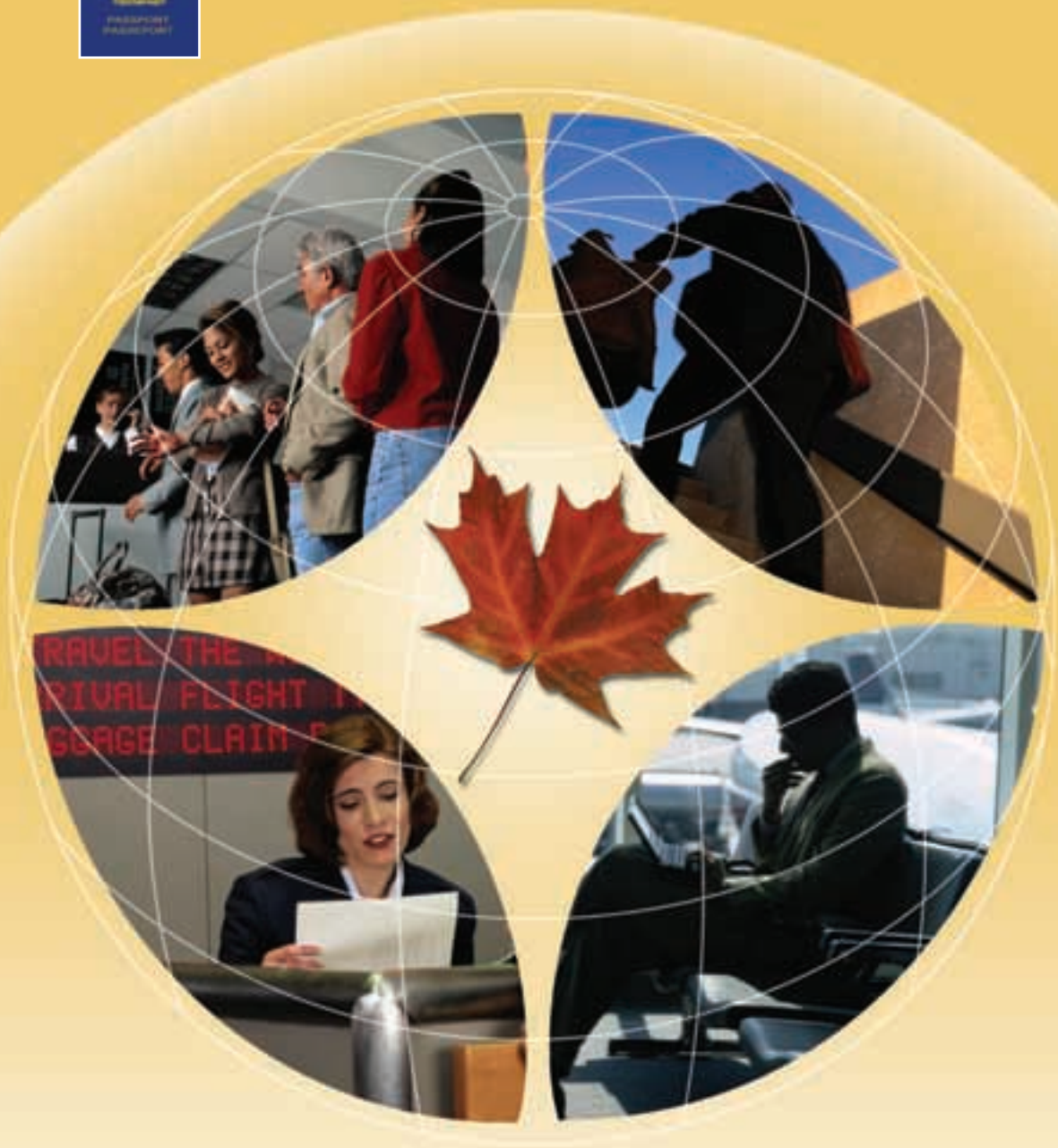


Laying a Foundation

Annual Report 2004-2005



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Chief Executive Officer's Message

As the new Chief Executive Officer of Passport Canada, I am pleased to outline the achievements, and challenges, faced by this Agency in Fiscal Year 2004–2005.

The format of this Annual Plan has been revised to introduce clear indicators and measures that can be used to gauge our performance over time. It outlines our mission, our vision, our values and our strategic objectives. It provides a comprehensive look across the organization as we provide citizen-focused service mindful of the new security environment in which we operate. It outlines how our program delivers on broader policy objectives of the Government of Canada, and it addresses our performance and stewardship of the resources available to us in meeting these objectives.

Our commitment to laying a strong, new foundation for this Agency has lead to significant accomplishments over the last year including organizational changes, legislative amendments, the strengthening of security functions and continuous service improvements. In doing so we are positioning Passport Canada to better respond to transformational changes to come.

In September 2004, three amendments to the *Canadian Passport Order* were brought into force. These amendments are a significant step in further strengthening the security of the issuance process. The first amendment provides for the Minister of Foreign Affairs to refuse and/or revoke a passport on the grounds of national security. The second amendment provides Passport Canada with the authority to introduce a microchip into the passport. Also known as an e-Passport, the biometric chip will contain the same biographical information contained on page 2 of a Canadian passport and will confirm that the identity of the bearer of the document who appears at a port-of-entry, is the same person to whom it is issued. The third amendment authorizes Passport Canada to introduce facial recognition technology within its databanks to assist with the identification of incidents involving multiple identity and fraud.

This year has seen Passport Canada conclude a number of agreements and Memoranda of Understanding (MOU) with other government departments while also strengthening the legal framework in which this Agency operates. We have signed an MOU with Correctional Service Canada that will provide us with data on offenders along with a daily electronic update of this information. As well, we have signed an MOU with Citizenship and Immigration Canada, Canadian Border Services Agency, and Interpol, via the Royal Canadian Mounted Police, to share real time information regarding lost and stolen passports. As a result, Canadians who have reported their passports lost or stolen can be assured that their documents are not being abused or misused by others.



While the integrity of the passport issuance process remains our top priority, in the last year we have continued to make investments in serving Canadians better. We have launched an ambitious number of projects to help us broaden access while still strengthening compliance. What we have accomplished in this last year lays the foundation for the years to come.

In 2004-2005, we expanded the Receiving Agent network. In partnership with Canada Post, we added 51 new locations and our work with Service Canada will see a further expansion of the network.

The launch of the Passport Renewal pilot project was also a significant step in bettering service to Canadians. The pilot project allowed us to invite previous passport holders, who are known to us, to apply using a simplified process. The success of this project is a foundation for the future and we are already investing in the next phase of the project.

In an effort to ease the application process for Canadians, we unveiled our Passport on-line (POL) program. By leveraging technology for service and security, we are able to offer Canadians the choice to fill in their application on-line and then present themselves at one of our offices to complete the process.

Continuous service improvement is only possible by the commitment of employees throughout the organization. Passport Canada is fortunate to have a dedicated, committed and expert workforce now numbering over 1800 employees in 33 offices across Canada. Unlocking their potential through investments in learning and training, providing them with an environment in which they can focus on authenticating identity and determining entitlement, and inspiring them with an innovative workplace are our commitments, and our challenges. I would like to recognize and thank them for ensuring that over 2,700,000 Canadians received their passports this year.

I would also like to take this opportunity to acknowledge the service and dedication of Kathryn McCallion, Assistant Deputy Minister for Corporate Services, Passport and Consular Affairs at Foreign Affairs Canada. Her leadership of the Passport Office was instrumental as it grew over many years to become, in 2005, Passport Canada.

Finally, I would like to join our Minister in acknowledging the importance of maintaining the respect and integrity of the Canadian passport. Passport Canada and its employees are mindful of this responsibility every day.

Doreen Steidle
Chief Executive Officer



Introduction

Passport Canada was established in 1990 as a Special Operating Agency (SOA) of Foreign Affairs Canada, reporting to Parliament through the Minister of Foreign Affairs. Using a revolving fund, Passport Canada funds its operations primarily through fees charged to clients rather than through funds allocated from the federal budget.

Passport Canada's mandate is derived from the *Canadian Passport Order* under which Passport Canada is accountable for all matters related to the issuance and use of Canadian passports and travel documents.

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.
- Consistently meet clients' expectations.

Our Values

• Service excellence

We are committed to meeting our clients' expectations by providing high-quality, cost-effective and accessible service in a timely manner. We continuously strive to improve our service delivery and management processes.

• Integrity

We hold ourselves accountable for a high standard of professionalism and ethics and accept responsibility for our actions.

