



ENHANCED SECURITY

PASSPORT OFFICE | ANNUAL REPORT

2002-2003

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Our last annual report described the impact of the events of September 11, 2001, and the various measures the Passport Office initiated to respond to this new reality. During

2002-2003, we continued to follow up on the steps taken to enhance the security of our documents and processes. The new, more secure, digitized passport began to be introduced across our operations. We expect that by fall 2003, all passports produced in Canada will be the new version. Enhanced verification of passport applications has resulted in better information and greater sensitivity to security concerns among applicants and guarantors alike. The Office also undertook an extensive review of internal security processes and facilities, generating many recommendations for improvement, all of which are now being dealt with.

Progress has also been realized on several other important security initiatives begun the previous year. The facial recognition project is close to completing its assessment of various software programs. A recommendation to the government, based on this assessment, will be made concerning the introduction of this technology into passport operations. The project has become even more relevant due to the recent acceptance by the International Civil Aviation Organization of facial recognition as the preferred biometrics standard for travel documents. To improve the passport entitlement process, we launched a study last year to explore the concept of electronic linkages with provincial authorities responsible for issuing identity documents. Significant progress has been made on the first such project, with the Province of British Columbia. Related to this effort is the creation of an Identity Council of federal-provincial officials dealing with questions of identity, such as registrars and vital statisticians. The Council is working to provide a policy framework to ensure better coordination of efforts in this field. The Passport Office acts as its Secretariat.

WE HAVE DEVELOPED A NEW DESIGN FOR THE CANADIAN PASSPORT, WITH ENHANCED SECURITY FEATURES MAKING ALTERATION OR FORGERY ALMOST IMPOSSIBLE.

During this period, as well, the issue of the role of biometrics in travel documents became significantly more urgent worldwide. The Passport Office established or reinforced its participation in the various national and international fora established for this purpose and began to strengthen its own internal expertise in this area.

Over the past year we also became aware that the dramatic increase in volume following September 11, 2001 was not a one-time or isolated phenomenon. We are now convinced that a fairly dramatic shift in attitude has occurred among travelling Canadians; specifically, most now seem to want the assurance of a passport wherever they travel, even to countries that still do not require this document from Canadians for entry. The immediate result was another difficult, busy season for passport employees and applicants as historically high volumes created long waiting times in our offices and increased turn-around times in our mail-in operation. Passport staff worked long hours, volunteering over many weekends to eliminate mail-in backlogs and ensure basic services. More staff were hired and mail-in processes were adjusted in response to the additional demand. As a result, over 90% of passports in Canada were delivered within established standards.

The continued increase in passport volume also prompted an accelerated review of our processes for dealing with applications. The Office has committed to providing clients with a much simplified renewal process, beginning in 2004. We recognized that this commitment – as well as the potential impact of Government On-line and an extension of our receiving agent service – would necessitate an in-depth look at our current way of working. The Office has initiated a re-engineering exercise, which has already improved service delivery in our mail-in operations and which will determine the best ways of serving our clients over the next several years. The various systems that support our operations will also be assessed.

This past year confirmed our sense that the Passport Office faces major challenges over the next several years and needs to hasten and deepen the planning required to meet them effectively. To achieve this while continuing our efforts to maintain and improve security and client service, we will depend, as always, on the professionalism and hard work of Passport Office staff, who have proven yet again in 2002-2003 their commitment to excellence in public service.



Michael J. Hutton



- RECORD VOLUME OF PASSPORTS ISSUED
- INCREASED SECURITY VERIFICATIONS
- NEW PASSPORT BOOKLET
- MISSION AND VISION REVISITED
- CLIENT SATISFACTION SURVEY
(46% SATISFIED, 44% VERY SATISFIED)
- PRINT CENTRES
- ON THE HORIZON:
 - more receiving agents
 - renewals applications (simplified form)
 - online applications
 - e-links with provincial registrars
 - biometrics
 - facial recognition



IN 2002-2003, THE PASSPORT OFFICE HANDLED APPROXIMATELY 6 MILLION TRANSACTIONS (AN AVERAGE OF 23,655 TRANSACTIONS PER DAY) AND ISSUED NEARLY 2.3 MILLION TRAVEL DOCUMENTS.

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ENHANCED SECURITY, EFFICIENT SERVICE

In 2002-2003 more Canadians than ever before applied for travel documents. They ranged from tourists, students and business people, to those headed to a reunion with family or friends, to a funeral or a wedding. They expected their passports to be secure and globally acceptable in a time when terrorism is a concern on every continent. They also wanted service to be prompt, efficient and cost-effective.

During the past year, the Passport Office worked to meet that triple challenge – security, service, cost. 1,197 full time equivalents handled nearly 6 million transactions (an average of 23,655 each working day) and issued a record number of passports and other travel documents (nearly 2.3 million), serving a large majority of clients within defined time targets.

