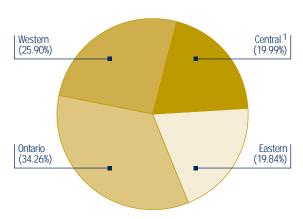
### **Business Performance**

o help Canadians make their four million overseas trips, the Passport Office handled about four million client transactions in 2001-02 (including enquiries as well as processing of passport applications) – or some 16,000 transactions each working day. Compared to a decade ago, Canadians travel relatively less to the U.S. and make more of their trips to overseas countries (12.9% in 1991, 23.6% in 2000).

Trips abroad declined after September 11 (even as demand for passports increased) then rose again in early 2002. Increased demand was most notable at offices close to the U.S. border, where volume rose by 50% in some cases. During 2001-02, demand increased in three regions (West 17%, Ontario 5%, East 2%) but fell in one (Central 2%), for an overall rise of 5%. More than two million Canadian travel

documents were issued in 2001-02, exceeding forecasts. The total is expected to be again about two million in 2002-03, then to rise by about 3.5% annually in subsequent years (depending on economic growth and interest rates) and surpass 2.3 million by 2006-07.

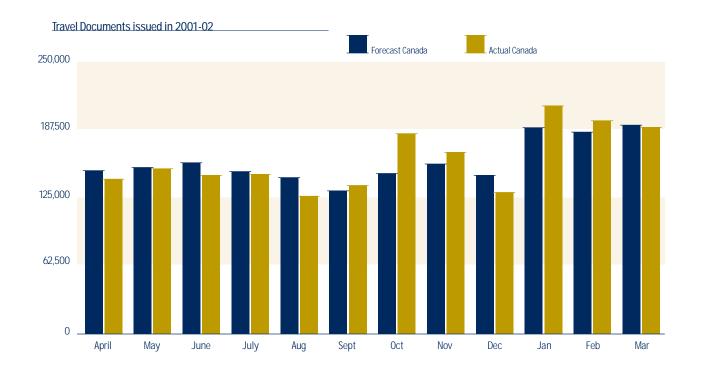


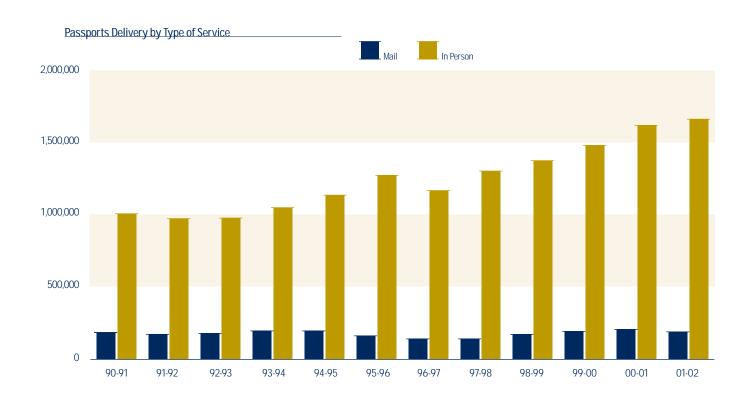


<sup>1</sup> Inludes mailed applications

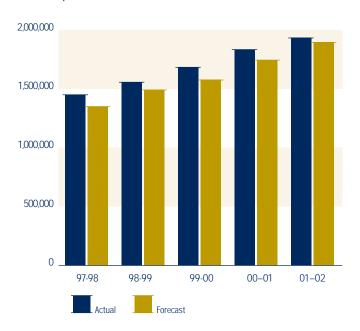
### PASSPORTS ISSUED IN CANADA AND ABROAD

