

Passport Office · Annual Report · 2003-2004

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Office - Annual Report - 2003-2004

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Message from the Chief Executive Officer

The significant increase in the volume of passport applications following 9/11 — initially thought to be a one-time phenomenon — continued unabated into 2003-2004 and the Passport Office had to contend with a workload that exceeded predictions and available resources. A measure of the challenges and changes facing the Passport Office is a striking rise in the number of Canadians holding passports — from just 28 per cent two years ago, to an expected 50 per cent three or four years from now.

Organizational and process improvements, especially in the mail-in operation, helped in dealing with the past year's busy season, which reached a peak volume of 70,000 passports per week. In-person and mail-in service standards were maintained, without a repeat of the previous year's mail-in crisis. Effective short and long-term strategies were introduced in response to particular pressures in the Greater Toronto Area (GTA) which had caused long waiting times. As part of our new strategy, additional offices and receiving agents are to be in place before the next busy season.

Meanwhile, work continued on longer-range solutions to our service challenges, with two initiatives of particular importance. First, we are re-engineering the processes in both our mail-in and in-person services. As noted, significant progress has already been made in our mail-in operation, and planning has begun for a comprehensive review of how our regional offices deliver services. Second, passport renewals are being streamlined and a pilot project began in the summer of 2004. Applicants who already have a valid passport, and personal information is on file in our automated database, will be allowed (subject of course to the usual security verification) to renew their passport in a much simplified way, without the need to appear in person or to resubmit much of the documentation originally required. Together, these steps will enable the Passport Office to cope with rising volumes while providing better service to our clients.

Despite the overwhelming demands on passport delivery services during the year, work moved ahead on important security initiatives. Anticipated new requirements for entry into the United States will include incorporation of an electronic chip in passport documents (which contains photo and data from the passport identification page), and insistence that all such documents be machine-readable. The Passport Office recognizes that it must continue to ensure that the Canadian passport remains at the leading edge of new developments and meets new international requirements defined by the International Civil Aviation Organization (ICAO).

Significant progress was made during 2003-2004 on two projects designed to deal with these challenges. First, passport printing is being repatriated to Canada from missions abroad, while a new, improved temporary document is being developed for issuance overseas for urgent travel requirements. This will ensure that all Canadian passports are machine-readable, and that all five-year passports will be in the new, digitized format. A pilot project on passport printing repatriation from abroad begins in the Fall of 2004. Second, a chip will be incorporated in the document that will enhance the protection of the traveller's identity. Research and development has also begun on the design of this new 'e-passport' that will protect against identity theft.

The greatest challenge to passport integrity arises from inconsistent policies governing the issuance of identity documents. To tackle this at the domestic level, the Passport Office has played an important role in supporting Foreign Affairs Canada (FAC) in establishing a Council on Identity of federal, provincial and territorial officials, and in developing an identity policy framework for consideration by their respective governments. Internationally, the Passport Office chaired important ICAO working groups that developed new technical standards and ensured the dissemination of information among ICAO members.

A rising volume of applications, plus more stringent security requirements imposed on applicants, could easily mean greater frustration for our clients. To deal with complaints and to informally mediate between clients and the organization, the Passport Office created the post of Ombudsman.

It is to the immense credit of all Passport Office employees that they have, again this year, been able to deal with the difficult day-to-day pressures described above, while continuing to make significant progress on the longer-term solutions to the service and security challenges we face in the new reality of the coming years. As I leave the office of CEO after more than eight years, those people are my proudest legacy. Our new CEO, Doreen Steidle, brings to the position a wealth of experience, expertise, and renewed energy. I wish her every success.

Michael J. Hutton

Organization & Service

Mission and Vision

Approach: Service, Costs, Security

Funding, Management, and Regional Service

Service to Clients

Types of Documents

Related Roles

Organization & Service



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Organization and Service

Mission and Vision

Our mission - to issue internationally respected travel documents.

Our vision - in a rapidly changing policy and technological environment, we aim to:

- be among the leaders in the Government of Canada in the field of secure identity and travel documents; and
- consistently meet clients' expectations.

Approach: Service, Costs, Security

The Passport Office is responsible for providing globally respected passports and travel documents so that an ever-growing number of Canadians can travel abroad as tourists or students, on business or for family reunions. This involves multiple challenges: to meet the mounting demand, provide prompt and cost-effective service to clients, and ensure the utmost integrity of Canadian documents in a time of intense, worldwide security concerns.

Funding, Management, and Regional Service

As a Special Operating Agency of FAC, the Passport Office meets its costs, much like the private sector, from the fees charged to clients, rather than from funds from the federal budget. However, the government has provided special support to meet the extra cost of security enhancements and to help prepare for Passport On-line.

The Passport Office is managed by the Chief Executive Officer (CEO), who reports through the Assistant Deputy Minister of Corporate Services, Passport and Consular Affairs at FAC, to the Deputy Minister and Minister of Foreign Affairs. A small executive committee that decides policy and activities, is composed of the CEO, the Chief Operating Officer, and the Directors of Security, Human Resources, and Corporate Services. Besides the Executive Committee, the Passport Office is organized into eight directorates — three functional (Corporate Planning and Executive Services; Information Management and Technology; and Financial and Administrative Services), one operational (Business Transformation) and four regional directorates (East, Central, Ontario, and West).

Service to Clients

Service is offered to clients by mail or at 29 public offices throughout Canada, in the four regions mentioned above. To improve access for clients, receiving agents are now available in Prince Edward Island, Quebec, Ontario, Manitoba and British Columbia through partnerships with Canada Post Corporation and Human Resources and Skills Development Canada, while people in the North (Yukon, Northwest Territories, and Nunavut) can apply by mail or through their Member of Parliament. The Passport Office can also provide non-citizens with Certificates of Identity and Travel Documents.

Canada's 32 million people hold nine million valid passports and make an estimated 18 million trips beyond our borders in the course of a year. To ease their way, Passport Office staff (about 1550 employees) carried out some 5.1 million transactions in 2003-2004 (an average of 20,319 each working day), issuing more than 2.5 million passports and other travel documents, and providing service within our service standards target times to the satisfaction of a large majority of clients.

As a public organization dealing with a wide range of client needs and circumstances, in a time of troubling security issues and accelerating technological change, the Passport Office seeks to maintain service standards while moving strongly forward to meet the challenge of complex new 21st century realities.