Security improvements

In today's world, however, the top priority has to be security – maintaining the integrity of Canadian documents so carefully that they remain universally respected despite tightened scrutiny at borders and the skills of sophisticated high-tech counterfeiters.

It is worth reminding ourselves that, in the weeks following September 11, 2001, the Passport Office undertook several steps to strengthen security and to prevent fraud. Those measures were:

- new application forms required more information to confirm identity;
- background checks on applicants were increased;

- only those Québec birth certificates issued by *Le Directeur de l'État civil* after January 1, 1994, were accepted (to overcome problems with baptismal certificates); and
- staff recruitment and training were accelerated to deal with the new security measures.

In advancing security and fraud prevention in our heightened state of vigilance, the Passport Office continues to implement other security enhancement measures. In addition to standard personal data, we are now producing Canadian passports of a new, digitized type, with built-in holographic features, to deter forgery. We are also exploring further advances – such as adopting facial-recognition and other biometric technology – to ensure that Canada remains an international leader in producing secure, trusted travel documents.

Financing and new rules

Canadians make an estimated 18 million trips beyond our borders each year. The Passport Office is responsible for providing documents to ease the travel of citizens and permanent residents of Canada. As a Special Operating Agency of the Department of Foreign Affairs and International Trade, the Office somewhat resembles a private-sector enterprise, financing its operations from the fees charged to clients rather than being supported through the federal budget. (The government has, however, provided special funding to meet the extra cost of added security measures and preparation for Passport On-line.)

Fee increases and new regulations took effect in December 2001, including a new One Person/One Passport policy requiring a separate passport for each child (a policy adopted by the International Civil Aviation Organization to combat the trafficking of children). For the Passport Office, the combination of new fees, growing volume and heightened security meant that in 2002-2003 revenues and expenses both grew sharply.

Early in 2002, the Passport Office reviewed its planning assumptions, set new priorities in response to changed conditions and restated its mission and vision.

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; and
- 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.

To do all this, the Passport Office will invest in its people, modernize its management structure, and tailor, simplify and improve access to its services.

Workload

In 2002-2003, **2,290,281 Canadian passports and other travel documents** were issued (111,104 at posts abroad and the balance of 2,179,177 in Canada) – an increase of 13% over the year before and a jump of nearly 30% in just three years. Among these documents were more than 30,000 business passports and nearly 6,000 refugee travel documents. During the year, the Passport Office dealt with correspondence (more than 45,000 letters and e-mails, mainly about policy or administrative issues, plus roughly equal numbers of complaints (372) and commendations (396) about service).

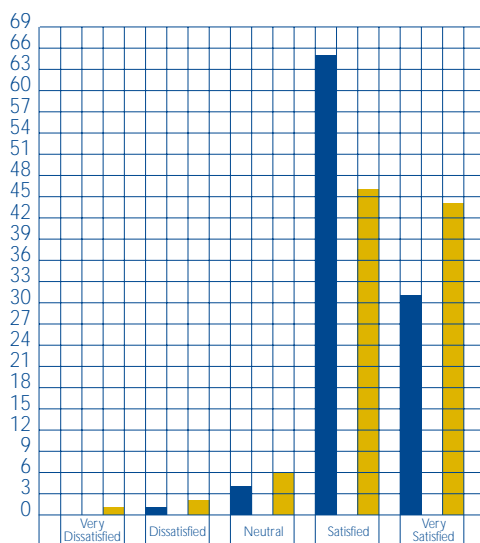
IN 2002-2003, THE DEMAND FOR PASSPORTS HAS INCREASED BY 13% FROM THE PREVIOUS YEAR.



Table # 1: Passports Issued in Canada and Abroad

ISSUED IN CANADA	2000-2001	2001-2002	% Change	2002-2003	% Change
24-page Passports	1,803,697	1,899,574	5.05	2,146,636	13.01
48-page Passports	14,440	16,635	13.20	15,460	-7.06
Special Passports	8,814	10,753	18.03	8,894	-17.29
Diplomatic Passports	1,692	1,628	-3.93	1,614	-0.86
Certificate of Identity	861	725	-18.76	603	-16.83
Refugee Travel Documents	5,615	5,498	-2.13	5,970	8.58
TOTAL	1,835,119	1,934,813	5.15	2,179,177	12.63
ISSUED AT POSTS ABROAD				estimated	
24-page Passports	82,610	89,569	7.77	94,422	5.42
48-page Passports	12,903	13,992	7.78	14,748	5.40
Special Passports	80	86	7.24	91	6.03
Diplomatic Passports	480	521	7.91	548	5.26
Emergency Passports	1,133	1,230	7.90	1,295	5.27
TOTAL	97,206	105,398	7.77	111,104	5.41
TOTAL ISSUED				estimated	
24-page Passports	1,886,307	1,989,143	5.17	2,241,058	12.66
48-page Passports	27,343	30,627	10.72	30,208	-1.37
Special Passports	8,894	10,839	17.95	8,985	-17.10
Diplomatic Passports	2,172	2,149	-1.06	2,162	0.62
Certificate of Identity	861	725	-18.76	603	-16.83
Refugee Travel Documents	5,615	5,498	-2.13	5,970	8.58
Emergency Passports	1,133	1,230	7.90	1,295	5.27
TOTAL	1,932,325	2,040,211	5.29	2,290,281	12.26