• Competence

We value continuous learning and we invest in our employees. We are committed to empowering employees by creating an environment that encourages finding solutions.

• Respect

We are committed to fair and equal treatment of all clients and colleagues. We strive to create a healthy and positive work environment.



Our Partners

To ensure security and service objectives are met, Passport Canada works closely with:

- Provincial and territorial governments, particularly registrars of vital statistics;
- Law enforcement and security agencies, as well as others who have an interest in secure identity documents in Canada and abroad;
- Canada Post and Service Canada;
- The International Civil Aviation Organization (ICAO);
- Other federal departments and agencies, and;
- Passport issuing authorities, in particular those of Australia, New Zealand, the United Kingdom and the United States.

Collaboration with partner organizations allows Passport Canada to both share and benefit from a diverse range of perspectives and expertise, ensuring that we stay current and engaged with developments in secure travel and identity systems, cutting edge approaches to excellence in customer service, and the best in management and accountability practices.

Annual Report

This annual report covers Passport Canada fiscal year April 1, 2004 to March 31, 2005. It sets out how Passport Canada has performed against key corporate targets.



The Year in Review

Our Operating Environment

Passport Canada is responsible for providing internationally 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, to provide prompt and cost-effective service to clients, and to ensure the utmost integrity of Canadian documents as the international environment places an increasingly greater emphasis on identity and security.

In 2004–2005, the demand for our services continued to grow:

- Canada's population estimate as of January 2005 was 32,078,819; approximately 11.5 million Canadians hold a valid passport;
- Outbound travel grew by 10.4% in 2004, meaning approximately 19.8 million trips beyond our borders took place in the course of the year.

Increases in volume not only reflect an ever-increasing population and ability and desire to travel by Canadian citizens, but it is also an indicator of an emerging recognition of the value of travel documents for identity authentication in the global environment.

The international community is forging ahead in its expectations and demands for new standards, policies and technologies which address public safety and emergency preparedness in several arenas, including identity authentication and travel documents. The development of a comprehensive National Security Policy demonstrates Canada's commitment to enhancing security. The Passport Security Strategy outlined in the National Security Policy places increased emphasis on authenticating the identity of individuals applying for their passports through introduction of a microchip in each passport (the e-Passport) to meet new ICAO standards, the use of facial recognition technology behind the scenes in passport processing, and the repatriation of the printing of passports from Canadian government offices abroad thus assuring that Canadians everywhere will receive the same high-quality document, printed in Canada, regardless of where in the world they apply.

It is in this environment that Passport Canada has been active and involved over the last year to ensure that the correct progress is made in solidifying a foundation which considers the context, needs and goals of our nation and the international community.

2004–2005 Highlights:

On April 22, 2004, Canada's National Security Policy was approved, along with a commitment of capital funding for specific initiatives to improve passport security. The National Security Policy lays the foundation for the introduction of new, security enhanced Canadian passports.

Increasing Volume

The year 2004-2005 continued the upward trend in passport application volume, with a total of 2,758,966 applications received. This represents a 4.8% increase in volume over the previous year.

Continued increases in passport volume combined with the need for fiscal restraint on passport operating expenses led Passport Canada to explore innovative approaches to meeting demand while reducing the amount of time an applicant must wait in line for a passport. Experimenting with extended office hours, including Saturday service, in key offices during the high season was very successful in both managing demand and improving client service. Offering applicants alternate methods of application such as Passport on-line, leveraging partnerships to open new points of access via our Receiving Agents Program, piloting a Renewals Project and opening of new offices in Brampton, Whitby, Calgary South and Pointe-Claire helped address growing passport application volumes.

International

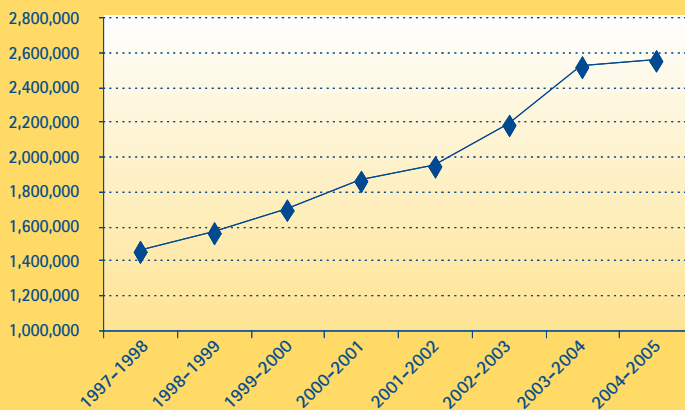
Throughout the fiscal year 2004-2005, Passport Canada staff worked in partnership with key international organizations such as the International Civil Aviation Organization and the International Organization for Standardization, lending expertise at meetings, fora and events. Passport Canada continues to play a key role on the international stage and our work took us to many countries this past year, helping to build our understanding of the international environment that influences our work.

- Passport Canada participated as a member of the Canadian delegation to the G-8 Roma Lyon group. Subject matter experts from the Security Bureau attended the meetings of the Migration Experts Working Group providing advice and leadership in areas under Passport Canada, specifically issues relating to lost and stolen passports, document

integrity and identification of counterfeit documents. Passport Office personnel also provided expert advice and made presentations to the Roma Lyon Study group on biometrics, and on facial recognition technology as this relates to passport issuance processes. The group was also advised about new International Civil Aviation Organization (ICAO) standards regarding machine-readable travel documents, known as the e-Passport, containing digitized facial image stored on an electronic chip.

- In an effort to support capacity building through the sharing of best practices and information with other passport issuing countries, Passport Canada organizes visits and tours of Operations in the National Capital Region. Areas of interest are the public counter in Ottawa and the print centre in Gatineau. Discussion sessions were then held and passport officials met with the delegations to discuss passport functions and issues. In 2004-2005 Passport Canada hosted delegations from the government of Trinidad and Tobago, the Citizenship and Migration Board of Estonia, and officials from Bangladesh and the International Organization on Migration (IOM) delegation.

Actual Passport Issues





- Passport Canada continued its involvement with the ICAO. Passport Canada employees chair two of three Working Groups of the Technology Advisory Group on Machine-Readable Travel Documents (TAG-MRTD), including the New Technologies Working Group (NTWG) and the Education Promotion Working Group (EPWG). Through these groups, Passport Canada has contributed to the development of the standard blueprint for e-Passport, and continues to build networks and develop relationships with external stakeholders in secure travel documents.
- Passport Canada, in collaboration with ICAO, supports the work of the Organization for Security and Co-operation in Europe in the development of travel document security regarding biometrics and technology.
- Passport Canada participated in the International Organization on Migration (IOM) - Migration Management Assessments in both Trinidad and Tobago and the Dominican Republic. The IOM prepared an assessment report following discussions with the Inter-American Committee on Counter-Terrorism (CICTE) of the Organization of American States (OAS). The report is one of a series of assessments of the migration management systems and procedures presently used by participating Caribbean states. The recommendations in the report will provide governments with information on possible technological, procedural and management improvements which may assist governments in reaching their objectives of controlling illegal migration and facilitating legal migration in order to promote tourism and the general economy.
- Passport Canada retained the secretariat function for the International Standards Organization Working Group, ISO WG3 - Machine Readable Travel Documents and Related Devices.
- Passport Canada provided feedback and comments on passenger travel initiatives for the International Air Transport Association (IATA). Passport Canada is a member of the Simplifying Passenger Travel Interest Group (SPTIG). The Simplifying Passenger Travel (SPT) Program is an international initiative which aims to improve the passenger travel experience by replacing repetitive checks of passengers and their documents with a new streamlined system that will collect the information once and then share it electronically with subsequent service providers.
- Passport Canada strengthened support for Canadian government offices abroad and expanded our network abroad by providing to Canadian government offices abroad the ability to view passport files. In addition, during peak seasons, examiners were sent to six Canadian government offices abroad in Beirut, Berne, London, Mexico, Paris and Tel-Aviv, to assist with the delivery of passport services abroad.
- Employees of Passport Canada in Microfilm, Lost and Found, and Case Management sections were instrumental in working together with our partners abroad to provide timely and secure passport services to those Canadians affected by the Tsunami in Southeast Asia in December 2004.
- Passport Canada continues its relationship with passport issuing authorities from Australia, New Zealand, the United Kingdom, and the United States. Senior officials and subject matter experts from each organization share information and best practices on issues such as fraud and security, operational difficulties, and public wait-time improvements.
- Passport Canada was the lead in the development and launch of a secure Web site to facilitate information sharing between the passport issuing authorities of Australia, New Zealand, the United Kingdom, and the United States. This site allows for information exchange and discussion forums for participants who utilize this tool to share best practices and facilitate research and innovation in policy development, new technologies standards, performance measures, management practices, and other subjects of interest.