About 90% of travel documents are issued to clients who apply in person. Walk-in service is the fastest. Completed applications can be accepted by Canada Post Corporation outlets designated as receiving agents, for an additional administrative fee of \$15. Urgent or express service is available at regional passport offices for an extra charge. Also, emergency service is available beyond regular business hours in case of illness or death in the immediate family. If a passport is lost abroad, emergency service is available at the nearest Canadian mission. If an application arrives by mail, the passport is delivered by Xpresspost (or Fedex courier in the United States). Passport fees are: adult \$85, persons aged 3-15 \$35, and under age three \$20.

The Passport Office serves the public in both official languages in designated regions, and offers TTY (teletypewriter) service for people with a hearing disability. Passport application forms are also available in Braille and in electronic format for those with impaired vision. Information on our services can be found on our Web site, www.ppt.gc.ca, or through our call centre by calling toll-free 1-800-567-6868 from anywhere in Canada.

To deal with cases of denied or revoked passports, an independent Ombudsman service (the Adjudication and Conflict Management Office) was created in 2002. It also reviews unresolved complaints from the public and offers mediation services. For more information, please visit: www.ppt.gc.ca.

Types of Documents

The Passport Office provides seven types of travel documents to meet our clients' various needs:

The familiar **24-page passport** (navy-blue cover) makes up 98% of all the documents we issue.

The **48-page passport** is identical, except for the extra pages and is issued for the convenience of frequent travellers, such as business people.

Diplomatic passports are provided to Canadian diplomats, top ranking government officials, diplomatic couriers and private citizens nominated as official delegates to international diplomatic conferences.

Special passports are issued to people representing the Canadian government on official business. These include members of the Privy Council who are not members of the Cabinet, members of Parliament, provincial Cabinet members, public servants and private citizens nominated to conferences that are not diplomatic in nature.

Canadians stranded abroad may be issued **emergency passports** for return to Canada by Canadian government offices on behalf of the Passport Office.

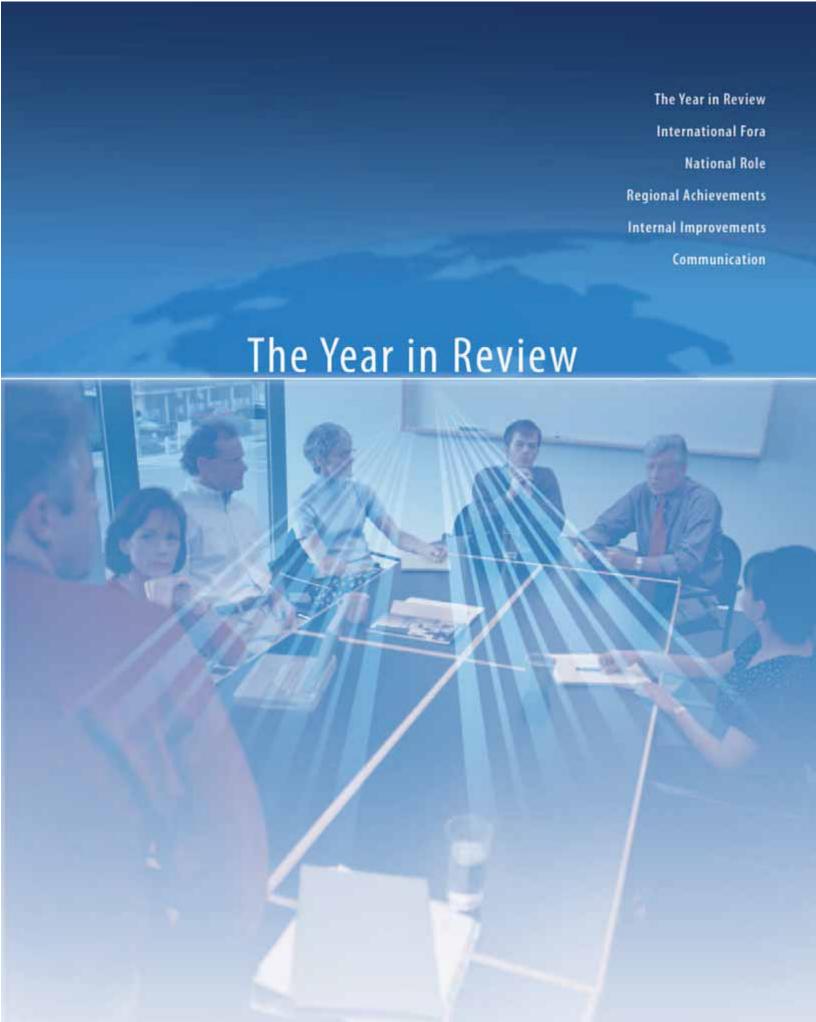
Travel Documents are issued to people who are determined by Citizenship and Immigration Canada to be refugees under the 1951 United Nations Convention and who are legally landed in Canada. Such documents are endorsed for travel to all countries, except to the holders country of origin, and are valid for two years with the possibility of extensions.

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 unable to obtain a passport or travel document from their country of origin. The Certificate of Identity, endorsed for travel to countries specified in the document, is valid for one to two years, with possible extensions.

Related Roles

In addition to direct service to the public, the Passport Office also plays several related roles in cooperation with other Government of Canada departments, as well as various international agencies. We work with police, security agents, border posts, and the federal, provincial and territorial authorities responsible for identity documents. There is also close cooperation with the Treasury Board Secretariat, the Office of the Information Commissioner of Canada, Citizenship and Immigration Canada, and the Canada Border Services Agency, in order to promote the travel document standards set by the ICAO.

Consulting and advisory services are provided to other government departments regarding the security standards of their documents. The Passport Office also deals with global security issues with such agencies as the ICAO and through participation in the Five Nations Group where we collaborate and share information with the passport authorities of Australia, New Zealand, the United Kingdom, and the United States.



The Year in Review

While front-line staff were responding to rising demands, tightened security, and the challenge of maintaining service standards throughout 2003-2004, the Passport Office was also working at the international, national, regional and internal levels, to strengthen systems and deal with current concerns and future requirements. All of this at a time when passport-related issues were often in the media spotlight.

International Fora

Internationally, the Passport Office played a leading role in the efforts of the ICAO to develop global standards for secure, standardized biometric documents, chairing two of three key working groups. Facial recognition has been selected as the prime technology for machine-readable travel documents. The Passport Office also contributed to related work by the International Standards Organization, the Standards Council of Canada, the G8, the Organization for Economic Co-operation and Development, the Organization for Security and Co-operation in Europe and the Asia-Pacific Economic Cooperation.

