



House of Commons

Committee of Public Accounts

Identity and Passport Service: Introduction of ePassports

**Forty-ninth Report of Session
2006–07**

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Greg Clark MP (*Conservative, Tunbridge Wells*)
Helen Goodman MP (*Labour, Bishop Auckland*)
Mr Sadiq Khan MP (*Labour, Tooting*)
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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

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Summary

In 2006, to comply with the US Visa Waiver Programme and other international requirements and to strengthen border controls, the UK made a successful transition from digital to electronic passports (ePassports). An ePassport contains an electronic chip storing biographical data and a digital facial image of the passport holder. Further significant change is planned from 2009 with the advent of new second generation ePassports incorporating the fingerprints of the passport holder.

Passport fees have risen ahead of inflation since September 2003 to fund ePassport technology and other projects intended to improve the security of the UK passport. Since October 2006, the adult passport fee of £66 has included around £6 paid by all applicants to fund from 2007 the introduction of interviews for all adult, first time passport applicants. From 2009 all passport applicants will have to attend in person to provide fingerprints for inclusion in second generation ePassports. The set-up cost of data collection, validation and storage necessary to introduce these changes will be substantial.

During 2007 the Identity and Passport Service has been gradually introducing personal interviews at its 69 new interviewing offices for first time adult passport applicants. With the exception of those living in remote locations (where special arrangements will apply) at least one of the 69 offices is intended to be within an hour's travel by public or private transport for 95% of the UK population. But elderly and disabled people may still face difficulties in making the journey. With the introduction of second generation ePassports, all applicants will need to attend a local office to give their fingerprints.

The long term durability of the chip embedded in the ePassport book is unproven and there is public uncertainty about whether, if the chip breaks through normal use before the passport expires, the passport holder will need to fund the cost of a replacement.

On the basis of a Report by the Comptroller and Auditor General,¹ the Committee examined the Identity and Passport Service on how lessons learnt from the introduction of ePassports will be incorporated into future projects; the cost of authenticating applicants' identities; passport fee trends; the measures being taken by the Identity and Passport Service to hold down passport fees; and working with others to reduce costs and improve border security.

1 C&AG's Report, *Identity and Passport Service: Introduction of ePassports*, HC (2006–07) 152

Conclusions and recommendations

1. **The Identity and Passport Service successfully delivered the ePassport project to time, cost and quality standards.** The roll out of the first generation of ePassports offers an example of successful project management and procurement to others contemplating introducing a new service or improving an existing one. The Office of Government Commerce should promulgate the lessons learnt from this project across government.
2. **The introduction of second generation ePassports from 2009 will present greater technical and logistical challenges than the introduction of first generation ePassports.** To achieve the successful roll out of these and other planned initiatives, the Identity and Passport Service should review demand forecasts, consider cost implications and prepare and test contingency plans in readiness for the introduction of second generation ePassports in 2009.
3. **To meet the external deadline for staying within the US Visa Waiver programme, the Agency accepted a manufacturer's guarantee of only two years for the chip, which is contained within a ten year passport.** Passport holders have expressed concerns about the accuracy of the contents of the chip and its durability. The Identity and Passport Service should:
 - increase the publicity given to the existence of electronic readers in Identity and Passport Service offices so that passport holders can see for themselves the data held on their passport chip.
 - publish information on its website on the durability of the chip, including guidance on how to best protect it, the circumstances in which the passport holder would have to pay for a replacement passport, and when the agency would provide a replacement free of charge.
4. **Anti-fraud measures account for almost a third of the adult passport fee, but there is a lack of data on their relative effectiveness.** The Identity and Passport Service should establish measures to assess the relative cost effectiveness of anti-fraud initiatives funded from passport fees, such as facial recognition systems, Authentication by Interview, and biographical information checks.
5. **The agency used an exemption from procurement rules to amend the existing contract for passport production rather than holding a competition; and did not assess the impact of ePassports on users or other government departments prior to their introduction.** Major enhancements are planned to the UK passport, border security and visa processes over the next five years. To reduce costs and improve value for money, the Identity and Passport Service should:
 - let contracts on a competitive basis or, where competition is not possible, take alternative steps to secure value for money, for example by using a 'should-cost' model to determine a fair contract value;

- carry out Regulatory Impact Assessments for each project to identify the likely impact on applicants and other parts of government;
- determine the mix of skills required and whether civil servants, temporary staff or consultants are the best way to meet the business need, and plan ahead so that consultants are not employed for lack of time and resources to recruit permanent staff.

6. Under current Home Office plans, a UK citizen with a valid ePassport will also need to purchase a UK national identity card although the two documents will contain broadly similar data. Synergies in the production of the two documents should be reflected in the combined fee for an ePassport and identity card. The Identity and Passport Service should, as the identity card project progresses, identify and eliminate areas of overlap with ePassports in order to reduce the combined purchase price of an ePassport and identity card. The Home Office needs to explain the underlying rationale as to why citizens need an identity card as well an ePassport, particularly as the ePassport offers broader utility in terms of global travel.

7. The Identity and Passport Service worked well with the Foreign and Commonwealth Office during this project but less well with the Border and Immigration Agency. The planned introduction of second generation ePassports and identity cards make effective joint working important in reducing costs, securing efficiency savings and improving passport and border security. The Identity and Passport Service should:

- procure ePassport production equipment, supplies and technical expertise jointly with the Foreign and Commonwealth Office and the Border and Immigration Agency; and
- work with the Border and Immigration Agency to monitor the effect of the introduction of electronic travel documents on travellers, airlines and airports, and establish joint contingency plans to remedy any undue delays and inconvenience to the travelling public, while maintaining border security.

1 Enhancing the UK passport

1. An ePassport contains an electronic chip containing biographical information and a digital facial image of the passport holder. The chip can be read using an appropriate electronic reader located at border control or within Identity and Passport Service offices. The ePassport was the first official UK document to incorporate an electronic chip in a paper document and it incorporates technically advanced security features to make it harder to forge and prevent unauthorised reading of the chip. The US required countries wishing to continue their participation in the US Visa Waiver Scheme to introduce ePassports by 26 October 2006. The Identity and Passport Service achieved 100% production of ePassports in September 2006, thereby securing the UK's continued participation in the Visa Waiver Program. The project was delivered within its budget of £62 million. Second generation ePassports, which will be issued from 2009, will store the holder's fingerprints on the chip in addition to the digital photograph.

2. The agency's experience of introducing ePassports has been a useful step towards the incorporation of personal data on to an electronic chip. The Identity and Passport Service acknowledged that it still has some way to go to master the technology needed to put fingerprints on a chip, and that there are issues to resolve with chip capacity for the national identity card project. It was confident, however, that it could deliver second generation ePassports and the national identity scheme to time and budget.

3. The Identity and Passport Service implemented to good effect the recommendations made by our predecessors in respect of its forebears' less successful projects (**Figure 1**). The agency planned from the outset for a cautious, low risk project. The prototype ePassport and the manufacturing process were both subject to substantial testing, and the agency gave itself enough time for a progressive rollout rather than a big bang switch immediately from digital to ePassport. It also put in place an effective communication plan to educate the public about ePassports. With the significant expansion in operations planned to accommodate Authentication by Interview, and the introduction of second generation ePassports, the agency needs to be sure it has the capacity and skills to handle these more complex projects.²

Figure 1: Previous Public Accounts Committee recommendations incorporated into the ePassports project

PAC Report and conclusions	Experience on ePassports
The Passport Delays of Summer 1999³	
(iii) "Testing and initial implementation raised questions... which were not adequately resolved... We [also] emphasise the importance of sound risk management arrangements."	Testing was based on an end-to-end approach whereby major processes and production equipment were subject to a rigorous test and evaluation regime. The management of risk on the project was sound with risk coordinators appointed in 2004. Risk registers, including those held with contractors, and risk management plans were revised periodically.
(vi) "The Home Office's forecast of 5.1 million passport applications in 1999 was well short of the 5.6 million actually received... The Home Office is expected to act on their commitment to improve their forecasting."	Between 1 January 2006 and 6 August 2006, the Identity and Passport Service's forecast of five million passport applicants was above the 4.6 million actually received.
(vii) "The Agency's contingency planning proved wholly inadequate... We emphasise the need for adequate contingency plans in key public services."	Risk management has been tight while contingency planning in the event of a disaster at the main production site has been met by the building of the Reserve Facility, which is the most cost-effective solution to this issue.
Criminal Records Bureau: delivering safer recruitment?⁴	
(i) "Timetables for the development and implementation of new services should provide for sufficient in-depth consultation directly with potential users of the service, and for the outcome of consultation to be reflected in service design".	Because of a tight project timescale and evolving technical standards, it was difficult to establish a definitive requirement. End users were consulted on the planned use of public readers but not on any other aspects of the project.
(iii) "Adequate time for piloting new services is fundamental to successful introduction".	Central production was piloted and actual production gradually built up by Security Printing and Systems Limited. The ability to revert to digital production was retained in case of failure. The initial pilot for ePassports was carried out at the Durham regional office in December 2005. It was then piloted at the other offices on an iterative basis in the first half of 2006 in advance of the roll-out at each office.
(v) "If business assumptions change fundamentally during service development, Departments should consider whether to continue with their current contractor or test the market again".	The Identity and Passport Service decided to amend the contract with Security Printing and Systems Limited, because changes to the project timetable occurred too late for the Service to reconsider its procurement strategy
Consular services to British nationals⁵	
(ix) "Issuing passports at over 100 posts is inefficient... The Department should analyse the costs and benefits of repatriating large elements of passport work to take advantage of the economies of scale and quality assurance arrangements of the [Identity and] Passport Service."	The Foreign and Commonwealth Office is reviewing its overseas passports issuing operation. By 2010 it is expected that passport production will have been significantly rationalised either to three overseas 'super-hubs' or to a central production site alongside the Identity and Passport Service in the UK

Source: National Audit Office

3 Committee of Public Accounts, Twenty-fourth Report of Session 1999–2000, *The Passport Delays of Summer 1999*, HC 208

4 Committee of Public Accounts, Forty-fifth Report of Session 2003–4, *Criminal Records Bureau: delivering safer recruitment?* HC 453

5 Committee of Public Accounts, Thirty-ninth Report of Session 2005–06, *Consular services to British nationals*, HC 813

4. The Identity and Passport Service has collated lessons from all of its 2006 projects (**Figure 2**) based on both what the Service did well and what it wished it had done and, for the benefit of others delivering similar projects, it has made the details available on its website.⁶

5. Given that chip-based technology is central to second generation ePassports and identity cards the agency acknowledged the reasonable concern that the ePassport chip may not be durable enough to last the full ten year lifespan of the ePassport. The Identity and Passport Service was under pressure to introduce the ePassport quickly in order to meet the US deadline and, given the newness of the technology, had to accept a guarantee from the chip manufacturer of just two years. However, the ePassport chip has been tested extensively and the Identity and Passport Service was confident that the chip would work for longer. It planned to secure longer warranties from suppliers in the future, provided the cost of so doing was reasonable. The ePassport is still a valid travel document⁷ should the chip fail when the passport holder is overseas.