National

At home, 2004–2005 saw Passport Canada engaged in multiple activities in support of a Canada that is more secure. These activities contributed to strengthening Passport Canada's ability to authenticate identity and to enhance passport security. For example,

- In April 2004, Canada released its National Security Policy. One of the investments in the policy included \$10.31 million for the implementation of the Passport Security Strategy. This strategy includes the development and implementation of facial recognition and biometric technologies into the processing and production of passport books, as well as a solution for the printing of passport books overseas.
- Passport Canada continued horizontal collaboration on issues surrounding identity documents through our leadership on the Council on Identity. Through this Council, we have worked with federal, provincial, and territorial officials towards the establishment of a National Identity Policy Framework. Work also progressed in the area of identity document standards development and the inter-operability of systems.
- As a participant on the Federal-Provincial-Territorial Council on Identity, Passport Canada contributed to the development of common provincial standards for vital events data and processes. These standards will be released in a document in the upcoming year.
- We continued our participation in the Our Missing Children (OMC) working group, a government initiative comprised of four federal government agencies (RCMP, Canadian Border Services Agency, Foreign Affairs Canada and Department of Justice). The objective is to work together with as many agencies as possible to return abducted or missing children to their legal parents or guardians. Passport Canada, as an agency of Foreign Affairs Canada, is a partner in the OMC program assisting in their child recovery efforts. Information we receive on children who have been abducted or are at risk will be added to our alert

system should the non-custodial parent or guardian attempt to submit a passport application on their behalf.

- Many passport-related issues were featured in news coverage during 2004–2005, with the media placing increasing emphasis on biometric technology and the use of biometrics in Canadian passports. Canada's e-Passport sparked media interest over the summer, while Passport Canada's growing list of service locations and enquiries related to individual passports and denied passport applications also received coverage.


Office of the Auditor General

Accountability for security and intelligence activities within various departments and agencies was the focus of two audits performed by the Office of the Auditor General of Canada (OAG) within the past 2 years.

In March 2004, the OAG tabled its report entitled "National Security in Canada – The 2001 Anti-Terrorism Initiative". The Report examined the overall management of the initiative to enhance national security and the co-ordination of intelligence among departments and agencies since the September 11, 2001 attacks. Particular focus was placed on the ability of departments and agencies to provide adequate information to enforcement personnel.

The results from the March 2004 Report have driven many of this fiscal year's activities and initiatives as Passport Canada has strengthened partnerships and increased our information sharing capabilities. The March 2004 Report indicated that Passport Canada needed to work more efficiently to ensure that passports reported lost or stolen were more quickly

2004–2005 Highlights:
On September 22, 2004 The Canadian Passport Order was amended to include a specific provision to permit the Minister of Foreign Affairs to refuse or revoke a passport where a person poses a threat to the national security of Canada or the international community. These amendments to the Canadian Passport Order provide the foundation for a Passport Canada that takes a strategic view of identity and security issues.



entered into the Passport Canada database. Passport Canada responded quickly to these observations by clearing up all backlogged files, introducing a 48-hour service standard so that all passports reported lost or stolen were entered quickly both into the Passport Canada and Royal Canadian Mounted Police databases. Furthermore, Passport Canada entered into MOUs with Canada Border Services Agency, Citizenship and Immigration Canada and the Royal Canadian Mounted Police/Interpol to ensure that passports reported lost or stolen could not be used for international travel.

Passport Canada works continuously to protect the identities of Canadian travellers and to safeguard them from identity theft. Prompt action on reporting lost and stolen documents is part of this commitment. Canadians do value their passport. Although 25,000 Canadians report their passport lost or stolen each year, when considering the proportion of the total passports in circulation in Australia, the United Kingdom and the United States, the rate of loss is greater in those countries than in Canada.

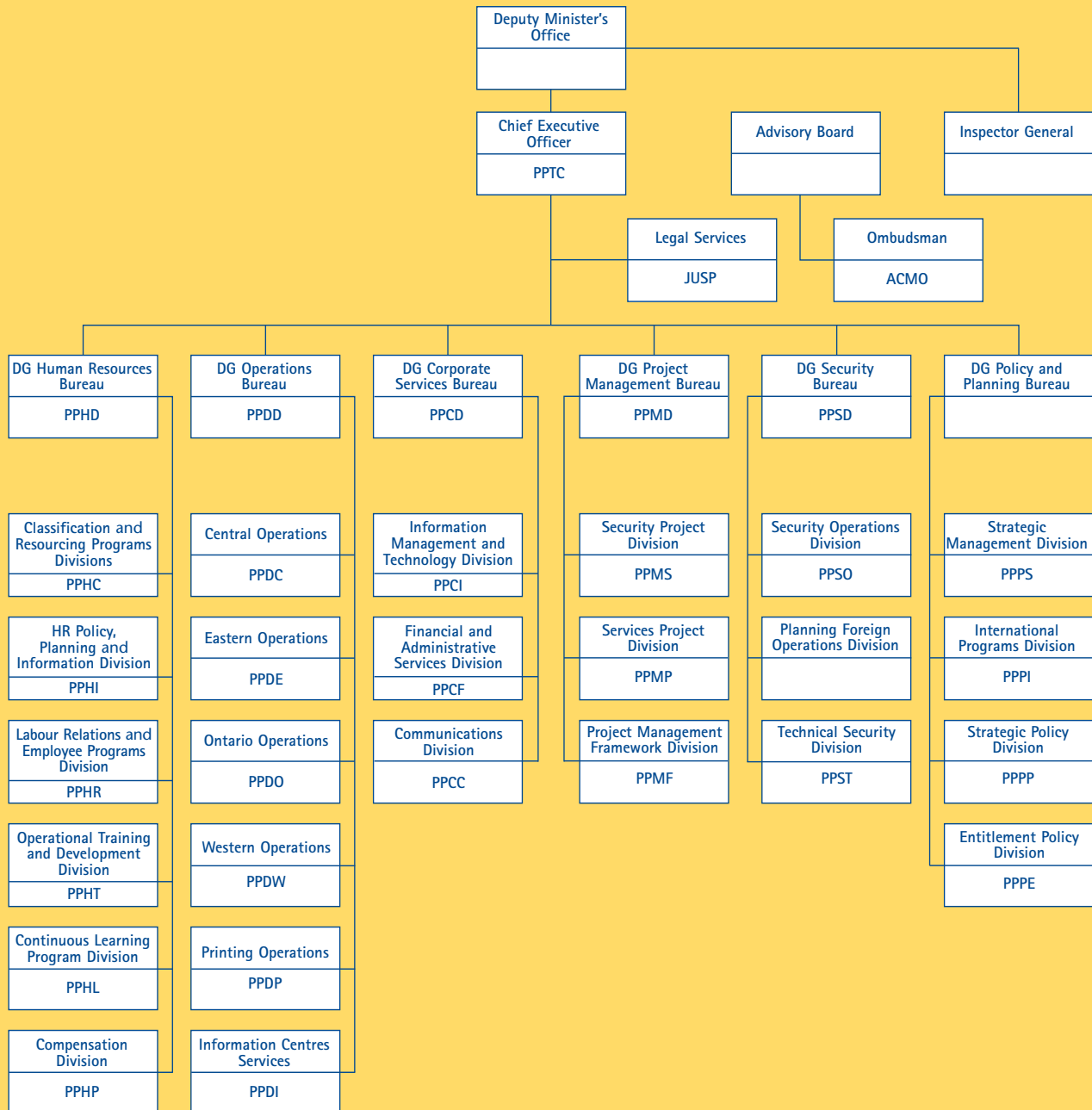


The Changing Nature of Passport Canada

Passport Canada continues to evolve in response to its dynamic environment, and has begun the transformation required to fulfil its increasingly important role in security and identity authentication.

In support of this evolution, a review of Passport Canada's organizational and governance structure was undertaken by the Office of the Inspector General of Foreign Affairs Canada in November 2004. The change in the reporting and organizational structure, that resulted from this review, will better position Passport Canada to maximize and improve management capacity, risk management and its partnerships and relationships with external stakeholders. The new reporting structure was established to better reflect Passport Canada's new higher profile specifically as it relates to security and security policy. The Chief Executive Officer of Passport Canada now reports directly to the Associate Deputy Minister at Foreign Affairs Canada. In addition, six new bureaux were created for Human Resources, Operations, Corporate Services, Project Management, Security, and Policy and Planning.

