



FOCUS ON EXCELLENCE

ANNUAL REPORT 2009–2010

Passport Canada



Passport Canada Passeport Canada

Canada

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PASSPORT CANADA ANNUAL REPORT 2009-2010

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Last year was my first as Passport Canada's Chief Executive Officer. To gain a better appreciation of our strengths and challenges, I visited all but two of our 34 regional offices, as well as our two production and call centres, to hear from clients and staff alike. With the benefit of this insight, I can state unequivocally that in 2009, a year of unprecedented business volume, Passport Canada kept its focus on excellence in service to Canadians. At the same time, I am proud to report that Passport Canada also conducted extensive investigations of best practices; completed technical work to introduce a new, more secure passport product; piloted improvements to our core security processes, and prepared for broad-based consultations with Canadians on the future of our services.

In service to Canadians...

In 2009, we issued over 4.8 million passports. This is an achievement in itself, made more remarkable by the fact that we did it while *improving* client satisfaction. We reached our targets for processing turnaround times for 99 percent of the applications we received. Our latest customer satisfaction surveys tell us we reached 96 percent client satisfaction—the highest level we've ever recorded. This is a testament to our employees and to their hard work and dedication to service. It is also the product of a lot of critical thinking about how we do what we do, and the willingness to *change* to improve service to Canadians.

Not long ago, Passport Canada found itself struggling to maintain service levels in the face of a huge spike in passport demand arising from the first phase of the Western Hemisphere Travel Initiative (WHTI). It required Canadians to carry passports for air travel to the US. As the crisis ebbed, we took a hard look at how we could have done better. We learned and we changed. In 2009, we were selected from among more than 80 submissions for the gold medal in the Institute of Public Administration of Canada (IPAC)/Deloitte Public Sector Leadership Awards—proof that we addressed squarely the problems we faced and we fixed them.

Among other things, we simplified the passport renewal process; increased our passport printing capacity; expanded points of service; vastly improved passport demand forecasting, and made ourselves more nimble, including with the capacity to better distribute workload across our organization to respond to

demand surges and maintain service levels across Canada. I was able to assure the House of Commons Standing Committee on Public Accounts that we were ready for June 1 and the expansion of the passport requirement for US entry to all land and sea border crossings. Indeed, the second phase of the WHTI passed without a hitch—we saw none of the problems encountered in the first phase.

We also took steps to improve passport services for Canadians abroad—a small but important portion of our client base. We completed a Memorandum of Understanding with Foreign Affairs and International Trade Canada (DFAIT) to strengthen the services provided on our behalf by Canada's consulates and missions. We are also partnering with DFAIT on a time and motion study in 10 missions that will lead to greater consistency in the passport application and issuance service experience for Canadians living and working overseas, and a more cost-effective process.

In leveraging technology...

As with any government organization dedicated not only to excellence in client service, but also to public value, we must keep our eye trained on the “competition.” In our operating context, this means staying on top of the solutions that other passport administrations worldwide are pursuing. Thankfully, this job is made easier by a highly collaborative international network. We worked closely in 2009 with colleagues in dozens of other countries exploring innovations in passport documents and issuance processes, including through organizations like the International Civil Aviation Authority, the G8 and the Five Nations Group. It is in all countries' mutual interests to learn from one another, share technical information, and adopt compatible passport solutions. It makes the legitimate international traveller's journey less confusing while at the same time, improving countries' collective ability to combat identity theft, fraud and international crime.

In doing our part, we are well on our way to adopting innovative technologies that are fast becoming standard around the world. In 2009, we put in place the technical foundation for issuing the higher security biometric “ePassport”, which we plan to implement in 2012. We also conducted pilots for integrating facial recognition into passport application processing supported by a new case management system, which we will fully implement this year. This will improve both the accuracy and the integrity of identity authentication, entitlement and investigative processes, further strengthening security.

In value for money...

The most important lesson that the first phase of WHTI taught Passport Canada is never to be complacent. We are doing well now, but to maintain excellence, we cannot stand still. As we look to the future, we know that more security enhancements are inevitable, both to the passport itself and to the processes we employ to issue them. These improvements must be paid for. Passport Canada operates on full cost-recovery. The last significant increase to our fees was nearly a decade ago in 2001. We need a new fee structure that will support our current operations and future innovations to keep up with rising international standards. Looking ahead to 2012 we prepared to engage Canadians for consultations on passport services pursuant to requirements under the *User Fees Act* so that we can pinpoint the services Canadians expect and receive input that will help us design a new fee-for-service structure in time for the introduction of the ePassport.

Value for money is integral to our focus on excellence. Canadians have no other option but to come to us when they need a passport. We have an obligation to them to do everything we can to keep the costs of providing those passports as low as possible. As we design a new fee structure to support our operations going forward, we are constantly looking for ways to reduce our operating costs without compromising service quality or the integrity and security of Canada's passport program. To that end, 2009 was the first year we operated using activity-based management (ABM) practices in most of our planning, budgeting and costing work. ABM has allowed us to maximize the use of resources, better understand our operating costs, assess the value of new initiatives, eliminate inefficiencies, and implement timely resource re-allocation strategies. It will continue to assist us in generating proposals to maintain and improve services, while keeping costs down. It is worth noting that in this area of passport administration, Canada is a leader—a recent presentation on our ABM model to the Five Nations Group received a great deal of interest and requests for more information.

In program integrity...

Underpinning our achievements in 2009 is a strong culture of collaboration at Passport Canada forged by our values of excellence, respect and integrity. Only Canadian citizens can legitimately carry Canadian passports—one of the world's most respected travel documents. They have the duty to keep it safe while we have the obligation to innovate and improve access to passport services and their quality to maintain and strengthen the integrity of the Canadian passport program and thus, the value of having one. Our shared responsibility is ultimately about protecting the ability of Canadians to always be able to rely on their passport as unassailable proof of their identity and of their right to all the entitlements and protections that Canadian citizenship affords.

Christine Desloges
Chief Executive Officer
Passport Canada

ABOUT PASSPORT CANADA

Mandate

Passport Canada was established in 1990 as a federal special operating agency responsible for the issuing, revoking, withholding, recovery and use of Canadian passports. The agency reports to Parliament through the Minister of Foreign Affairs and International Trade Canada (DFAIT) and derives its mandate from the *Canadian Passport Order*.

Mission

Our mission is to issue secure Canadian travel documents through authentication of identity and entitlement, facilitating travel and contributing to international and domestic security.

Vision

Our vision is to achieve global service, global security and global standards in providing state-of-the-art identity authentication and travel documents for the benefit of Canadians.

Values

Our values for the enterprise are excellence, respect and integrity.

Strategic Themes

Our strategic themes focus enterprise priorities on:

- Excellence in global service delivery: ensuring that Canadians will receive reliable and consistent service anywhere.
- Strengthening security: improving identity verification and entitlement capabilities to enable more secure passport documents.
- Enhancing management practices: using modern management practices to anticipate and respond to future needs, including capabilities for strategic alignment, innovation and decision making.

Passport Canada finances its operations entirely from the fees charged for passports and other travel documents. It must generate sufficient revenues to meet expenditures. However the federal government may, on occasion, provide financial support for special projects designed to improve service or enhance the security of Canadian travel documents.

The agency pursues its mandate and mission through a strategic program delivery framework of program activities designed to achieve expected results in the form of two main service outputs: travel documents (i.e. issuance of passports and a number of other travel-related documents) and refusal/revocation decisions (i.e. after finding an applicant ineligible for a passport, refusing to issue him or her one, and revoking the passport of an individual who has, for example, been charged with a serious offence). In

delivering on these expected results, the passport program produces direct outcomes that in turn support the strategic outcomes of DFAIT and of the Government of Canada.

<i>Passport Program Activities</i>	<i>Passport Program Direct Outcomes:</i>
<ul style="list-style-type: none"> ▪ Service Management: Client Enquiries, Application Validation, Identity and Citizenship Confirmation, Entitlement Decision, and Travel Document Production and Delivery. ▪ Entitlement Integrity: Integrity/Case Management, Investigations, and Intelligence. ▪ Adjudication. ▪ Internal Services: <ul style="list-style-type: none"> ○ Management, Policy, Oversight, Communications, Legal; ○ Resource Management (Human Resources, Finance, Information Mgt /Information Technology, Administrative Services); and, ○ Asset Management (Real Property, Materiel, Acquisition). 	<ul style="list-style-type: none"> ▪ Increased ability for Canadian travellers to gain entry to other countries using authorized travel documents; ▪ Decreased incidence of fraudulent use of Canadian travel documents; ▪ Decreased incidence of valid Canadian travel documents held by ineligible parties; and, ▪ Canadians receive innovative, reliable, timely, consistent, efficient and accessible passport services.
<i>Passport Program Services / Service Outputs (Expected Results):</i>	<i>Passport Program Contributions to DFAIT and Government of Canada Strategic Outcomes:</i>
<ul style="list-style-type: none"> ▪ Travel Documents; and, ▪ Refusal/Revocation Decisions. 	<ul style="list-style-type: none"> ▪ International Services for Canadians (DFAIT Strategic Objective Number 2); ▪ A safe and secure world through international cooperation (Government of Canada).

GOVERNANCE STRUCTURE

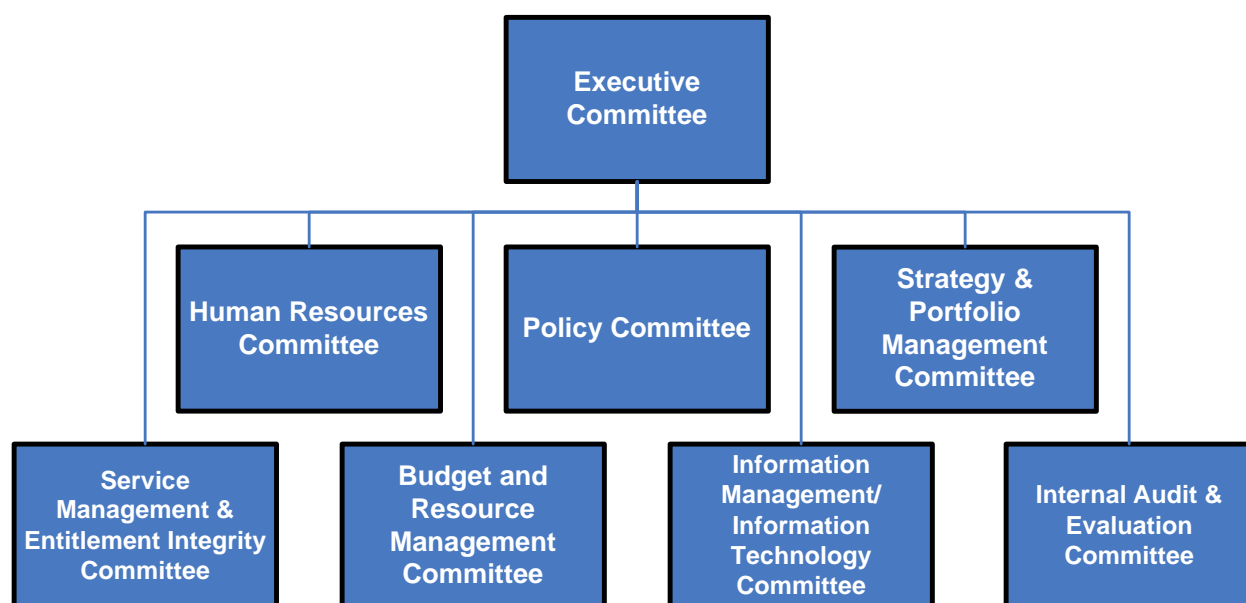
Executive governance

The Executive Committee structure and Program/Project structures of Passport Canada ensure that the essential conditions—internal coherence, corporate discipline and alignment to outcomes—are in place for providing effective strategic direction, support to the Minister and Parliament, and the delivery of results.

Executive Committee: The agency is managed by a Chief Executive Officer (CEO), who is responsible for ensuring that the agency attains its objectives with respect to operations, finance and human resources. The CEO is supported by an executive committee that sets the agency's overall strategic direction, oversees its policies, activities, major projects and investments, and monitors performance.