6. The Identity and Passport Service stated that anyone trying to access the electronic data on the chip would also need the data from the printed biographical page to do so. As the printed data replicates the data on the chip, reading the chip would give no advantage. Any tampering with an ePassport would be evident via physical or full electronic checks. Passport holders concerned about the integrity of the ePassport chip data can view their passport chip using public readers situated at Passport Offices.⁸

Figure 2: Lessons and best practice identified by the Identity and Passport Service from completed projects

<p>Project scope should be clearly defined and agreed by all parties at project initiation. Project priorities should be managed through a programme level plan which identifies potential conflicts in resources and implementation schedules.</p> <p>Regular meetings should be held with external stakeholders and senior Identity and Passport Service staff to encourage collaborative working, the sharing of resources between stakeholders and to allow the impact of proposed solutions to be assessed and planned for accordingly.</p> <p>Appoint dedicated Operational change Manager(s) to manage the transition between the project team and the rest of the business, and to manage change within Identity and Passport Service regional offices.</p> <p>Agree realistic contingency plans with business owners in advance to ensure a minimal impact on operations should it become necessary to implement them.</p>	<p>Manage all changes to project scope and business requirements through a change control process. Contract changes should be discussed with relevant stakeholders before their acceptance. The process should include an impact assessment of changes to scheduled events where appropriate. 'Contract Summaries' should be used to communicate changes for non-commercial staff.</p> <p>Ensure Identity and Passport Service and suppliers' responsibilities are clear in contracts and well understood. This includes test and quality assurance criteria, subcontract management and product acceptance processes.</p> <p>Project staff should retain responsibility for managing communication between identity and Passport Service and suppliers. Where multiple stakeholders exist their requirements should be managed through a single point of control.</p>
<p><i>Source: 'ePassport project status update and lessons learned report', Identity and Passport Service</i></p>	

6 Q 11

7 Qq 60–63, 65, 136, 137, 160–163

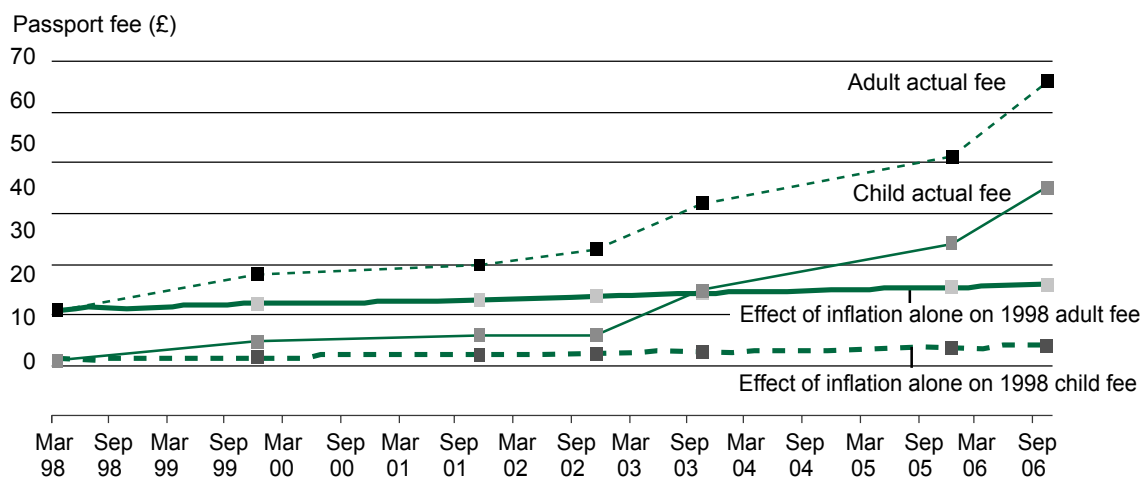
8 Qq 33, 69, 70–72, 74–76

7. The Identity and Passport Service is to be commended for its smooth delivery of the ePassports project which was achieved with little disruption to the quality of service to the public. The agency is rightly keen to repeat this success with its other high profile projects, including the move to second generation ePassports and the introduction of the national identity card scheme. Second generation ePassports and identity cards pose greater technical and logistical challenges than first generation ePassports, however, and risks remain on durability of first generation ePassport chips and the potential build-up of queues at border control arising from the longer time taken to read an ePassport.⁹

2 Holding down passport fee increases

8. Fees for adult and child UK passports rose ahead of inflation between 1998 and 2006, from £21 for an adult passport and £11 for a child's passport in 1998, to £66 for an adult passport and £45 for a child's passport from October 2006. Passport fees could be set to increase substantially over the next five years to fund the introduction of second generation ePassports. Larger capacity chips will be needed to hold the basic data and fingerprint image; and more locations and additional staff will be needed to collect biometric data from adult applicants (When second generation ePassports are introduced all applicants, including renewal applicants, will need to attend in person to provide their fingerprints and facial image under the supervision of an Identity and Passport Service member of staff). In addition, the gradual move to interviewing all 600,000 first time adult passport applicants, which began in 2007, is forecast to cost around £180 million to 2010, including the establishment of 69 additional offices at which to conduct interviews.¹⁰

Figure 3: Adult and child UK passport fees have risen sharply since September 2003



Source: National Audit Office analysis of Identity and Passport Service data

9. The direct costs of producing a passport more than doubled in the 13 years between November 1992 and November 2005 (**Figure 4**). From December 2005, the cost of processing each application rose by almost £4, and anti-fraud initiatives cost each applicant £14.51 (28% of the then application fee of £51). By October 2006, when the application fee increased to £66, around a third of the cost (£21.76¹¹) of producing a passport was attributable to anti-fraud measures and the Authentication by Interview project. The Identity and Passport Service told us that these anti-fraud measures included the cost of Fraud Investigation Units based in each of the regional offices; the checking of applications for fraud and taking follow-up action; ongoing anti-fraud change initiative projects; security enhancement projects; and management and fixed costs.¹²

10. Rather than wait to hold a competition when its current contract expires in 2010, the Identity and Passport Service negotiated a new contract for the production of ePassports

10 Qq 13,15,59, 92

11 Anti-fraud initiatives of £15.88 and Authentication by Interview costs of £5.88; Ev 22

12 Ev 22

with its existing passport supplier. The agency judged that introducing the ePassport by the US deadline, thereby achieving continued participation in the US Visa Waiver programme, was of significant economic benefit to UK citizens and the UK economy. The provision of the chip units was subject to competition,¹³ but the introduction of ePassports might have cost less if there had been time to tender the whole contract.

11. The main reasons for the £15 increase in the cost of an adult passport in October 2006 were the increase in the cost of production of the passport book (up £7.25), the cost of Authentication by Interview (£5.88),¹⁴ and an increase in the cost of anti-fraud initiatives (up £1.37). The Identity and Passport Service tested the market and concluded there was scope to increase fees further if it could convince the public of the benefits arising from the improvements to the security and integrity of the document.¹⁵

12. The decision by the Identity and Passport Service to use consultants to meet tight ePassport deadlines, rather than employ permanent civil servants to do the work, has meant that the skills and experience it requires for subsequent projects have not been fully retained within the organisation. The Identity and Passport Service recognised that it should strengthen its internal capability rather than buying in non-technical expertise from outside, and that a greater proportion, particularly of the administrative and project management roles of its large projects, should be completed by permanent civil servants who were cheaper to employ and easier to retain. The Identity and Passport Service had aggressive timescales to meet, however, and operated in a competitive market for technology and project management skills, so it was not always possible to recruit people of the required calibre when it needed them. It was currently recruiting to increase the size of its technological and programme management group from around 80 to a group of about 200 during 2007.¹⁶

13 Qq 77, 101,105, 150, 151

14 A breakdown of expenditure on Authentication by Interview for 2004–05 to 2006–07 and budgeted costs 2007–08 to 2009–10 can be found in Table 4 of the Supplementary Evidence ; Ev 23

15 Qq 58, 113–117

16 Qq 6, 7, 17, 18, 131–134, 143, 144

Figure 4: Full data is not available on the historical composition of passport fees

	Fees 22/11/92 to 27/3/98	Fees 28/3/98 to 15/12/99	Fees 16/12/99 to 29/11/01	Fees ¹ 30/11/01 to 20/11/02	Fees 21/11/02 to 03/10/03	Fees 04/10/03 to 30/11/05	Fees 01/12/2005 to 4/10/06	Fees 05/10/06 to 03/10/07
Application processing	£13.05	£15.32	£21.27	£21.41	£9.82	£10.16	£14.02	£14.49
FCO consular protection ²					£9.40	£9.65	£9.65	£9.65
Book production ³					£5.00	£5.00	£5.00	£12.25
Secure delivery ⁴						£3.00	£3.00	£3.00
Anti-fraud initiatives ⁵							£14.51	£15.88
Subtotal	£13.05	£15.32	£21.27	£21.41	£24.22	£27.81	£46.18	£55.27
Administrative costs	£4.95	£5.68	£6.73	£8.59	£8.78	£14.19	£4.82	£4.85
Authentication by Interview ⁶								£5.88
Total	£18.00	£21.00	£28.00	£30.00	£33.00	£42.00	£51.00	£66.00

Notes:

- 1 Prior to November 2002, costs were only split between direct passport production (application processing) and indirect overhead (administrative) costs.
- 2 The proportion of the fee which is passed to the Foreign and Commonwealth Office (FCO) to fund the provision of consular services for British travellers overseas was only formalised in 2002-03. Prior to this a surplus agreed with the Treasury was made and credited to the FCO.
- 3 Prior to 2002-03 the cost of passport book production was included in application processing costs.
- 4 Secure Delivery was introduced in 2003-04 and earlier distribution costs are included in application processing.
- 5 The cost of anti-fraud initiatives has only been isolated from 2005-06. Previous data is not available.
- 6 Authentication by Interview project costs began to be incurred from 2004-05.
- 7 The standard adult passport fee will increase to £72 from 4 October 2007.