ISSUED IN CANADA	2000-2001	2001-2002	% Change
Regular Passports	1,803,697	1,899,574	5.32
Business Passports	14,440	16,635	15.2
Special Passports	8,814	10,753	22.0
Diplomatic Passports	1,692	1,628	-3.78
Certificates of Identity	861	725	-15.80
Refugee Travel Documents	5,615	5,498	-2.08
TOTAL	1,835,119	1,934,813	5.43
ISSUED AT POSTS ABROAD			
Regular Passports	82,610	89,569	8.42
Business Passports	12,903	13,992	8.44
Special Passports	80	86	7.50
Diplomatic Passports	480	521	8.54
Collective Certificates	0	0	0.00
Emergency	1,133	1,230	8.56
Letter of Introduction	0	0	0.00
TOTAL	97,205	105,398	8.43
GLOBAL ISSUES			
Regular Passports	1,886,307	1,989,143	5.45
Business Passports	27,343	30,627	12.01
Special Passports	8,894	10,839	21.87
Diplomatic Passports	2,172	2,149	-1.06
Certificates of Identity	861	725	-15.80
Refugee Travel Documents	5,615	5,498	-2.08
Emergency	1,133	1,230	8.56
Collective Certificates	0	0	0.00
Letter of Introduction	0	0	0.00
TOTAL	1,932,324	2,040,211	5.58









### ■ TOTAL FACTOR PRODUCTIVITY

In 2001-2002, the real total productivity factor is decreased by 1%. Increased investment into passport printing technology coupled with an ongoing investment into IRIS® has resulted in continued decreases in capital returns. In addition, the tragic events of September 11<sup>th</sup>, 2002 had resulted in tighter security measures and as such have added to the cost of hiring more staff to deal with the new security measures. Such decline is normal during the first two stages (initial investment and growth) in the life-cycle of a major investment. Both these factors are the primary reasons explaining the decline in productivity.

Future gains in productivity, furthermore, are contingent not only on the Passport Office's ability to deliver more effective business applications but also the seamless interaction between IRIS® and Government on-line.

Turnaround and Wait Times had to be modified during 2001-02. Given the requirements of tightened post-September 11 security measures, introduced during our peak season, plus the work involved in completing the installation of the IRIS® system, the delivery time for a new passport was doubled to 10 working days for in-person applicants, and 20 working days for the 15% of clients who mail-in their applications. The new walk-in target was met, but an overloaded mail service accumulated a backlog, and by March mail-in applicants had to wait 30 to 45 days. Steps have been taken to eliminate this delay.

Despite increased volume and the added time needed by examiners to carry out background verifications, the average wait time experienced by walk-in clients before being served (36 minutes) remained about the same in 2001-02 as the year before (35.5 minutes), although delays were sometimes longer in the busiest offices. Our goal is to ensure that all applicants wait less than 45 minutes on 95% of working days for 2004-05. It is to be noted that the large discrepancy between the number of clients in 2000-01 and that in 2001-02 is due largely to the fact that, in 2001-02, Q-matic had been installed and operated in nearly all of our offices.

### **PASSPORT WAITING TIME**

	Number of Clients	Average Waiting Time
2000-01	536,870	35:49
2001-02	1,375,522	36:08

**Note:** the large discrepancy between the number of clients in 2000-01 and that in 2001-02 is due largely to the fact that, in 2001-02, *Q*-matic had been installed and operated in nearly all of our offices.

Pi	ercentage of clients served within 45 minutes
	70% in 2000-01
	70% in 2001-02

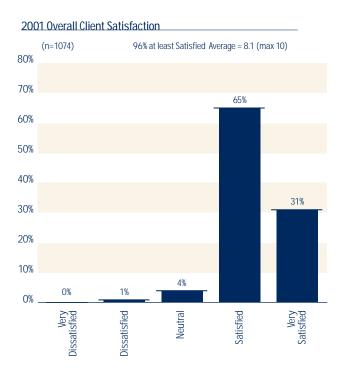
Call Centres handled about 2.27 million telephone calls to the Passport Office in 2001-02, an increase of 14% over the previous year. Nearly a million callers asked to speak to an officer. The call centre access rate (percentage of calls answered) dropped sharply after September 11, falling to 77% in 2001-02 from 90% the year before, while the average waiting time required in order to speak to an officer rose from 4.5 to 7 minutes. Corrective steps are being taken (additional lines and officers for each call centre) with the goal of meeting the industry norm (95% access).