Standing Committees: Standing committees are each chaired by a program executive and report to the Executive Committee. These committees oversee specific program activities and include the:

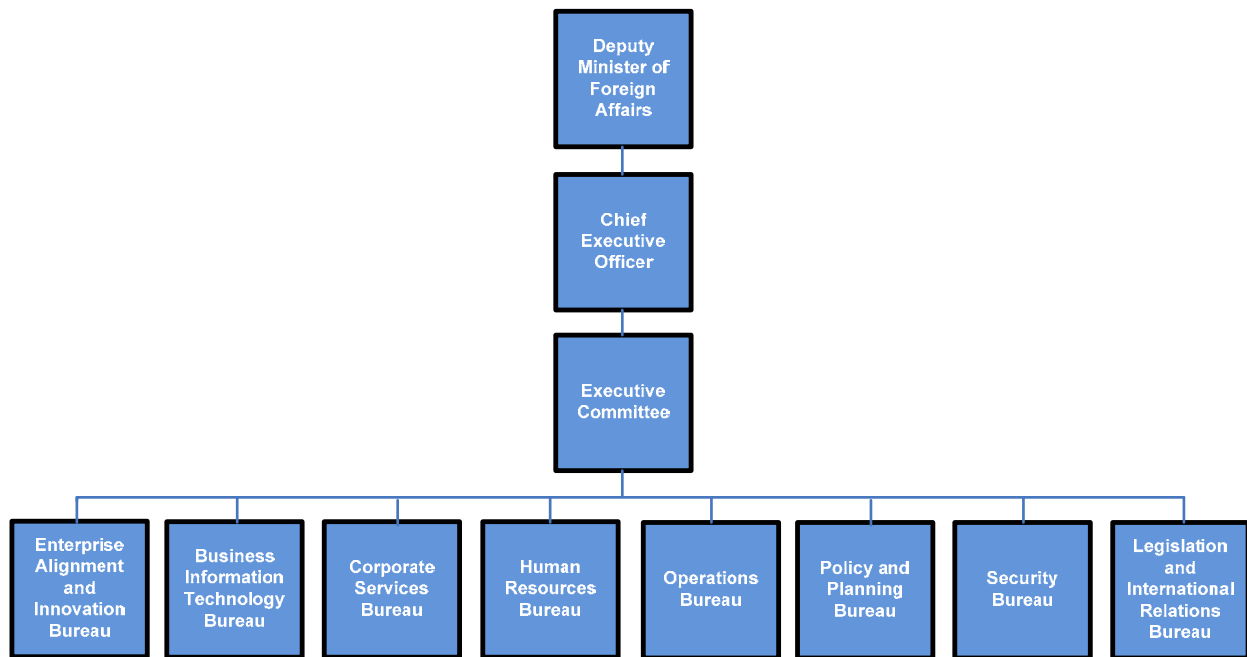
- Strategy and Portfolio Management Committee
- Policy Committee
- Human Resources Committee
- Budget and Resource Management Committee (*planned for 2010–2011*)
- Internal Audit and Evaluation Committee (*planned for 2010–2011*)
- Information Management/Information Technology Committee (*planned for 2010–2011*)
- Service Management and Entitlement Integrity Committee (*planned for 2010–2011*)



Organizational Structure

As a special operating agency established by the federal government, Passport Canada receives no parliamentary appropriations for operating expenses. We function on a self-funding basis; our operations are supported by the fees charged for passports and other travel documents. The federal government may, on occasion, provide financial support for special projects designed to improve service or enhance the security of Canadian travel documents.

The agency's CEO reports to the Deputy Minister of Foreign Affairs. The CEO heads an executive committee whose members represent each program activity area, or bureau. There are eight bureaus, described below, and four regional offices within the administrative structure.



Business Information Technology

This Bureau delivers Enterprise Architecture and IT security programs, provides efficient and client-focused software engineering services, and manages the IT infrastructure to ensure high availability and system effectiveness in support of the agency's strategic and operational goals.

Corporate Services

This Bureau provides a network of corporate and support services for the Canadian passport program. It oversees compliance with legislative and central agency requirements pertaining to finance and administration, applies activity-based management methods and practices, supports the agency's business planning process and information management, and ensures the security of assets and people. The Bureau also manages a network of facilities across the country, including 34 regional offices, two production centres and headquarters.

Enterprise Alignment and Innovation

This Bureau acts as an Office of Strategy Management in support of the CEO and the Executive Committee, acting as both facilitator and champion for direction setting, strategy development and investment plans to achieve desired agency outcomes. The Bureau is also responsible for the agency's strategic planning and performance reporting practices and deliverables, specifically its Strategic Direction and Outlook, Executive Governance Structure, Corporate Business Plan, Corporate Risk Profile, Agency Project Portfolio, Investment Plan, Modernization Roadmap and Annual Report, as well as Passport Canada's collaboration and accountabilities with DFAIT and the department's annual Report on Plans and Priorities, Performance Report and Management Accountability Framework.

Human Resources

This Bureau provides expert advice on, and ensures compliance with legislation and central agency policies and directives concerning the management of human resources. Responsibilities include staffing, classification, talent management, compensation and benefits administration, operational training design and delivery, and learning and development services. The Bureau also manages labour relations, human resource policy and planning, official languages and employment equity, health and safety, employee assistance, awards and recognition, and values and ethics.

Legislation and International Relations

This is a temporary bureau established to conduct the consultation process on passport services as required under the *User Fees Act*. The Bureau is responsible for engaging Canadians and passport program stakeholders to obtain feedback and ideas from Canadians on passport services and ways to improve them, and to use this information to develop and propose a new fee structure for the passport program. The Bureau has two functions: to assume a leadership role in the consultation process in preparation for the launch of the ePassport, and to play a strategic role on the international front with stakeholders such as the International Civil Aviation Organization.

Operations

This Bureau, with staff in 34 regional offices, two call centres, and two print centres, is responsible for the passport issuance process, including application acceptance, entitlement, quality control, printing, and passport delivery. Passport Canada print centres also print and deliver personalized passports to Canadian citizens worldwide through 146 DFAIT points of service. In addition, the Bureau processes official travel passports as well as certificates of identity and refugee travel documents.

Policy and Planning Bureau

The central role of this Bureau is strategic policy development and integrated planning including strategic and business planning. It undertakes policy research and benchmarking studies to identify and import best practices that can be adapted to the agency's needs. The Bureau is also responsible for the development of the volume forecasting model and the preparation, review and update of the agency's forecasts. Other areas of activity include integrated risk management, performance measurement and reporting, corporate communications, ministerial and corporate correspondence and liaising with Canadian and international counterparts or stakeholders.

Security

This Bureau ensures the integrity of Canadian travel documents and the associated entitlement and issuance processes. This is achieved through the Bureau's provision of strategic guidance on entitlement and issuance policies and expert advice on complex entitlement decisions, and investigations of suspected fraudulent activity, collection and sharing of information on lost or stolen passports, and development of domestic and international intelligence networks.

SERVICE DELIVERY

Maintaining high-quality service delivery is a primary focus at Passport Canada. The agency issued more than 4.824 million passports in 2009–2010, meeting, and in many cases, exceeding its service commitments to Canadians—99 percent of passports issued were processed on time or earlier. Passport Canada's client satisfaction is ranked among the best in the world for passport programs at 96 percent.¹

These achievements mark the success of Passport Canada's efforts to improve service delivery following the implementation of the first phase of the Western Hemisphere Travel Initiative (WHTI), which required Canadians to carry passports for air travel to the US. From November, 2006 to February, 2007, the agency faced an unprecedented surge in passport applications that caused significant delays in application processing and longer wait times at Passport Canada Offices and its call centres. To prepare for the second phase of WHTI, requiring Canadians to have a passport for US entry by land and sea that took effect June 1, 2009, the agency stepped up planning, improved its processes, and reallocated resources to strengthen its service delivery capacity to respond to demand spikes. Measures included simplifying the passport renewal application process; increasing passport printing capacity; expanding points of service and instituting ongoing monitoring and tracking better forecast demand fluctuations. A contingency plan was developed for increasing operational capacity to respond to demand surges and maintain service levels, a component of which was implementing a National Tactical Response team. This team helped to balance volumes across Canada through constant monitoring of volume demand to identify challenges and available capacity.

Efforts to improve service delivery have resulted in turnaround time performance of close to 99 percent for the close to 5 million passports issued in 2009–2010.

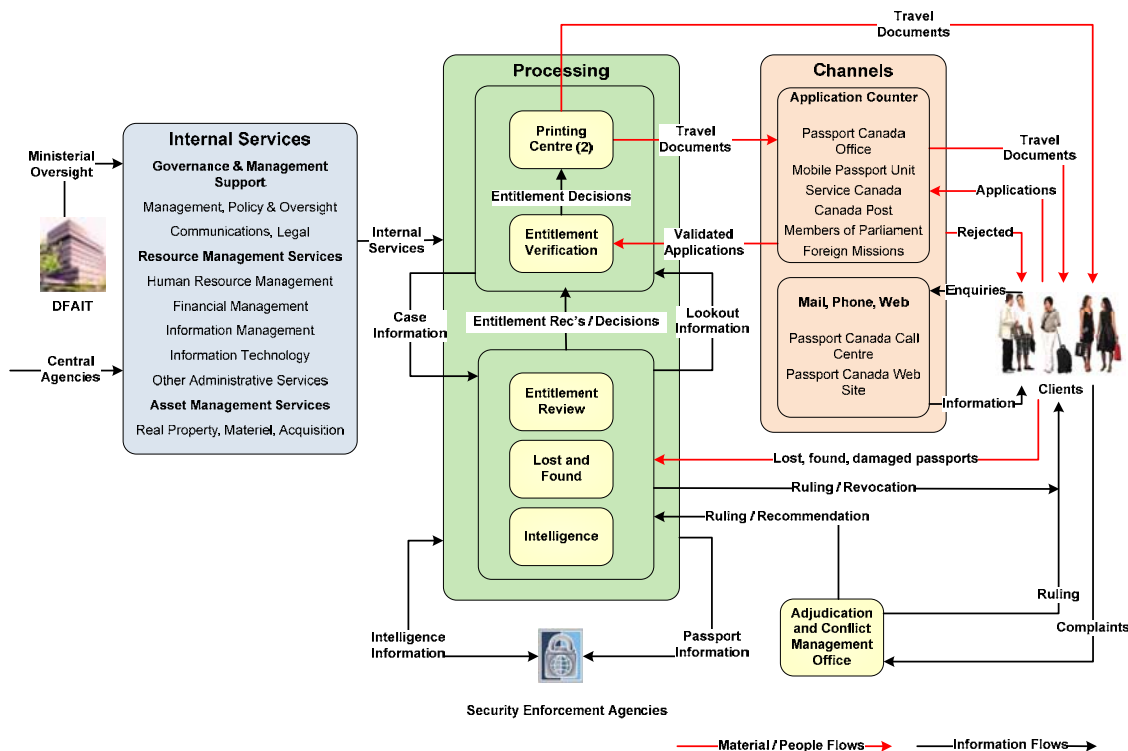
¹ Results taken from the 2008 National Client Satisfaction Survey

Passport Canada has implemented new services to improve its accessibility to Canadians. As of 2009, Canadians can fill out their passport application online using an interactive form that prompts them to enter the right information in the right places helping to reduce errors. The form still has to be printed, signed by the applicant, and either mailed to Passport Canada or submitted in-person, but because it includes a 2D bar code (a digital version of the data found in section 1 of the application), Passport Canada can accelerate data entry when it receives the form, which helps speed up processing. A Mobile Passport Clinic was also introduced to target under served and key border areas. One hundred and thirty-three clinics were held between March and September 2009 with 34,210 applications received.

Passport Canada has also strengthened the management of its resources to improve its ongoing operating efficiency. Better forecasting methods and daily/weekly oversight of performance metrics and actual demand has helped the agency to improve planning and decision making to respond more effectively to changes in the operating environment. Activity-based management practices in planning, budgeting, and costing, have enabled the agency to maximize the use of resources, better understand its operating costs and assess the value of new initiatives, eliminate inefficiencies, and implement timely resource re-allocation strategies when forecasted volumes show a change from the previous planning quarter.

The flow chart below summarizes the comprehensive service delivery model in operation today at Passport Canada. The goal is to ensure that security requirements and efficient service are balanced and maximized across the agency's operations.