Source: Identity and Passport Service

13. The Identity and Passport Service plans to fingerprint passport holders every ten years, requiring repeated personal attendance at a Passport Service office and substantial fee increases to cover the costs of gathering and processing this data. All applicants, except those in remote communities, are intended to be within one hour's travel time of one of these centres. The network of interviewing offices will need to be expanded when

fingerprint data is required from 2009 for second generation ePassports. The Identity and Passport Service had not factored in the financial cost and time required to make these journeys for those in outlying rural areas, those reliant on public transport or on low incomes, or the physical burden of travel for the elderly and the disabled.¹⁷

14. The core validation process which seeks to establish that applicants are who they say they are and that they are entitled to the document applied for will be exactly the same for identity cards as for ePassports. It is estimated that around 70% of the estimated cost of the national identity scheme would be incurred anyway as the UK moves to incorporate fingerprints into second generation ePassports, and that the specific costs of producing an ePassport or an identity card document will be a small part of the total cost. The Identity and Passport Service is expected to set fees so as to break even on its passport service, but it receives central government funding for the development of the national identity card project, as does the Border and Immigration Agency for the eBorders project. The Identity and Passport Service is revising its regular cost reports setting out the expected cost of delivering the national identity scheme, to give more detail on the respective proportions of costs which relate to passports to identity cards.¹⁸

15. The national identity card will entail significant additional costs for the high proportion of the UK population that already holds a passport. The Identity and Passport Service told us that the national identity card is intended to fulfil a different role from the passport, and will have the capacity to prove identity using chip and pin technology. The identity card will be valid for travel in Europe in lieu of a passport, but not for travel to the US under the Visa Waiver programme. The ePassport therefore offers broader utility in terms of global travel.

17 Qq 92, 95, 99, 155, 157

18 Qq 16, 96–98, 168, 169, 171, 176,

3 Improved working through closer liaison with others

16. The Identity and Passport Service issues over six million passports a year and, in addition, the Foreign and Commonwealth Office issues around 450,000 passports a year to UK citizens living abroad. The Border and Immigration Agency is responsible for ensuring that electronic readers at UK border control are equipped to read electronic travel documents from around the world.

17. The Identity and Passport Service and the Foreign and Commonwealth Office have formed a single project board, with the intention of conducting a single competitive procurement for the production of second generation ePassports. The Identity and Passport Service told us it will seek to build flexibility into that procurement in order to allow for future developments over the next decade.

18. The Identity and Passport Service is also working closely with the Foreign and Commonwealth Office to harmonise passport issuing procedures. Validation procedures could not be standardised because the biographical footprint checks which the Identity and Passport Service conducts in the UK on British residents may not be possible in other countries, but the two organisations were bringing their processes closer together. The Identity and Passport Service and the Foreign and Commonwealth Office have formed an identity standards group, and with the introduction of Authentication by Interview for first-time applicants in the UK, the Identity and Passport Service will encourage the Foreign and Commonwealth Office to conduct similar interviews overseas to tighten the system. In the longer term, the Identity and Passport Service is working with the Foreign and Commonwealth Office towards the potential repatriation of all passport production to the UK, so as to eliminate the security risk associated with issuing passports overseas.¹⁹

19. Passport readers that can detect whether an ePassport has been tampered with are currently being set up in back offices at UK immigration points. Recent data indicate it takes about 16 seconds to read an ePassport,²⁰ raising the prospect of queues forming at UK arrivals lounges at ports and airports, particularly at peak travel periods. Alternatively, there is a risk that immigration checks may be relaxed to avoid the build up of queues. There is scope for closer liaison between the Identity and Passport Service and the Border and Immigration Agency particularly in relation to possible technical improvements to electronic readers to speed up the time taken to read an ePassport.²¹

19 Qq 108

20 Ev 21

21 Qq 102, 110

Formal minutes

Monday 9 July 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr David Curry

Mr Ian Davidson

Mr Philip Dunne

Ian Lucas

Mr Austin Mitchell

Mr Don Touhig

Draft Report

Draft Report (Identity and Passport Service: Introduction of ePassports), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-Ninth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 10 October at 3.30 pm.]

Witnesses

Tuesday 27 February 2007

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James Hall, Chief Executive and **Bernard Herdan CB**, Executive Director of Social Delivery, Identity & Passport Service.

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List of written evidence

Identity and Passport Service

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Tenth Report	Fines Collection	HC 245 (Cm 7020)
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Fifteenth Report	The termination of the PFI contract for the National Physical Laboratory	HC 359 (Cm 7077)
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Twenty-second Report	Tax credits	HC 487 (Cm 7151)
Twenty-third Report	The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies	HC 488 (Cm 7152)
Twenty-fourth Report	Ofwat: Meeting the demand for water	HC 286 (Cm 7151)
Twenty-fifth Report	Update on PFI debt refinancing and the PFI equity market	HC 158 (Cm 7152)
Twenty-sixth Report	Department for Work and Pensions: Progress in tackling pensioner poverty—encouraging take-up of entitlements	HC 169 (Cm 7152)
Twenty-seventh Report	Delivering successful IT-enabled business change	HC 113
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Oral evidence

Taken before the Public Accounts Committee

on Tuesday 27 February 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Annette Brooke
David Curry
Mr Philip Dunne
Helen Goodman

Mr Sadiq Khan
Dr John Pugh
Mr Don Touhig
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General and **Aileen Murphie**, National Audit Office, gave evidence.

Paula Diggle, Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

IDENTITY AND PASSPORT SERVICE: INTRODUCTION OF EPASSPORTS (HC152)

Witnesses: **James Hall**, Chief Executive and **Bernard Herdan CB**, Executive Director of Social Delivery, Identity & Passport Service, gave evidence.

Q1 Chairman: Good afternoon. Today we are considering the Comptroller and Auditor General's Report, *The introduction of ePassports* and we welcome James Hall, who is the Chief Executive of the Identity and Passport Service, who is appearing before us as Accounting Officer, and Bernard Herdan, the Agency's Executive Director of Service, Planning and Delivery. We welcome to our gathering a delegation from the Croatian Budget and Finance Committee and the State Audit Office of Croatia, whom I had the pleasure of meeting this morning. We also welcome a delegation from the Control Committee of the Czech Chamber of Deputies; so you are both very welcome. Perhaps we could start, Mr Hall, by looking at paragraph 3.3 and what we read there is that although these ePassports are already being introduced the readers will not be ready until September 2007. So it tells us there that immigration officers will have to leave the front desk to undertake additional checks and this creates the risk that ePassport chips may not be read frequently enough to deliver the full security benefits. So the ordinary member of the public might well want to ask you whether this just means more queuing and not much more security?

Mr Hall: Let me answer that question. First of all, I think it is important to remember that the principal driver of the programme to introduce ePassports was actually compliant with the US Visa Waiver programme and it was the achievement of that deadline which was the principal objective and which, of course, as the NAO identified in their Report, we met. Equally, of course, IND, the Immigration Nationality Directorate, are very focused on improving border control through a variety of mechanisms, including the deployment of ePassport readers. I have the latest update from

them, which is that they believe that the deployment of readers at UK ports will be complete by the end of March this year, which will make them one of the major countries in the full-scale deployment of those readers.

Q2 Chairman: Yes, all that I accept, but you have not yet answered the question I put to you.

Mr Hall: The evidence thus far is that the readers which have been deployed have not led to additional queues. The one other point you raised was that there is a distinction between those readers which can read the passport and those which can confirm whether the passport has been tampered with. Those second form of readers are currently installed in the back offices and not on the frontline itself, but IND intends to rectify that over the course of 2007.

Q3 Chairman: I should have said this at the beginning—and I did say this in my press release—that it is a pleasant change to be able to welcome a project from the Home Office which has been delivered on time and on budget. However! I also said that it is most worrying that the warranty deal that the Identity and Passport Service struck to cover the passport chips lasts for only two years and that is what really worries me. So you have a warranty lasting for two years and a passport lasting for 10 years. What happens when the warranty runs out and how would you cover the cost of replacing faulty passports? What happens if these things do not work very well? After all, a lot of these passports are carried around all the time, and I know from my own children that young people use these passports all the time not just for travelling but using them as

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identification and they get very damaged. You have a very sensitive chip in there and what happens if, after two years, it starts getting damaged?

Mr Hall: I will ask Mr Herdan to comment specifically on two matters. First of all, the discussions that we had with our supplier leading up to the decision to go for a two-year warranty; secondly, also to comment on the work that we did to confirm the durability of the chip during the procurement process. But I would make three introductory comments. First of all, there is no connection between the warranty period and our assumption as to the life of the chip, we are fully confident that the chip will survive the ten-year life of a passport. The decision to go for a two-year warranty was essentially a value for money decision about the costs that we thought we would incur in going for a ten-year warranty period. Having said that, of course, a ten-year warranty period would be preferable, and as we start to talk to other suppliers about secondary sources of chips we are revisiting this issue with all of our suppliers and are hopeful in due course that it should be possible to achieve a two¹-year warranty. Bernard, do you want to expand a little bit?

Mr Herdan: To expand a little more, Chairman, on that. The decision was taken that the cost of taking that additional warranty during the period when the technology was still being proven outweighed the benefits, as far as we can see. In any case, one will never get warranty against passport documents being damaged through frequent use, abuse if you like, so the warranty would only have a limited benefit, and it looked like it was going to cost more so we would have added an additional fee to the public if we had taken a ten-year warranty. But as the technology becomes more mature and since we intend to regularly re-compete those chip subcontracts and bring in a second supplier later this year there is every chance that we will be able to get to a longer period of warranty without any significant cost.

Q4 Chairman: Who owns the intellectual property of these chips? Could passport fees rise as a result of intellectual property rates?

Mr Herdan: That is the second question really. The intellectual property situation is complex, as you might imagine. To a large extent the industrial property for those chips is held by the chip suppliers and they are responsible for any claims that might be made against them in terms of patent infringement. The only exception to that would be if we as the customer have required a particular design or required compliance with a standard which is found to force suppliers and perhaps infringe someone's patents. We are not aware of any such infringements so as things stand today there are no known issues of patent infringement, which was mentioned in the NAO Report as a risk. There is a risk; there is always a possibility there could be claims against us, but we are not aware of any claims at this stage. Obviously in a technological field like things like that could

happen. Going back to the question of durability, which was the other point you were mentioning, about how tough is the passport and will it get damaged through young people using it to prove their age in a pub or things like that, we went through a lot of different designs, putting the chip into different places in the passport. We chose the location we did to make it the safest location for the chip, so it is not in the cover as many other countries have done, it is inside on the biographical data page, inside the document. So it is not embedded in the cover but is in that biographical data page. This passport has been subjected to every kind of testing you could think of to simulate that kind of life, including soaking it in all sorts of liquids, putting it through the wash, tauten testing to do that kind of thing to it tens of thousands of times, to see if we can break it, and it has come through all those tests.

Q5 Chairman: How can you reassure citizens about identity thefts as a lot of their personal information is now going to be stored by your service? How can you reassure them about the theft of their own identity?