**Graph # 1: Client Satisfaction Overall Results
2001 National Survey & 2002 Local Survey**



■ National 2001 (n = 1074) ■ Local 2002 (n = 6830)

Client satisfaction

To measure the quality of the service provided, a regional survey of client satisfaction was carried out in 2002. This involved a self-administered survey questionnaire filled out by the individual client. **As in the 2001 National Client Satisfaction Survey, the Passport Office enjoys a high level of client satisfaction with an overall satisfaction score of 81 over 100.** Results indicate that a total of 90 percent of client indicated being either “satisfied” (46%) or “very satisfied” (44%, up from 31% in 2001), while the number who were “very dissatisfied” (1%), “dissatisfied” (2%) or “neutral” (6%) rose somewhat **from the last National Client Satisfaction. Today, service excellence is better measured by the proportion of top-box clients; in the last year, the Passport Office has gained 13 percentage points.**

Clients appreciated staff competence and courtesy, while also suggesting priorities for improving service:

- waiting time at the passport offices (33%, mainly at high-volume metropolitan locations such as Montreal, Greater Toronto Area and Vancouver);

- cost (24%); and
- time taken to produce the passport (11%).

Moving ahead

To meet current and future challenges – coping with rising demand, satisfying clients’ expectations, upgrading service and especially ensuring security – the Passport Office last year expanded, pursued or explored several initiatives that will simplify and strengthen the passport process for Canadians:

- Our **partnership with Canada Post** continues to grow. Application forms are available across Canada at post offices. Eight post offices now act as receiving agents to serve people, for example, in places where there is no Passport Office service centre.
- Our investment over the past few years in **automated data entry** (the IRIS® system) will yield major benefits of client convenience and staff productivity. Starting in 2004, renewals will be introduced to simplify matters, because original documents (birth certificates, etc.) will not need to be presented again.
- Clients can now **download application forms** by computer. We are moving toward Passport On-line, so that, in the not-too-distant future, Canadians can apply for their passports from wherever they may be, using a secure channel.
- Efficiency is being boosted through **e-links**. Data captured in regional offices flows electronically to modern, centralized print centres where the passport is produced. Online data checks with provincial and territorial authorities and with federal institutions that issue identity documents will speed verification.

Our goal is to provide Canadians with an increasingly secure, convenient, and flexible system that will combine excellence of service and reasonable cost with unquestioned integrity of documents.

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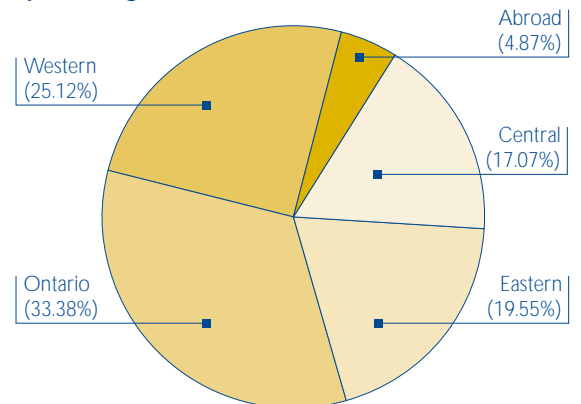
PRODUCTS, SERVICES AND PERFORMANCE