Passport Canada – Strategic Direction & Roadmap - Our Service Delivery Model Today -



Passport Canada—Executive Committee, October 20, 2009

Our Service Channels

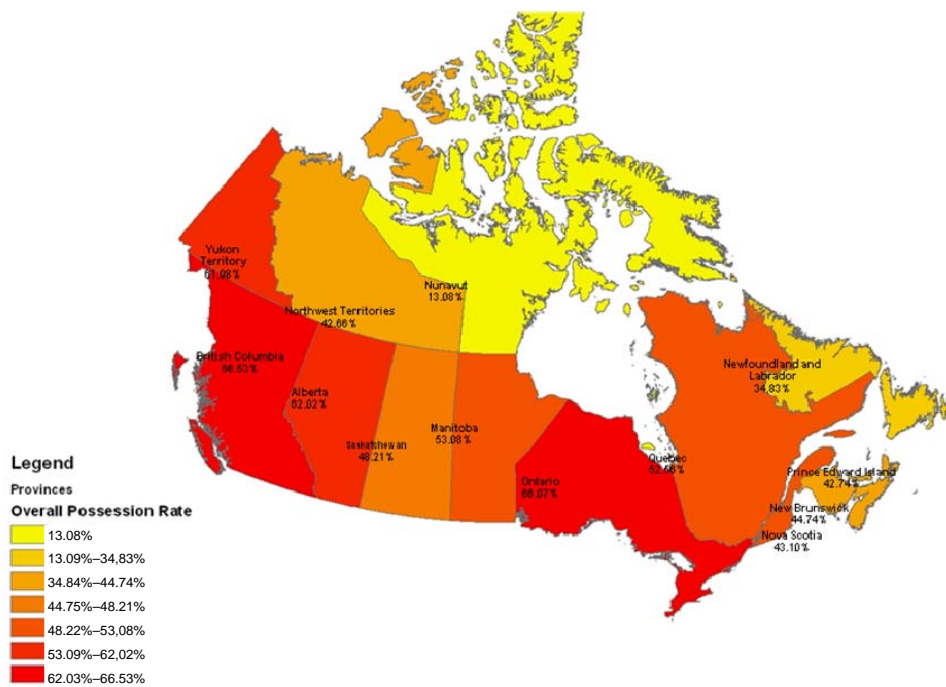
To make access to passport services as convenient as possible for Canadians, Passport Canada uses several service delivery channels. Application forms are available on Passport Canada's website at www.passportcanada.gc.ca, at our 34 regional offices, at all Canada Post outlets including the 56 that also act as receiving agents for the program, and at 141 Service Canada receiving agent locations. Assistance with passport matters is available through our website or by phone at 1-800-567-6868 and a TTY service at 1-866-255-7655. When completed, application forms can be mailed to headquarters, dropped off at any of our regional offices or receiving agent locations, or sent via the applicant's Member of Parliament.

Today, over 95 percent of Canadians residing in Canada live within 100 km of a passport point of service. Canadians living or travelling abroad can access passport services through DFAIT's consular offices, which can be located through their website at www.dfaif.gc.ca, where temporary passports and emergency travel documents can also be issued within very short turnaround times if required.

Our Clients

In 2009–2010, 60 percent of Canadians held a valid passport. Canadians in British Columbia and in Ontario continue to be the primary holders of passports. On a per capita basis, possession rates are lower in the Atlantic Provinces, and lowest in Nunavut. In general, they tend to be higher in cities than in rural areas. The highest rate of change in passport possession occurred in the province of New Brunswick, climbing from 35 percent in 2008–2009 to 45 percent in 2009–2010. It is closely followed by Saskatchewan (climbing from 40 to 48 percent) and Manitoba (45 to 53 percent).

Overall Possession Rates—April 2010



Our Products

Passport Canada produces eight types of travel document.

- A *24-page passport* is the main document issued.
- A *48-page passport* is provided to business people or others who travel more frequently.
- A *diplomatic passport* is issued to Canadian diplomats, senior government officials, diplomatic couriers or citizens who are official delegates to international diplomatic conferences.

- A *special passport* is delivered to persons holding office, such as members of Parliament, Senators, members of provincial cabinets, and to persons employed by the Government of Canada in a non-diplomatic capacity travelling on an official mission or to a post abroad.
- An *emergency travel document* is issued at embassies worldwide to Canadians stranded abroad. The security-enhanced, one-page document provides single-journey direct return to Canada or to the nearest mission where more comprehensive passport services can be obtained.
- A *refugee travel document* is issued to people whom Citizenship and Immigration Canada considers refugees under the 1951 United Nations Convention Relating to the Status of Refugees or to those who fall under the terms of the *Immigration and Refugee Protection Act*. These may be used for travel everywhere except in the individual's country of origin. They are valid for two years and may be extended.
- A *certificate of identity* is issued to permanent residents of Canada who are without nationality or who are unable to obtain travel documentation from their country of origin. The document is individually endorsed for travel to specific countries. It is valid for two years and may be extended.
- A *temporary passport* is available to Canadians with urgent travel needs who apply from abroad. It is valid for up to one year, depending on the applicant's travel plans, and must be exchanged for a regular passport within that time.

Recipients of the Passport Service	Potential Travel Document Issued
Adult—Canadian citizens	<ul style="list-style-type: none"> • 24-page passport • 48-page passport • Emergency travel document • Temporary passport
Children—Canadian citizens (under 16 years of age)	<ul style="list-style-type: none"> • 24-page passport • 48-page passport • Emergency travel document • Temporary passport
Canadian diplomats, senior government officials, diplomatic couriers, Members of Parliament, provincial Ministers	<ul style="list-style-type: none"> • Diplomatic passport • Special passport
Refugees	<ul style="list-style-type: none"> • Refugee travel document
Permanent residents of Canada	<ul style="list-style-type: none"> • Certificate of identity

Our Partners

To enhance the security of our processes and the travel documents we issue, and to assure Canadians convenient and timely access to our services, Passport Canada works with partners inside and outside government in many facets of its operations.

These partners include:

- provincial and territorial governments, particularly registrars of vital statistics;
- law enforcement and security agencies, as well as other entities within Canada and abroad who have an interest in secure identity documents;
- Canada Post and Service Canada;
- the International Civil Aviation Organization (ICAO);
- other federal departments and agencies;
- other passport-issuing authorities, in particular those of Australia, New Zealand, the United Kingdom and the United States; and,
- Foreign Affairs and International Trade Canada.

PERFORMANCE REVIEW

CLIENT SERVICE

Leadership award

In recognition of its success in addressing the challenges arising from the first phase of the WHTI in 2007–2008, in 2009 Passport Canada was awarded the gold medal in the Institute of Public Administration of Canada (IPAC)/Deloitte Public Sector Leadership Awards—the highest honour awarded. The medal recognizes “organizations that have demonstrated outstanding leadership by taking bold steps to improve Canada, through advancements in public policy and management.” Passport Canada was selected from among more than 80 submissions across Canada for the 2009 awards.

Passport Canada has been awarded the Gold Medal—the highest honour—in the 2009 Institute of Public Administration of Canada/Deloitte Public Sector Leadership Awards recognizing “organizations that have demonstrated outstanding leadership by taking bold steps to improve Canada, through advancements in public policy and management.”

Processing Volume and Channel Utilization

As outlined below, Passport Canada experienced a significant increase in passport applications in 2009 resulting from the second phase of the WHTI. As shown in the table following, this increase in business volume was managed primarily through the in-person channel.

	Applications Received		Travel Documents Issued	
	Number	Change from Previous Year	Number	Change from Previous Year
2007–2008	4,667,705	n/a	4,836,784	n/a
2008–2009	4,404,007	-5.65%	4,375,278	-9.54%
2009–2010	4,855,121	10.24%	4,824,879	10.28%

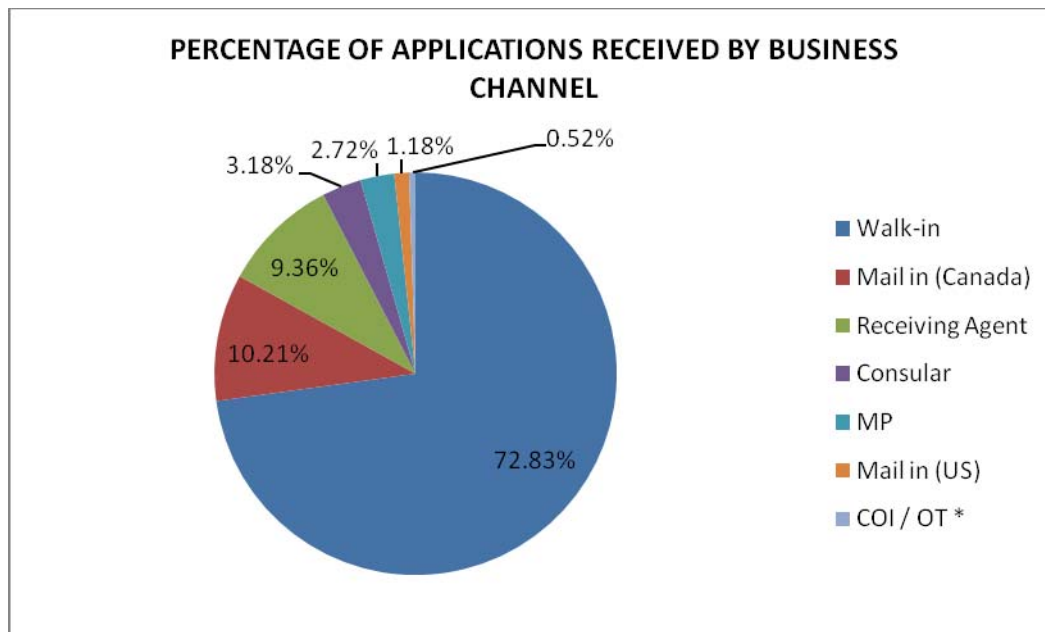
Note: The large number of applications received in 2006–2007, as a result of the first phase of WHTI, created a processing backlog and pushed the issuance of some passports into 2007–2008. The difference in applications received and travel documents issued in 2008–2009 and 2009–2010 is a result of non-issuance for some applications and carry-over of applications from one fiscal year to the next.

Percent of applications by business channel

The service channel share of total volume remained unchanged in 2009–2010 compared to 2008–2009.

	Walk-In	Mail-In*
2006–2007	79%	17%
2007–2008	79%	17%
2008–2009	73%	23%
2009–2010	73%	23%

*This includes applications sent through mail (Canada), mail (US), receiving agents and Members of Parliament (MPs).



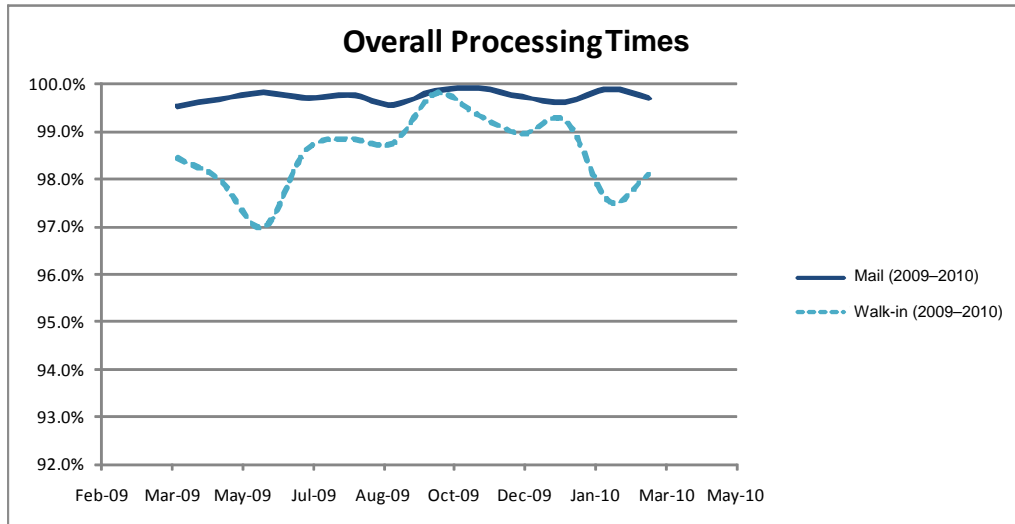
*Includes certificates of identity, refugee travel documents and special and diplomatic passports