Passport Canada



CHIEF EXECUTIVE OFFICER (PPTC)

The Chief Executive Officer (CEO) is accountable for the management of PPTC and answers directly to the Associate Deputy Minister of Foreign Affairs Canada. The CEO is responsible for establishing a strategic direction for the organization and insuring that it attains its objectives with respect to operations, finances and human resources.

CORPORATE SERVICES BUREAU (PPCD)

The Corporate Services Bureau provides the strategic directions that make it possible for Passport Canada to provide its range of communications, finance, administration and information and technology management programs at the national level.

HUMAN RESOURCES BUREAU (PPHD)

The Human Resources Bureau provides advice and support to operational and administrative divisions in carrying out their human resources mandates. PPHD is responsible for such areas as classification, staffing, pay and professional development.

OPERATIONS BUREAU (PPDD)

The Operations Bureau provides Canadian travel document services to Canadians living in Canada and the United States and permanent residents of Canada. PPDD receives and processes applications and produces and issues passports and other travel documents.

POLICY BUREAU (PPPD)

The Policy and Planning Bureau deals with all issues involving Passport Canada policy. PPPD develops flexible, consistent and integrated frameworks for policy development and operational planning by the organization.

PROJECT MANAGEMENT BUREAU (PPMD)

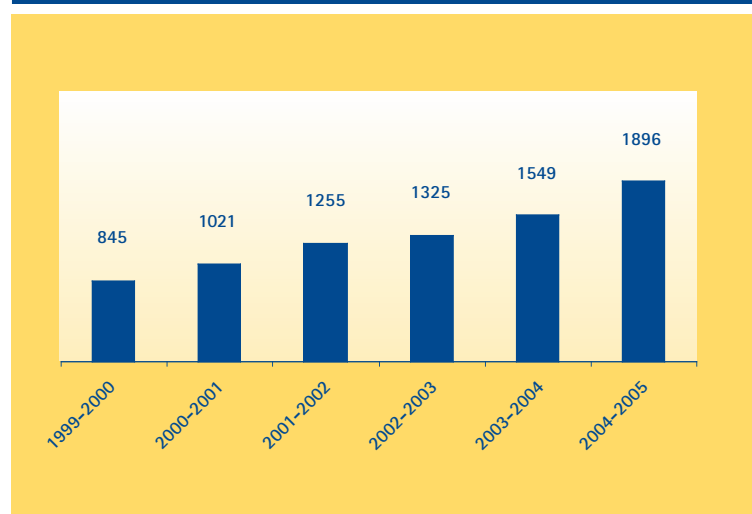
The Project Management Bureau approves and manages various Passport Canada projects. PPMD provides

consistency and quality in the delivery of these projects and ensures that they meet the strategic and organizational objectives set.

SECURITY BUREAU (PPSD)

The Security Bureau ensures the integrity and effectiveness of the passport issuance process, security and quality of the passport concept and compliance with Passport Canada's eligibility policy and the Government Security Policy.

Passport Canada Employees by Fiscal Year



On March 31 of 2005, we employed over 1,896 employees and issued 2.66 million passports. Over the past year, we grew by 14.1% nationally. One of the largest increases was experienced in the Security bureau, at 18.2% (13 employees) over the previous year, reflecting our preparation for the security focus in the organization of the future.

There were 1,896 employees in 2004-2005. Overall, Passport Canada employees opened 2,735,380 electronic files, received 810,173 calls, answered 33,305 pieces of correspondence, and issued 2,647,391 passports.



2004–2005 Highlights:

On March 7, 2005, we changed our name, from "Passport Office" to "Passport Canada". This change is an accurate reflection of the changes in the organization and the increasing complexity of its activities: it identifies the pan-Canadian nature of our business and places up front the importance it has to issues of national scope.

The Canadian public continues to correspond with Passport Canada, predominantly through electronic channels. In 2004–2005, Passport Canada received 32,931 written enquiries from the public: 31,940 e-mails through

the Web site (which accounted for 97% of total correspondence), 1162 letters addressed to Passport Canada or the Chief Executive Officer and 203 letters addressed to the Minister of Foreign Affairs. Questions raised included the application process, application requirements, passport policies and requests for forms.

Commitment to values:

Passport Canada reflected a commitment to its values through several activities in 2004–2005.

Service excellence:

Passport Canada has established and published service standards that are constantly monitored to ensure that clients receive excellent service.

A yearly client satisfaction survey is done to assess the service we provide to clients from their perspective.

Integrity:

Several awareness activities occurred to familiarize employees about the Values and Ethics Code for the Public Service including a presentation to the National Managers Conference.

Passport Canada is a proud contributor to the Government of Canada Workplace Charitable Campaign for the United Way. The offices in the regions and Headquarters have found fun and innovative ways to raise money for local communities.

In support of the integrity of the passport issuing process, Passport Canada employees familiar with the issuing process at overseas missions participated in a number of Foreign Affairs Canada compliance audits of passport programs at consular missions.

Competence:

Passport Canada undertook a major revision of the tools used in the examiner training program, refreshing them and bringing them up to date with developments in identity and security issues.

A Corporate Learning Policy was developed and adopted, detailing our commitment to being a learning organization. A Corporate Learning Plan was also developed, outlining specific learning and development initiatives including reviewing organizational core competencies, surveying employee-learning needs, establishing learning plans, and strengthening our commitment to performance reviews for all employees.

Respect:

Passport Canada has established a National Union Management Consultation Committee (NUMCC) made up of both senior Passport Canada management and representatives of the unions at Passport Canada. The purpose of the NUMCC is to provide a forum for meaningful consultation on strategic direction and issues of organization-wide importance.

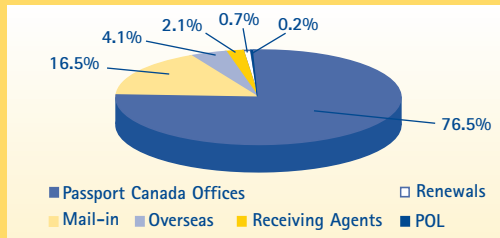
Passport Canada is working with unions to draft policy related to violence in the workplace.

The Chief Executive Officer (CEO) of Passport Canada has visited most Passport Canada offices across Canada and has implemented a monthly activity called "Coffee with the CEO" to provide an opportunity for employees to bring their issues and questions directly to the CEO.



Performance Summary

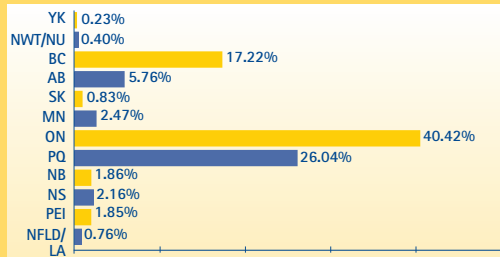
Percentage of application by business channels



In-person applications continue to be the most popular method of accessing Passport Canada services: 76.5% of applicants applied in person at our front counters in Canada, another 2.1% applied at receiving agent counters.

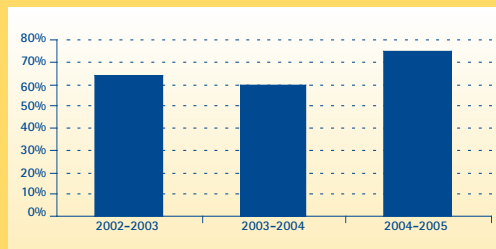
The remaining business channels for applications within Canada are: 16.5% mail-in, 0.7% renewals, 0.2% passport on-line.

Percentage of passports issued by provinces



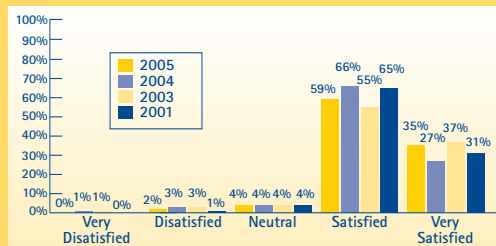
The Ontario region continues to account for a large percentage of volumes, with over 40% of all domestic applications received in 2004-2005.

Waiting time (less than 45 minutes)



In fiscal year 2004-2005, we met our published service standards 95% of the time: an improvement over the previous year. We increased the percentage of in-person clients waiting less than 45 minutes by 15% from the previous year.

Overall client satisfaction



In 2004-2005, the average satisfaction score was 8.2 out of 10, up from 7.9 over the previous year.

94% of participants indicated that they were satisfied or very satisfied with Passport Canada's services.