#### Call Centres Accessibility Rate 2001–2002



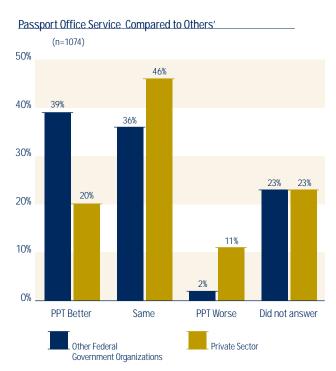
#### **CLIENT SATISFACTION**

Client satisfaction was surveyed in June 2001, as part of the overall Government of Canada initiative to improve service to the public. The top three values noted by clients were competence of staff, acceptance of the passport by other countries, and efficiency of staff. The main improvement desired was reduction of waiting time, both for walk-in service and in general.



As in past surveys, almost all clients (96%) were either 'satisfied' (65%) or 'very satisfied' (31%), while only 1% were 'dissatisfied'. A large majority also indicated that Passport Office service was either the same as (36%) or better than (39%) other federal agencies – and either the same as (46%) or better than (20%) private sector service. (This is consistent with 1998 and 2000 surveys, in which the Passport Office ranked among the top ten organizations and was rated the leader among federal entities.) These favourable results, however, still left room for

improvement, particularly regarding delays, in a survey that was taken before the long waiting-times that followed September 11. Further client feedback will be sought through questionnaires each year to help align service improvements with clients' specific need.



#### **AUDITING:**

As part of the Treasury Board Secretariat's requirement on a Government-wide audit on security, the Passport Office put in place a process and an action plan. The objective of the audit was to ensure the compliance of all sensitive information and goods with the Government Security Policy (GSP) and with the operational standards and the efficiency and effectiveness of the Security Program of the Passport Office (PPT). For more details, please see http://www.ppt.gc.ca/publications/index\_e.asp.

The auditors from Consulting and Audit Canada concluded that improvement to the actual management control framework will ensure efficiency and effectiveness of the Security Program of the Passport Office and recommended that a sufficient level of financing be provided to ensure an operational level to the security function of the Passport Office be implemented.

#### **FINANCES**

As a special operating agency with a revolving fund, the Passport Office meets its costs from the fees it charges for travel documents. This revolving fund – which provides a measure of flexibility in balancing operating costs, capital expenditures, and carried-over surpluses or deficits – is managed strategically, on the basis of volume of demand, client requirements, and security imperatives.

To deal with deficits registered in recent years, cost-control measures were taken in 2000-01 (and continued in 2001-02). These included a freeze on new or expanded offices, cutting of non-critical current expenses, and postponement of some projects.

The Passport Office also obtained approval in December 2001 for fee increases, which will generate more funding to cover the cost of continuing investment in new technology.



Pending their impact on revenue, Treasury Board approved a bridging loan of \$7.8 million and took other helpful steps. And the Passport Office received \$7.05 million from the government's \$250 million program to combat terrorism. This one-time allocation was used to cover such unforeseen expenses as additional verification, security guards, revision of forms, and video cameras. Such special security measures, estimated to cost about \$7 million for 2002-03, will be financed in future from the regular revenue generated by fees.

Several initiatives that will help to boost efficiency and cut costs were taken in 2001-02:

- a receiving agent pilot project with Canada Post;
- implementation of the Q-matic system for managing queues in our offices;
- preparation for Passport On-line, so clients can apply via Internet.

While the fee increase allows the Passport Office to lay down further foundation for client service and security, it brings to the forefront the need to be even more conscientious of cost-effective in its operations and strategic in its capital investments.