Types of documents

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

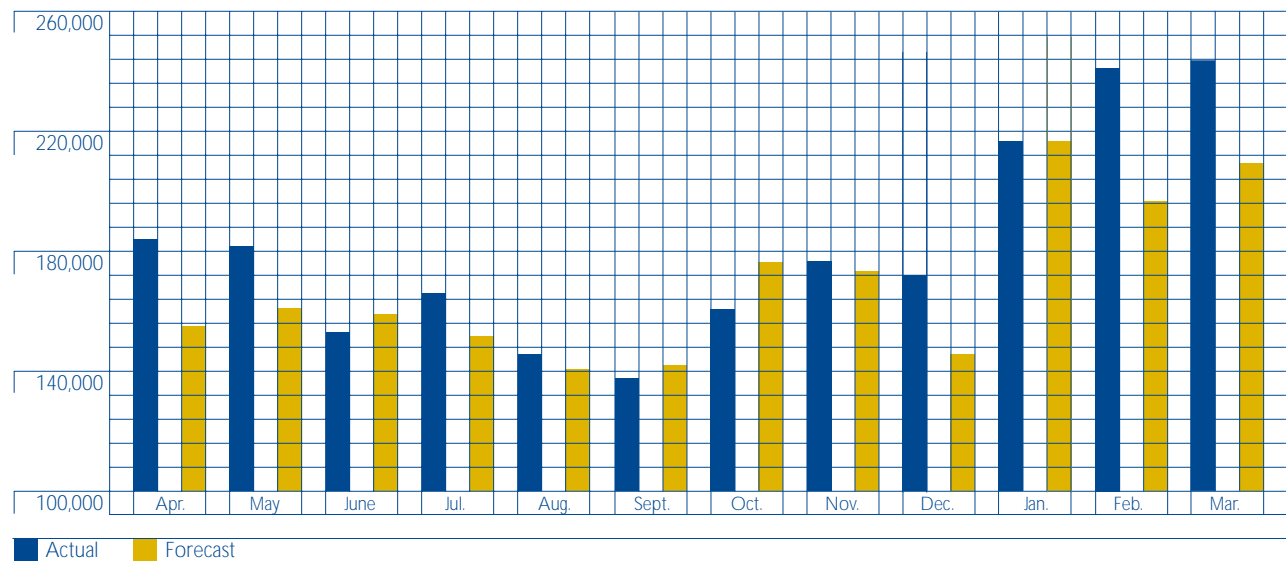
- The familiar **24-page passport** (navy-blue cover) makes up 98% of all the travel documents we issue.
- The **48-page passport** is identical, except for the extra pages. It is issued for the convenience of those who travel often, such as business people.
- The Passport Office issues **diplomatic passports** to Canadian diplomats, top ranking government officials, diplomatic couriers and private citizens nominated as official delegates to diplomatic international conferences.
- The Passport Office issues **special passports** 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** by Canadian diplomatic and consular missions on behalf of the Passport Office.
- **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 unable to obtain a passport or travel document from their country of origin. The certificate, endorsed for travel to countries specified in the document, is valid for one to two years, with possible extensions.

Graph #2: Regional Distribution

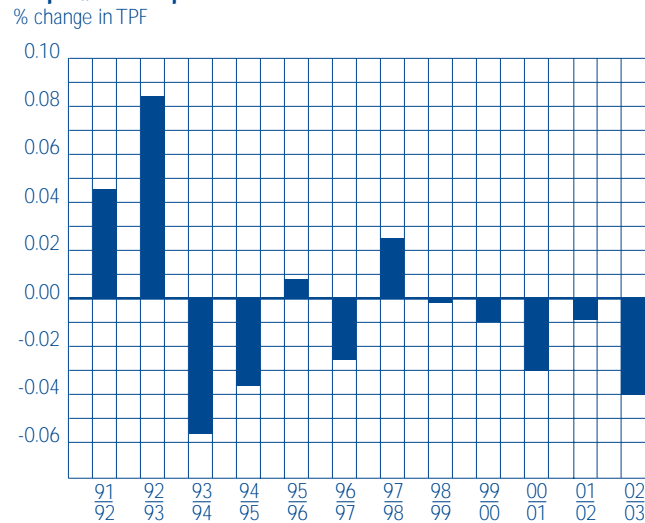


THERE ARE 9,195,139 VALID CANADIAN PASSPORTS IN CIRCULATION AS OF MARCH 31, 2003. ON AVERAGE, ABOUT A THOUSAND ARE ISSUED EACH WORKING HOUR OF THE DAY ACROSS CANADA.

Graph # 3: Passport Issues: Actual versus Forecast – 2002-2003



Graph # 4: Passport Office



In 2002-2003, the Passport Office's Total Productivity Factor (TFP) has decreased by 4%. This result was a consequence of the Office employing substantial outside professional services.

Worldwide acceptance of the Canadian passport makes it a tempting target for identity thieves and document forgers. Great care is taken to ensure that all Canadian travel documents meet or exceed international specifications governing format, issuance and integrity and to ensure that our documents and procedures take full advantage of technological and other advances that will make them even more secure and fraud-resistant.

Organizational structure and services

The Passport Office is managed through a small Executive Committee (policy, planning, efficiency) and a Senior Management Committee (implementation, improvements, meeting objectives and planning).

Service is offered through 29 offices, from St. John's to Victoria, administered through four regional directorates: Eastern (Québec and Atlantic provinces), Ontario, Western (British Columbia and Prairie provinces) and Central Operations (National Capital Region walk-ins, plus 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. Any Canadian citizen over the age of 16 may apply for a passport.

Demand varies – affected by the economy, conflict abroad, weather at home – and usually peaks in the winter, because many Canadians seek time in the southern sun.

About 90% of travel documents are issued to clients who apply in person. **Walk-in service is the fastest.** For many years more than 95% of such clients received their passports within the target time of five working days. However, with the added workload of introducing new technology and tightening security post-September 11, 2001, that percentage dropped. To recognize the new reality, target times have been increased to 10 working days for walk-ins and 20 working days (rather than 10) for mail-ins.