Performance against Processing Commitments to Canadians

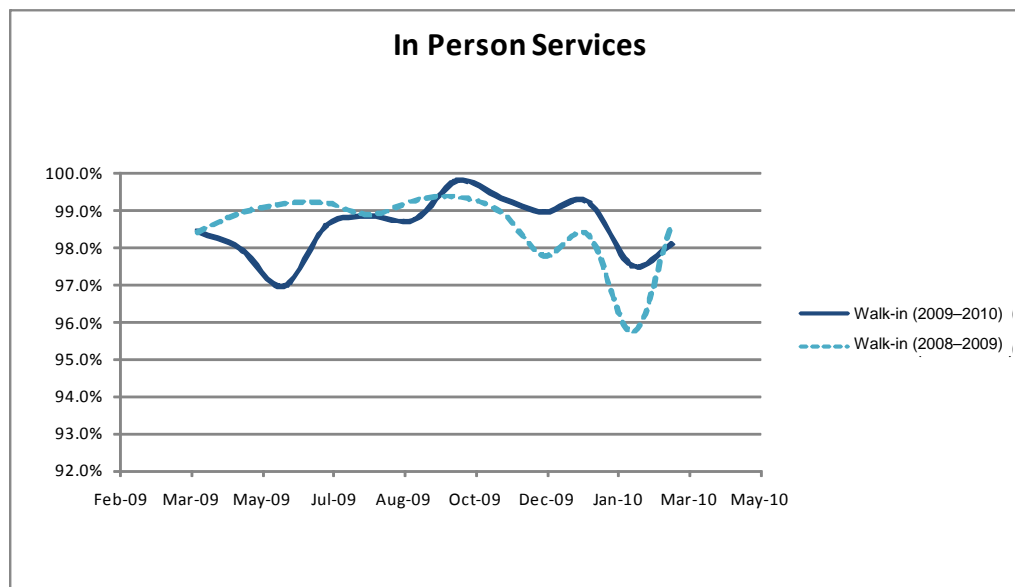
Our service commitments to Canadians are to process passport applications received in-person at our regional offices within two weeks (10 working days), and applications received via our receiving agents and through the mail from within Canada or the US, within four weeks (20 working days). As a result of the measures implemented to improve the capacity of the agency to manage fluctuating demand, and the constant monitoring of volume demand and available capacity performed by the National Tactical

Response team, we managed a 10.28 percent increase in the volume of applications received in 2009–2010 with no deterioration in service delivery performance. Indeed, compared to 2008–2009, as detailed in the following chart, our performance against our published turnaround times improved. Close to 99 percent of clients received their passports on time or earlier.

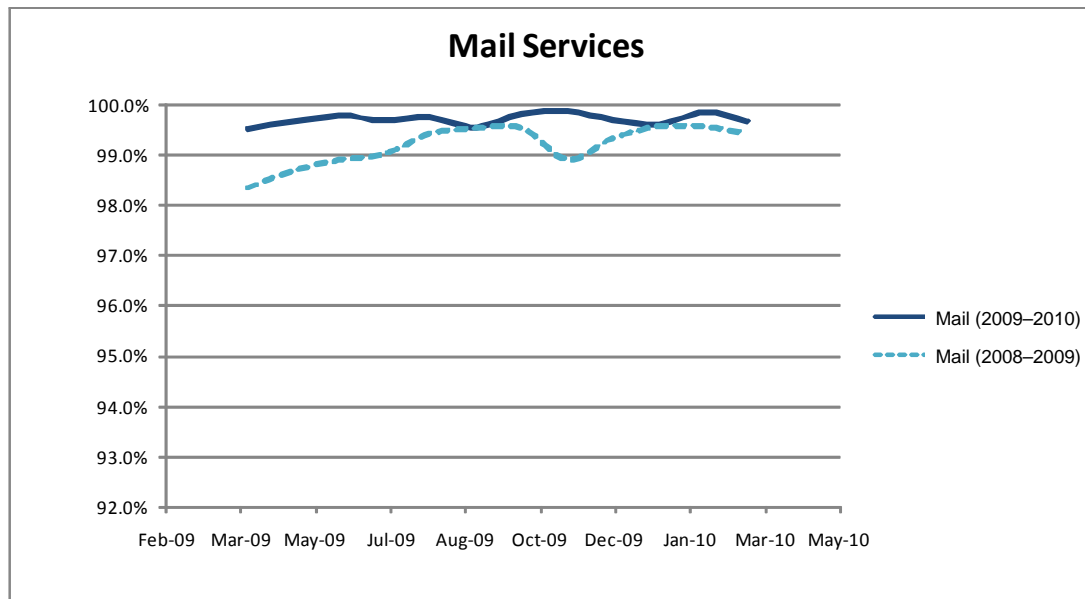
Overall Application Processing Timeliness Results



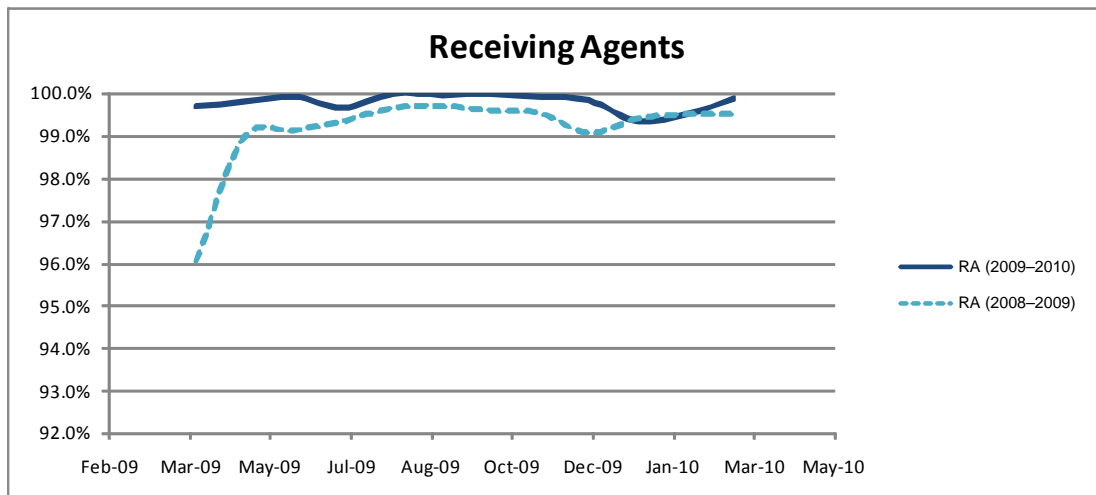
Percentage of In-Person Applications Processed within 10 Days



Percentage of Mail Applications Processed within 20 Days



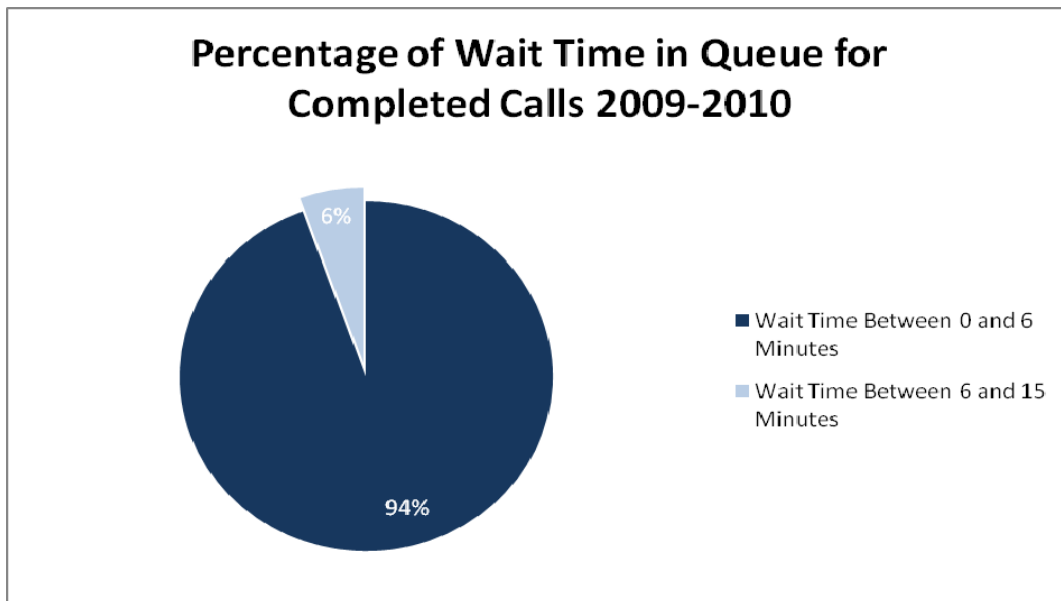
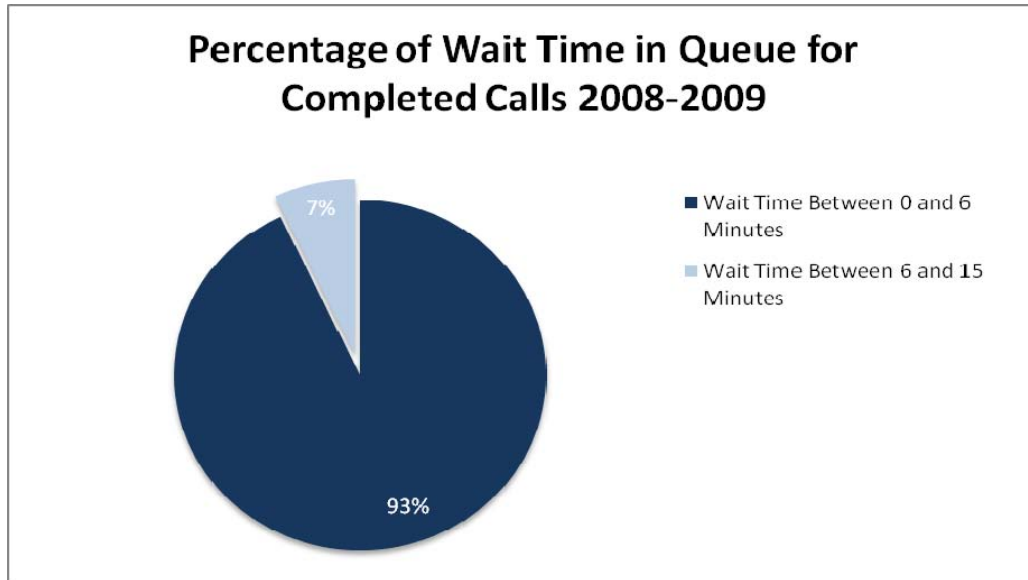
Percentage of Receiving Agent Applications Processed within 20 Days



Call Centre Performance

In September 2009 we introduced a brand new tool as a one-stop information shop to standardize the information Passport Canada's call centre agents give to the public. Since the launch of the *Source* it has received rave reviews. Our service commitment for telephone enquiries is to answer calls within six

minutes or less. The number of calls we answered in 2009–2010 rose to 1,083, 272, from 1,027,526 calls answered in 2008–2009. Despite this 5.14 percent increase, we improved our performance: 95 percent of our clients waited six minutes or less in the telephone queue in 2009–2010, compared to 93 percent in 2008–2009.

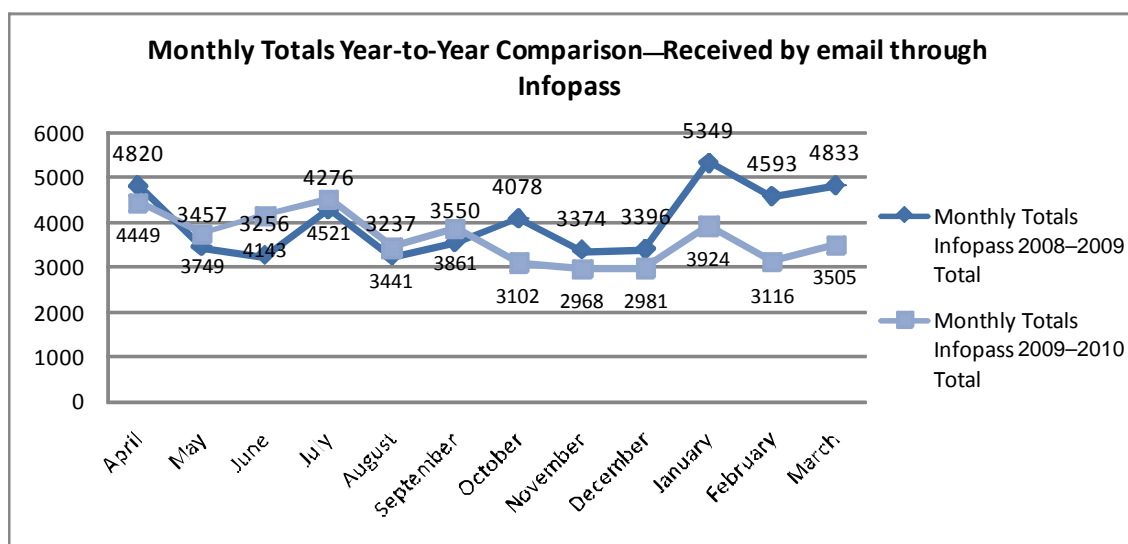


Correspondence Volumes

In addition to using its call centre, Canadians can contact Passport Canada via email through “Infopass” or by sending a letter addressed to the agency. (Addresses are published under “Contact Us” on the Passport Canada website at www.passportcanada.gc.ca.) The agency makes a commitment to address enquiries received via correspondence as quickly as possible and service standards have been established and are monitored to ensure that commitment is being met.