## **Financial Statements**

#### PASSPORT OFFICE REVOLVING FUND

#### MANAGEMENT REPORT

The accompanying financial statements of the Passport Office Revolving Fund have been prepared as required by and in accordance with the policy of the Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada. The primary responsibility for the integrity and objectivity of the data in these financial statements rests with the management of the Fund.

The financial statements were prepared in accordance with the significant accounting policies on a basis consistent with that of the preceding year, as set out in Note 2. Some of the information included in these financial statements is based on management's best estimates and judgements and gives due consideration to materiality. To fulfill this reporting responsibility, the Fund maintains a set of accounts that provide a centralized record of the Fund's financial transactions. Financial information contained in the ministerial statements and elsewhere in the *Public Accounts of Canada* is consistent with that in these financial statements, unless indicated otherwise.

The Finance Administration Division of the Passport Office Revolving Fund complies with departmental financial management and accounting policies, develops those specific to the Fund's requirements and issues manuals and directives that maintain these policies and which describe procedures. The Fund maintains systems of financial management and internal accounting controls that provide management with reasonable assurance that transactions are recorded and executed in accordance with its authorizations and that its assets are safeguarded.

Approved by:

Pierre R. Bélisle Coordinator of Functional Directorates

Michael J. Hutton Chief Executive Officer

# 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, 2002 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.

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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Passport Office Revolving Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2.

**Chartered Accountants** 

WPM6 D.A. S.

Ottawa, Canada

May 24, 2002

**Balance Sheet** 

March 31, 2002, with comparative figures for 2001

(In thousands of dollars)

(in thousands of dollars)		
	2002	2001
Assets		
Current assets:		
Accounts receivable:		
Government of Canada	\$374	\$1,319
Outside parties Inventories	1,300 3,944	2,998
Prepaid expenses	50	50
Tropina orponoo	5,668	4,455
	3,008	4,433
Capital assets (note 6): At cost	690.975	010 100
Less accumulated amortization	\$20,875 14.094	\$16,106 11,901
Less accumulated amortization		
	6,781	4,205
Other capital assets (note 6):	000 000	000 000
Technology Enhancement Plan Project	\$33,332 23,785	\$33,332
Other capital projects		16,161
	57,117	49,493
Less accumulated amortization	26,882	10,418
	30,235	39,075
	\$42,684	\$47,735
I Promise Const		
LIABILITIES AND EQUITY OF CANADA		
Current liabilities: Accounts payable and accrued liabilities:		
Government of Canada	\$6,647	\$15,322
Outside parties:	0,017	ψ10,022
Accounts payable	5,996	5,266
Vacation pay	1,925	1,435
Contractors' holdbacks	401	628
Retroactive salaries	-	176
Deferred lease inducement (note 7) Current portion of employee termination benefits	338 1,092	780
Deferred revenues	1,032	1,205
	16,399	24,812
	10,000	21,012
Long-term: Employee termination benefits	6,807	6,050
Loan payable (note 8)	8,297	7,870
Zouii payabio (iiote o)	15,104	13,920
	13,104	13,920
Equity of Canada (note 9):	(10.750)	(00.050)
Accumulated net charge against the Fund's authority Accumulated surplus	(18,753) 29,934	(30,052)
Accumulated surplus		
	11,181	9,003
Commitments (note 10)	040.004	
	\$42,684	\$47,735
See accompanying notes to financial statements		

#### Statement of Operations

Year ended March 31, 2002, with comparative figures for 2001

(In thousands of dollars)

	2002	2001
Revenue:		
Fees earned	\$92,060	\$70,660
Miscellaneous	1,226	598
	93,286	71,258
Expenses:		
Salaries and employee benefits	\$55,133	\$43,318
Provision for employee termination benefits	1,288	1,088
Amortization of capital assets	18,657	7,928
Passport materials and application forms	6,792	6,580
Accommodation	5,774	4,401
Passport operations at missions abroad	4,447	4,447
Professional and special services	4,372	4,667
Printing, stationery and supplies	3,759	2,103
Freight, express and cartage	2,735	2,516
Information	2,451	1,271
Telecommunications	1,573	1,321
Travel and removal	1,443	1,011
Repair and maintenance	1,402	987
Postal services and postage	560	520
Interest	431	70
Rentals	216	159
Miscellaneous	42	76
	111,075	82,463
Net loss	\$(17,789)	\$(11,205)