Mr Hall: There are two ways in which we can reassure them. The first is by making a document which is as difficult to forge or copy as could be. Obviously the ePassport is a major step in that direction but as the NAO identified in their Report the chip is just one of a number of developments in the passport itself to make it considerably more difficult to copy. The second area is in our processes leading up to the issuing of a passport, where we have consistently over the last few years been introducing additional checks and processes to seek to ensure that the person who has applied for a passport is both the person who they say they are and is entitled to a British passport. Having said that, I think there is one important step that the public could take to help us with this process. One of the issues which troubles us at the Identity and Passport Service is the volume of passports which are lost and stolen. We get nearly 800 calls a day from members of the public who have lost their passport and every time there is a missing passport there is a risk that that passport has fallen into the wrong hands.

Q6 Chairman: Lastly, we often question departments about using consultants and we are very worried about the ever increasing use of consultants. You are very proud to have delivered this on time but one of the ways you did this was by the extensive use of consultants. I can understand that there are some technical areas where you would want to use consultants but you used consultants widely with project management; why did you not use your own civil servants and why did you not develop a project team? After all, this kind of project is going to go on forever now.

Mr Hall: Frankly, because at the time we did this project, working against very tight deadlines, we did not have the right sets of skills and capabilities within the organisation.

¹ *Correction by witness:* I mistakenly said two-year warranty here when my intention was to say ten-year warranty.

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Q7 Chairman: But you knew this was going to happen. There was forewarning that you had to meet these American visa requirements; it was not suddenly thrust upon you, was it?

Mr Hall: The key point is that we are working extremely hard now to reduce our dependency on consultants. Our largest consulting supplier is PA Consultants and over the last nine months we have reduced the number of people from that firm working for us from over 75 to under 25 and that number is tending towards zero. At the same time, particularly now that we have published the National Identity Scheme and the Strategic Action Plan that goes with it, we have a clear view as to what we have to do over the next few years. We are in a position to carry out some significant civil service recruitment and indeed we are planning over the next 12 months to recruit about 120 civil servants with technology programme and project management skills to form the core of our team. Assuming that we are successful in doing that, it will significantly but not entirely eliminate our use of external resources. If it turns out that we are unable to recruit people of sufficient calibre to do the work then, of necessity, in order to deliver our programme our reliance on consultants will be rather larger than we would like.

Chairman: Thank you. Sadiq Khan.

Q8 Mr Khan: The Chairman mentioned, albeit briefly, the fact that your project was completed within time and you were also within budget, as I understand it from the Report. As briefly as possible, how would you explain your doing something, which, to us, seems perfectly reasonable and sensible, bearing in mind that other people have said it clearly is not, completing the project both within time and within budget?

Mr Hall: As Bernard was the Senior Responsible Officer for most of the project let me ask him to comment on that.

Mr Herdan: I think we have learnt a lot of lessons from things that have gone wrong in the past in this organisation, some of which have been the subject of discussions in this very room, probably. So we took a decision to have a very cautious low risk project, and despite the high technology involved we gave ourselves enough time. We set a budget which turned out to be sufficient for what we had to do. We set our minds against rushing to hit the initial deadline that the Americans had put in front of the world and said that we would not do it, and we have held firm on that and told them that that was just not possible, which led to them in the end having to back down under pressure from the Foreign Commonwealth Office and ourselves and some other countries to give us more time for a safe implementation. We also decided, although this was a marginal decision we had to take, to go for a progressive rollout rather than a big bang switch immediately from digital to ePassport on a particular day. That did have some risks for us and drawbacks in terms of the fact that the public would be getting a mixed message—some people would get the old style passports and some would get the new

one and yet they were all paying the same fee, so we knew that could lead to some protests but we prepared the public for that. So communication was a very big part of it.

Q9 Mr Khan: The technology, having a chip, the antenna, the database by themselves are not handicaps if you plan properly and have a long lead-in time.

Mr Herdan: That is correct.

Q10 Mr Khan: How much of the work that you have done paves the way for a National Identity Register and an identity card?

Mr Herdan: As far as the technology that we have mastered about putting those personal details into a chip which can then be read at border posts is a very significant step forward. There is a further step to go in terms of putting fingerprints into that chip, which will lead to the product line to be moderately revised to be able to put more data into the chip. But I think we have gone a long way; we have mastered the PKI technology, we have learnt a lot about our interface with border controls around the world. So it is a useful step forward; it is not the whole way but a very big step forward.

Q11 Mr Khan: Presumably the fact that you are both within budget and within time means that we can assume that ID card/the full register is not going to be Armageddon?

Mr Herdan: Absolutely.

Mr Hall: We would certainly like you to make that assumption. The other point I would add to everything that Bernard said is that we are very focused as an organisation on learning lessons both from things that go well and those things that do not go well because in a given year we go through a number of projects—some of them are extremely successful and inevitably we have hiccups in others. Last December we started an innovation which we intend to continue, which was putting all of the lessons learnt from all of our projects together over the course of 2006 both for our own internal consumption, and we also made it available on our website, so that we were as transparent as possible to the various stakeholders about what had and had not gone well during the course of the previous year.

Q12 Mr Khan: Talking of transparency, can I take you to page 10, figure 3, which is a table which sets out the fees for a passport from 1998 up until 2006? We know from an appendix later on that we are about middle range in relation to the fees we charge compared to other countries that do ePassports—appendix 4.

Mr Hall: Yes.

Q13 Mr Khan: Bearing in mind that anybody who wants to travel has to have a passport and we have a monopoly for the time being, and one would assume for the foreseeable future, you could charge whatever you like, could you not?

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Mr Hall: Clearly not because we have to convince our various stakeholders in the Home Office, the Treasury and elsewhere about the fees and charges we are due to incur in a given year and clearly there is a limit to public tolerance and we are very conscious that we have increased passport fees.

Q14 Mr Khan: You are going to add fingerprints. There may be, as you alluded to in response to the Chair, a potential increase because of concerns about intellectual property and what may happen there. How high can you go before you have people expressing extreme displeasure at the cost of their passport? Presumably you have done some work on this, have you?

Mr Hall: We obviously test the market. I do not think we have any basis for forming a clear view that represents a single break point.

Q15 Mr Khan: Greece charge £104 over a ten-year period compared to our £66; can we go as high as that?

Mr Hall: The answer to that question would be if as part of doing that we could convince the public that the additional cost was the result of things which actually improved the security and integrity of the document to their benefit.

Q16 Mr Khan: That brings me on to my next question, which is ID cards. Presumably, bearing in mind the intentions for the ID card and the passport to go together, there is clear overlap—the technology, the database. You can understand why there is concern amongst the public about a cross-subsidy. How would you justify that?

Mr Hall: I think the answer is of course that there is a great deal of overlap and indeed we currently envisage that when we are issuing ID cards the core processes that we use for enrolling citizens in an ID card will be exactly the same processes as you go through to apply for a passport because it is essentially the same process of establishing beyond reasonable doubt that you are who you say you are and that you are entitled to the document that you require. So all of those processes will be common to the two and the costs, which are specific to producing a passport or to producing an identity card, will be quite a small part of the total. Our view at the moment, as has been published thus far, is that if you take the costs which have been published for the total for the national identity scheme, about 70% of those costs would be incurred anyway as we move to further enhance and add second biometric details in the passports. In the issue of cross-subsidy, obviously our masters on this are the Treasury and their fees and charges regime and they are very focused on ensuring that costs are appropriately allocated.

Q17 Mr Khan: Thank you. One of the concerns that the Committee has is generally the use of consultants in projects. Bearing in mind that you knew when this project began that a lot of the advances made here would be used on an ID/register scheme I am concerned that more civil servants were not used

because clearly had they been used their skills would have been institutionalised and could have been used in subsequent projects rather than buying in expertise from outside, which is now lost.

Mr Hall: We all as a management team in the Identity and Passport Service believe that we should strengthen our internal capability and that a greater proportion, particularly of the management and programme management roles of our large projects should be completed by permanent civil servants whose long-term commitment and focus and learning is focused around the development of this organisation. But we also recognise that we have aggressive timescales to meet, that recruitment is slow, that we operate in a highly competitive market for technology and programme management skills—it is not always possible to recruit people of the calibre that we need in the time we need.

Q18 Mr Khan: Mr Hall, my time is short, but you know now and you have known for a number of years that there is another project that follows this one. Can you guarantee to us that when we have you back here in a year's time, one year after the ID card or National Identity Register is fully up and running, that we will not be having a Report that is identical to this one in the sense that a huge sum of money has been spent on outside consultants rather than in-house people used to do that work?

Mr Hall: I can assure you that if that Report were ever to be produced it would be not for lack of extensive trying by me and my organisation to recruit our own people to do this work.

Chairman: Thank you, Mr Khan. Mrs Goodman.

Q19 Helen Goodman: Could I ask you to look at paragraph 1.3 on page 6, which says that the costs exclude those associated with in-house business charge, fraud and training since they are absorbed within the running costs. It excludes rollout costs, support and maintenance costs. Do you know what those costs come to because those are the full costs of introducing the ePassports, are they not?

Mr Herdan: These are the costs for the Immigration and Nationality Directorate to upgrade their systems. Those are not uniquely due to the British ePassport, which is the main subject of this Report. IND would, in any case, have had to upgrade their systems.

Q20 Helen Goodman: A proportion of them would be attributable to ePassports, would they not?

Mr Herdan: Yes, some of that is due to ePassports but passports of the world, not just ourselves. A large number of countries are moving to create new passports. IND have to upgrade their systems so that they can read passports from all other countries, so it is not directly attributable to this particular project, which is why I suppose NAO did not seek to quantify that particular figure in this Report as being something to do with this project.

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Q21 Helen Goodman: I can see that the whole costs are not attributable to ePassports but if a proportion is it would be very helpful for us to know what that comes to so that we get a proper understanding of what the total costs would be.

Mr Herdan: I do not have that number to hand but I am sure we could write to the Committee with an estimate for that, if that would be desirable.²

Q22 Helen Goodman: Thank you very much. As both the Chair and Mr Khan have said, this is a successful project in the sense that it has come in at time and budget as you planned it should. What I do not quite understand is why if this is the case the costs of identity cards seem to be escalating so much faster and indeed are about 10 times higher. Why is that?

Mr Hall: The most recent costs that have been published for the National Identity Scheme were published in a Report submitted to Parliament in October 2006 and totalled up, I believe, £5.5 billion as the 10 year costs from then through to 10 years from then. The costs that were included in that, of course, were the total operational costs of the Identity and Passport Service, including the production of passports and the production of identity cards. We are in the process of revising that Report because we are due to submit the next cost Report to Parliament in a couple of months' time, and it is my intention as part of that to see how we can break out those figures and give you a little more sense as to what proportion of those costs relate to passports and what proportion relates to ID cards.