National Role

Within Canada, the Passport Office has been active in the Council on Identity, which is working toward new national standards that will allow full interoperability of vital statistics information among federal, provincial and territorial authorities. Our policy-related role, based on expertise in document security and identity confirmation, has also been growing. For instance, through cooperation with Indian and Northern Affairs Canada, and the Public Safety and Emergency Preparedness Department (formerly the Department of the Solicitor General). The Passport Office was also the lead agency in security-related work towards data-sharing with front-line government officers of other government departments.

Regional Achievements

Regionally, staff were finding practical ways to cope with burgeoning demand by maximizing the efficient use of available resources. In the Eastern region, for example, Quebec's overburdened Saint-Laurent office added an evening shift to ease the pressure and reduce waiting times. Elsewhere, some of the region's busiest offices speeded the process by doing a preliminary screening and then passing files to other quieter offices for full examination. The Ontario region faced a 13.4% increase in applications, with demand exceeding capacity during the winter in the GTA (where 100,000 of Canada's 250,000 immigrants settle annually). Hard-pressed staff carried out pre-screening and drew on capacity in other offices to cut waiting time, and the office managed to resume service within two days of the August 2003 power blackout. Likewise, the central mail-in service improved processes and shared workload more equally in order to meet clients' needs.

Internal Improvements

Internally, a security review was conducted of all 29 regional offices as well as the two print centres, and information technology security was strengthened. The two new print centres were opened in 2002-2003 to centralize passport printing, increase productivity, and enhance the secure printing process.

A new policy for found passports was adopted, ensuring that documents that are reported lost and/or stolen are no longer automatically returned to the applicant (in keeping with policy in other like-minded nations). Direct entry of information about lost or stolen passports into the Canadian Police Information Centre (CPIC) database to respond to the observations of the Office of the Auditor General (OAG) was implemented in cooperation with the Royal Canadian Mounted Police (RCMP). Passport photo specifications were revised to meet ICAO standards (dimensions, neutral expression and background), and existing IRIS® technology was enhanced to extend its useful lifespan.

Communication

During the year, the Passport Office participated in travel show events to inform Canadians about its services and to address their concerns regarding the new photo specifications and children's passports.

Passport-related stories appeared with unusual frequency in the media during 2003-2004. Proposals for biometrics and a national ID card sparked debate, while several specific cases involving passports received front-page treatment. Other reports dealt with the new facial-expression requirements, waiting lines at regional offices, and the OAG's comments on a lack of communication about lost or stolen passports. Peak-season overloading and backlogs in the GTA offices also drew criticism.

Ongoing themes during 2003-2004 included the security-versus-privacy debate (with public unease about the 'biometric' concept), resistance to any further fee increase, and potential difficulties as the United States moves to tighten its borders to citizens of other countries.



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Toward a New Reality

Very clearly, the 21st century has brought — along with ever-increasing globalization of trade, commerce, travel and terrorism — difficult new challenges for passport authorities worldwide. This is especially true for Canada: last year, Canadians made five million trips overseas (an increase of 8.5%) and the volume of passports issued rose to more than 2.5 million.

The Passport Office moved forward on many fronts in 2003-2004 to cope with growing demand and new priorities. In order to keep abreast of the fast-changing reality of our times, the Passport Office will need to innovate and improve.

Greater Toronto Area Backlog

The peak-season backlog in the GTA, where volume jumped by some 11%, showed all the symptoms of a system under stress: line-ups, long waits, confusion about the new photo specifications, and complaints. Beyond the immediate measures already mentioned, the Passport Office is carrying out a variety of projects to re-engineer the way we work.

One such initiative is a basic review and standardization of the mail-in application process, in order to improve efficiency, increase capacity, reduce turnaround time, and cut costs. The project was launched in 2003-2004 and will proceed in 2004-2005.

Partnerships

Another important approach to improving service and responding to new realities is through partnerships with other government agencies and departments. To ease access to passport services, we have established a growing number of receiving agents in locations more convenient for many clients. Our first collaboration was with Canada Post Corporation. Now, a pilot project is also taking place with three offices of Human Resources and Skills Development Canada. We have also worked in cooperation with the RCMP to improve the flow of passport-related information, in order to strengthen security and protect the integrity of the Canadian passport.

Office of the Auditor General(OAG)

The March 2004 Report of the OAG included three passport-related observations on national security, concerning lessons learned, and the processing of lost or stolen passport data. In response, the Passport Office implemented system improvements —such as new authorization to enter lost/stolen data directly into the CPIC database—but noted that there are continuing concerns about privacy issues that remain a barrier to full data-sharing among all government agencies. The Passport Office will continue to do its part in 2004-2005 to ensure increased lateral cooperation among government departments in its working environment.

Photo Standards

Global standards are a vital aspect of the new reality. In August 2003, the ICAO introduced new photo specifications for travel documents (standard size, face-on, neutral expression, light-coloured background). The Passport Office adopted the new rules immediately and informed commercial photographers, allowing a brief period of flexibility; initial complaints, rejection rates, and media coverage subsided as photographers adapted to ICAO's standards. However, for the 2004-2005 fiscal year, the Passport Office expects to report favourably on its efforts in meeting the challenges of photo quality and consistency.

Five Nations Group

To share experiences and ideas, the passport offices of five nations — Australia, Canada, New Zealand, the United Kingdom, and the United States — have met and communicated regularly since the early '90s. Some other countries switched from a five-year to a 10-year passport validity a decade ago to cut operational costs; Canada retained the five-year period, based on an evaluation showing that security concerns outweighed potential savings — a decision confirmed by the post — 9/11 reality, and the rapid emergence of new technology. The short term of Canada's passport makes it easier to adopt new technology and enhances the possibility of preventing international child abduction and identity theft. An interesting sidelight: in 2003-2004, on a per capita basis, Canada issued more than three times as many passports as the United States.

All five nations, certainly including Canada, have made major changes since 2001 to improve the security and integrity of their travel documents. The Passport Office will need to keep abreast of new developments worldwide, continue to revise and improve the way we work, and stay at the leading edge of technological advances, in order to cope with the radically new reality of the early 21st century and the impact of future events and circumstances.





Performance

Volume and Workload

With the percentage of Canadians holding passports rising rapidly (to 31% in 2003), and the actual number of valid passports in circulation growing two to three times faster since September 11, 2001, the Passport Office handled record workloads in 2003-2004.

The number of passports and other travel documents issued in Canada during the year reached 2,514,751, a 15% increase over the previous year, and 5% higher than forecast. Among them were: 15,983 48-page passports, and 5996 Travel Documents. Missions abroad issued an estimated 102,000 of these documents, while the balance were issued in Canada.