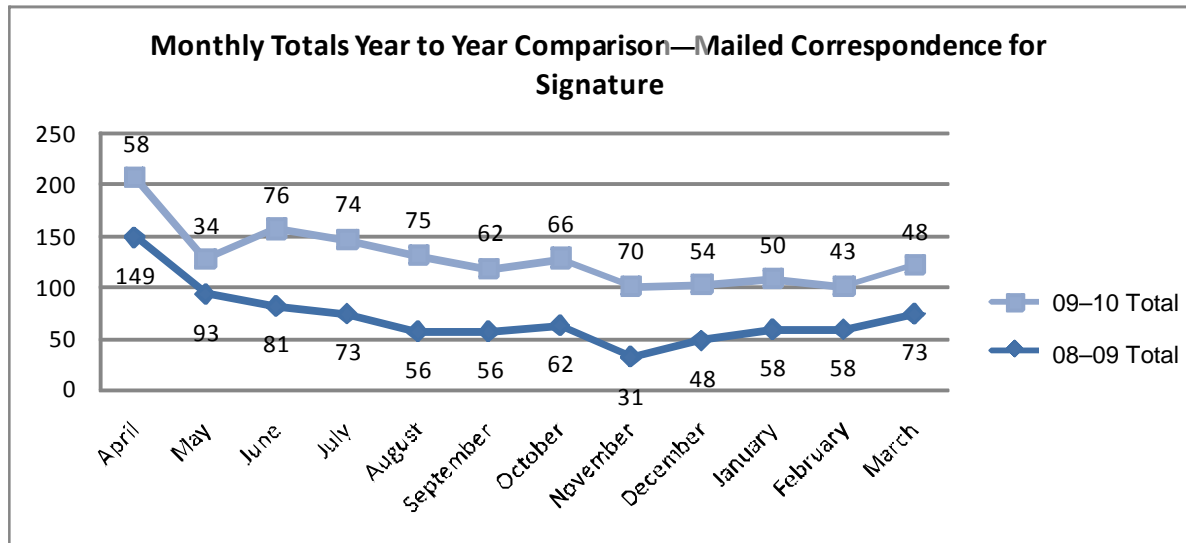
Correspondence	Service Standard	Result
Infopass	3 working	100% met
Letters signed by the Minister	15 working days	81.4% met
Letters signed by the CEO or Directors General	25 working days	81.4% met

The Infopass online enquiry service handled 43,760 requests in 2009–2010, a decline of about 10 percent from the 48,219 enquiries received the year before. The peak periods were January and March 2010.



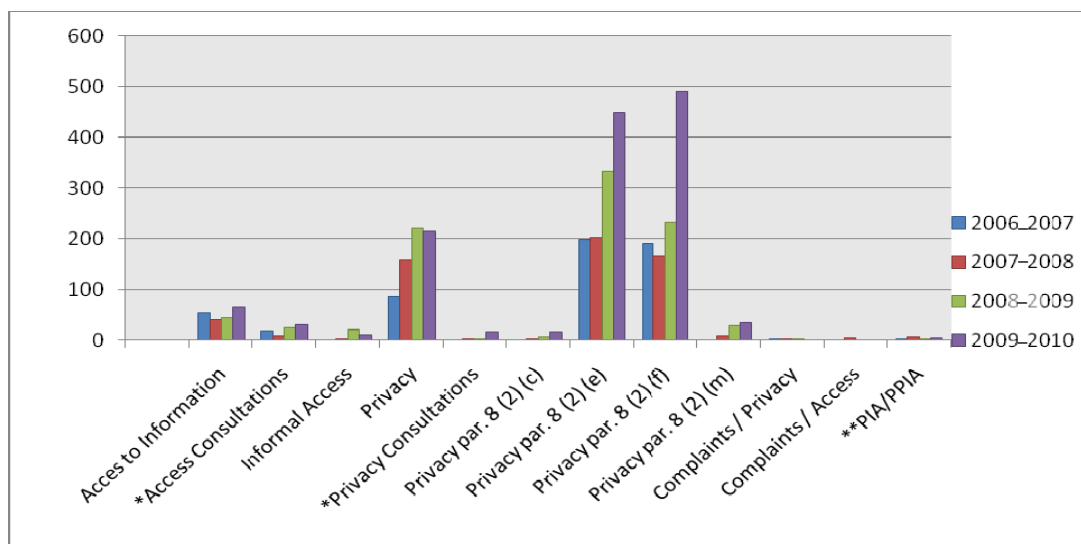
The amount of correspondence requiring the Minister’s signature increased from 49 to 73 primarily due to an interest from Members of Parliament in passport services and service locations for Canadians. The amount of correspondence addressed to the Minister requiring CEO or Directors General signature was less than that received in 2008–2009: 128 letters versus 176 the previous year. The number of items addressed to Passport Canada or the CEO for the signature of Directors General declined from 613 in 2008–2009 to 510 in 2009–2010. This decrease in correspondence was mainly due to improved service

performance throughout the year and improvements to our website, making it easier for passport applicants to find information.



ACCESS TO INFORMATION AND PRIVACY (ATIP)

Enquiries under both the *Access to Information Act* and the *Privacy Act* received by the Passport Canada ATIP Office rose significantly in 2009–2010. Two of the 12 categories, as detailed in the chart below, represented an increase of 63 percent from 2008–2009 (requests from federal investigative bodies; and provinces, foreign states and international bodies). Across all categories, the office processed 1,332 ATIP requests for information.



* Access and privacy consultations occur when Passport Canada is referred to in an ATIP request received by another department.

** PIA is a Privacy Impact Assessment and PPIA is a Preliminary Privacy Impact Assessment

Note: The Privacy Commissioner of Canada, in the December 2008 *Report on the Privacy Audit of Canadian Passport Operations*, recommended that Passport Canada obtain full authority to manage ATIP matters related to the passport program.

SECURITY AND FRAUD DETECTION

The security and integrity of Canadian travel documents are crucial to maintaining their international acceptance and facilitating travel for the holders of these documents. Passport Canada continually reviews its travel documents, and the processes and systems used to issue them. Fraud detection activities are undertaken in accordance with the *Canadian Passport Order*.

In 2009–2010, a total of 654 individuals (632 cases, as some cases involve multiple individuals) were subjected to action under sections 9 and 10 of the *Canadian Passport Order*, which gives the Minister of Foreign Affairs the right to refuse or revoke a passport. This is an increase of 63 percent over 2008–2009 where only 240 cases were subject to refusal or revocation. This considerable growth resulted from an increase in information sharing with external partners.

The results were as follows:

- A total of 331 cases were subject to direct revocation or refusal of a passport with no period of withheld service. A period of withheld service normally refers to a period of time imposed either by Passport Canada, or as a result of court imposed sanctions or an ongoing investigation, under which an applicant or individual is not eligible to apply for and receive, or possess, a passport or avail themselves of any passport services.

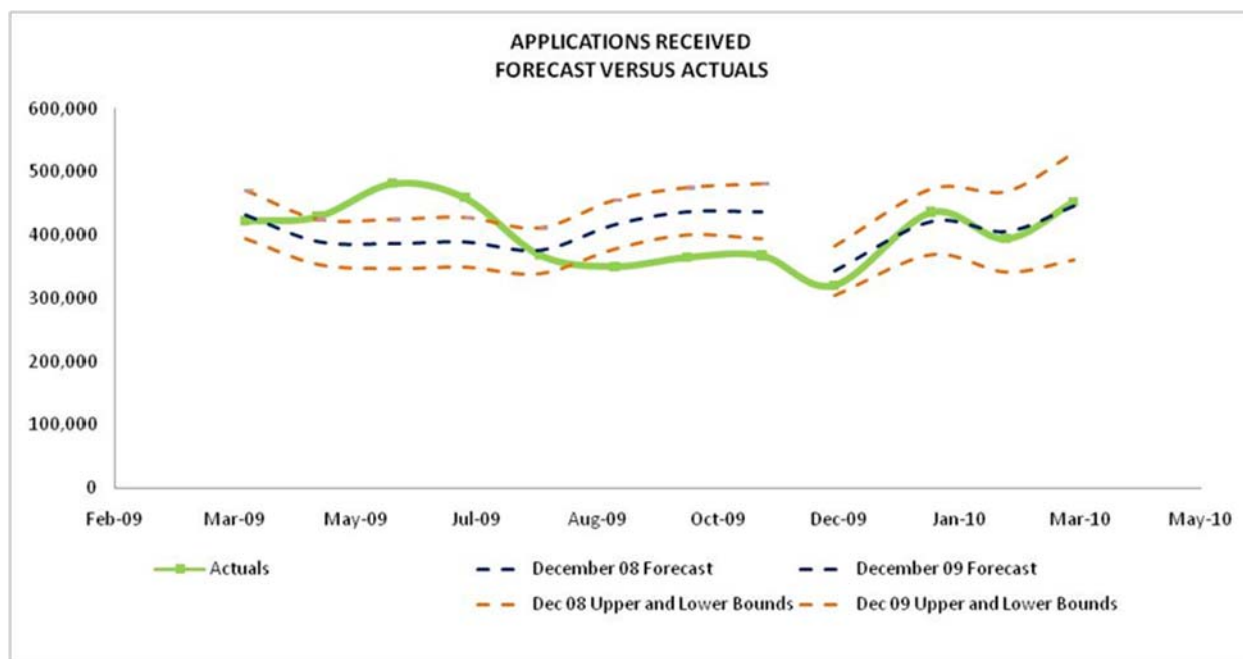
- An additional 114 of a further 120 cases were referred for investigation and were forwarded to adjudication for recommendation of revocation and/or refusal and a period of withheld service. (The remaining six cases were awaiting decision at the end of 2009–2010.) For the 114 adjudicated cases, there were 135 decisions (some were multiple decisions on one file):
 - 109 resulted in revocation
 - 19 resulted in refusal
 - 7 were rejected
 - For the 90 individuals subjected to periods of withheld service, the average period was 52.9 months.
- An additional 41 passport applications were denied and 263 passports were revoked in accordance with the requirements of the *Corrections and Conditional Release Act*.

A total of 60,781 passports were reported lost or stolen across Canada in 2009–2010 (47,704 lost, 13,077 stolen). At our missions abroad, 2,132 passports were reported lost or stolen (1,501 lost, 631 stolen). Once a passport is declared lost or stolen, this information is sent to our database and run against the Canadian Police Information Centre database (CPIC) and also shared with the Canada Border Services Agency (CBSA). The information uploaded to CPIC is also shared with INTERPOL on a weekly basis.

THE FORECAST

Passport Canada uses a forecast of passport demand to plan utilization of its resources. The forecast model predicts business volume within a range of probability. It applies time series analysis—a statistical method of forecasting future events based on known past events—at the global, divisional and individual office level, and incorporates events that affect demand, such as the WHTI. Individual office forecasts reflecting regional and local events and trends, applied to the national forecast, have greatly improved forecasting accuracy. “Confidence intervals”, which represent the probability that actual volume will fall between the upper and lower bounds of the forecast, are used for financial and operational planning. The forecast and confidence intervals are sent to the Executive Committee for planning, action and risk mitigation. Remedial action is taken if there is significant deviation between actual volume and the forecast.

The following graph summarizes the forecast for 2009–2010 as compared to the actual number of applications received. The upper and lower bounds of the forecast (dotted lines) are close to the actual numbers (green line).