Service Channels in 2004–2005

During 2004–2005, domestic passport-related services were offered to clients through:

- 33 Passport Canada offices
- Mail-in services through a central office
- Members of Parliament
- Passport on-line
- Receiving agents

Canadians could access Passport Canada services in both official languages and through TTY service, and can receive application forms in Braille or with enlarged print for the persons with a visual impairment. Some services are accessible through the Passport Canada Web site at www.passportcanada.gc.ca or through our toll-free number within Canada: 1 800 567-6868.

In addition to domestic services, Passport Canada works with Foreign Affairs Canada to offer passport services to Canadians overseas, through Canadian government offices abroad. Approximately 120,000 applications are processed by Consular staff at 161 Canadian government offices around the world on behalf of Passport Canada. This is an increase of 9.2% in 2004–2005 over the previous year.

Passport Canada has further expanded our domestic channels of service through our Receiving Agents Program, which allows Canadians to apply for a passport at one of 56 selected Canada Post outlets or Service Canada centres. Receiving agents are available in British Columbia, Manitoba, Ontario, Prince Edward Island, Quebec, and in 2004–2005 we added receiving agents in New Brunswick and Nova Scotia.

On September 27, 2004, Passport Canada launched the Members of Parliament (MP) Web portal. The MP Web portal is an electronic link between Passport Canada and Members of Parliament. It allows rapid and direct

sharing of information about passport application-related issues. The Web site supports MPs who accept passport applications at their constituency offices. Since its launch, we have received a high percentage of requests for updates on the status of passport applications. This suggests that MPs use the portal and find it an efficient way to communicate with Passport Canada.

In 2004–2005 call centre operations were streamlined in order to maximize efficiency in providing bilingual support to clients. The call centre located in Surrey, British Columbia was closed with staff being re-located in the Western region. This allowed for a consolidation of call centre operations to two call centres in Gatineau and Montréal.

Service Standards: 2004–2005

High volumes and changes to our processes as a result of added security measures have challenged Passport Canada's service delivery in the past few years. This year we have made significant progress in resolving our service issues in order to place us in a position to handle volumes in the future while focusing on strengthening compliance.

Passport Canada has published service standards detailing targeted turnaround times for issuing Canadian travel documents¹. In 2004–2005, overall improvements in service were experienced:

- We exceeded our published service standards of 95% by 1.84%: an improvement of a 0.76 percentage point increase over the previous year.
- Passport Canada offices maintained or improved their turnaround time: only receiving agents experienced negative impact on turnaround times largely due to volume increases experienced in the last quarter.

¹ to view service standards please visit http://www.passportcanada.gc.ca/passports/get_process_times_e.asp

Turnaround Time

Service Channel	Service Type	Service Standard - 100%	2003-2004	2004-2005
Passport Canada Offices	Regular	10 working days	96.53%	97.42%
Passport Canada Offices	Urgent	next working day	98.3%	98.83%
Passport Canada Offices	Express	2 - 9 working days	99.78%	99.88%
Mail-In	Regular	20 working days	94.87%	94.66%
Canada Post receiving agents	Regular	15 working days	98.16%	77.00%
Service Canada receiving agents	Regular	20 working days	na	85.50%
Renewal	Regular		na	99.99%
Passport on-line	Regular	10 working days	na	98.50%

Wait Times

- We increased the percentage of in-person clients waiting less than 45 minutes by 34% from the previous year. Although wait times improved significantly in 2004-2005, Passport Canada did not achieve its wait time goal. Setting our target at 95% of clients waiting less than 45 minutes, we were able to serve 75% of clients in under 45 minutes: a 15% improvement over the previous year.
- Canadians in Calgary can look on-line in real time and find out how long the wait is at a choice of two offices in the area. Historical data is also provided so that informed choices can be made about the best time to visit an office. This initiative has been so successful that it will be expanded to other locations.

Improvements in wait and turnaround times are attributed to several factors, including:

- increase in operational full-time employees by 13.5% from 2003-04,
- extended hours initiatives to reduce the number of high volume days,

- and new initiatives to diversify service delivery such as Passport on-line and the Renewals Project.

Call Centre Performance

Our call centre also experienced service improvements:

- 98.68% of calls were answered by an agent within 5 minutes, 3.3% higher than in 2003-2004.
- The connected call volume increase by 12.1% from 2003-2004 and 96.5% of calls were connected.
- The average (median) wait time was 3.5 minutes.
- Accessibility to an agent (calls answered by an agent/callers requesting an agent) decreased from 80.4% to 66.6% from the previous fiscal year, due to a 24% increase in the volume of calls requesting an agent coupled with a decrease by 17.29% in the number of full-time employees available to handle this higher volume.
- The number of calls handled per agent increased from 84 calls per day (on average) in 2003-2004 to 127 calls per day in 2004-2005.



Client Satisfaction

The Client Satisfaction Survey was held from April 18 to May 23, 2005, and polled clients had applied for and received a passport between January 1 and March 31, 2005. Survey results show overall improvements over the previous year, including:

- Average satisfaction score of 8.2 out of 10, up from 7.9 over the previous year;
- 94% of participants satisfied or very satisfied, up slightly from 93% in the previous year;
- 35% of participants reporting that they were "very satisfied" with Passport Canada service, up eight points from 2003-2004.



Laying the Foundation

All Passport Canada's activities are based on authenticating the identity of applicants who apply for documents, determining their entitlement to a travel document, and ensuring that the documents which are issued meet the highest standards of security and integrity. We do so while striving to improve client service and client access to service.

Our strategic priorities flow from our mission, our vision and our values. Because of the increasing emphasis on security and identity in our national and international operating environments, Passport Canada has adopted three new strategic objectives in 2004-2005 by which we have aligned our key activities and planning processes. These objectives continue to support the progress we are making in service delivery in response to volume pressures while reinforcing compliance to security and identity activities. To do both, as an Agency, Passport Canada must inspire innovation, improvement and excellence.

Our Strategic Priorities

- **Broadening access:**
finding ways to increase both the means by which Canadians can apply for passport services and the convenience associated with those means
- **Strengthening compliance:**
ensuring that Canadian travel documents are designed, issued, and managed in a context that recognizes international requirements, expectations and developments for travel documents
- **Continuous improvement:**
constantly evaluating and reassessing our business practices and operations to make them better



Broadening Access in 2004-2005

Our Strategic Priority of **Broadening Access** commits us to find ways to increase both the means by which Canadians can apply for passport services and the convenience associated with those means.

Passport Canada values the high level of customer satisfaction identified by clients. Efforts in this area are targeted to respond to client needs and to ensure that we maintain this level of customer satisfaction in the future by expanding our services. The groundwork for the following key activities commenced over the previous year, laying a solid foundation for these areas to expand over the next three years. These activities include:

- Introduction of passport renewals
- Implementation of Passport on-line
- Piloting of the Receiving Agents Project
- Foreign issuance of passports

For the fifth consecutive year, Canada ranked first in accentures global e-government survey published on 6 April 2005.

E-government is now a key channel for the delivery of public services in the country, representing almost a third of transactions between the federal government and citizens.

– *Government News*,
April 8, 2005

Introduction of passport renewals: In the summer of 2004, the Renewals Pilot Project was launched. Using a targeted mail-out, over 38,000 Canadians were invited to renew their passports through a simplified mail-in process.

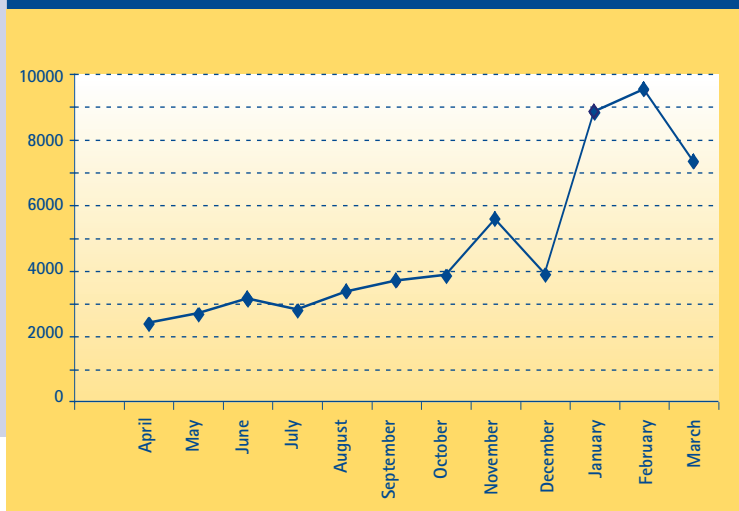
Implementation of Passport on-line The Passport on-line Project began as a direct result of the drive within the Government of Canada to provide key government services on-line. The project leverages Internet technology to provide applicants with greater access to passport services. In 2004-2005, an interactive on-line form was developed and launched marking the first step towards the availability of full Internet based passport application services.