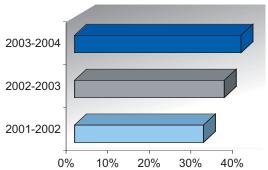
During the year, the Passport Office dealt with a large volume of correspondence (some 38,000 letters and e-mails, including questions, 1046 complaints and 283 commendations). In addition, more than 1.3 million people (1,385,959) downloaded application forms from our Web site while more than 2.8 million (2,870,011) visited the site itself.

Travel Do	cuments Iss	sued in Ca	nada and	Abroad	
Issued in Canada	2001-2002	2002-2003	% change	2003-2004	% change
24-page passports	1,899,574	2,146,636	13.3	2,477,553	15.1
48-page passports	16,635	15,465	-7.0	15,983	3.3
Special passports	10,753	9,431	-12.3	12,800	35.7
Diplomatic passports	1,628	1,871	14.9	1,844	-1.4
Certificates of Identity	725	638	-12.0	675	5.8
Travel Documents	5,498	6,181	12.4	5,996	-3.0
TOTAL	1,934,813	2,185,833	13.0	2,514,751	15.0
Issued at Posts abroad				estimated	
24-page passports	89,569	82,357	8.1	84,866	3.0
48-page passports	13,992	16,344	-16.8	15,105	-7.6
Special passports	86	190	120.9	181	-4.7
Diplomatic passports	521	495	-5.0	657	32.7
Emergency passports	1,230	1,925	56.5	1,191	-38.1
TOTAL	105,398	101,311	-3.9	102,000	0.7
Total Issued				estimated	
24-page passports	1,989,143	2,234,604	12.3	2,562,319	14.7
48-page passports	30,627	31,809	3.9	31,088	-2.3
Special passports	10,839	9,621	-11.2	12,981	34.9
Diplomatic passports	2,149	2,366	10.1	2,501	5.7
Certificates of Identity	725	638	-12.0	675	5.8
Travel Documents	5,498	6,181	12.4	5,996	-3.0
Emergency passports	1,230	1,925	56.5	1,191	-38.1
TOTAL	2,040,211	2,287,147	12.1	2,616,751	14.4

Waiting Time

One consequence of this workload was an increase in waiting time for walk-in clients at passport offices, where 2.1 million people were served (300,000 above capacity). Despite using the Q-Matic system to maximize efficiency and minimize waiting times, the overall national average percentage of clients waiting more than 45 minutes

Increase in waiting time at regional offices (more than 45 minutes)



rose to 40% (compared to 36% the year before). Waiting times were particularly long in the five offices in the GTA, where demand was much higher than expected.

Service Standards

The percentage of passports delivered by regional offices within the service standard of 10 working days dropped slightly from 96 to 95%, because of unanticipated high volume and a higher spoilage rate as the new passport printing system came on stream in 2003. For applications by mail, 94% of passports were returned within the service standard of 20 working days, as compared to a 98% return rate for the Receiving Agent Program with a service standard of 15 working days. Although call centres handled 784,217 calls, a rise of more than 18%, the average wait time to speak with an agent fell from eight minutes to just three, after the number of agents was increased.

		Turnaround time	2002-2003	2003-2004	Goal
Regional offices	Standard	10 working days	95.97 %	95.27 %	100%
	Urgent	next working day	98.87 %	99.11 %	100%
	Express	2 - 9 working days	99.67 %	99.98 %	100%
Mail-in applications	Standard	20 working days	21.29 %	94.87 %	100%
Receiving Agents	Standard	15 working days	95.79 %	98.16 %	100%

Client Distribution

By region, more than 45% of passports issued in 2003-2004 went to people in Ontario, compared to almost 21% for Quebec and nearly 30% for the western provinces.

0.09% Yukon 0.11% NWT 14.61% British Columbia 9.99% Alberta 1.89% Saskatchewan 2 57% Manitoba 45.53% Ontario 20.95% Quebec 1.23% New Brunswick 2.03% Nova Scotia 0.26% PFI 0.75% Newfoundland

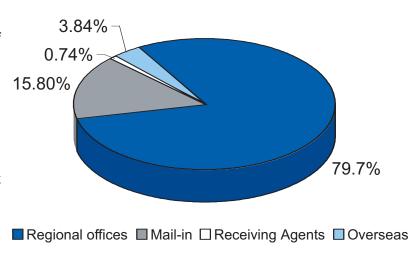
Percentage of passports issued by provinces

Demographically, 76% of the passports issued in Canada went to people 54 years of age and under, who make up 79% of the total population. Twelve per cent of passport holders were between the ages of four and 15, a 3% increase over the previous year. This is the direct result of a policy change introduced in 2001. (This one-person, one-passport policy, where children must have their own passport and cannot be covered by a parent's passport was taken to make international child abduction or kidnapping more difficult.)

Business Channel

An analysis of business channels indicates that about 80% of applicants went to a regional walk-in office. Mail-in applications increased to almost 16% of all applications, from 13% in the previous year, while the expanding number of receiving agents took in some 20,000 applications, compared to just over 5500 the year before. Oversea applications accounted for the balance.

Percentage of applications by business channel



Staffing

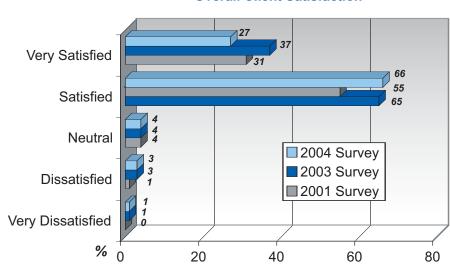
The number of Passport Office employees rose to 1550 in 2003-2004, a 17% increase over the previous year, with 74% working in operations and 26% at Headquarters. The turnover rate for permanent staff decreased slightly to 10%, from 14% the year before.

Client Satisfaction

Previously, national client satisfaction surveys were carried out in the spring, as in 2001 and 2003. In 2004, interviews were conducted during our January-to-March peak season to more accurately measure customer satisfaction during our high volume

period. The overall satisfaction level for 2004 was 93%, similar to previous years, but clients saying they were 'very satisfied' fell to 27%, down from 37% in 2003 - perhaps reflecting the pressures that operations faced during the busy season and wait times in certain offices.