Q23 Helen Goodman: I did look at that Report before the Committee hearing and I did get the impression that the overall costs are about 10 times the costs that we are talking about in this Report here. That is the right order of magnitude, is it not? I am not asking you to hold specific figures, but I am asking about orders of magnitude?

Mr Hall: I do not recognise that figure.

Q24 Helen Goodman: I will ask the question in another way. Why is the ID card so much more expensive than this scheme, if the technology is very similar?

Mr Hall: Having recognised that what we are doing for both passports and identity cards is moving from the ePassport we have today here, with a single biometric on it, which is essentially a digitised photograph, through to including fingerprints on the document, whether it be a passport or an ID card, and we are committed to do that for both sets of documents, starting in 2009. In order to collect fingerprints, whether it be for a passport or an ID card, we have to have a significantly different application process than we have today.

Q25 Helen Goodman: I understand that, yes.

Mr Hall: And that obviously drives a massive amount of additional capability and distributed capability because it has to be approximate to

people, in order to absorb those costs. We are already doing some of that as we introduce interviews for first time adult passport applicants.

Q26 Helen Goodman: So it is not the cost of maintaining a database under the ID scheme that it is the big difference?

Mr Hall: No, the majority of the cost is the operational cost of running the business and having to deal directly with the six million or so people that apply for passports every year, and collecting biometrics from them.

Q27 Helen Goodman: Given that these schemes do overlap very significantly, given that the processes are the same, given that the biometrics are going to be the same, why are you not folding the two documents into one document?

Mr Hall: Essentially we are combining our business processes and our technology as much as possible. The only things that will be distinct are the identity documents themselves.

Q28 Helen Goodman: But that means that we all have to pay two fees rather than one fee for one piece of work being done by your department.

Mr Hall: The reasons we need two different documents is that they will be used in two different ways. Obviously the identity card itself will be used in the UK domestic context and will also be available for use for travel around the European Union, but international standards require that if you are travelling beyond that you need a document which is a recognised international travel document, which is a passport.

Q29 Helen Goodman: I understand that. I would have thought, though, that it was possible to fold the ID card into the passport, given that the passport is governed, as you say, by some international agreements. Why are you not doing it like that? Would that not be more economical?

Mr Hall: Let me just be clear, when you say folded in, do you mean physically combine the two documents?

Q30 Helen Goodman: Yes.

Mr Hall: I think the challenge you will find, and I will get Bernard to comment on this, is that the forms of these documents are driven by international standards with which we have to comply. Bernard, do you want to comment on that?

Mr Herdan: I think perhaps the drift of the question is whether we need a card at all or whether the book could fulfil all the functionality of the card, and I think the answer to that, apart from ones around the convenience of carrying a card as against a book for domestic use, is also around the interaction with the database and the use of that document to evidence identity. There will be functionality in the identity card which is different in the way it is used when you actually want to prove your identity in a particular situation, to act as a token to link back to the database in the way that the passport is not used in that way. So I think there is some difference in the

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functionality as well as issues of convenience. But the large portion of the cost in any case for the scheme is not about the physical document.

Q31 Helen Goodman: Are you saying that the ID card is not just the ePassport plus, but if you had a diagram they are kind of overlapping and they each have separate content as well—not just separate functionality but separate content?

Mr Herdan: In the context of domestic use the card interacts with the database in a different way to the passport, and in fact the card cannot be used overseas on border posts in the way that the passport can, so they have a slightly different function in the way they interact with the database. But the cost of those documents is not the main cost of the scheme in any event.

Mr Hall: To give you an example of different functionality, it is our intent that the ID card, which will be the size and shape of a credit card, could, for example, be used in the context of existing chip and pin networks as a mean of proving your identity. That is clearly not something which you would be able to do with a passport, which physically is not designed to be used in that way.

Q32 Helen Goodman: But you could re-design it so that it was the same.

Mr Hall: You then get back again, as I say, to the need to be compliant with European and international standards for travel documents.

Q33 Helen Goodman: Can I ask you about the fact that you set up seven of these read facilities at a cost of £21,000 and in a period of six months only 11 people used it. That was not very good value for money, was it?

Mr Herdan: No, not put that way. However, these are readers which we established to approve the technology for ourselves; it was not an aim of putting those readers behind the public counter and it was not an aim particularly to get high volumes—we did not publicise their availability. We have just started now into the real public readers, which are going to be a self-service reader, which is available in the public area and not behind the counter, which we will be publicising. It is a requirement of the International Civil Aviation Organisation that people are able to check what is on the chip of their passport. Also we believe it is very important reassurance to the public that they can take their passport into one of our offices and potentially a lot of other locations in due course as we look to deploy these more widely, so that people can satisfy themselves on what is in that chip. Some people worry it has their medical records and criminal records and things like that, but it has not, so it gives them a chance to do that and to make sure that the passport is working before they travel. So these self-service readers will be deployed in our seven offices and then more widely and they will be publicised and they will get used. That was not really the idea of that first phase of having the reader behind the counter, but it was required for legal reasons that we did that.

Q34 Chairman: But the point made by myself, Mr Khan and Mrs Goodman is still a very pertinent one, is it not? If you look at page 32, table 2, you can see that 80% of the eligible population in the United Kingdom have a passport—it is very high compared to 30% in Spain. There is no figure given for the United States but it might be as low as 12%—according to my clerk more people in the US believe that Elvis is still alive than have passports! So with such a huge proportion of our population having passports, with so much technology you would have thought it could be interchangeable, but we are constantly told, as Mrs Goodman makes the point, about the ever escalating and enormous costs. What we do not want to have is PAC hearings long after I cease to be Chairman, in 10 years time telling us of the huge escalation in costs in ID cards, use of consultants and all the rest of it when so much of the technology is available. You do not need to go for a gold plated system; you could bring in the ID cards slowly as people exchange—all these ideas that you pioneered with this scheme. So if you can deliver this scheme on time, on budget why can we not look to your success of delivering the ID card in the same way?

Mr Hall: I believe that you can and indeed your point about incremental implementation, about reusing assets that we already have—

Q35 Chairman: And your existing civil service expertise.

Mr Hall: It was very much a core of the strategic action plan that we published at Christmas, because minimising the risk of failure is an extremely high priority to us.

Chairman: Thank you. Dr Pugh.

Q36 Dr Pugh: I think I have a digital passport, in other words when I go through the airport they scan it and they can establish various details about me. When you go through this process various details are available that the database can access and they can get an indication of whether you have been in trouble before, where you have been, and so on. Presumably the current digital system also links back to any photographs that the Passport Office may have on me, which presumably should again correlate with the photograph on my passport; is that correct?

Mr Herdan: Not entirely. When your passport is checked at the border control in the UK it is checked against warning lists of people that possibly need to be checked out or may not be admitted to the country, or may be wanted for serious crimes. So there are checks against those kinds of things. It does not link back immediately to our main database.

Q37 Dr Pugh: But it could do.

Mr Herdan: That could be done in the back office, but it is not done routinely for every single application. But if there is a doubt about whether the photograph has been changed on the passport, for example, which is well nigh impossible for the new passport but was more possible for the passport that

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was being issued 10 years ago, then that can be checked against our database, but it takes a bit more time.

Q38 Dr Pugh: But were technology to advance, not necessarily to go down the passport route but to enhance the digital system, we could do more with it, could we not?

Mr Herdan: It could come to that and it could certainly come to the stage where fingerprints, for example, could be checked against a fingerprints database and that kind of thing. Those who have travelled to the States will have experienced that for themselves, putting their fingers on a fingerprint reader and having that checked against a fingerprint database. All that can come and will come. This kind of document enables that kind of check to take place.

Q39 Dr Pugh: Of the dodgy customers we currently pick out at borders and so on, how many of them are picked out by virtue of them in the past having failed some test with their passport, and how many are picked out, as they often are, because of the way they are behaving at the time and that arises the suspicion of an experienced passport officer?

Mr Herdan: I could not answer that question, I am afraid.

Mr Hall: The border control and immigration officers are obviously part of the Immigration and Nationality Directorate and they do not work for the Identity and Passport Service and I am afraid we just do not have that information.

Q40 Dr Pugh: Of the people you pick up who have something wrong with the passport, how many people have lost passports and how many people have counterfeit passports, as a percentage? Or passports that have been stolen—genuine passports, in other words.

Mr Herdan: You get all kinds of things being picked up. Certainly if people Report their passport lost or stolen now under the system we have put in place—

Q41 Dr Pugh: No, what is the breakdown?

Mr Herdan: Between those that are counterfeit versus those that are—

Q42 Dr Pugh: Counterfeit and those that are *bona fide* passports that have got into the wrong hands?

Mr Herdan: The majority will be *bona fide* passports that have been Reported lost and then found by the holder. There will be a smaller number that are those that are Reported lost or stolen which have been stolen are being reused; there will be a smaller number again—I think about 2000 a year—that are actually counterfeit, they are either a forgery or a document that has had the photograph changed.

Q43 Dr Pugh: Can I therefore ask the Audit Office then? They have done a value for money assessment for having an enhanced and stronger system to deal with the problem which largely seems to be a problem of stolen and lost passports rather than a

problem of counterfeit passports. Why has that data not been looked at in considering whether or not enhancing the security is actually value for money?

Ms Murphie: You are actually trying to prove the counter factor in a sense. The anti-fraud initiatives are there to stop the fraud. You never really know how much you would have got if you had not spent that money.

Q44 Dr Pugh: But what you find already is some indicator, is it not? There is no information about that at all in the NAO Report, as I see it.

Ms Murphie: No, there is not, for one quite reason. As we were looking at the implementation of the project and ePassports as they were brought into full production, at the time that we did the fieldwork—correct me if I am wrong, Bernard—but there were not any, we had not picked up any counterfeit passports.

Q45 Dr Pugh: I will stop there, we are pressed for time. In terms of the ePassport, the advance in that is that we have a chip on it and presumably that chip is related directly to a database and that chip contains the same information that is normally contained in a passport photograph, is that correct?

Mr Herdan: That is correct.

Q46 Dr Pugh: How then do you respond to the point made, or can you respond to the point made at 3.4 of the NAO Report? If the crucial thing is that it has information about people's face in a digital format it actually says facial recognition and searching big databases is actually a very rough art at the moment and very difficult to get accurately without no error whatsoever. Is that not really in part a critique of what the new ePassport is endeavouring to do?

Mr Herdan: The facial recognition technology is in development. We have already changed the standards of the photographs that we put into these passports to enable the use of facial recognition. In the application processing we now check all suspect applications against the database of about 30,000 images of people who have previously tried to commit fraud against us and we have had, as the Report mentions, 400 hits on that database.