**Statement of Accumulated Surplus** 

Year ended March 31, 2002, with comparative figures for 2001

(In thousands of dollars)

Am disassing	2002	2001
Balance, beginning of year	\$39,055	\$44,510
Net loss	(17,789)	(11,205)
	21,266	33,305
Return of previous transfer of the Revolving Fund accumulated surplus		5,750
Parliamentary appropriations (note 5):  Vote 1 and 5 - Government On-line  Vote 1 - Public Safety and Security initiatives	1,618 7,050 8,668	
Balance, end of year	\$29,934	\$39,055

#### Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

(In thousands of dollars)

Cash provided by (used in):  Operating activities:	\$(11,205)
	\$(11,205)
Net loss \$(17,789)	\$(11,203)
Add:	
Provision for employee termination benefits 1,288	1,088
Amortization of capital assets 18,657	7,928
Deferred leasehold inducements 338	-
2,494	(2,189)
Changes in current assets and liabilities (9,964)	12,786
Payments on and change in provision for employee termination benefits (531)	(277)
(8,001)	10,320
	10,520
Investing activities:	(0.564)
Capital assets acquired (12,393)	(9,564)
Financing activities:	
Loan payable 427	7,870
Vote 1 and 5 - Government On-line 1,618	-
Vote 1 - Public Safety and Security Initiatives 7,050	- F 750
Return of previous transfer of the Revolving Fund accumulated surplus	5,750
9,095	13,620
Net financial resources provided (used) and change in the accumulated	
net charge against the Fund's authority account, during the year (11,299)	14,376
A constitution of the same and that the Post Paragle of the constitution of the same of th	
Accumulated net charge against the Fund's authority account, beginning of year 30,052	15,676
<u> </u>	13,070
Accumulated net charge against the Fund's authority account,	
end of year \$18,753	\$30,052

Notes to Financial Statements Year ended March 31, 2002 (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 was charged to this authority when the Fund became budgetary in 1981.

#### 2. Significant accounting policies:

#### (a) Basis of accounting:

These financial statements have been prepared in accordance with the policy of Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada.

#### (b) Inventories:

The inventory of materials and supplies is carried at cost.

#### (c) 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 Furniture	Term of lease
Electronic data processing (EDP) equipment	10 years 3 years
Other machines and equipment	5 years

Notes to Financial Statements (continued)

Year ended March 31, 2002

(In thousands of dollars)

#### 2. Significant accounting policies (continued):

#### (d) Other capital assets:

Effective April 1, 1994, all expenditures associated with the Technology Enhancement Plan (TEP) were 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	4 years
Furniture	10 years
Electronic data processing (EDP) equipment	4 years

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

#### (e) Employee termination benefits:

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

#### (f) 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*.

#### (g) 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. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

#### (h) Revenue recognition:

Revenues from passport fees are recognized upon application and receipt of payment.

Notes to Financial Statements (continued) Year ended March 31, 2002 (In thousands of dollars)

#### Changes in accounting policy:

Effective December 11, 2001, the Passport Office recognizes revenues when an application and payment for a passport was received. In prior year, revenues from passport fees were recognized once the production of the passport was complete. This change in accounting policy was due to a change in the regulations prescribing fees for passport services. The effect on the results of operations for the year was to increase revenues by \$1,925. The new accounting policy was not applied retroactively as this was a change in the regulations of the Government of Canada.

#### 4. Change in accounting estimates:

Effective April, 2001, the Fund's management revised their estimates regarding the useful life of certain capital assets. This change in estimates is due to new information and developments that arose in the current year.