The prime values sought Very Dissatisfied by clients shifted from service reliability in (pre- % 9/11) 2001 to product

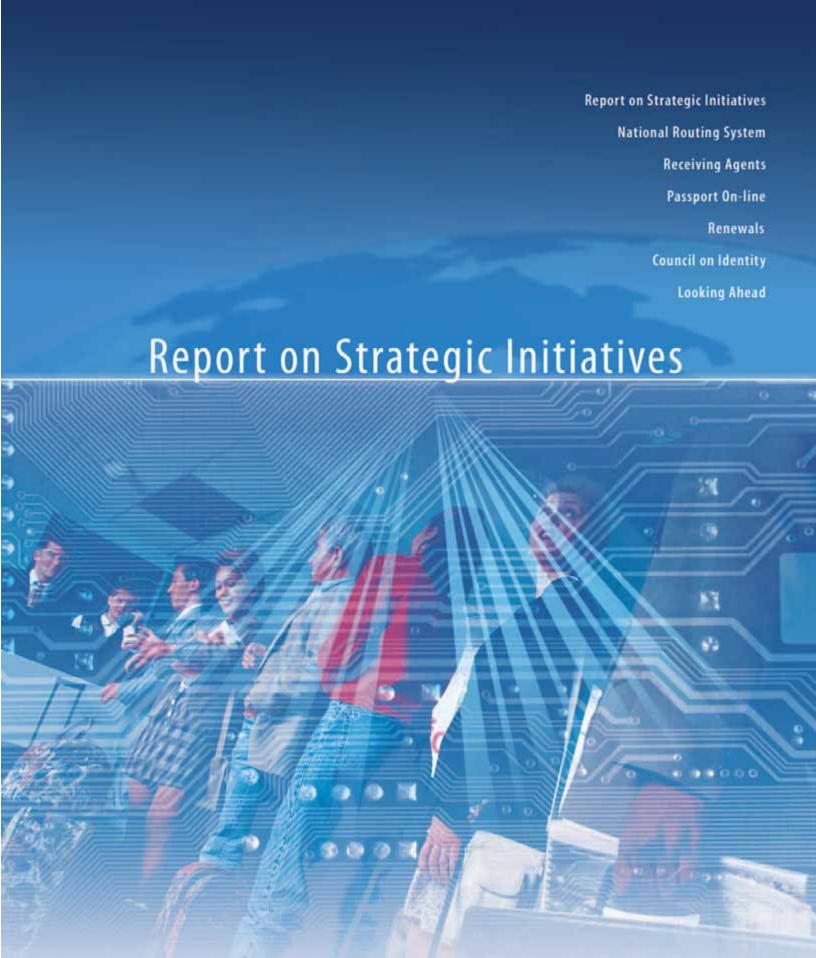


Overall Client Satisfaction

security in 2003, then stabilized in 2004 with signs of diminishing security concerns suggesting that the Passport Office needs to continue monitoring client expectations in order to better address client service.

The top five elements of client satisfaction in 2004 were: staff competence, answers provided to questions, ease of access to information, understanding of the client's particular needs and (for mail-in applications only) the waiting time to receive the passport. Passport security was seen as just a component of basic service.

In response to these national surveys, the Passport Office has expanded the use of the Q-Matic system where warranted; is increasing the number of receiving agents, and will increase the number of Passport Office counter-service locations for receiving applications. The goal of any world-class organization is to improve the 'very satisfied' response level. To achieve this, the Passport Office will focus on two top priorities: improving the total time and effort of the application process, and easing the access to services.



Report on Strategic Initiatives

The Passport Office must provide the public with a reliable, flexible, and efficient passport service to enable the ever-growing number of Canadians to move freely throughout the world while maintaining Canada's international reputation, ensuring the integrity of our travel documents, and protecting Canadians and others against criminal use of personal identity, documents and information.

To meet these multiple priorities, several important strategic initiatives — designed to improve service and simplify processes while strengthening security — are being carried forward. Along with a continuing review of the way we work plus our continuing search for more efficiencies and improvements; these and other major initiatives will help us satisfy clients' expectations as well as the new security requirements of the years ahead.

National Routing System

The E-Links project, intended to speed the verification process by electronically connecting the provincial and territorial vital statistics databases, moved ahead in 2003-2004. Intergovernmental consultations on various issues, including privacy concerns, were also held. The e-links concept and design was similar to an earlier initiative, the National Vital Events Data Routing System, conceived by Statistics Canada in consultation with the Vital Statistics Council for Canada. The two initiatives merged into an enabling project, the National Routing System, which will not only enhance identity authentication but also, through the exchange of vital events data, will generate savings for many federal programs. Statistics Canada, the Canada Border Services Agency and the Passport Office will pilot the National Routing System, during the next few years.

Receiving Agents

In partnership with Canada Post Corporation, 12 new locations were opened in Quebec, southern Ontario and the GTA, resulting in an increased volume of applications. This initiative evolved to become a program. A six-month pilot project was launched with Human Resources and Skills Development Canada, with three Service Canada Access Centres (Kamloops, British Columbia, Brandon, Manitoba, and Drummondville, Quebec) acting as receiving agents. Plans are to expand the Receiving Agent project in 2004-2005 by opening additional outlets in designated locations.

Passport On-line

As part of Canada's Government On-line initiative, the Passport Office intends to develop a user-friendly system enabling Canadians to submit passport applications from anywhere, securely, quickly and conveniently. Already, application forms can be downloaded from our Web site (www.ppt.gc.ca), and we are now developing an interactive form that will permit clients to enter personal information directly into our system. The Passport Office expects to implement Phase I of Passport On-line in 2004-2005.

Renewals

A streamlined system for passport renewals is in an advanced stage of development, with a pilot project to begin soon. Instead of resubmitting original documents and personal information, select passport holders will only need to complete a simplified form, provide a new photo and pay the fee. This will save our clients effort, time and money.

Council on Identity

The Passport Office is continuing to work with the Federal/Provincial/Territorial Council on Identity to develop an explicit Identity Policy for Canada. This initiative, complemented by the National Routing System Project, will lead to a formal policy framework for support of identity-related initiatives across Canada.

Looking Ahead

Efforts to improve access, cut waiting times, tailor services, and adopt the best new technology will continue to receive priority attention so that Canadians will have a passport system that satisfies their needs while protecting their privacy and safeguarding them against identity thieves and document forgers.

We will enhance our entitlement process by improving the way we authenticate a client's identity in order to issue passports, and we will protect the integrity of the passport so that it meets or exceeds international standards. In recent years, the Passport Office — like its counterparts in other countries — has undergone a significant transformation of the services it provides. At the same time, we will be introducing new services to make the application process easier, while increasing our tools for managing demand (Passport On-line, simplified renewals, a range of delivery channels, etc).

Through these and other initiatives, the Passport Office seeks to maximize security, service and efficiency as it issues internationally respected Canadian travel documents to our millions of clients.