FINANCE

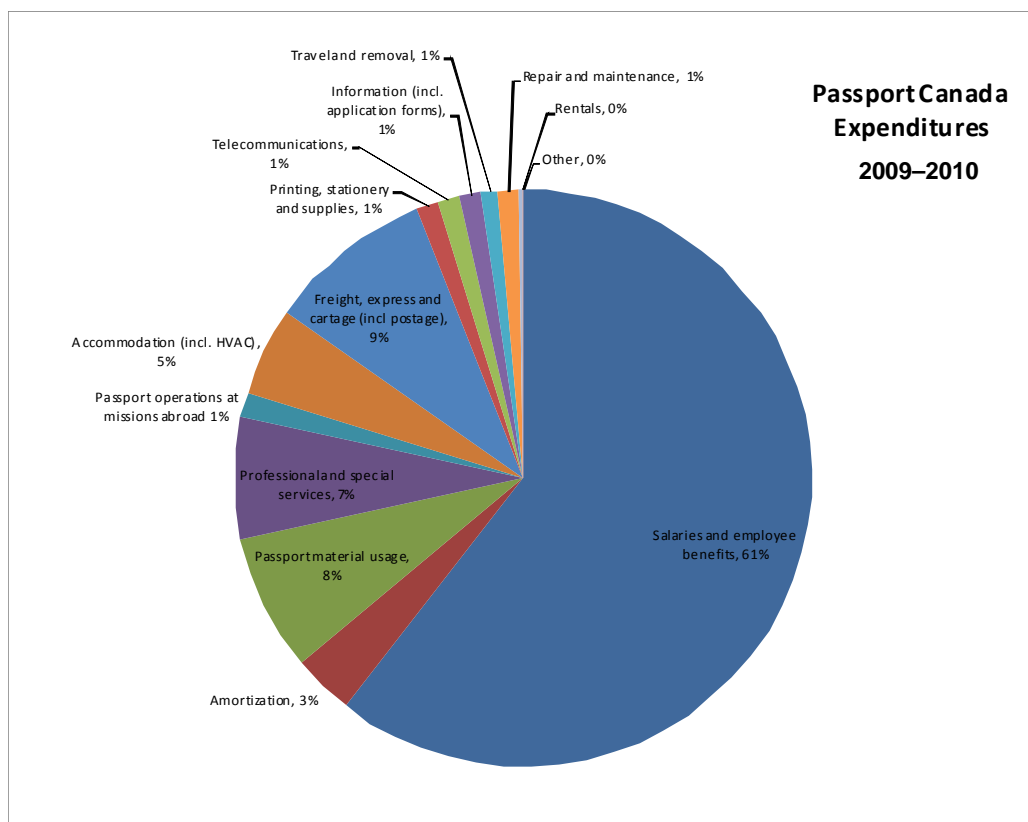
Passport Canada finances its operations entirely from the fees charged for passports and other travel documents and so must generate sufficient revenues to meet expenditures. For 2009–2010, Passport Canada had an operating deficit of \$15.2 million, significantly lower than the deficit of \$40.5 million in 2008–2009.

The reduction in the operating deficit is attributable to an increase of \$28 million in fee revenues in 2009–2010. This was a direct result of increased demand for passports associated with the second phase of WHTI. It caused demand for passports to grow by approximately 400,000 during 2009–2010 for a total of 4.824 million passports issued. Despite this steep increase in passport demand, Passport Canada was able to manage the volume increase and improve service levels, while keeping its expenditure increase down to only \$1.7 million from the previous year. This was achieved, in part, with cost-savings and additional revenues that totaled approximately \$43.1 million, which resulted from the validation of operational requirements using activity-based management, introducing a Global Courier Solution for all mailed

Unlike most government departments, Passport Canada does not generally receive appropriations (taxpayers' money) from Parliament. Passport Canada operates on a cost-recovery basis, which means that it funds its daily operations using the fees paid by passport applicants.

passports, and developing a new pricing strategy for diplomatic and special passports. With the effects of WHTI phase 2 now receding, forecasts predict a decrease in passport demand and a return to significant operating deficits in 2010–2011 and beyond.

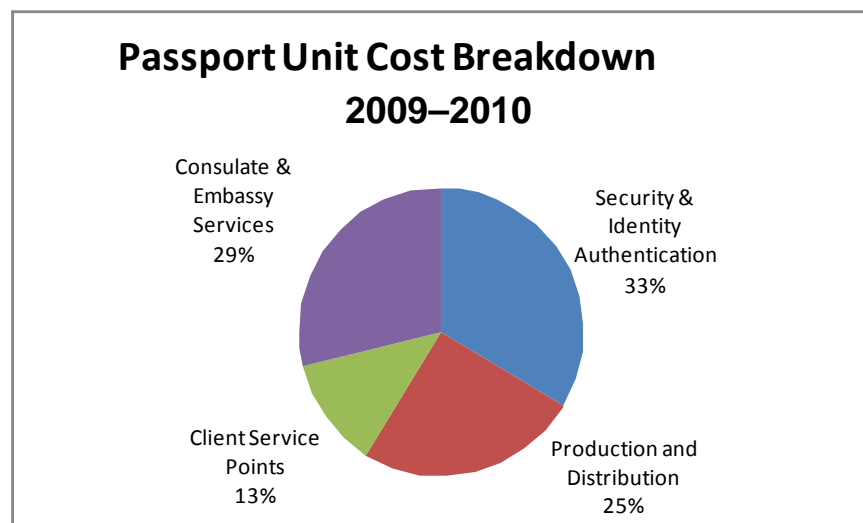
As illustrated in the following chart detailing 2009–2010 expenditures, Passport Canada is heavily dependent on a dedicated and well-trained workforce to carry out its activities. Salaries and wages are a full 61 percent of total expenditures. While the agency continually examines ways to increase efficiency, the salary and wage component will remain the most substantial portion of overall expenditure for the foreseeable future.



Unit Cost Information

As detailed in the following table, Passport Canada was able to reduce the costs of production per travel document or “unit” in 2009–2010 from the previous year. Better forecasting allowed management to respond quickly with workforce adjustments to address fluctuations in monthly application volumes. Cost containment and reduction measures, such as the introduction of the Simplified Renewal process, also helped to limit the operating loss per unit. However, in 2009–2010, the costs of production still exceeded revenues, producing a loss of \$3.14 per unit. The main factor in the loss per unit is inflation, which has contributed to rising operating costs since Passport Canada’s last significant fee increase in 2001. In addition, application demand continues to slowly shift towards more costly service channels.

	2008–2009	2009–2010
Average Unit Revenue	\$59.81	\$60.17
Average Unit Cost	\$66.72	\$63.31
Unit Loss	(\$6.91)	(\$3.14)



The passport unit cost breakdown is shown in the above chart

THE YEAR IN REVIEW

OUR OPERATING ENVIRONMENT

Current global economic uncertainty, currency fluctuations, US border entry rules, and the increasing adoption of the more secure ePassport worldwide are key factors affecting Canada's passport program and Passport Canada's operations. Balancing program security, service quality and operating costs, while innovating to keep up with evolving international security standards and to improve cost-effectiveness, is at the heart of the management challenge facing the agency as we strive for continued excellence in program and service delivery.

Foremost, Passport Canada must continue to focus on its relationship with its clients and on meeting their service delivery needs and expectations. Passport applicants have historically given us high ratings in client satisfaction surveys. However, this was challenged when US border entry rules were amended with the implementation of the first phase of the WHTI. From November, 2006, to February, 2007, the agency faced an unprecedented surge in passport applications resulting in significant delays in application processing and increased wait times at Passport Canada offices and our call centre. With the benefit of lessons learned, a wide range of improvements were instituted from better forecasting and simplified processes, to expanding our receiving agent partnerships. Activity-based management practices in planning, budgeting and costing allowed us to maximize the use of resources, better understand our operating costs and assess the value of new initiatives, eliminate inefficiencies, and implement timely resource re-allocation strategies. Thanks to these efforts and the commitment and dedication of our employees, Passport Canada has restored client satisfaction levels. However, we cannot be complacent. Achieving the highest possible service quality, which is instrumental to maintaining Canadians' confidence in the integrity of the passport program, remains a primary goal of our organization.

Factors in the international security environment, specifically transnational criminal activity and terrorism, represent an increasingly sophisticated security threat to countries around the world, including Canada. Due to its favourable international reputation and the ease with which it facilitates transnational movement, a Canadian passport is appealing to terrorists and criminals. Illicit and fraudulent use of the Canadian passport presents an immediate and tangible risk to national security and public safety, both in Canada and abroad. Passport Canada is ever-mindful of this risk: our policies, operational methods, technology initiatives, and partnerships, are all integral to our efforts to prevent and combat the misuse of Canadian travel documents.

In 2009–2010, Passport Canada continued its pursuit of efficiencies and cost savings. These efforts allow the agency to re-invest savings in ongoing service improvements to the passport program. Over the next three to four years, Passport Canada will save approximately \$18.7 million resulting from operational improvements, including upgrading our specialized passport printers, using 2D bar code technology in our interactive online forms and streamlining our mail services.

COLLABORATION

Partnering with agencies, jurisdictions, and stakeholders that have a shared interest in the integrity and efficacy of the passport program has long been a key component of Passport Canada's operational approach. It is essential to our success across many aspects of our business, as well as to the nation's security and international reputation. In 2009–2010, as outlined below, partnerships continued to play a key role in the success of the passport program.

- We assisted Indian and Northern Affairs Canada (INAC) with the intake and entitlement of the new Secure Certificate of Indian Status Card. To support the implementation of these new cards, we are temporarily providing staff to INAC for Status Card processing and entitlement purposes. We also examined the feasibility of a long-term partnership in the program.
- Passport Canada took the lead on the creation of an umbrella memorandum of understanding (MOU) with DFAIT. The MOU will formalize governance and accountabilities between the two organizations, covering both the strategic and operational aspects of our relationship for the delivery of the passport program abroad.
- Passport Canada, in partnership with DFAIT, undertook time and motion studies of the passport process in 10 missions abroad. The results will be used to develop a costing model for the passport program abroad.
- The receiving agent network, established in partnership with Service Canada and Canada Post, is intended to facilitate access to passport services across the country, but particularly in rural, remote and northern locations. In 2009–2010, Passport Canada extended its MOU covering the receiving agent partnership with Canada Post, and renewed an MOU with Service Canada formalizing its participation in the program. Currently, there are 56 designated Canada Post outlets and 141 Service Canada offices that provide assistance to passport applicants.
- Passport Canada assisted with the Canadian government's response to the January 2010 earthquake in Haiti. We adjusted resources to increase passport issuance and entitlement activities and provided staff to DFAIT to assist in family reunification activities.
- Passport Canada continued to be an active member of the Implementation and Capacity Building Working Group (ICBWG) of the International Civil Aviation Organization (ICAO). In this role, the agency was instrumental in developing the Working Group's *Guide for Assessing Security of Handling and Issuance of Travel Documents*, which consists of recommended best practices and an assessment tool. The Guide will be used by ICBWG experts in assessing passport issuance processes, and by passport-issuing authorities to self-assess.
- Passport Canada chairs ICAO's New Technologies Working Group (NTWG). The Group develops policies, specifications and guidance material for the manufacture, security, testing, issuance, deployment and globally interoperable use of travel documents. It also advises the ICAO Technical Advisory Group (TAG) which is responsible for the development of specifications for travel documents with the goal of global interoperability. Passport Canada is a member of TAG.
- Passport Canada led a G8 project on the use of ePassports in border processing. The final report was approved by G8 heads of delegation in April 2009 and submitted to ICAO. A key recommendation in the report to use the ICAO Public Key Directory to verify data on the

ePassport chip was included in the final declaration from the 2009 G8 ministerial meeting of Justice and Home Affairs ministers.

- Passport Canada belongs to the Five Nations group, through which we engage in information-sharing with officials from the passport-issuing authorities of Australia, New Zealand, the United Kingdom, and the US, across a broad spectrum of issues associated with travel documents. Since 2007, we have been working with these partners in an anti-fraud working group. This led to the launch in 2009–2010, of our Security Vision initiative to fully integrate security and integrity functions across the agency and guide security investments over a 10-year period. When fully implemented, the vision will ensure we are aligned with leading standards and practices for a secure, tamper-proof passport document; robust processes to identify fraudulent documents and fraudulent identities; streamlined entitlement processes; an intelligence network that informs decision making and detects fraud, and appropriate authorities to revoke passports, refuse future service and apply penalties.

PROGRESS ON PRIORITIES

EXCELLENCE IN GLOBAL SERVICE DELIVERY

Passport Canada has made significant progress improving service delivery since the challenges faced during the first phase of the WHTI. A tactical response team was set up to plan, organize and initiate contingency actions to address surges in applications. For the implementation of WHTI phase 2, the team used early-warning response strategies and inter-office and inter-regional workload management tactics to redistribute workloads across our organization. This approach enabled the agency to meet, and in many cases, exceed its service commitments to Canadians in 2009–2010.