Q47 Dr Pugh: But the digital system, we have already established, does a lot more—it initially seems to do—when it comes to dealing with people you already suspect. I am talking about widening the net or catching more people in the net.

Mr Herdan: In terms of, for example, the border posts, moving on from our application for a system of use of facial recognition at border posts, there is first of all the potential to enhance those biographical checks on the suspect index by also checking images of wanted people against images on passports who may have a different name, and that will be a back office function that is again being trialled at the moment, and is in development, which will be a very powerful tool. In Australia, who are the world leaders in this particular technology, they are starting now to check against the whole database, so they are starting a process of automated

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passage through border posts by people having the image in their chip compared against their face. That is the ePassport that does that. We will watch with great interest how that goes. Of course it is a smaller population and a smaller number of passports.

Q48 Dr Pugh: But that is an advance beyond the project sketched out here.

Mr Herdan: Yes, that is the direction we are headed towards and it may be that the use of fingerprints, which we will be getting to in 2009, may be a better technique for that.

Q49 Dr Pugh: The information on an individual is encrypted, is it not, but clearly de-encryption has to be relatively easy; most scanners have to have the key, do they not?

Mr Herdan: The border posts have to be able to open the chip and see what is in it.

Q50 Dr Pugh: So worldwide, wherever British people go there has to be a machine that has a key to de-encrypt the data?

Mr Herdan: That is correct.

Q51 Dr Pugh: And there are all sorts of firms that manufacture these machines and all sorts of people involved in the manufacture of the machines, so if I am really seriously interested in fraud at some point or another I am going to find a key, am I not, and find a way of accessing this encrypted data?

Mr Herdan: If you have the details that are on the biographical data page, the name, the date of birth, the expiry date of the passport, then you will be able to use the reader to open the chip because that is how it gets decoded. Of course, if you have all that information you have probably stolen the passport already at that stage and you could maybe use it if you looked just like the holder. So the benefit of chip cloning, which has been in the media quite a lot, is actually nil because you cannot change what is in the chip, which is the main point. So you cannot create a counterfeit passport with a different image in it without changing the data in that chip that you have cloned.

Q52 Dr Pugh: So Her Majesty's Government could not clone a chip?

Mr Herdan: You could clone the chip but it would be identical to the one you had cloned.

Q53 Dr Pugh: Could the suppliers of the chips clone the chips? It is their intellectual property.

Mr Herdan: They could not change the data in that chip, no, because of the PKI technology, which is not in the suppliers' hands to change.

Q54 Dr Pugh: If you obtained the chip and somehow or other could de-encrypt the information, would you know more about an individual than you would if you stole their passport?

Mr Herdan: No.

Q55 Dr Pugh: One thing that often gives away a false passport at the moment is the paper on which it is made—it is a very unique type of paper, very limited production from one source. Presumably as these passports are going to be worldwide they are going to have to be accessible to a whole range of different machines. Is the paper security going to be as good as it was in the old-fashioned passport?

Mr Herdan: Yes, it is just as good and in fact the security features in this passport have been significantly enhanced. It is not the main thrust of this Report because obviously the main technological innovation is adding the chip; but actually at the same time as adding the chip we have also completely changed the design of the passport; for example, the number being laser engraved through the top of the passport page on every page, is another big innovation. There are other changes in the passport. Yes, the paper is still from one unique source with its own watermark.

Q56 Dr Pugh: So the same paper?

Mr Herdan: Yes.

Q57 Dr Pugh: In the past there has been a fair amount of publicity about passports, however safe, being lost in the post; how many passports are you losing in the post now?

Mr Herdan: This last year we reckon around 700, which is down from 3,500 about three years back. Some of those losses are due to theft, like courier attacks, thefts from depots by organised crime. Some of those losses are due to wrong addresses, which may be an inability to read people's handwriting, leading to a 2 looking like a 7. Some of those losses are genuine losses made by couriers delivering to wrong addresses. We are cracking down on that and we intend to continue, but it is 0.01%.

Mr Hall: If I can just add that 700 is 700 too many and we would like it to be zero, and we will continue to investigate what else we could do to further reduce that level without putting a disproportionate burden, either financial or practical on the passport holder.

Chairman: Thank you. Don Touhig.

Q58 Mr Touhig: Mr Hall, there has been a large increase in the cost of passports, way above inflation, and the ePassport has led to a £15 increase in the standard adult passport fee. I notice your first name is James, not Matthew the Tax Gatherer, but this is really a tax on travel, is it not?

Mr Hall: First of all, of course, you are right that the passport fee has gone up significantly above the rate of inflation and that reflects two things. First of all, the money that we have invested in the new technology that we are discussing today and all of the other things we have done to improve our business processes, and are continuing to do to ensure that our major risk of fraud, which is the people who are not entitled to a passport, present themselves as someone and get through our

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processes, and we think that this is an investment which is in the collective interest because everyone believes that the integrity of the passport as a document is extremely important. The second reason, of course, is that we operate in a financial regime where all those costs have to be recovered from those who apply for passports, and so it is a closed loop system—if we want to spend more the passport fee has to go up.

Q59 Mr Touhig: As the Chairman pointed out earlier, about 80% of the population have passports so really it is an easy hit is it not that the taxpayer will pay?

Mr Hall: As I said earlier, I think we have to justify every fee increase to a number of stakeholders before we are able to present it to the public.

Q60 Mr Touhig: Tax gathering. In response to Mr Khan, when he asked you about the increased costs and so on, you talked about the security and integrity of the document, but as I read the Report the passport could last 10 years but you cannot be certain the technology will.

Mr Hall: By the technology do you mean the chip?

Q61 Mr Touhig: Yes.

Mr Hall: Every test we have done gives us confidence that the chip will last for the full 10 years.

Q62 Mr Touhig: But you cannot be certain?

Mr Hall: We cannot be certain because there is not anywhere in the world where ePassports are 10 years' old, so there has to be an element of uncertainty but we believe it to be the lowest level of uncertainty.

Q63 Mr Touhig: What is plan B if it fails? We cannot travel—80% of us have passports?

Mr Hall: I think the first thing to say is that if people suffer from a failure in the technology in the chip the document still remains a valid travel document—no one is going to be stuck abroad unable to travel home as a result of a chip failure. But, as I say, we believe that this is not going to be a significant issue, and clearly if there are very occasionally people who have failures in the passport we will have to replace that passport.

Q64 Mr Touhig: But the technology is unproven at this stage?

Mr Herdan: I think I can say that the technology for these kinds of chips and other applications is quite well proven, so the use of these technologies in, for example, access control into buildings, is quite well established. What is novel is embedding that technology in a paper document—that is what is novel about this.

Q65 Mr Touhig: But using it for 10 years has not been done anywhere else.

Mr Herdan: Not that application in a paper document, no, so that is where we are potentially at some risk. However, all the tests that we have undertaken, including abusing the passport in the

ways that we hope customers do not, satisfy us that the chances of that is low. But a proportion of these passports may fail in the 10-year timescale—it is possible.

Q66 Mr Touhig: The Report says that it still takes an estimated eight seconds to read an ePassport chip at border control. That is going to lead to long queues and annoy travellers, is it not?

Mr Hall: The evidence to date, where readers have been deployed—and this is a programme which is well advanced—is that queues have not extended to any significant extent, but we all have to recognise, just as travel involves a number of different delays, that at very busy peak periods we may have to compromise a little of speed in order for a higher level of assurance that—

Q67 Mr Touhig: How would you compromise the speed—you would not scan it?

Mr Hall: No, sorry; you may have to wait a little longer in order that people can do appropriate checks on the integrity of the document before you travel.

Q68 Mr Touhig: More flights or trains missed then; or turn up earlier.

Mr Hall: I think actually you do not check passports on the way out of the country, so it is only on the way back in when you have got off the plane that the passport check is normally done.

Q69 Mr Touhig: Eurostar seem to want to check mine every time I leave the country. Access to the ePassport readers are limited to seven regional offices and the Report points out that you decided not to publicise this service in order to minimise the pressure on counter staff. Not terribly user-friendly that, is it?

Mr Herdan: I did mention earlier what the plan is and is now being deployed, self-service readers are being deployed. Those initial readers were behind the counters, they were there in case someone definitely wanted us to check their passport was working and would have involved one of our staff doing that check for them when they were busy issuing the passports. Self-service readers are being deployed, have been deployed in our seven offices and that will be publicised, they will get used and we also have a plan of them widening their deployment, for example, through local authorities or through other public venues so that there are more places where people can check their passport to see if it is still working if they wish to do so and satisfy themselves as well about what is in the chip because some people have some misconceptions that we might have things in that chip that they would rather we did not, so it gives them a chance to look at what is in the chip.

Q70 Mr Touhig: As Mrs Goodman pointed out, between April and July 2006 11 people used that service and if they did not know it existed that is not surprising.

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Mr Herdan: That was not the purpose really.

Mr Hall: At the time we were not publicising that capability. I was in our Glasgow office two weeks ago and the reader is right in the centre of the public area, it is well sign-posted and the majority of people who pick up their passports at the counter are using that reader before they leave the office to satisfy themselves as to what is on the chip. So if we were to collect the statistics again the level of usage is going up significantly.

Q71 Mr Touhig: So the purpose of these readers in seven regional centres was to test for your staff? How much did you spend on that?

Mr Hall: As Bernard said, there is a requirement under the international travel rules and regulations that we follow as part of the ePassport standards to provide individuals with the capability to read the chip. So that is what we are doing. We believe it is a good thing for our customers to be able to satisfy themselves as to what is on the chip.

Q72 Mr Touhig: I am trying to work out the purpose of putting them in the seven centres if it was not for the public. It just reminds me of the Chairman of the Passenger Transport Authority who, when asked why buses did not stop at certain bus stops in the town centre, said if they did they could not keep to the time table. You have provided this service, you are not telling anybody it is there, so why have you provided it? Is it to train staff or what?

Mr Herdan: If it was there if anyone required it.

Q73 Mr Touhig: They did not know it was there.

Mr Herdan: They could have asked, "Are you able to check that my passport is working?" and we would have said yes, and done it. But in the very short period since we deployed those we have put in place the real thing.

Q74 Mr Touhig: When people applied for the new passports were they told that they can check their passports at the regional centres?

Mr Hall: They are now.

Q75 Mr Touhig: They are now, yes, but were they told then?

Mr Herdan: No, we did not publicise the availability of the centres.

Q76 Mr Touhig: I am still unclear of what you did it?

Mr Herdan: Because we believed there is an international requirement that if someone asks for that service we must provide it. That is part of the international standard and it was available for those who asked but obviously very few people did ask.