The effect on the results of operations for the year was to increase amortization by approximately \$10,000 in the current year.

#### 5. Parliament appropriations:

Pursuant to Treasury Board Decision 829317-1 dated December 6, 2001 an amount of \$7,050 was transferred to the Passport Office for use in initiatives concerning public security. Of this amount \$3,303 was expensed in the 2001-2002 fiscal period.

Pursuant to Treasury Board Decision 828959 dated May 3, 2001, the Department of Foreign Affairs and International Trade ("DFAIT") approved spending of \$983 under Vote 1 and \$2,748 under Vote 5 for the Government On-line initiative.

The Passport Office received \$1,618 of this appropriation from DFAIT. Of this amount, \$330 was expensed in the 2001-2002 fiscal period.

Notes to Financial Statements (continued)
Year ended March 31, 2002
(In thousands of dollars)

#### 6. Capital assets and accumulated amortization:

Capital assets	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Leasehold improvements Furniture EDP equipment Other machine and equipment	\$3,298 2,318 7,478 3,012	- - 4,769 -	- - - -	\$3,298 2,318 12,247 3,012
	16,106	4,769	\$ -	20,875
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
Leasehold improvements Furniture EDP equipment Other machine and equipment	\$3,298 1,217 5,238 2,148	454 1,375 364	- - - -	\$3,298 1,671 6,613 2,512
	11,901	2,193	-	14,094
Other capital assets	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Technology Enhancement Plan Project	\$33,332	-	-	\$33,332
Other capital projects	16,161	7,624	-	23,785
	49,493	7,624	-	57,117
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
Technology Enhancement Plan Project	\$4,210	\$13,809	_	\$18,019
Other capital projects	6,208	2,655	-	8,863
	10,418	16,464	_	26,882

#### Deferred lease inducement:

In return for entering into a long-term lease, the Fund received an inducement from the lessor in the form of payment for leasehold improvements. This inducement is being recognized as a reduction of expenses over the term of the lease.

Notes to Financial Statements (continued)

Year ended March 31, 2002

(In thousands of dollars)

#### 8. Loan pavable

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

#### 9. 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 Fund, held by the Government on the Fund's behalf.

#### (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 Fund.

#### 10. Commitments

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

2003	\$6,053
2004	3,931
2005	2,831
2006	1,959
2007 and thereafter	1,094
	\$15,868

Subsequent to year end, the Passport Office signed a contract for \$33,000 for a period of five years, for the purchase of passport materials.

#### 11. 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.

#### 12 Insurance

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

#### 13. 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, Alberta

Office hours: 08:30 - 16:30

Canada Place Building
Suite 160
9700 Jasper Avenue
\*Edmonton, Alberta
Office hours: 08:30 – 16:30

#### **BRITISH COLUMBIA**

Suite 135 8011 Saba Road **Richmond**, British Columbia Office hours: 08:30 – 16:00

Suite 900 13401-108th Avenue **Surrey**, British Columbia Office hours: 08:00 – 16:30 Sinclair Centre
Suite 200
757 Hastings Street West
\*Vancouver, British Columbia
Office hours: 07:30 – 16:30

Scotiabank Building
5th Floor
747 Fort Street
\*Victoria, British Columbia
Office hours: 08:30 – 16:30

#### **MANITOBA**

Suite 400 433 Main Street \*Winnipeg, Manitoba Office hours: 8:00 – 16:00

<sup>\*</sup> Official bilingual services offered

#### **NEW BRUNSWICK**

Suite 430

77 Westmorland Street

\***Fredericton**, New Brunswick Office hours: 08:30 – 16:30

#### NEWFOUNDLAND AND LABRADOR

TD Place Suite 702

140 Water Street

**St. John's**, Newfoundland Office hours: 08:30 – 16:30

#### **NOVA SCOTIA**

Maritime Centre
Suite 1508, 15th Floor
1505 Barrington Street
\*Halifax, Nova Scotia
Office hours: 08:30 – 16:30