Passport Canada continued to strengthen its delivery network in 2009–2010 with the launch of the agency's 34th regional office in Kelowna to meet the growing needs of Canadians residing in south central British Columbia.

STRENGTHENING SECURITY

The ePassport

Over the last decade, countries have made it a priority to tighten the security of their travel documents and strengthen their ability to verify that people applying for and carrying their passports are truly who they claim to be. Advanced technology has been developed to reach this goal, including the biometric electronic passport, or ePassport. In addition to strengthening identity verification, it provides greater protection against tampering and reduces the risk of fraud.

For several years, Passport Canada has been preparing to adopt the more sophisticated ePassport. As set out in ICAO specifications, the ePassport contains an electronic chip which stores the passport holder's photo as the "biometric" component: the same information printed on page 2 of the passport; and a country-specific signature that, in the case of Canada's ePassport, proves the document was issued by the Canadian government. The chip adds another layer of security, enhancing current security features that include holographic images and a hidden photo of the bearer that can only be viewed under ultraviolet light. In January 2009, the agency launched a pilot issuing ePassports for diplomatic and special passports. Thus far, over 20,000 of these Canadian ePassports have been issued. In 2009–2010, Passport Canada put in place the technical foundation to support issuing ePassports to all

More than 80 countries are already issuing ePassports, including key allies and all Group of Eight (G8) countries with the exception of Canada. By the end of 2010–2011, approximately 110 countries will be issuing them. More than 50 percent of passports produced internationally are now ePassports.

passport applicants, which pending the development and approval of a new fee structure and the completion of consultations with Canadians, is expected to commence in 2012.

In addition to requiring that visitors have passports, one of the most common means that countries use to verify foreign visitors' identities before allowing them to cross into their territory is to require that they purchase a travel visa. Canada is in a privileged position in this regard being among about a dozen countries that currently enjoy the most visa-free access to other nations (in our case, 154 countries in total), and the only one of this group that has not yet adopted the ePassport. Moreover, Canadians are the only foreign nationals from a country that has not yet adopted the ePassport who may enter the United States for tourism without a visa. This high level of visa-free access around the world is a reflection of Canada's relationships with the international community, and the high regard with which the Canadian passport is held.

Adopting the ePassport will not only improve security, but will also help assure Canadians continued visa-free access to other countries, a requirement now demanded by many countries. Since 2006, for visa-free entry to the United States under its Visa Waiver Program (from which Canada is exempted), tourists from the 35 countries that participate, including the UK and France, must be carrying ePassports.

Facial Recognition Software

Passport Canada has made progress implementing another significant security enhancement—facial recognition (FR) software. FR allows a person to be identified on the basis of his or her unique facial characteristics as represented in a photograph. Using a sophisticated electronic scanning process, a photo of a facial image is digitized to enable electronic comparisons with other facial images of known persons. The agency's FR system will compare an applicant's photo against the individual's previous passport photo (in the case of a passport renewal), as well as facial images in its database of more than 20 million passport photos. This strengthens the agency's ability to ensure that (1) the individual is the person they claim to be, and (2) that a valid passport has not already been issued to that person under a different identity. Cases requiring further review will be referred for additional investigation. In 2009–2010 we completed a pilot project of the new software, which provided data to support the full rollout of the system in 2010–2011.

Case Management

Complementing the FR system, Passport Canada is installing a new case management system. When fully operational, it will strengthen the management of information used in investigations. It will enhance Passport Canada's ability to record, process, search, close and report security-related incidents and intelligence—functions that are currently paper-based. It will strengthen the data organization and collection, quality assurance, analysis, and information exchange involved in conducting investigations.

Public Key Directory

The ePassport chip is digitally signed to prevent unauthorized alteration. The technology used to create the signature is called Public Key Infrastructure (PKI) and makes tampering with the ePassport very difficult. The Public Key Directory (PKD) is a repository for participating countries to deposit the data other countries need to ensure ePassports are authentic. This method of information sharing is used by border control authorities to validate that ePassports are genuine and unaltered. Passport Canada continues to serve on the board of ICAO's PKD, the standing body responsible for the ICAO PKD. The board is appointed by the ICAO Council and is responsible for determining a range of operational procedures. Membership on the board enables Canada to provide support and feedback on, this international security initiative.

ENHANCEMENT OF MANAGEMENT PRACTICES

Governance Improvements

A major lesson learned from the first phase of WHTI is the imperative to be strategically prepared for the future. To this end, in 2009–2010 Passport Canada realigned its strategic and governance models and created two new bureaus.

The Enterprise Alignment and Innovation Bureau was established to support the Chief Executive Officer and Executive Committee in shaping corporate strategic initiatives to better align available resources with current and future challenges, and to create innovative solutions to address these challenges. Already, a new strategic direction and outlook for the agency has been developed and endorsed by the Executive Committee, to provide the foundation for our strategy and planning for the next three years. The agency also has a new executive governance model, which includes a Strategic Project Portfolio Committee to focus on the agency's strategic projects and enterprise planning. In addition, interdepartmental governance committees may be mandated for large strategic project initiatives of government-wide interest, such as: a Senior Project Advisory Committee (SPAC) (ADM level) and Senior Review Board (SRB) (DG level) for the ePassport project. These committees include members of government departments with a common interest in a project, central agencies including Treasury Board Secretariat, as well as Public Works and Government Services Canada. Also, in support of the new Treasury Board policy on investment planning a process was developed and an internal working group created.

The Legislation and International Relations Bureau was established to oversee and conduct public consultations required under the *User Fees Act* (UFA) prior to tabling in Parliament a proposed new fee structure. The Bureau's work is vital to the successful development of a new fee-for-service structure that will generate sufficient revenues to sustain Passport Canada operations in the future including the introduction of the more expensive ePassport.

The launch of the ePassport will not only offer Canadians advantages including more secure travel and greater assurance of visa-free access to international destinations, but also additional choices such as opting for either a 5 or a 10 year validity passport. The UFA consultations are an important opportunity to engage Canadians and passport program stakeholders who were last formally consulted by Passport Canada in 2001, to raise awareness of the ePassport's advantages and what their service options could be.

Passport Canada will use the valuable input and feedback gathered through the UFA consultations not only to design a new fee and service structure, but also to help shape our longer-term service and innovation agenda. Part of preparing for the future is having a better understanding of what Canadians expect in terms of the products and services Passport Canada provides. The more that Canadians know about the passport program and the possibilities for the future, the more likely Passport Canada will have the public confidence and support it needs to deliver on its mandate.

Operational Improvements

Passport Canada continually reviews and adjusts its management practices. In 2009–2010, improved forecasting methods and daily/weekly oversight of performance metrics and actual demand improved the planning of resources. We used activity-based management practices to maximize the use of resources, eliminate inefficiencies, and implement reallocation strategies to adjust our operations to address fluctuating passport demand. In addition, site visits were made to a cross-section of missions worldwide, to identify optimal workflows and unit costs for passports issued abroad.

A Passport Canada Quality Assurance Program (QAP) working group was formed in September 2009 to focus on the development of a comprehensive program relating to the passport process. Operations and human resources staff were engaged in the design of the program to prepare for the launch of the pilot in the summer of 2010.

Passport Canada continues to strengthen the relationship and collaboration with the unions representing Passport Canada employees. Labour relations training was provided to managers, with five sessions given by the end of the fiscal year and more planned in 2010–2011. Regular meetings were held with union representatives to develop and implement best practices for dealing with labour relation issues and concerns. Joint research was also conducted to establish best practices which will be used in the implementation of the Information Conflict Management System (ICMS) in 2010–2011. To revise and publish a new Passport Code of Conduct in 2010, extensive consultations with employees, managers and unions took place. Management and the unions also worked together to develop a plan to establish and implement a Passport Canada governance structure for national, regional and local labour union management committees for all levels of the organization.

We also improved our performance in the areas of official languages and employment equity. Passport Canada hired a dedicated official languages and employment equity Advisor. This dedicated resource has improved the overall quality and consistency of the advice provided to managers throughout the organisation. We also focused on clearing a backlog of complaints received from the Office of the Commissioner of Official Languages (OCOL) since 2008. Of the nine unresolved complaints at the beginning of this fiscal year, only two active complaints remain. To fill information gaps and have a more accurate portrait of the agency, a strategy was developed to have more complete employment equity data in our human resources information system. This is a requirement by law and by the Canadian Human Rights Commission (CHRC). The Employment Equity Self-Identification Campaign will be launched in July 2010 and run through September 2010.

A range of human resources (HR) management enhancements were also implemented in 2009–2010. Numerous learning tools were created or updated; a workforce analysis and demographic suite of reports was prepared; HR advisors were increasingly integrated into the agency’s planning and management teams; and operational employee competency profiles were prepared.

UPDATES TO AUDIT RECOMMENDATIONS

Passport Canada and its services have been the subject of examinations by the Office of the Auditor General (OAG) as part of the OAG’s audit program. “The Office of the Auditor General of Canada audits federal government operations and provides Parliament with independent information, advice, and assurance regarding the federal government’s stewardship of public funds.”² Passport Canada responds to audit recommendations through the identification of action items and reports on the progress of improvements.

	OAG Recommendation	Action	Status
2009 February Report of the Auditor General of Canada—Managing Identity Information			
37	Passport Canada should implement a comprehensive quality management system to ensure the quality of eligibility decisions, the quality of data entry, and the quality of the information in the Central Index, the database for issuing passports. It should develop explicit goals for data quality and should measure and report on the extent to which it meets them.	Passport Canada’s Quality Assurance Program (QAP) working group formed in September of 2009 and has been focusing since that time on the development of a comprehensive QAP relating to the quality of data entry and to certain entitlement (eligibility) decisions that are not monitored through other means. The QAP program is currently scheduled to be piloted in the spring of 2010 with national rollout to take place in the second quarter of 2010. The program will establish goals based on pilot data and on baseline studies conducted in 2006 and 2008 and will measure and report on the extent to which these goals are being met. The implementation of the security and intelligence case management system (CMS) in the spring and summer of 2010 will automate, streamline and reinforce the management of the Central Index information. Recently implemented, the Ineligible DEC report supports the	Preparations for implementation

² Office of the Auditor General of Canada website, www.oag-bvg.gc.ca, *What We do*, 2007-11-15

	OAG Recommendation	Action	Status
		integrity of the Central Index by identifying anomalies in Proof of Citizenship records on incoming applications and the Guarantor Verification report compares guarantor data found on applications in IRIS with the corresponding passport history of the same individual to ensure consistency and accuracy.	
2009 March Report of the Auditor General of Canada—Chapter 5—Passport Services—Passport Canada			
5.36	Passport Canada should complete its ongoing contingency planning by determining how much each contingency action would increase its operational capacity.	<p>In preparation for WHTI phase 2, Passport Canada's Operations Bureau evaluated the following already-existing contingency plans to identify to what extent each action would increase operational capacity without adding to the workforce:</p> <ol style="list-style-type: none"> 1) Upgrading the printers to E-2000s at the Gatineau Print Centre (an estimated 40 percent increase in printing capacity) 2) Increasing tolerance for passport photo acceptability without compromising passport integrity (photo acceptance rate increased by 50 percent in Passport Canada's mail-in environment) 3) Distributing printing volumes more evenly between the two Passport Canada print centres. 4) Remote Entitlement 5) Remote Recovery <p>While it may not be possible to numerically quantify the effect of actions 3 to 5 on increased operational capacity, the combination of all of these measures has resulted in PPTC consistently meeting their service standard targets since implementation of contingency plans.</p> <p>Passport Canada will continue, as a standard and ongoing practice, to measure and monitor capacity gains for each contingency action it puts in place,</p>	Full implementation

	OAG Recommendation	Action	Status
		which will take into consideration fluctuations in the number, type and complexity of applications it receives.	
5.37	Passport Canada should complete its ongoing contingency planning by better understanding what volume of applications would trigger the need to take certain actions, especially those that have longer lead times, such as hiring more staff.	<p>Since WHTI phase 1, Passport Canada's Operations Bureau has been monitoring key data fields and reporting on its findings at appropriate levels within Operations and to other Passport Canada bureaus at the senior executive level.</p> <p>A threshold has been identified for each category listed below which, if exceeded, would trigger the implementation of contingency plan measures:</p> <ul style="list-style-type: none"> - ESRFs (electronic files) created - Volume at print centres (queues) - Mail received - Passports issued - Processing times - Inventory of all applications (from the reception of the file to the printing stage) - Call Centre volumes <p>The agency continues to conduct a review of the triggers, the environment, and the situation at the local, regional, and national levels on a regular basis when required via the tactical response team</p>	Full implementation
5.38	Passport Canada should complete its ongoing contingency planning by identifying roles, responsibilities, and authorities for launching contingency actions.	<p>In April of 2009, the tactical response team (TRT) was created by the Operations Bureau to plan, organize and initiate contingency actions that could be used to efficiently manage the anticipated volume increases associated with the implementation of WHTI phase 2.</p> <p>Chaired by the Operations Bureau, the team includes representation from all bureaus within the agency. Representatives from the functional bureaus have proven to be equally vital to the process as they have coordinated the contingency measures within their bureaus as required. Any and all recommendations for contingency action</p>	Full implementation

	OAG Recommendation	Action	Status
		<p>made by the TRT are reviewed by the Chief Operating Officer prior to implementation.</p> <p>The TRT continues to monitor application volumes on a daily basis and reports regularly to the Chief Operating Officer and to Executive Committee when required. The TRT continues to meet as required to ensure that adequate contingency measures are in place to meet application volume fluctuations.</p>	

POSITIONING FOR THE FUTURE

To increase the security of the Canadian passport and maintain its integrity, Passport Canada is joining other countries in upgrading key security features.