Cost and options

- As of December 11, 2001, passport fees are: adult \$85 (instead of \$60), age 3-15 \$35, under age 3 \$20.
- Completed applications can be accepted by Canada Post offices designated as receiving agents, for an additional administrative fee of \$10.
- Urgent or Express service is available at regional Passport Offices for an extra charge as well as a “call back” service after office hours and on weekends.

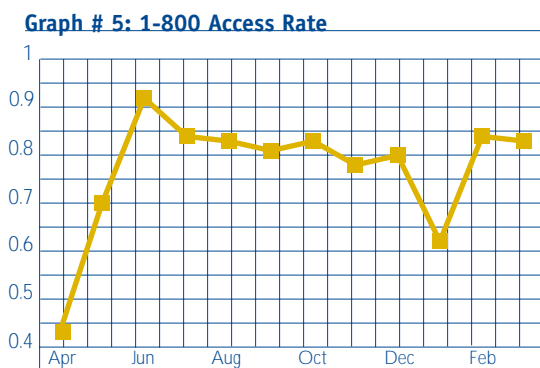
Special arrangements are available for walk-in applicants at any of our regional offices, for an extra fee. If a passport is needed quickly a client can ask for Urgent (one working day) or Express (two to nine working days) service. Emergency service is also available beyond regular office hours if there is 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, emergency service is available at the nearest Canadian mission.

If an application arrives by mail, the passport is delivered back to the client by Xpresspost (or Fedex courier in the United States).

How to reach the Passport Office

To contact the Passport Office, **clients can dial toll-free** (1 800 567-6868) from anywhere in Canada. An automated answering service will direct the call to the nearest of our four regional call centres (each with 20 or more lines). There are also local numbers for Passport Offices in the National Capital Region, Montréal, Vancouver (Surrey) and Toronto areas. The Passport Office received during the period covered, 3,602,085 calls compared to 2.27 million calls in 2001-2002. On average, about a quarter of a million calls are made each month to our call centres.

Graph # 5: 1-800 Access Rate



Performance

To save time for walk-ins, larger and busier offices use queue management to re-direct traffic via the **Q-Matic system** to reduce wait time. A coordinator looks at each person's situation and directs the client to the staff member who can handle the application most efficiently. The target for maximum waiting time is 45 minutes; delays are usually shorter, but can be longer in major cities and in offices near the American border. In 2002-2003, the average waiting time for our clients was almost 41 minutes (five minutes longer than that of the year before). This means that only 64% of clients were served within 45 minutes (down from 70%).

Table # 2: Waiting Time

	FREQ	WAIT TIME
2000-01	536,870	35:49
2001-02	1,375,522	36:08
2002-03	2,179,186	40:58

NOTE: The very low 2000-2001 Q-Matic frequency number is due exclusively to the fact that the Q-Matic system had been installed fairly late in the fiscal year and that the installation of the system itself occurred only in a few very large local offices.

% of clients served within 45 minutes

70% in 2000-01

70% in 2001-02

64% in 2002-03

Because the Internet can provide easy access to up-to-date information, especially for clients in remote locations, the Passport Office has operated a **Web site** since 1996 (www.ppt.gc.ca). Since 2000, the Office has posted application forms for Canadian residents and Canadians living in the United States. The Passport Office welcomed nearly two million visitors (1,731,668) to its Web site. Approximately three quarters of a million people (718,622) downloaded application forms from the site. Downloaded forms are geographically distributed as follows: 50% from within Canada; 41% from Canadian citizens or nationals living and working in the United States and 9% from other places.

To deal with cases where a passport is denied or revoked, an independent **Adjudication and Conflict Management Office** was created early in 2002. It also serves as an Ombudsman service, reviewing unresolved complaints from the public and offering mediation services.

Related roles

Besides serving the public directly, the Passport Office also plays additional roles related to the Government of Canada and international agencies. To strengthen security, we work with national and international police authorities, security agents, border posts and the authorities (federal, provincial, territorial) that provide documents of identity. As well, there is close cooperation with Treasury Board, the Office of the Information Commissioner, Citizenship and Immigration Canada and the Canada Customs and Revenue Agency to promote the standards set by the International Civil Aviation Organization (ICAO) for travel documents.

Our Security, Policy and Entitlement Directorate provides consulting and advisory services to other government departments about the security standards of their documents. The Passport Office, in dealing with global security issues, is working very closely with such agencies as ICAO and the International Standards Organization, as well as taking part in such forums as the Five Nations Virtual Secretariat (that links us with the passport authorities of the United Kingdom, United States, Australia and New Zealand) and our G-8 colleagues.



**THE PASSPORT OFFICE'S WEB SITE WELCOMES NEARLY
TWO MILLION VISITORS. WWW.PPT.GC.CA**

In a new era of intense global security concerns, the Passport Office has a crucial role to play in protecting Canada's international reputation and helping to defend the world against criminal use of personal identity – while enabling Canadians to count on a reliable, flexible, efficient passport service to ease their travel throughout our shared world. Several forward-looking strategic initiatives are being pursued to ensure the highest possible standards of travel-document integrity and service to the public in the years ahead.