#### **ONTARIO**

Standard Life Building Suite 330 120 King Street West \*Hamilton, Ontario

Office hours: 08:45 - 16:30

The Galleria
Suite 630
101 Frederick Street
\*Kitchener, Ontario

Office hours: 08:45 - 16:30

Suite 201, 2nd Floor 400 York Street \*London, Ontario

Office hours: 08:45 - 16:30

Central Parkway Mall Suite 116, 2nd Floor 377 Burnhamthorpe Road East **Mississauga**, Ontario Office hours: 08:00 – 17:00

Joseph Shepard Building Suite 380, 3rd Floor 4900 Yonge Street **North York**, Ontario Office hours: 08:00 – 17:00

C.D. Howe Building Level C, East Tower 240 Sparks Street \*Ottawa, Ontario Office hours: 07:30 – 16:30

Landmark Building
Suite 600
43 Church Street
\*St. Catharines, Ontario
Office hours: 08:45 – 16:30

Suite 210, 2nd Floor 200 Town Centre Court **Scarborough**, Ontario Office hours: 08:00 – 17:00

2nd Floor 979 Alloy Drive \***Thunder Bay**, Ontario Office hours: 08:45 – 16:30

Suite 300 74 Victoria Street **Toronto**, Ontario Office hours: 08:00 – 17:00

CIBC Building
Suite 1010
100 Ouellette Avenue
\*Windsor, Ontario
Office hours: 08:45 – 16:30

#### **OUÉBEC**

Place du Centre Commercial Level 2 200 Promenade du Portage \*Gatineau (Hull sector), Québec Office hours: 07:30 – 16:30

Immeuble Saint-Michel Suite 408 3885 Harvey Boulevard **Saguenay**, Québec

Office hours: 09:00 - 16:45

Suite 500, 5th Floor 3 Place Laval **Laval**, Québec Office hours: 07:30 – 16:30

Complexe Guy-Favreau
Suite 803, West Tower
200 René-Lévesque Boulevard W.
\*Montréal, Québec
Office hours: 07:30 – 16:30

Belle Cour Tower
Suite 2410, 4th Floor
Place de la Cité
2600 Laurier Boulevard
\*Québec, Québec
Office hours: 08:30 – 16:30
(Wednesdays: 09:30 – 16:30)

Suite 112 3300 Chemin Côte Vertu Saint-Laurent, Québec Office hours: 07:30 – 16:30

<sup>\*</sup> Official bilingual services offered

#### **SASKATCHEWAN**

Suite 500

1870 Albert Street

\***Regina**, Saskatchewan Office hours: 09:00 – 16:30

office flours. 00.00 10.0

Federal Building

Suite 405

101-22nd Street East

\*Saskatoon, Saskatchewan Office hours: 08:30 – 16:00

#### PRINCE EDWARD ISLAND

Canada Post Outlet 135 Kent Street

\*Charlottetown, Prince Edward Island

Office Hours: 08:00 - 17:15

Canada Post Outlet 57 Central Street

\*Summerside, Prince Edward Island

Office Hours: 08:00 - 17:00

#### MAILED-IN APPLICATIONS

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

#### APPLICATIONS SENT BY COURIER

Passport Office Place du Centre, Commercial Level 2 200 Promenade du Portage Gatineau (Hull sector), Quebec J8X 4B7 CANADA

#### **ENQUIRIES:**

#### **Local calls from:**

NCR 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 the deaf or hard of hearing persons):

NCR and area (819) 994-3560 Toll-free 1 866 255-7655

#### Web site:

www.ppt.gc.ca

An application form for a passport may be obtained:

- by downloading the on-line form
- from any regional passport office
- at any Canada Post outlet
- from any Canadian Mission outside Canada

<sup>\*</sup> Official bilingual services offered