Financial Statements

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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 Financial and Administrative Services Directorate 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:

Gary K. McDonald **Executive Director**

Corporate Services

Michael J. Hutton Chief Executive Officer

Auditor's Report

To the Assistant Deputy Minister, Corporate Services, Passport, and Consular Affairs Passport Office Revolving Fund

We have audited the balance sheet of the Passport Office Revolving Fund as at March 31, 2004 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements have been prepared to comply with the Revolving Funds Act. 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 at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting for revolving funds of the Government of Canada as described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Assistant Deputy Minister, Corporate Services, Passport and Consular Affairs and for complying with the Revolving Funds Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada May 21, 2004

Chartered Accountants

Ernst * young LP

Statement of financial position As at March 31, 2004 (In thousands of dollars)

	2004		2003
Assets			
Current:			
Accounts receivables:			
Government of Canada (Note 8) \$	196	\$	3,005
Outside parties	191		257
Inventories	5,918		5,450
Prepaid expenses	275		433
	6,580		9,145
Long-term:			
Capital assets (Note 3):			
At cost	92,976		3,085
Less accumulated amortization	54,479		2,048
	38,497	3	1,037
\$	45,077	\$ 4	0,182
Liabilities and Equity of Canada			
Current:			
Accounts payables and accrued liabilities:			
Government of Canada (Note 8) \$	4,385	\$	1,661
Outside parties:	4,505	Ψ	1,001
·	7.450		0.000
Accounts payable	7,156		6,986
Vacation pay	2,371		2,100
Contractors' holdbacks	101		370
Deferred lease inducement (Note 4)	-		253
Current portion of the provision for employee termination benefits	on 188		355
	4,477		4,500
Current portion of the loan (Note 5)	18,678		4,300 6,225
Long-term:	10,070	,	0,223
Provision for employee termination benefits	9,541		8,060
Loan payable (Note 5)	-		4,246
233 pa) 44 (********************************	9,541		2,306
Equity of Canada (Note 6)	•		•
Accumulated net charge against the Fund's authority	(20,063)	(1	6,278)
Accumulated surplus	36,921	2	7,929
·	16,858		1,651
Commitments (Note 7)	•		•

Statement of Operations

For the period ended March 31, 2004 (In thousands of dollars)

	2004	2003
Revenues:		
Fees earned	\$ 158,103	\$ 136,197
Miscellaneous revenues	267	566
	158,370	136,763
Operating expenses:		
Salaries and employee benefits	84,414	69,394
Provision for employee termination benefits	1,461	786
Passport materials and application forms	12,498	9,663
Freight, express and cartage	9,229	5,998
Amortization of capital assets	8,862	20,932
Accommodation	7,692	6,657
Professional and special services	7,642	6,027
Passport operations at missions abroad (Note 8)	4,447	4,447
Printing, stationery and supplies	3,094	4,697
Repair and maintenance	2,630	1,710
Telecommunications	1,961	1,840
Information	1,774	1,832
Travel and removal	1,589	1,976
Postal services and postage	1,448	1,803
Rentals	276	259
Interest	243	467
Miscellaneous expenses	118	280
•	149,378	138,768
Net income (loss)	\$ 8,992	\$ (2,005)

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

Statement of Accumulated Surplus

For the period ended March 31, 2004 (In thousands of dollars)

	2004	2003
Balance, beginning of year	\$ 27,929	\$ 29,934
Net income (loss)	8,992	(2,005)
Balance, end of year	\$ 36,921	\$ 27,929

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

Statement of Cash Flow

For the period ended March 31, 2004 (In thousands of dollars)

	2004		2003
Operating activities:			
Net income (loss) \$	8,992	\$	(2,005)
Add:	0,002	Ψ.	(=,000)
Provision for employee termination benefits	1,461		786
Amortization of capital assets	8,862		20,932
Deferred leasehold inducements	(253)		(85)
Accrued interest on loan	231		449
	19,293		20,077
Changes in current assets and liabilities	5,461		(7,329)
Payment of employee termination benefits	(147)		(270)
	24,607		12,478
Investing activities			
Capital assets acquired	(16,322)		(14,953)
Financing activities			
Repayment of the loan payable	(4,500)		-
Net financial resources used and changed in the accumulated	<u> </u>		
net charge against the Fund's authority account, during the			
year	3,785		(2,475)
Accumulated net charge against the Fund's authority account	,		
beginning of year	16,278		18,753
Accumulated net charge against the Fund's authority account			
end of year \$	20,063	\$	16,278

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

Notes to the Financial Statements, page 1 March 31, 2004

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 Funds 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 \$4,000,000 at any time. An amount of \$746,000 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. The Passport Office is a non-taxable entity.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting requirements prescribed by the policy of Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada for financial statements prepared under the Revolving Funds Act. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

- employees' vacation pay and termination benefits liabilities are based on management's estimate of the liabilities rather than based on actuarial valuations:
- It excludes the actuarial liabilities related to the Pension Plan and therefore, the financial statements do not purport to show the adequacy of the assets to meet its Pension obligations;
- write-off of accumulated surplus is possible and only requires Treasury Board approval; and
- revenues from passport fees are recognized upon application and receipt of payment rather than when passports are issued.

(b) Revenue recognition:

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

Notes to the Financial Statements, page 2 March 31, 2004

2. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of financial statements 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. The more significant areas requiring the use of estimates relate to employee termination benefits and to accrued liabilities. 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.

(d) Inventories:

The inventory of materials and supplies is carried at cost using the average cost method.

(e) Capital assets:

Leasehold improvements are amortized on a straight-line basis over the term of the leases. 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 10 years
Electronic data processing (EDP) equipment	3 - 5 years
Other machines and equipment	5 years

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
Technology Enhancement Plan (TEP)	
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.

Notes to the Financial Statements, page 3 March 31, 2004

2. Significant accounting policies (continued):

(f) Insurance:

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

(g) 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.

(h) 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*.

(i) Financial instruments:

The fair value of the Fund's financial instruments, including accounts receivable, accounts payable and accrued liabilities and loan payable, approximates carrying value.