Increasing security

- To further improve security, we are exploring the potential for adopting new systems, such as biometrics (facial recognition) technology, which will enhance authentication of identity and be particularly helpful for the process of verification at the border.
- We have cooperated with Quebec in tightening up its procedures for issuing birth certificates. We are moving ahead with creating electronic links with the databases of provincial and territorial authorities, to allow quick and secure verification of birth certificates presented by applicants.

Greater efficiency

- Efforts are continuing to improve service for walk-in clients, emphasizing reducing waiting times in major urban centres. Our target is to serve 95% of clients within 45 minutes by 2004-2005.
- We are creating a simple renewal system made possible by the automated IRIS® system. Holders will only need to complete a simplified form, provide a new photo and pay the fee, rather than again submitting original documents and full information. The first such renewals will begin soon, cutting transaction time and thus waiting time and internal costs. It is expected that this streamlined system will be handling a significant portion of all applications by 2005-2006.
- The Passport Office constantly reviews its working, planning and management processes, as well as its performance indicators, seeking any possible gains in speed and efficiency.

DURING THE PAST YEAR, THE PASSPORT OFFICE WORKED TO MEET THE TRIPLE CHALLENGE – SECURITY, SERVICE AND COSTS.

Growing flexibility

- Besides offering options to match clients' special needs, such as urgent, express and call-back services, the Passport Office is continuing to expand the well-received arrangement whereby a growing number of Canada Post offices act as receiving agents for completed passport applications. We will continue to seek new ideas that make our services more convenient for clients.
- As part of Canada's Government On-line initiative, we are moving steadily toward Passport On-line. An interactive application form, accessed on our Web site, will feed information provided by the client into our system. In the not-too-distant future, we will also launch an Internet service for passport renewals. Our goal is to create a system so user-friendly that Canadians will soon be able to apply from anywhere, and the Passport Office will be able to receive their passport applications from anywhere, with maximum security, promptness and convenience.

Worldwide acceptance of the Canadian passport makes it a tempting target for identity thieves and document forgers. Great care is taken to ensure that all Canadian travel documents meet or exceed international specifications about format, issuance and integrity and that our documents and procedures take full advantage of technological and other advances that will make them even more secure and fraud-resistant.



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FINANCIAL STATEMENTS

Passport Office Revolving Fund

Year ended March 31, 2003

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 and 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 that 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 according to its authorizations and that its assets are safeguarded.



Approved by:

Gary K. McDonald
Coordinator of Functional Directorates



Michael J. Hutton
Chief Executive Officer



Auditors' Report

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

We have audited the balance sheet of **Passport Office Revolving Fund** as at March 31, 2003, 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** at March 31, 2003, 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.

The financial statements for the prior period were audited by another firm of Chartered Accountants.



Chartered Accountants
Ottawa, Canada
May 23, 2003

Passport Office Revolving Fund

Balance Sheet

As at March 31, 2003

(In thousands of dollars)

	2003	2002
Assets		
Current:		
Accounts receivable:		
Government of Canada (Note 9)	\$ 3,005	\$ 374
Outside parties	257	325
Inventories	5,450	4,919
Prepaid expenses	433	50
	<u>9,145</u>	<u>5,668</u>
Long-term:		
Capital assets (Note 4):		
At cost	93,085	78,132
Less accumulated amortization	62,048	41,116
	<u>31,037</u>	<u>37,016</u>
	<u>\$ 40,182</u>	<u>\$ 42,684</u>
Liabilities and Equity of Canada		
Current:		
Accounts payable and accrued liabilities:		
Government of Canada (Note 9)	\$ 1,661	\$ 6,647
Outside parties:		
Accounts payable	6,986	5,996
Vacation pay	2,100	1,925
Contractors' holdbacks	370	401
Deferred lease inducement (Note 5)	253	338
Current portion of the provision for employee termination benefits	355	1,092
Current portion of the loan (Note 6)	4,500	—
	<u>16,225</u>	<u>16,399</u>
Long-term:		
Provision for employee termination benefits	8,060	6,807
Loan payable (Note 6)	4,246	8,297
	<u>12,306</u>	<u>15,104</u>
Equity of Canada (Note 7):		
Accumulated net charge against the Fund's authority	(16,278)	(18,753)
Accumulated surplus	27,929	29,934
	<u>11,651</u>	<u>11,181</u>
Commitments (Note 8)		
	<u>\$ 40,182</u>	<u>\$ 42,684</u>

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

Passport Office Revolving Fund

Statement of Operations

For the Year ended March 31, 2003

(In thousands of dollars)