Piloting of Receiving Agents Project: Significant progress on this project was made in 2004-2005 such that it has moved from a pilot phase to maintenance and management phase. The project broadens access to passport services through networks outside of Passport Canada offices. In September 2004, 58 Canada Post outlets began to receive passport applications, providing additional channels to access passport service. By the end of 2004 three designated Service Canada Centres also became receiving agents.

In 2004-2005, these 61 receiving agents resulted in the issuance of over 57,000 passports.

Foreign issuance of passports: Treasury Board approved the Mission Passport Print Solution (MPPS) Project and committed capital costs required for implementation. The aim of the MPPS project is to standardize the production of passports to ensure the most secure travel documents for all Canadians. In 2004-2005, Passport Canada has identified the Mississauga print centre as the centralized production site.

Receiving Agent Volume 2004-2005



During the last year, Passport Canada carried out several other initiatives aimed at broadening access to our services, including:

Four new offices were opened in Whitby, Brampton, Calgary South, and Pointe-Claire. Increasing volume resulted in the requirement for the Québec office to relocate and open six additional counters. An additional counter was added in the Saguenay office.

An extended hours of service initiative was launched, to better address volume in the busy season. Under this initiative, we extended core Passport Canada

business hours by up to 25%, including Saturday openings in some cases. Offices offering Saturday hours have seen a flattening of service demand from Monday to Friday, resulting in an overall decrease in wait times for clients.

A new initiative to inform the public of estimated wait times on-line in Calgary and Calgary South was launched. This new project gives applicants information, via the Internet, showing current waiting times, as well as, historic waiting times in Calgary offices, thereby assisting applicants to determine the best time to visit the office.



Strengthening Compliance in 2004-2005

The Passport Canada strategic priority of *Strengthening Compliance* calls upon us to ensure that Canadian passports are designed, issued, and managed in a context that recognizes international requirements, expectations and developments for travel documents. By strengthening compliance we seek to improve the security of Canadian travel documents and the integrity of the entitlement process.

Passport Canada must recognize and respond to a changing global environment. To ensure that the Canadian passport maintains its high level of respect and that we contribute to efforts in identity authentication and secure document processes, activities undertaken over 2004-2005 have been implemented in order to strengthen our efforts to further detect and reduce fraud. These activities include the following:

- Evaluation of facial recognition technology as a security tool
- Expansion of the National Routing System Project
- New booklet design integrating new technology
- Participation with G8 counterparts in a common database of lost and stolen travel documents.

The link between Canada's economic health and the security of its southern neighbour has long been established... To that we must add a further link. The security of the bi-lateral relationship hinges in part on the security of the Canadian passport.

– David Rudd,
President and
Executive Director of
the Canadian Institute
of Strategic Studies



Evaluation of facial recognition technology:

Facial recognition is a way to identify a person by their unique facial features, using advanced computerized recognition techniques. Passport Canada completed a study of concepts and products in the use of facial recognition and a Treasury Board submission seeking Effective Project Approval for the implementation of facial recognition was completed. The Treasury Board submission will proceed in 2005–2006.

Expansion of the National Routing System (NRS)


Project: Due to funding constraints during 2004–2005, Passport Canada's National Routing System (NRS) Project devoted most of its limited resources to advancing the NRS's pilot sub-project, an integral phase of the development stage of the NRS Project. Activities completed within the pilot sub-project have resulted in the pilot project being in a position to start development and testing work in early 2005–2006 in anticipation of a summer 2005 "go live" date.

New booklet design integrating new technology:

Significant progress was made in identifying design options for a new booklet integrating new technology. Initially planned to improve upon the booklet with digitized photos, the scope of new booklet design was expanded to include an examination of new chip enabled passports, the e-Passport. Project planning for a limited pilot of a new e-Passport booklet using diplomatic and special passports was completed. The pilot project will launch in 2005–2006, pending Treasury Board approval.

Participation with G8 counterparts in a common database of lost-stolen travel documents:

In September 2004, Passport Canada signed a memorandum of understanding (MOU) with Interpol, to share lost and stolen passport information.



2004–2005 was marked by an increasing organizational focus on security matters. As such, numerous additional achievements in this area were a key part of our overall success. Additional highlights include:

In support of the integrity of the passport issuing process, Passport Canada employees familiar with the issuing process at Canadian government offices abroad participated in a number of Foreign Affairs Canada compliance audits of passport programs at Canadian government offices abroad.

As part of our efforts to implement the Government of Canada Security Policy and the Management of Information Technology Security Standards, we developed and finalized a comprehensive IT Security Policy for Passport Canada.

Passport Canada completed the development of the security specifications for a new temporary passport book to be introduced to overseas applicants as part of the Mission Print Passport Solution project. As a result, the travel document that will be issued at Canadian missions abroad will include the latest secure document technologies.

Strengthening Compliance in 2004–2005

Passport Canada concluded a number of Memoranda of Understanding (MOU) with:

- **Correctional Service Canada, the Police Information Centre, the Canada Border Services Agency and Citizenship and Immigration Canada** to guide the sharing of information needed to strengthen our passport watch lists and improve enforcement of the *Canadian Passport Order*.
- **Correctional Service Canada (CSC)** regarding the exchange of information on federal offenders and parolees. The MOU will allow Passport Canada and CSC to continue to work toward developing an automated solution that will permit PPTC to better administer section 9 of the *Canadian Passport Order*.
- **Canada Border Services Agency (CBSA)** regarding the exchange of information on lost and stolen documents. Passport Canada is now providing CBSA systematically with the details of all Canadian travel documents reported lost or stolen. This information is now available electronically to border authorities at Canadian ports of entry.

Document identification tools were developed and distributed to strengthen the ability of passport examiners to verify the authenticity of identity documentation. A standardized tool for the conduct of guarantor checks was also developed.



Continuous Improvement in 2004-2005

The Passport Canada strategic priority of *Continuous Improvement* reflects our commitment to constantly evaluate and reassess our business practices and operations to make them better. This strategic priority recognizes and addresses the need for a solid foundation on which to build our security and service efforts, and a corporate framework that promotes excellence in all we do. Under this strategic priority, Passport Canada will lay the foundation to support strengthened leadership and accountability, improved planning and communication, and quality and efficiency in all aspects of its business. Continuous corporate improvement is an essential element in supporting Passport Canada's transformation as we envision it.

The ability to improve on security and service requires that the necessary tools and processes be put in place to facilitate improvement. Employees have demonstrated their dedication and commitment to Passport Canada by going the extra mile to ensure that, to the best of their ability, service standards are met. In 2004-2005 we have begun to review and revise processes and systems to relieve the pressure on our employees while improving service, we have started planning for the future by reviewing our business processes and we are developing and implementing a human resources plan to respond to the needs of the organization.

Activities under the strategic priority of continuous improvement are in the areas of:

- Stewardship
- Human Resources
- Client Service
- Project Management.



Stewardship: Passport Canada improved in the area of stewardship through the implementation of activities related to business continuity, financial management and business processes:

Review and standardisation of the mail-in and member of parliament processes:

Passport Canada completed a process review and standardization pilot for the mail-in and member of Parliament sections, and a printing process review at the Mississauga Print Centre. Lean methodology was used to review and refine the processes of these sections. Evaluation of each pilot found that we were able to favourably influence productivity, reducing cost and time.

Development of a Business Continuity Plan:

Business continuity plans were completed in accordance with Government Security Policy. The business continuity plans respond to all mission-critical processes. They detail the protection of critical assets in the face of a crisis or emergency. Passport Canada prepared a specific plan for each office. We also prepared generic regional plans. These are living plans: we will update them as processes change, such as progress on the Passport on-line and receiving agent projects outlined above.

Development of a modified volume forecasting model: New client surveys were implemented to gather information on client behaviour that may

impact demand, for example measuring the client response to the Western Hemisphere Travel Initiative. Results of these surveys are now incorporated in the forecasting model.

Ongoing review of volume and budget: Passport Canada's Executive Committee reviews, on a monthly basis, the actual versus forecasted passport volume as well as the actual versus forecasted budget.