Notes to the Financial Statements. page 4 March 31, 2004

3. Capital assets and accumulated amortization:

(In thousands of dollars)

Capital assets and accumulated amortization:

(In thousands of dollars)

Capital assets	Balance, beginning of year	Acqu	isitions	Di	sposals	Balance, end of year
Technology Enhancement						
Plan Project	\$ 33,877	\$	_	\$	_	\$ 33,877
Other capital projects	41,227		15,443	·	7,195	49,475
Furniture	2,360		_		_	2,360
EDP equipment	12,814		873		6,726	6,961
Other machine and equipment	2,807		6		2,510	303
	\$ 93,085	\$	16,322	\$	16,431	\$ 92, 976

Accumulated amortization	k	Balance, beginning of year	Amorti	zation	D	isposals	Balance, end of year
						<u> </u>	
Technology Enhancement							
Plan Project	\$	32,403	\$	658	\$	_	\$ 33,061
Other capital projects		16,808		6,713		7,136	16,385
Furniture		1,919		194		_	2,113
EDP equipment		8,217		1,305		6,785	2,737
Other machine and equipment		2,701		(8)		2,510	183
	\$	62,048	\$	8,862	\$	16,431	\$ 54,479

Other capital projects category includes leasehold improvements.

Notes to the Financial Statements. page 5 March 31, 2004

4. 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. In fiscal year 2004, \$253,228 (2003 - \$85,000) was recognized as a reduction of rent expense since the lease has been terminated.

5. Loan payable:

Pursuant to Treasury Board Decision # 828716 dated February 8, 2001, the Passport Office received an amount of \$7,800,000 as a loan from FAC and bearing interest at an annual rate of 5.42%. The initial amount and interest in the amount of \$1,177,000 are repayable as follows:

2003 - 2004 \$ 4,500,000 2004 - 2005 \$ 4,477,000

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 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 \$746,000 upon establishment of the Fund.

7. Commitments:

(In thousands of dollars)

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 are approximately as follows:

2005	\$ 9,943
2006	7,453
2007	6,235
2008	5,669
2009 and thereafter	3,782

\$ 33,082

Notes to the Financial Statements, page 6 March 31, 2004

7. Commitments (continued):

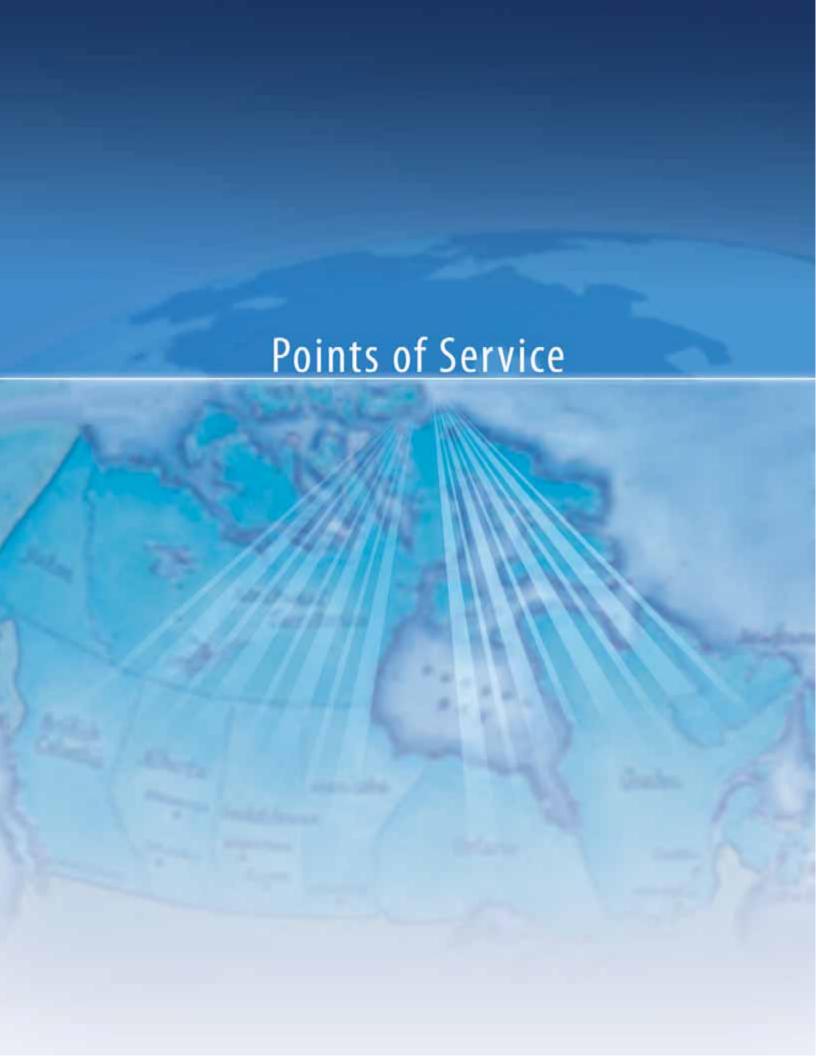
(In thousands of dollars)

The Passport Office signed a contract for the purchase of passport materials, which expires in May 2008. Future minimum payments by year are approximately as follows:

2005	\$ 6	5,991
2006		5,924
2007	6	6,923
2008	6	6,923
2009	1	,154
	\$ 2	28,915

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. All related party transactions are accounted for at the exchange amount, which represents the consideration agreed to by both parties. As part of its operations the Passport Office, which is an agency of Foreign Affairs Canada (FAC), collects Consular fees on behalf of FAC Consular Affairs Bureau. These fees are not recorded as revenues in the statement of operations. In fiscal year 2004, the Fund collected and remitted to FAC \$51,594,200 (2003 - \$45,587,385).



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Passport Office Points of Service

(As of June 2004)

Newfoundland and Labrador

St. John's (Service offered in English only)
Suite 802
TD Place
140 Water Street

Office hours: 08:30 - 16:30

New Brunswick

Fredericton

Suite 430 Frederick Square 77 Westmorland Street Office hours: 08:30 - 16:30

Nova Scotia

Halifax

Suite 1508, 15th Floor Maritime Centre 1505 Barrington Street Office hours: 08:30 - 16:30

Quebec

Gatineau (Hull sector)

Commercial Level 2 Place du Centre 200 Promenade du Portage Office hours: 08:30 - 16:30

Montréal

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

Saint-Laurent

Suite 112 3300 Côte Vertu Boulevard Office hours: 07:30 - 16:30

Laval

Suite 500, 5th Floor 3 Place Laval Office hours: 07:30 - 16:30

Saguenay

Suite 408 Immeuble Saint-Michel 3885 Harvey Boulevard Office hours: 09:00 - 16:45

Québec

Suite 2410, 4th Floor Belle Cour Tower Place de la Cité 2600 Laurier Boulevard Office hours: 08:30 - 16:30 Wednesday: 09:30 - 16:30