	2003	2002
Revenue:		
Fees earned	\$ 136,197	\$ 92,060
Miscellaneous revenues	566	1,226
	<u>136,763</u>	<u>93,286</u>
Operating expenses:		
Salaries and employee benefits	69,394	55,133
Provision for employee termination benefits	786	1,288
Amortization of capital assets	20,932	18,657
Passport materials and application forms	9,663	6,792
Accommodation	6,657	5,774
Professional and special services	6,027	4,372
Freight, express and cartage	5,998	2,735
Printing, stationery and supplies	4,697	3,759
Passport operations at missions abroad (Note 9)	4,447	4,447
Travel and removal	1,976	1,443
Telecommunications	1,840	1,573
Information	1,832	2,451
Postal services and postage	1,803	560
Repair and maintenance	1,710	1,402
Interest	467	431
Miscellaneous expenses	280	42
Rentals	259	216
	<u>138,768</u>	<u>111,075</u>
Net loss	<u>\$ (2,005)</u>	<u>\$ (17,789)</u>

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

Passport Office Revolving Fund

Statement of Accumulated Surplus

For the Year ended March 31, 2003

(In thousands of dollars)

	2003	2002
Balance, beginning of year	\$ 29,934	\$ 39,055
Net loss of the year	(2,005)	(17,789)
	27,929	21,266
Parliamentary appropriations (Note 3):		
Vote 1 and 5 – Government On-line	–	1,618
Vote 1 – Public Safety and Security initiatives	–	7,050
	–	8,668
Balance, end of year	\$ 27,929	\$ 29,934

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

Passport Office Revolving Fund

Statement of Cash Flows

For the Year ended March 31, 2003

(In thousands of dollars)

	2003	2002
Operating activities:		
Net loss	\$ (2,005)	\$ (17,789)
Add:		
Provision for employee termination benefits	786	1,288
Amortization of capital assets	20,932	18,657
Deferred leasehold inducements	(85)	(85)
Accrued interest on loan	449	427
	<u>20,077</u>	<u>2,498</u>
Changes in current assets and liabilities	(7,329)	(9,853)
Payment of employee termination benefits	(270)	(219)
	<u>12,478</u>	<u>(7,574)</u>
Investing activities:		
Capital assets acquired	(14,953)	(12,393)
Financing activities:		
Vote 1 and 5 – Government On-line	–	1,618
Vote 1 – Public Safety and Security Initiatives	–	7,050
	<u>–</u>	<u>8,668</u>
Net financial resources used and change in the accumulated net charge against the Fund's authority account, during the year	(2,475)	(11,299)
Accumulated net charge against the Fund's authority account, beginning of year	18,753	30,052
Accumulated net charge against the Fund's authority account, end of year	<u>\$ 16,278</u>	<u>\$ 18,753</u>

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

Passport Office Revolving Fund

Notes to Financial Statements

March 31, 2003

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 \$4,000,000 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 according to Canadian generally accepted accounting principles to the extent that they are in accordance with the policy of Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada.

(b) Revenue recognition:

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

(c) 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. 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.

Passport Office Revolving Fund

Notes to Financial Statements (continued)

March 31, 2003

2. Significant accounting policies (continued):

(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	Term of lease
Furniture	10 years
Electronic data processing (EDP) equipment	3 years
Ot. 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.

Passport Office Revolving Fund

Notes to Financial Statements (continued)

March 31, 2003

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.

Passport Office Revolving Fund

Notes to Financial Statements (continued)

March 31, 2003

3. Parliament appropriations:

In fiscal year 2002, pursuant to Treasury Board Decision # 829317-1 dated December 6, 2001, an amount of \$7,050,000 was transferred to the Passport Office for use in initiatives concerning public security. As well, pursuant to Treasury Board Decision # 828959 dated May 3, 2001, the Department of Foreign Affairs and International Trade (DFAIT) approved spending of \$983,000 under Vote 1 and \$2,748,000 under Vote 5 for the Government On-line initiative. The Passport Office received \$1,618,000 of this appropriation from DFAIT. In fiscal year 2003, no amount was received as Parliamentary appropriation by the Passport Office.

4. Capital assets and accumulated amortization:

(In thousands of dollars)

Capital assets	Balance, beginning of year	Acquisitions	Disposals	Balance, end of year
Technology Enhancement				
Plan Project	\$ 33,877	\$ –	\$ –	\$ 33,877
Other capital projects	26,638	14,589	–	41,227
Furniture	2,360	–	–	2,360
EDP equipment	12,462	352	–	12,814
Other machine and equipment	2,795	12	–	2,807
	\$ 78,132	\$ 14,953	\$ –	\$ 93,085

Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
Technology Enhancement				
Plan Project	\$ 18,594	\$ 13,809	\$ –	\$ 32,403
Other capital projects	11,717	5,091	–	16,808
Furniture	1,678	241	–	1,919
EDP equipment	6,615	1,602	–	8,217
Other machine and equipment	2,512	189	–	2,701
	\$ 41,116	\$ 20,932	\$ –	\$ 62,048

Other capital projects category includes leasehold improvements.