Development of a Quality Improvement

Framework: Passport Canada developed a Quality Policy and Continuous Improvement Model. To support both the policy and model, a Continuous Improvement Council was established. Elements of the Quality Improvement Framework serve to integrate improvement processes and quality initiatives across Passport Canada.

Development of a Strategic Management

Framework: Passport Canada began the development of a Strategic Management Framework. The framework utilizes the Balanced Scorecard approach to performance measurement and reporting and will promote the alignment of resources to organizational objectives.



Human Resources: As a learning organization we continue to improve our programs and policies which reflect our desire to respect demographic changes in Canada, government policies, and legislative changes as well as the changing needs of our business.

Implementation of a Human Resources Action

Plan: Passport Canada has continued the ongoing implementation of the Human Resources Strategic Action Plan. We have reviewed elements of the action plan to incorporate potential impacts that stem from implementing the *Public Service Modernization Act*. Over the course of the current planning period, the Human Resources Action Plan will be integrated with strategic planning.

Creation of a Strategic Human Resources

Planning Guide: This Guide has been created to address the emerging need for a more strategic approach to planning for, and identifying, our human

resources requirement at Passport Canada. Also, this Guide was designed to work as a tool to assist managers in developing their human resource plans for the coming years, and to anticipate the impacts of changes

Implementation of an Informal Conflict

Management System Framework: Passport Canada developed its Informal Conflict Management System Framework in consultation with union representatives, managers, legal services, HR services, communications, regional representatives and central operations representatives. This framework was implemented on April 1st, 2005.

Client Service: Passport Canada continually seeks ways to improve processes and tools that will result in better client service.

Review and standardization of correspondence and

public enquiries: The Correspondence and Public Enquiries section took measures to improve its turnaround time on responding to letters and e-mails from the public by reviewing and implementing standards such as 48 hours/2 days for Infopass enquiries and 25 days for CEO and Ministerial correspondence. Performance measures will be implemented in 2005–2006 to evaluate performance against these standards.

Review and standardization of the front counter

process: Review and standardization of the front counter process was reconsidered in 2004–2005, and is now part of phase I of the larger Next Generation Issuance System project.

Review of IRIS® Foundation: A third party independent audit of our passport issuance system took place and found that the foundation of the system was sound, but that performance and maintenance improvements would be best achieved through the development of a new system.



Project Management: A Project Management Bureau was created to approve and manage various Passport Canada projects and ensure successful implementation.

Implementation of the Project Management

Framework: A formalized framework for major projects has been developed and implemented to ensure that projects are delivered in a timely manner, within budget, while achieving the objectives of the organisation.

Creation of the Project Approval Board (PAB):

A Project Approval Board was established to review new projects requesting capital funding. Based on the review of the projects, recommendations are made to

the Executive Committee as to which projects should receive capital funding and a proposed priority list of projects for the organization is recommended.

Creation of a Project Review Board (PRB): A Project Review Board was established to review ongoing projects at critical points in the project cycle. The board determines whether projects continue to meet financial and performance objectives and the overall objectives of the organization.

Passport Canada undertook a major revision of the tools used in the examiner-training program, refreshing them and bringing them up to date with developments in identity and security issues.

The creation of a Policy and Planning Bureau to provide a centre of expertise in support of Passport Canada's expanding policy role in both identity and security related issues.

A Corporate Learning Policy was developed and adopted, detailing our commitment to being a learning organization. A Corporate Learning Plan was also developed, outlining specific learning and development initiatives including reviewing organizational core competencies, surveying employee-learning needs, establishing learning plans, and strengthening our commitment to performance reviews for all employees.



Looking Ahead

Over the next five years, Passport Canada will be working on developing a comprehensive plan that will enable the vision that has been set forth to be achieved, and for improvements in service delivery to be implemented. Presently, Passport Canada is concentrating efforts on addressing the issues identified in the 2004 Auditor General Report, with significant steps already in place and many more planned. In addition, we are preparing to respond to a potentially significant volume increase in passport applications as a consequence of the new travel requirements in the United States, as decreed by the Western Hemisphere Travel Initiative and which is set to come into effect in 2007.

Leveraging horizontal partnerships and technology, Passport Canada is positioning itself to broaden the access of Canadians to passport services. Building upon continuous improvements in security, we are strengthening our processes and ensuring that we continue to produce internationally respected travel documents. Continuously seeking improvement as an organization whose resources are its greatest strength, we are striving to identify and implement effective and efficient corporate practices.

As strategic objectives, these achievements lay a stable foundation for transformational change to come. While the pace and extent of the change ahead will present its challenges, the strength of Passport Canada and the core from which all its successes flow, are its people. In working toward meeting international standards through the development and implementation of advanced technological and security measures, along with continuing to make client satisfaction our highest priority, we will ensure that Passport Canada will maintain its position as a global leader in the field of secure identity and travel documents.



Passport Canada Revolving Fund

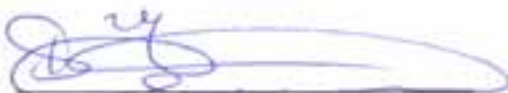
Management Report

The accompanying financial statements for 2004-05 of the Passport Canada 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 judgments 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 Canada 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:



Denis Fortier
Director General, Corporate Services



Doreen Steidle
Chief Executive Officer, Passport Canada



Financial Statements of **Passport Canada Revolving Fund** *Year ended May, 2005*

Auditor's Report

To the Assistant Deputy Minister,
Foreign Affairs Canada
Passport Canada Revolving Fund

We have audited the statement of financial position of **Passport Canada Revolving Fund** as at March 20, 2005 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 Canada 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 Canada Revolving Fund** at March 31, 2005 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 the Canadian generally accepted accounting principles, are solely for the information and use of the Assistant Deputy Minister of Foreign Affairs Canada 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.

Ernst + Young LLP

Ottawa, Canada
May 20, 2005

Chartered Accountants

Passport Canada Revolving Fund

Statement of financial position

As of March 31, 2005
(In thousands of dollars)

	2005	2004
Assets:		
Current:		
Accounts receivable:		
Government of Canada (Note 6)	\$ 4,109	\$ 196
Outside parties	762	191
Inventories	4,084	4,116
Prepaid expenses	1,509	2,078
	10,464	6,581
Long-term:		
Capital assets (Note 3)		
At cost	109,769	92,976
Less accumulated amortization	65,533	54,480
	44,236	38,496
	\$ 54,700	\$ 45,077
Liabilities and Equity of Canada:		
Current:		
Accounts payable and accrued liabilities:		
Government of Canada (Note 6)	\$ 6,150	\$ 4,385
Outside parties		
Accounts payable	8,019	7,156
Vacation pay	2,627	2,371
Contractors' holdbacks	90	101
Current portion of the provision for employee termination benefits	226	188
Current portion of loan payable (Note 7)	-	4,477
	17,112	18,678
Long-term:		
Provision for employee termination benefits	10,913	9,541
	10,913	9,541
Equity of Canada (Note 4)	(16,683)	(20,063)
Accumulated net charge against the Fund's authority	41,128	36,921
Accumulated surplus	2,230	-
Contributed capital (Note 8)	26,675	16,858
Commitments (Note 5)		
	\$ 54,700	\$ 45,077

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

Passport Canada Revolving Fund

Statement of Accumulated Surplus

For the year ended March 31, 2005
(In thousands of dollars)

	2005	2004
Balance, beginning of year	\$ 36,921	\$ 27,929
Net profit	4,207	8,992
Balance, end of year	\$ 41,128	\$ 36,921

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

Passport Canada Revolving Fund

Statement of Operations

For the year ended March 31, 2005
(In thousands of dollars)

	2005	2004
Revenues:		
Fees earned	\$ 166,843	\$ 158,103
Miscellaneous revenues	370	267
	167, 213	158,370
Operating expenses:		
Salaries and employee benefits	92,687	84,414
Provision for employee termination benefits	1,783	1,461
Passport materials	12,107	12,498
Freight, express and cartage	13,559	9,229
Amortization of capital assets	11,091	8,862
Accommodation	9,875	7,692
Professional and special services	8,456	7,642
Passport operations at missions abroad (Note 6)	4,447	4,447
Printing, stationery and supplies	2,823	3,094
Repair and maintenance	2,679	2,630
Telecommunications	2,394	1,961
Information	1,920	1,774
Travel and removal	1,565	1,589
Postal services and postage	1,370	1,448
Rentals	302	276
Interest	7	243
Miscellaneous expenses	418	118
	167,483	149,378
	(270)	8,992
Gain on loan forgiveness (Note 7)	4,477	-
Net profit	\$ 4,207	\$ 8,992

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

Passport Canada Revolving Fund

Statement of Cash Flows

For the year ended March 31, 2005
(In thousands of dollars)

	2005	2004
Operating activities:		
Net profit	\$ 4,207	\$ 8,992
Add items not affecting cash:		
Provision for employee termination benefits	1,410	1,314
Amortization of capital assets	11,091	8,862
Deferred leasehold inducements	-	(253)
Accruements interest on loan	-	231
	16,708	19,146
Changes in current assets and liabilities (Note 9)	(1,010)	5,461
Investing activities		
capital assets acquired	(16,831)	(16,322)
Financing activities		
Repayment of loan payable	(4,477)	(4,500)
Contributed capital (Note 8)	2,230	-
Net financial resources (used) generated and change in the accumulated net charge against the Fund's authority account, during the year	(3,380)	3,785
Accumulated net charge against the Fund's authority account, beginning of year	20,063	16,278
Accumulated net charge against the Fund's authority account, end of year	\$ 16,683	\$ 20,063

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



Passport Canada Revolving Fund

Notes to the Financial Statements

March 31, 2005

1. Authority and purpose:

The Passport Canada 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. Passport Canada 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.
- Funding for capital assets received from Treasury Board is recorded as contributed capital and not as a reduction of the cost of capital assets.