Ontario

Hamilton

Suite 330 Standard Life Building 120 King Street West

Office hours: 08:45 - 16:30

London

Suite 201, 2nd Floor 400 York Street

Office hours: 08:45 - 16:30

North York

Suite 380. 3rd Floor Joseph Shepard Building 4900 Yonge Street

Office hours: 08:00 - 16:30

Scarborough (Service offered in English only)

Suite 210

200 Town Centre Court Office hours: 08:00 - 16:30

Thunder Bay

2nd Floor

979 Alloy Drive

Office hours: 08:45 - 16:30

Windsor

Suite 503 CIBC Building

100 Ouellette Avenue

Office hours: 08:45 - 16:30

Manitoba

Winnipeg Suite 400

433 Main Street

Office hours: 08:00 - 16:00

Kitchener

Suite 630

The Galleria

101 Frederick Street

Office hours: 08:45 - 16:30

Mississauga

Suite 116, 2nd Floor Central Parkway Mall

377 Burnhamthorpe Road East

Office hours: 08:00 - 16:30

Ottawa

Level C, East Tower C.D. Howe Building

240 Sparks Street

Office hours: 08:30 - 16:30

St. Catharines

Suite 600

Landmark Building 43 Church Street

Office hours: 08:45 - 16:30

(Service offered in English only) Toronto

Suite 300

74 Victoria Street

Office hours: 08:00 - 16:30

Saskatchewan

Regina Saskatoon Suite 500 Suite 405

1870 Albert Street Federal Building
Office hours: 09:00 - 16:30 101-22nd Street East

Office hours: 08:30 - 16:00

Alberta

Calgary

Suite 254

Harry Hays Building
220-4th Avenue South East

Office hours: 08:30 - 16:30

Suite 160

Canada Place Building
9700 Jasper Avenue
Office hours: 08:30 - 16:30

British Columbia

Office hours: 08:30 - 16:30

Vancouver (Service offered in English only) Richmond

Suite 200 Suite 135
Sinclair Centre 8011 Saba Road
757 Hastings Street West Office hours: 08:30 - 16:00

Office hours: 07:30 - 16:00 Office hours: 08:30 - 16:00

Victoria (Service offered in English only) Surrey
Suite 900

5th Floor 13401-108th Avenue Scotiabank Building Office hours: 08:00 - 16:30

747 Fort Street

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Canada Post Receiving Agent Points of Service

(As of June 2004)

Prince Edward Island

Charlottetown

135 Kent Street

Office hours: 08:00 - 17:15

Summerside

57 Central Street

Office hours: 08:15 - 17:00

Quebec

Anjou

7200 Joseph-Renaud Street Office hours: 09:00 - 17:30 Beaconsfield

186 Sutton Place

Office hours: 09:00 - 17:00

Boucherville

131 Jacques-Ménard Street Office hours: 08:30 - 17:45 **Brossard**

10 Place du Commerce Office hours: 08:00 - 18:00

Cap Rouge

1100 De la Chaudière Boulevard Office hours: 08:45 - 17:45 Saturday: 09:00 - 12:00 Lasalle

7565 Newman Boulevard Office hours: 09:00 - 17:30

Lévis

5955 St-Laurent Street Office hours: 08:30 - 17:00 **Pierrefonds**

14975 Pierrefonds Boulevard Office hours: 09:00 - 17:00

Pointe-Claire

15 Donegani Avenue

Office hours: 09:00 - 17:00

Québec

Terminus Station 300 Saint Paul Street Office hours: 08:00 - 17:45

Québec

Haute Ville 5 Du Fort Street

Office hours: 08:00 - 17:45

136 St-Germain Street West

Office hours: 08:30 - 17:30

Québec

Suite 119 Les Galeries de la Capitale

5401 Des Galeries Boulevard Office hours:

Jilice nours:

Monday, Tuesday and Wednesday:

09:30-17:30

Thursday and Friday:09:30-21:00

Saturday: 09:30-17:00

Sherbrooke

Rimouski

50 Place de la Cité

Office hours: 08:30 - 17:00

Saint Bruno

50 de la Rabastalière Street West Office hours: 09:00-17:00

11100 110013. 03.00-17.00

Trois-Rivières

1285 Notre Dame Street Office hours: 08:00 - 17:30

Orangeville

Sudbury

1 Lisgar Street

Office hours: 08:30 - 17:30

Ontario

Acton **Ancaster**

53 Bower Street 27 Legend Court Office hours: 08:00 - 17:00 Office hours: 08:00 - 19:00 Saturday: 10:00 - 18:00

Aurora

20 Wellington Street East Barrie Office hours: 08:30 - 17:15 150 Collier Street Office hours: 08:00 - 17:15

Bracebridge

98 Manitoba Street **Bradford** Office hours: 08:30 - 17:30 50 Barrie Street Office hours: 09:00 - 17:15

Georgetown

112 Guelph Street Markham Office hours: 08:30 - 17:30 21 Main Street North Office hours: 08:00 - 17:45

Midland

525 Dominion Avenue North Bay Office hours: 08:30 - 17:15 101 Worthington Avenue Office hours: 08:30 - 17:00

Oakville

193 Church Street Office hours: 08:00 - 17:30 216 Broadway Avenue Office hours: 08:00 - 17:00

Orillia

25 Peter Street North Oshawa Office hours: 08:00 - 17:30 47 Simcoe Street South Office hours: 08:00 - 17:00

Owen Sound

901 Third Avenue East **Pickering** Office hours: 08:00 - 17:00 1740 Kingston Road Office hours: 08:00 - 17:45

Sudbury

1776 Lasalle Boulevard Office hours: 08:30 - 16:30

Saturday: 10:00 - 18:00

Toronto

2384 Yonge Street Uxbridge Office hours: Monday, Tuesday and 67 Brock Street West

Wednesday: 08:00 - 18:00 Office hours: 09:00 - 17:15

Thursday and Friday: 08:00 - 21:00

Human Resources and Skills Development Canada Receiving Agent Points of Service

(As of June 2004)

Quebec

Drummondville

Service Canada Access Centre Human Resource Centre 1525 Saint-Joseph Boulevard

Office hours: Monday, Tuesday, Thursday and Friday: 08:15 - 16:00

Wednesday: 09:30 - 16:00

Manitoba

Brandon

Service Canada Access Centre Human Resource Centre Suite 100 1039 Princess Avenue

Office hours: 08:00 - 16:30

British Columbia

Kamloops

Service Canada Access Centre Human Resource Centre 235 Lansdowne Street Office hours: 09:00 - 16:30