Q77 Mr Touhig: It would seem to me if I were to sum this up in three points, that we are paying more for ePassports, using a technology that is not proven, which will incur extra travel time because of the time it will take to scan, then this is not really good value for money, is it?

Mr Hall: If you recall in the NAO Report it talked about the business case for doing this. The principal driver of doing this was compliance with the US Visa Waiver Programme for every citizen of the UK and of course to keep pace with developments in passport technology that all major countries are embracing. I think that the business case that the passport service prepared demonstrated that there was a strong business case and that the economic value to the UK of continued access to the US Waiver Programme in itself justified the investment.

Mr Touhig: We will see. Thank you, Chairman.

Q78 Chairman: But for the Americans, would we have done this and when would we have done it?

Mr Herdan: Yes, we would have done it because this was part of an international standard which was agreed and was being agreed even before 9/11. I suspect we would not have done it in the same timescale, I suspect we would have taken longer over it. The Americans put a time pressure on us which was not there, which led to some of the things we have explained, for example use of consultants, so that time pressure made us do it faster and that is true for the rest of the world as well—there are around 50 countries that have either produced or are producing passports. I think the Americans acted as a spur but I think we would have got there anyway in due course, and also now within Europe and the European Union there are regulations which require it.

Chairman: Thank you. Mr Dunne.

Q79 Mr Dunne: I would like to pick up on some of the technical aspects. Mr Herdan, did I see that you have a sample of an ePassport?

Mr Herdan: Yes.

Q80 Mr Dunne: Would you be able to pass it round so that we can all inspect it?

Mr Herdan: Yes.

Q81 Mr Dunne: From the Report it is clear that the standard incorporates the International Civil Aviation Organisation's standard. Does it therefore use radio frequency identification within the chip?

Mr Herdan: The chip is a contactless chip. RFID is used to mean lots of things to different people so I do not quite use that technology, but basically what happens is that the chip can be read by a reader in close proximity so that the reader energises the chip, powers it up and it can then be read. So it is a radio frequency contactless chip.

Q82 Mr Dunne: Does that mean that it is not issuing any kind of radio signal itself?

Mr Herdan: That is correct, it does not emit anything until it is energised; then it does, then it has a dialogue with the reader in proximity.

Q83 Mr Dunne: Is the proximity as close as you are describing, i.e. physical contact?

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Mr Herdan: It is a few centimetres, yes.

Q84 Mr Dunne: Which reduces the risk of clandestine scanning and clandestine tracking?

Mr Hall: Yes.

Mr Herdan: If someone were to be right next to the reader in an airport, conceivably, yes.

Q85 Mr Dunne: What I am driving at is could somebody with the passport in their possession walk through a doorway, which has a scanning device attached to it and pick up data clandestinely?

Mr Herdan: No because the chip has to be opened which requires the passport to be opened and the chip unlocked by reading the machine readable zone, so the newspaper stories about people with a passport in their pocket and someone walking around in a crowd picking up their details is just not possible. That is why we have basic access control on the chip; that is the purpose of it.

Q86 Mr Dunne: That is reassuring. Is that what is known as a Faraday cage as part of the encryption?

Mr Herdan: No, we have not done that. We have a basic access control chip which means that you have to have the details on the passport, including expiry date, the person's date of birth and so on, in order to open the chip. Then you can read it. So we do not have a Faraday cage, which some countries put a foil in the cover—we did not see a need for that.

Q87 Mr Dunne: On cost grounds or other grounds?

Mr Herdan: Both cost grounds and why do something you do not need to do.

Q88 Mr Dunne: Is an international standard likely to be adopted to which we are not complying?

Mr Herdan: No. I think the history of that Faraday cage was that the Americans did not want to put basic access control on their chip because the standard allows you to have a chip with or without basic access control. So they said they would rather put a foil in the cover of their passport and not have basic access control in the chip. We went a different line and decided that we wanted to put basic access control in the chip, as did all the rest of Europe and as pretty much every country in the world has now gone that way. So I think the Faraday cage idea predated the sort of technology we are now using.

Q89 Mr Dunne: Earlier down the technology stage one of my constituents complained that they had had their biometric data, their photograph rejected three times by the Agency. How can this happen when somebody takes a legitimate photograph and it can be rejected by your officers?

Mr Herdan: This has been one of the most difficult aspects of this project, the effective communication with the public of what the standard now requires. There is a much tighter standard around the photograph that appears in a biometric passport, an ePassport because of the need to use that photograph then around the world for these kinds of checks against databases that I was talking about earlier—the use of facial recognition. That much

tighter standard around the photograph, people's heads being vertical, not smiling too much and showing all their teeth, not having hair over their eyes, not having glass frames across their eyes, all those kinds of things have been very hard to explain that to the public, so for a period of deployment we had quite high levels of photograph rejection and at the very beginning around 15% to 20% of photographs were being rejected. It is now back down to the level it was before we made the change, back down to about 5%. One of the main reasons why in the early days we had a lot of rejection was the photo booths that a lot of people had used had not all been converted despite assurances by the manufacturers that they would be. We went through a programme to get the manufacturers of all photo booths in the country to modify them to meet our standard. That has now happened but it took a long time for that to penetrate the most remote parts of the country and all the manufacturers of photo booths.

Q90 Mr Dunne: Will the police have access to the database once the biometric information is included?

Mr Herdan: The police can have access now to our database where they have a suspicion of a crime, so under Section 29 Rules we can be asked to divulge information from our database about a passport application or about something in the database. That has not changed as a result of this situation; it is exactly the same as it was.

Q91 Mr Dunne: On paragraph 3.3 Mr Touhig was talking about the access for counter staff as people come into an immigration centre on their way into the country. He was talking about the amount of time it would take. The clause here suggests that for a period of time the readers will be kept in back offices and therefore counter staff will have to leave the counter in order to read the passport electronically. For how long is that likely to last and is that really a useful test of the efficacy of the scheme?

Mr Hall: I think it comes back to the questions we have already answered. It was a temporary expedient, it is now being rolled out and there are now visible counter readers in the public areas that are self-service and which customers can and do use to verify what is on their passport.

Q92 Mr Dunne: Turning to the establishment that the Agency has had to build to process new applications, in paragraph 1.11 on page 10 it refers to the 69 new offices that you have to establish. Presumably these include the seven existing regional offices and it is a large roll-out of your network. What has the cost been of establishing these offices?

Mr Herdan: The 69 offices are new offices and the seven are not included in that. The seven offices will continue to function for the last-minute applications that we get without requiring the interview, but the new network, which is for first-time adult applicants, is an interview office network. The total budget for that programme, including the establishment costs

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and the running costs out to 2010, is in the region of £180 million, so that involves set-up costs and running costs.

Q93 Mr Dunne: Could you give us a breakdown between set-up and annual running?

Mr Hall: No, but if you look at the pie charts which the NAO has produced on page 10, you will see that about £5.88 of the unit cost per passport is attributable to authentication by interview. That is the process that Bernard is referring to, i.e. the interviews of every first-time adult applicant which we will be rolling out later this year.

Mr Herdan: So that picks up the amortisation costs of the capital investment effectively into its impact on the fee, and if you would like that information I am happy to write to the Committee.³

Q94 Mr Dunne: I think it would helpful if you could set out rather more clearly in global and absolute terms what the initial set-up cost is and what the annual is thereafter.

Mr Herdan: We are happy to do that.

Q95 Mr Dunne: Thank you. Have you made any estimate of the average travel cost to get to any of these centres for an individual applicant?

Mr Hall: The 69 locations were designed so that for 95% of the population they were within one hour's travel time by public or private transport of a centre. In addition of course, there are clearly some remote locations, in Wales and Scotland particularly, where it is impractical to do that and in those locations we are working with local authorities implementing video conferencing equipment, indeed many of them already have such equipment so that we can do the interviews by video conference.

Q96 Mr Dunne: Does that allow you to do fingerprinting by video conference?

Mr Hall: No, this is a capability which is specifically designed for interviewing. Clearly as we move to collect fingerprint biometrics we will need to expand on this network and put more capabilities into that network to collect fingerprints as well.

Q97 Mr Dunne: Are you suggesting there are no plans for fingerprint collection?

Mr Herdan: It is possible that fingerprinting could be done by remote arrangements. The American Embassy in London has been doing trials of fingerprinting by video link for people applying for visas in Scotland and Northern Ireland rather than having to travel to London, so the technology is there and will we need to satisfy ourselves on the security. We have not yet decided but clearly this is a step in that direction.

Mr Hall: Your question was had we planned for fingerprinting.

Q98 Mr Dunne: My understanding is that we were planning to have fingerprint data included but you suggested that there was a conditionality—

Mr Hall: No, sorry, it is our plan to do those by 2009. The office network that we have thus far introduced is specifically for the interviews and will need to be expanded between now and 2009 to support the collecting of biometrics.

Q99 Mr Dunne: I represent a rural constituency on the Welsh borders and therefore took an interest in this. I have printed off a list of your new offices and I am pleased to see that you have one in Shrewsbury but disappointed that the other county towns along the border, Chester, Hereford, Gloucester, are all lacking. You obviously do recognise that there is a significant additional cost to individuals in applying for the passport and I think while this was not picked up in the National Audit Office Report, the suggestion is that it underplays the actual cost of securing a passport because it is no longer the cost of a stamp but an additional £20 or £30 return trip by public transport.

Mr Hall: We do recognise that there is both a financial cost and an inconvenience to people to do this. I think we should recognise though that what we are talking about here is first-time adult applicants, so essentially for this process you are talking about once in someone's lifetime that they would need to go through this process. We are not talking about being required to go through an interview process on passport renewals. Clearly when we are collecting fingerprint biometrics, we will want to do that more than once in someone's lifetime and that is why I commented that we will need to expand that network. What we have said in our plans is (a) we have acknowledged that we need to do that and (b) we are working through whether we need to do that with our own offices, whether we can use local authority and other governments offices, or maybe we could even work with the private sector to maximise the coverage that we can have and minimise the inconvenience.

Mr Dunne: Thank you, Chairman.

Chairman: Annette Brooke.

Q100 Annette Brooke: Interestingly, I had a letter from a pensioner not so long ago, so this is "Angry Pensioner in Dorset", challenging me about how much a passport was now and why there was so much that had to be gone through to get the passport. Now, it has occurred to me that could my constituent be subsidising businessmen who are travelling to America in view of the fact that most of the savings identified are the savings on the cost of the visa? My pensioner does not want to go to the United States.

Mr Hall: Well, I am not sure quite how to respond to that question. We do not have differential passport fees for different types of applicants. We do, however, have differential passport fees for people who are in a particular hurry to get their passport and have a range of capabilities to deliver passports from as little as four hours, for which people clearly have to pay and we expect people to pay a premium. I think if your constituent, for example, only wanted to travel in the European Union, as and when we have started to roll out

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identity cards she may conclude that she only needs an identity card and not a passport and she would be able to travel in the European Union on that document alone.