2. Significant accounting policies (continued):

(b) Revenue recognition:

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

(c) Inventories:

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

(d) 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 - 5 years
Other machines and equipment	5 years

Effective April 1, 1994, all expenditures associated with the Technology Enhancement Plan Project (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.



2. Significant accounting policies (continued):

(e) Insurance:

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

(f) 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.

(g) Pension plan:

Employees of Passport Canada are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by Passport Canada 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 Passport Canada and are charged to operations on a current basis. Passport Canada 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*.

(h) Financial instruments:

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

(i) 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 revenues 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.

3. 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	49,476	23,338	6,674	66,140
Furniture	2,360	-	-	2,360
EDP equipment	6,961	107	31	7,037
Other machine and equipment	302	53	-	355
	\$ 92,976	\$ 23,498	\$ 6,705	\$ 109,769

Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
Technology Enhancement				
Plan Project	\$ 33,061	\$ 658	\$ -	\$ 33,719
Other capital projects	16,385	8,781	-	25,166
Furniture	2,114	195	-	2,309
EDP equipment	2,736	1,393	31	4,098
Other machine and equipment	184	57	-	241
	\$ 54,480	\$ 11,084	\$ 31	\$ 65,533

Other capital projects category includes leasehold improvements.

4. 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.



5. Commitments:

(In thousands of dollars)

Passport Canada rents office premises and other office equipment under long-term operating leases, which expire in 2011. Future minimum lease payments by year are approximately as follows:

2006	\$ 10,549
2007	10,710
2008	10,682
2009	10,385
2010 and thereafter	1,225

\$ 43,551

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

2006	9,082
2007	9,082
2008	5,485

\$ 23,649

6. Related party transactions:

Through common ownership, Passport Canada 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 Passport Canada, which is an agency of the Department of Foreign Affairs Canada (FAC), collects consular fees on behalf of FAC Consular Affairs division. These fees are not recorded as revenues in the statement of operations. In fiscal year 2005, the Fund collected and remitted to FAC \$55,816,353 (2004 - \$51,594,200) in consular fees.

7. Forgiveness of loan payable:

During the 2005 fiscal year the Department of Foreign Affairs Canada (FAC) authorized the forgiveness of the balance of the loan payable in the amount of \$4,477,000. This amount had been repaid in June 2004 and was returned by FAC in March 2005.

8. Contributed capital

Passport Canada received \$2,230,000 from Treasury Board to fund two capital projects. As of March 31, 2005, \$870,844 had been spent on the two projects, which are expected to be completed in the fiscal year ending March 31, 2006.

9. Changes in current assets and liabilities:

(In thousands of dollars)

	2005	2004
Changes in current assets and liabilities:		
Accounts receivables – Government of Canada	\$ (3,913)	\$ 2,809
Accounts receivables – Outside parties	(571)	66
Inventories	32	(468)
Prepaid expenses	569	158
Accounts payable and accrued liabilities:		
Government of Canada	1,765	2,724
Outside parties – accounts payable	863	170
Outside parties – vacation pay	256	271
Outside parties – contractors' holdbacks	(11)	(269)
	\$ (1,010)	\$ 5,461

10. Comparative figures

Certain amounts for the 2004 fiscal year have been reclassified to make them comparative with the current year.



Points of service

Alberta

Calgary
Suite 254
Harry Hays Building
220-4th Avenue South East
Office hours: 8:30 - 13:30

Edmonton
Suite 126
Canada Place Building
9700 Jasper Avenue
Office hours: 8:00 - 16:15

Calgary (South) (English only)
14331 Macleod Trail SW
Office hours: 8:30 - 16:30

British Columbia

Richmond (English only)
Suite 135
8011 Saba Road
Office hours: 8:30 - 16:00

Vancouver
Suite 200
Sinclair Centre
757 Hastings Street West
Office hours: 7:30 - 16:30

Surrey (English only)
Suite 900
13401-108th Avenue
Office hours: 8:00 - 16:30

Victoria
5th Floor
747 Fort Street
Office hours: 8:30 - 16:30

Manitoba

Winnipeg
Suite 400
433 Main Street
Office hours: 8:00 - 16:00

New Brunswick

Fredericton
Suite 430
Frederick Square
77 Westmorland Street
Office hours: 8:30 - 16:30

Newfoundland and Labrador

St. John's (English only)
Suite 802
TD Place
140 Water Street
Office hours: 8:30 - 16:30

Nova Scotia

Halifax

Suite 1508, 15th Floor
Maritime Centre
1505 Barrington Street
Office hours: 8:30 – 16:30

Ontario

Brampton (English only)

Suite 401
40 Gillingham Drive
Office hours: 8:00 – 16:00
Saturday: 9:00 – 12:00

Hamilton

Suite 330
Standard Life Building
120 King Street West
Office hours: 8:45 – 16:30

Kitchener

Suite 630
The Galleria
101 Frederick Street
Office hours: 8:45 – 16:30

London

Suite 201, 2nd Floor
400 York Street
Office hours: 8:45 – 16:30

Mississauga (English only)

Suite 116 , 2nd Floor
Central Parkway Mall
377 Burnhamthorpe Road East
Office hours: 8:00 – 16:30

North York

Suite 380 , 3rd Floor
Joseph Shepard Building
4900 Yonge Street
Office hours: 8:00 – 16:30

Ottawa

Level C, East Tower
C.D. Howe Building
240 Sparks Street
Office hours: 7:30 – 16:30

Scarborough (English only)

Suite 210
200 Town Centre Court
Office hours: 8:00 – 16:30

St. Catharines

Suite 600
Landmark Building
43 Church Street
Office hours: 8:45 – 16:30

Thunder Bay

2nd Floor
979 Alloy Drive
Office hours: 8:45 – 16:30

Toronto (English only)

Suite 300
74 Victoria Street
Office hours: 8:00 – 16:30

Whitby

Whitby Mall
1615 Dundas Street East
Office hours: 8:00 – 16:00
Saturday: 9:00 – 12:00

Windsor

Suite 503
CIBC Building
100 Ouellette Avenue
Office hours: 8:45 – 16:30



Quebec

Gatineau (Hull)

Commercial Level 2
Place du Centre
200 Promenade du Portage
Office hours: 8:30 – 16:30

Montréal

West Tower
Suite 803
Complexe Guy-Favreau
200 René-Lévesque Boulevard W.
Office hours: 7:30 – 16:30

Québec

Suite 200 , 2nd Floor
Place de la Cité, Tour Cominar
2640 Laurier Boulevard
Office hours: 8:30 – 16:30
Wednesday: 9:30 – 16:30

Saint-Laurent

Suite 112
3300 Côte Vertu Boulevard
Office hours: 7:30 – 16:30

Laval

Suite 500, 5th Floor
3 Place Laval
Office hours: 7:30 – 16:30

Pointe-Claire

Fairview Pointe-Claire Shopping Centre
6815 Trans-Canada Highway
Office hours: 10:00 – 18:00
Saturday: 9:00 – 16:30

Saguenay

Suite 408
Immeuble Saint-Michel
3885 Harvey Boulevard
Office hours: 9:00 – 16:45

Saskatchewan

Regina

Suite 500
1870 Albert Street
Office hours: 9:00 – 16:30

Saskatoon

Suite 405
Federal Building
101-22nd Street East
Office hours: 8:30 – 16:00