Passport Office Revolving Fund

Notes to Financial Statements (continued)

March 31, 2003

5. 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 2003, \$85,000 (2002 – \$85,000) was recognized as a reduction of rent expense.

6. 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 DFAIT 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

7. 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.

8. 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:

2004	\$ 6,538
2005	4,067
2006	3,041
2007	1,609
2008 and thereafter	2,202
	<hr/>
	\$ 17,457

Passport Office Revolving Fund

Notes to Financial Statements (continued)

March 31, 2003

8. Commitments (continued):

(In thousands of dollars)

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

2004	\$ 10,388
2005	6,256
2006	6,257
2007	6,256
2008	6,257
	<hr/>
	\$ 35,414

9. 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 considerations agreed to by both parties. As part of its operations the Passport Office, which is an agency of DFAIT, collects Consular fees on behalf of DFAIT Consular Affairs division. These fees are not recorded as revenues in the statement of operations. In fiscal year 2003, the Fund collected and remitted to DFAIT \$45,587,385 (2002 – \$46,593,770).

10. Comparative balances:

Certain of the prior year's balances have been reclassified in order to comply with the presentation adopted in the current year.

7

POINTS OF SERVICE

Alberta

Harry Hays Building
220-4th Avenue South East
Suite 254
***Calgary**, Alberta
Office hours: 08:30 – 16:30

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

British Columbia

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

13401-108th Avenue
Suite 900
Surrey, British Columbia
Office hours: 08:00 – 16:30

Sinclair Centre
757 Hastings Street West
Suite 200
***Vancouver**, British Columbia
Office hours: 07:30 – 16:30

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

Manitoba

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

New Brunswick

Frederick Square
77 Westmorland Street
Suite 430
***Fredericton**, New Brunswick
Office hours: 08:30 – 16:30

Newfoundland and Labrador

TD Place
140 Water Street
Suite 702
St. John's, Newfoundland
Office hours: 08:30 – 16:30

Nova Scotia

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

Ontario

Standard Life Building
120 King Street West
Suite 330
***Hamilton**, Ontario
Office hours: 08:45 – 16:30

** Official bilingual services offered*

The Galleria
101 Frederick Street
Suite 630
***Kitchener**, Ontario
Office hours: 08:45 – 16:30

400 York Street
Suite 201, 2nd Floor
***London**, Ontario
Office hours: 08:45 – 16:30

Central Parkway Mall
377 Burnhamthorpe Road East
Suite 116, 2nd Floor
***Mississauga**, Ontario
Office hours: 08:00 – 16:30

Joseph Shepard Building
4900 Yonge Street
Suite 380, 3rd Floor
***North York**, Ontario
Office hours: 08:00 – 16:30

C.D. Howe Building
240 Sparks Street
Level C, East Tower
***Ottawa**, Ontario
Office hours: 08:30 – 16:30

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

200 Town Centre Court
Suite 210, 2nd Floor
Scarborough, Ontario
Office hours: 08:00 – 16:30

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

74 Victoria Street
Suite 300
Toronto, Ontario
Office hours: 08:00 – 16:30

** Official bilingual services offered*

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

Ontario Canada Post Receiving Agents

Barrie
Canada Post Outlet
150 Collier Street
Office hours: 08:00 – 17:15

Bradford
Canada Post Outlet
50 Barrie Street
Office hours: 09:00 – 17:15

Sudbury (2 locations)
Canada Post Outlet
1776 Lasalle Boulevard
Office hours: 08:30 – 16:30

Canada Post Outlet
1 Lisgar Street
Office hours: 08:30 – 17:30

Toronto
Canada Post Outlet
2384 Yonge Street
Monday, Tuesday and Wednesday
office hours: 08:00 – 18:00
Thursday and Friday office hours: 08:00 – 21:00
Saturday office hours: 10:00 – 18:00

North Bay
Canada Post Outlet
101 Worthington Avenue
Office hours: 08:30 – 17:30

Prince Edward Island Canada Post Receiving Agents

Charlottetown
Canada Post Outlet
135 Kent Street
Office Hours: 08:00 – 17:15

Summerside
Canada Post Outlet
57 Central Street
Office Hours: 08:00 – 17:00

Québec

Place du Centre
200 Promenade du Portage
Commercial Level 2
***Gatineau (Hull sector)**, Québec
Office hours: 08:30 – 16:30

Immeuble Saint-Michel
3885 Harvey Boulevard
Suite 408
***Saguenay**, Québec
Office hours: 09:00 – 16:30

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

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

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

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

Saskatchewan

1870 Albert Street
Suite 500
***Regina**, Saskatchewan
Office hours: 09:00 – 16:30

Federal Building
101-22nd Street East
Suite 405
***Saskatoon**, Saskatchewan
Office hours: 08:30 – 16:00

** Official bilingual services offered*

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:

National Capital Region (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

A passport application form may be obtained:

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