With the introduction of this new technology, the cost of document production will increase. Passport Canada cannot increase its fees without first consulting the public and providing Canadians with opportunities to contribute their views about what services they expect in exchange for the fees they pay. The agency is committed to conducting these consultations and successfully delivering an ePassport to Canadians with a fee structure that will ensure the fiscal sustainability of the program.

“Our government will take steps to safeguard Canada’s national security.

It will make travel by air safer by employing the latest screening practices and detection technologies for passengers and cargo...

*It will introduce **a new biometric passport** that will significantly improve security...”*

Speech from the Throne, March 3, 2010

In total, Passport Canada has established five planning priorities for the forthcoming three fiscal years:

1. The agency will continue to improve services to Canadians; strengthen its international platform; focus on core business; and align with government priorities.
2. The agency will simplify business practices and renew the business model with a view to both economy and effectiveness.
3. The agency will continue building an engaged workforce with a supportive workplace and learning environment aimed at strengthening productive capacity, workforce competencies, and the capacity to innovate.
4. The agency will pursue consultations with Canadians as required under the *User Fees Act* (UFA) in preparation for the launch of the 5/10-year ePassport.
5. In support of program priorities, the agency will make key investments in planned projects to strengthen the passport program, including: ePassport, leasehold life cycle improvements for selected offices, and life cycle upgrades/enhancements of production IT local area network (LAN) rooms.

FINANCIAL STATEMENTS

PASSPORT CANADA REVOLVING FUND

Year ended March 31, 2010

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FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Assistant Deputy Minister,
Corporate Services, Department of Foreign Affairs
and International Trade
Passport Canada Revolving Fund

We have audited the statement of financial position of **Passport Canada Revolving Fund** as at March 31, 2010 and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements have been prepared to comply with section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities and the reporting requirements for Revolving Funds as prescribed by the Receiver General of Canada. 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting for revolving funds of the Government of Canada as described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Revolving Fund and the Treasury Board. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada,
May 7, 2010.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

 **ERNST & YOUNG**

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FINANCIAL STATEMENTS

PASSPORT CANADA REVOLVING FUND

STATEMENT OF MANAGEMENT RESPONSIBILITY

We have prepared the accompanying financial statements of the Passport Canada Revolving Fund 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. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the statements on a basis consistent with that of the preceding year. Some previous year's figures have been reclassified to conform to the current year's presentation.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgement with due consideration given to materiality. To fulfil its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Department of Foreign Affairs and International Trade's Departmental Performance Report is consistent with these financial statements.

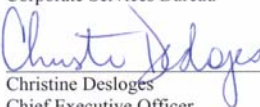
The Fund's directorate of financial services develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. The systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of Government funds and safeguard the assets under the Fund's administration. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

Management has presented the financial statements to the external auditor, who audited them and has provided an independent opinion which has been appended to these financial statements.

Approved by:



Denis Fortier
Chief Financial Officer and Director General
Corporate Services Bureau



Christine Desloges
Chief Executive Officer
Passport Canada

June 1, 2010

PASSPORT CANADA REVOLVING FUND

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2010	2009 Reclassified
Assets		
Current		
Accounts receivable		
Government of Canada	4,237	4,994
Outside parties	305	931
Prepaid expenses	263	102
Inventories	12,250	14,460
	17,055	20,487
Long-term		
Capital assets (note 3)		
At cost	174,358	160,881
Less accumulated amortization	(122,211)	(111,665)
	52,147	49,216
	69,202	69,703
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	7,709	8,294
Outside parties		
Accounts payable	12,278	16,591
Vacation pay	4,160	3,861
Contractors' holdbacks	500	375
Deferred revenue	66	88
Current portion of the provision for employee termination benefits	560	512
	25,273	29,721
Long-term		
Provision for employee termination benefits	20,230	18,157
	45,503	47,878
Net Assets (note 4)	23,699	21,825
Commitments (note 5)		
	69,202	69,703

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

PASSPORT CANADA REVOLVING FUND

Statement of Operations and Change in Net Assets

For the year ended March 31
(in thousands of dollars)

	2010	2009 Reclassified
Revenues		
Fees earned	290,560	262,898
Miscellaneous revenues	237	329
	290,797	263,227
Expenses		
Salaries and employee benefits	182,464	183,005
Freight, express and cartage	28,655	28,321
Passport materials	23,314	19,320
Professional and special services	20,697	15,588
Accommodation	14,901	14,705
Amortization	10,546	13,952
Passport operations at missions abroad (note 6)	4,447	4,447
Telecommunications	3,798	5,194
Repair and maintenance	3,716	3,781
Information	3,665	4,738
Printing, stationery and supplies	3,527	3,658
Travel and removal	2,881	3,227
Provision for employee termination benefits	2,726	3,144
Rentals	455	447
Miscellaneous	160	183
Postal services and postage	57	48
	306,009	303,758
Net results	(15,212)	(40,531)
Net assets, beginning of the year	21,825	33,706
Net financial resources used and change in the		
accumulated net charge against the Fund's authority		
during the year	7,252	5,938
Contributed capital	9,834	22,712
Net assets, end of the year (note 4)	23,699	21,825

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

PASSPORT CANADA REVOLVING FUND

Statement of Cash Flow

For the year ended March 31
(in thousands of dollars)

	2010	2009
Operating activities		
Net results	(15,212)	(40,531)
Add		
Provision for employee termination benefits	2,073	2,481
Amortization	10,546	13,952
	(2,593)	(24,098)
Changes in current assets and liabilities (note 7)	(1,016)	9,391
Net financial resources used by operating activities	(3,609)	(14,707)
Investing activities		
Capital assets acquired	(13,477)	(13,943)
Net financial resources used by investing activities	(13,477)	(13,943)
Financing activities		
Contributed capital (note 4)	9,834	22,712
Net financial resources generated by financing activities	9,834	22,712
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	(7,252)	(5,938)
Accumulated net charge against the Fund's authority, beginning of year	65,618	71,556
Accumulated net charge against the Fund's authority, end of year (note 4)	58,366	65,618

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

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements

March 31, 2010

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.

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 the requirements of Section 4 of the Treasury Board of Canada *Policy on Special Revenue Spending Authorities* and the reporting requirements for revolving funds prescribed by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- employee's vacation pay and termination benefits liabilities are based on management's estimate of the liabilities rather than based on actuarial valuations;
- revenues from passport service request fees are recognized upon receipt of payment and verification of an application for completeness as stated in the Regulations prescribing fees for passport services; and,
- 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 request for a passport service, which is upon receipt of payment and verification of the passport application for completeness.

Deferred revenue is recognized for those passport applications for which the passport service request fee has been collected and deposited, but the applications have not been verified for completeness, as at March 31.

(c) Inventories

The inventories of materials and supplies are carried at cost using the average cost method.

(d) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

Category	Estimated useful life
Capital Projects	Once in service, in accordance with asset category
Leasehold Improvements	Lease term
Furniture	10 years
Vehicles	5 years
Electronic data processing (EDP) equipments	3–5 years
Other machines and equipments	5 years

The capital projects category includes assets under construction which are not yet amortized. Leasehold improvements are amortized on a straight-line basis on the lesser of the remaining term of the lease or estimated useful life of the improvement.

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

Category	Estimated useful life
Technology Enhancement Plan Project	
Machines and equipment	10 years
System	4 years
Furniture	10 years
EDP equipment	4 years

2. Significant accounting policies (continued)

(e) Employee termination benefits

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

(f) Pension plan

Employees of the Fund are covered by the Public Service Retirement Pension Plan (the "Plan") administered by the Government of Canada. Under present legislation, contributions made by the Fund 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 Fund and are charged to operations on a current basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

(g) Use of estimates

The preparation of financial statements 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 reporting period. The more significant areas requiring the use of estimates relate to employee termination benefits and to accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(h) Financial instruments

The Fund's financial instruments consist of accounts receivable, accounts payable, accrued liabilities and employee termination benefits. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Capital assets and accumulated amortization:
(in thousands of dollars)

Capital Assets	Balance, beginning of the year	Acquisitions	Disposals, transfers and adjustments	Balance end of the year
Technology Enhancement Plan Project	33,877	—	—	33,877
Capital projects	13,635	9,384	(5,696)	17,323
Leasehold Improvements	89,931	3,037	349	93,317
Furniture	84	—	—	84
EDP equipments	21,495	1,008	5,347	27,850
Vehicles	41	—	—	41
Other machines and equipments	1,818	48	—	1,866
	160,881	13,477	—	174,358

Accumulated Amortization	Balance, beginning of the year	Amortization	Balance, end of the year	Net book value
Technology Enhancement Plan Project	33,877	—	33,877	—
Capital projects	—	—	—	17,323
Leasehold Improvements	65,409	5,007	70,416	22,901
Furniture	79	1	80	4
EDP equipments	11,449	5,211	16,660	11,190
Vehicles	4	8	12	29
Other machines and equipments	847	319	1,166	700
	111,665	10,546	122,211	52,147

The capital projects category includes assets under construction which are not yet amortized.

4. Net assets

(in thousands of dollars)

	2010	2009
Accumulated net charge against the Fund's authority	(58,366)	(65,618)
Accumulated surplus	1,591	16,803
Contributed capital	80,474	70,640
	23,699	21,825

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.

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.

Contributed capital:

In the year, Passport Canada received \$9,834 (2009—\$9,977) from Treasury Board to fund capital projects. In 2009, Passport Canada had also received \$12,735 that related to a lump sum payment to employees per the new Public Service Alliance of Canada collective agreement.

5. Commitments

Passport Canada rents office premises and other office equipment under long-term operating leases, which expire in 2018. Future minimum lease payments by year are approximately as follows:

(in thousands of dollars)

2011	48,875
2012	18,538
2013	12,260
2014	9,939
2015	5,395
2016 and thereafter	9,370
	104,377

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 and International Trade (DFAIT), collects Consular fees on behalf of DFAIT Consular Affairs division. These fees are not recorded as revenues in the Statement of Operations and Change in Net Assets. In 2010, the Fund collected and remitted to DFAIT \$95,055,600 (2009—\$86,603,775) in consular fees.

In December of 2008, Service Canada and Passport Canada signed a memorandum of understanding governing the cost of processing passport applications. Effective for all applications processed by Service Canada from June 2008 onwards, a fee of \$12.39 per application will be charged to Passport Canada. These fees are reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets. In 2010, Service Canada charged Passport Canada a total of \$5,096,500 (2009—\$3,700,000) for application processing fees. In 2009, an amount of \$790,000 was also charged for initiation and training related costs.

7. Changes in current assets and liabilities

(in thousands of dollars)

	2010	2009 Reclassified
Assets		
Accounts receivable—Government of Canada	757	10,813
Accounts receivable—Outside parties	626	(815)
Prepaid expenses	(161)	4,022
Inventories	2,210	(6,847)
Accounts payable and accrued liabilities		
Government of Canada	(585)	3,721
Outside parties—Accounts payable	(4,313)	(1,123)
Outside parties—Vacation pay	299	(65)
Outside parties—Contractors' holdbacks	125	(50)
Deferred revenue	(22)	(265)
Current portion of the provision for employee termination benefits	48	—
	(1,016)	9,391

8. Comparative Figures

Certain of the prior year's figures have been reclassified in order to conform to the presentation adopted in the current year.