Q101 Annette Brooke: Nevertheless, with the rush to comply with the United States' requirement it has effectively raised costs and influenced processes, I think you said that earlier, so I wonder if you could tell us a little bit about the procurement process because clearly this was affected by the timescale which the American situation led you into; those businessmen going to America. I understand obviously that there was not time to have a competitive selection and, in a sense, because we have delivered on time and within budget, then that might seem acceptable at this stage, but can you tell us about how you are engaging with possible contractors for the next phase? Will you be in time to choose competitively for the next phase?

Mr Hall: Yes indeed, and in fact we are in the process of a series of consultations with the information technology industry at the moment around a range of issues about the design of the national identity scheme and indeed about the procurement arrangements. Indeed, there is a discussion going on while we speak hosted by the trade association for the technology industry in the UK with some of our colleagues talking about exactly this issue, with the extent that we will then open the start of procurement processes for the various components of the national identity scheme, including in due course the new contract for the next generation of ePassports during the course of this year, so it is currently our expectation that we be going through an open procurement for all of that stuff.

Q102 Annette Brooke: Are you at this stage talking to other relevant departments and talking about joint procurement, because I understand again in that rush to get through the first process there was little liaison with the Foreign and Commonwealth Office, I think the Report says, it is all around pages 15 and 16.

Mr Hall: The answer is yes and I will maybe ask Bernard to talk a little bit more about our conversations and plans with the Foreign and Commonwealth Office in particular.

Mr Herdan: I would not really agree that there was little liaison between ourselves and the Foreign and Commonwealth Office. I would say we were pretty well joined-up but our requirements were different and our contract situations were different in terms of what we were doing with central production in the UK on a big production line and what the Foreign and Commonwealth Office was doing with the 104 issuing locations around the world, with different contractors who had different issues to deal with. So although the book is common and the design is common between ourselves and FCO, their production issuing systems were different and it was not possible to bring everything together in this particular period where we had a contract running to 2010 with Siemens SPSL and they had a contract

running to 2009 with their BRIT system. However, for the next generation we will come together to a single procurement, so whatever we might have done about that in the past, and it was very, very difficult to unpick all those arrangements this decade, the next decade's product will be a single project. We have formed a single project board and we will do a single procurement which will be a competitive procurement and we will seek to build into that all the future proofing we can about what changes might then happen through the following decade, which of course is very hard to predict.

Q103 Annette Brooke: Beyond the procurement, the NAO Report picks up differences in the processes and controls of operation between the two different departments. In fact, it says the Foreign and Commonwealth Office process did not include a check that the number of passports produced in any given batch was the same as the number initially approved, which sounds a bit odd, to put it mildly. What impact are you having on the overall processes and when will there actually be sensible bringing together of these projects?

Mr Herdan: We are working closely with the Foreign and Commonwealth Office to harmonise all of our issuing procedures. It is not just about having a common document, it is also about handling the applications in the same way. It cannot be totally the same because for example we do biographical footprint checks in the UK process on information about British residents which may not be possible in other countries. So there will be differences due to local factors and different documents compared to what we might get in the UK but we are bringing our processes together. We have formed an identity standards group between ourselves and the Foreign and Commonwealth Office which is aimed at bringing us together. For example, with the introduction of the authentication by interview for first-time applicants in the UK, we are going to work with the FCO for them to do the same thing overseas so those same kind of interview processes will happen for overseas applicants so there are no weak links in the system, so we are getting more and more close together. The other thing that we are working on with the Foreign and Commonwealth Office is towards the potential repatriation of production to the UK so that there will no longer be passports produced in those 104 posts because that presents a security risk.

Q104 Annette Brooke: In terms of value for money for the British taxpayer, can you actually say that the rushing ahead because of the USA visa requirement has or has not resulted in any extra cost for the British taxpayer, given that you are now only working cross departmentally?

Mr Herdan: It was not just about the US visa waiver requirement; the International Civil Aviation Organisation had set that standard so we would have been working to that standard in any case.

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Q105 Annette Brooke: But not at the same pace.

Mr Herdan: Maybe not at the same pace. The European Union then set a deadline which was only a few months after the American deadline so we have been working towards that too, so I think we probably would still have had to go for a single tender negotiation because otherwise we would have had to wait until after the competition, so after 2010, when our current contract expires. I think that would have been too long to wait and I think we would always have had to do it as a single tender arrangement. Would it have cost a bit less if we had more time? Yes possibly, but not a great deal less because a large part of it would still be competed. The chips would be competed, the inlays would be competed, the antennae would be competed and all the various internal component elements would be subject to competition, so I do not think it is a big effect but there would be some effect.

Q106 Annette Brooke: Thank you. Finally, may I just return to my pensioner. When you said for an interview you had worked on an hour's travel time; is that an hour's travel time by public transport in a rural area?

Mr Hall: The intention is an hour's travel by public or private transport wherever you happen to be.

Annette Brooke: Thank you.

Q107 Chairman: The reference that Mrs Brooke was looking for is paragraph 2.22 on page 16 and it raises another point which you might answer. The ePassport project team had not officially liaised with the Immigration and Nationality Directorate over its project to upgrade passport readers at UK ports. The Identity and Passport Service liaised more closely with the Foreign & Commonwealth Office. That begs question why your relationship was so much closer with the Foreign Office than with your natural allies in the Home Office, or perhaps you felt they were not fit for purpose?

Mr Hall: I think the reason we work so closely with the Foreign and Commonwealth Office is because in this context we are both doing the same activity, ie issuing passports. We are issuing passports to UK citizens resident in the UK; they are issuing UK passports to UK citizens resident overseas, and it was clearly of fundamental importance that the passport document that was issued in both circumstances was exactly the same and a completely interchangeable document.

Q108 Chairman: But when fingerprints are introduced you are going to have to liaise a lot more closely with the Immigration and Nationality Department, are you not?

Mr Hall: Yes, and indeed we are working increasingly closely with Immigration and Nationality—

Q109 Chairman: And you find them efficient, do you?

Mr Hall:—For example—

Q110 Chairman: You do not want to answer that one. You are pleading the fifth amendment on that one!

Mr Hall:—The project we are engaged on at the moment with them is a common project to develop a single biometric storage system that will support both our requirements and their requirements, which in fact involves IND, it involves ourselves and it involves UK Visas, which is a combined effort of both the Foreign Office and the Immigration and Nationality Directorate, so the three of us are pretty co-joined and work pretty effectively together.

Chairman: Thank you. Mr Bacon?

Q111 Mr Bacon: I would like to start with Mr Herdan if I may with questions about the cost. Are you aware of what has happened to the unit cost of a passport over the last few years?

Mr Herdan: Yes.

Q112 Mr Bacon: So if we wanted the figures on what has happened to the unit cost, you would be able to supply them?

Mr Herdan: We certainly could.

Q113 Mr Bacon: Okay. In figure 4 on page 10 it identifies the various different components of the cost and it says book production has gone up. It has more than doubled and it has gone up by £7.25 from £5.00 to £12.25. What is the principal reason for the increased cost of book production?

Mr Herdan: That is the move from a digital passport with a scanned image to the passport design which has just been passed round the room with a chip embedded in it. We originally estimated it would be about £11 difference and it has come out around £7.

Q114 Mr Bacon: So none of the anti-fraud initiatives at £15.88 is to do with this chip fraud?

Mr Herdan: No, that is all the other initiatives to do with the toughening up of the application process, the background checks, the lost and stolen passport checks, and all the other things we have done.

Q115 Mr Bacon: So in that case none of the £14.49 under “application processing” is to do with the toughening up of the application process, to use your words?

Mr Herdan: The two go together.

Q116 Mr Bacon: Right, yes, they do and it seems to me that we have gone up very rapidly to £35 or £40 broken up into different things. By the way, what is the difference between administration and processing?

Mr Herdan: The administration will be all the supporting functions that are required to run an organisation, all the various headquarters functions.

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Q117 Mr Bacon: So it is purely central overheads.
Mr Herdan: Administrative activities.

Q118 Mr Bacon: Is it possible you could send us a breakdown of the cost of producing a passport with these headings going back for 20 years so we can see how it has risen over a long period of time?

Mr Herdan: I think that will be a challenge over 20 years. I am happy to send you what information we have. I would imagine we cannot go back much further than 10 years.⁴

Q119 Mr Bacon: Will you send as much as you can.
Mr Herdan: We will be happy to do that.

Q120 Mr Bacon: The Board of the Identity and Passport Service when it meets does consider these things, does it not?

Mr Herdan: Of course we do.

Q121 Mr Bacon: Could you send it going back as far as you can?

Mr Herdan: Yes.

Q122 Mr Bacon: What I would like to do is to understand the way in which the cost has grown, the different elements of how the cost has grown, and it looks to me like it would be possible to conflate various different elements of the cost. I want to be clear in my own mind where the costs are falling so if you are able to send us a breakdown going back over several years.

Mr Herdan: Yes, I will have no trouble at all in giving you a better breakdown of these pie charts and how they are expressed. How much detail we could give you going back that many years, I will have to see, but we will do what we can.

Q123 Mr Bacon: Breakdowns according to these major headings—there are only five or six—going back as far as you can.

Mr Herdan: We will do what we can.

Q124 Mr Bacon: Mr Hall, why did you leave Accenture?

Mr Hall: Because I had been there 30 years and I thought that was long enough.

Q125 Mr Bacon: And you left Accenture when?

Mr Hall: I left Accenture in the summer of last year.

Q126 Mr Bacon: Were you responsible for negotiating the exit from the NHS IT programme?

Mr Hall: No.

Q127 Mr Bacon: Somebody else did that?

Mr Hall: Yes.

Q128 Mr Bacon: So had you left by the time that was negotiated?

Mr Hall: Yes.

Q129 Mr Bacon: You mentioned the phrase “permanent Civil Service”. Are you a permanent civil servant?

Mr Hall: Yes.

Q130 Mr Bacon: You do not have a time-limited contract?

Mr Hall: No.

Q131 Mr Bacon: Could I ask you to turn to page 19. It says in paragraph 3.8 that £4.9 million had been spent on full-time consultants, £322,000 on fixed-term contractors working on the ePassports project, and £82,000 had been spent on permanent staff. Essentially hardly anything was spent on permanent staff, this thing was done almost entirely with consultants. It says in the previous heading on page 18 that critical staff and institutional memory are “at risk of being lost”. Why would there be any risk of their being lost; is it not an absolute certainty that they will be lost since only 82,000 4.9 millionths of the staff resource was in-house? It is certain that they will be lost; it is certain the institutional memory will disappear, is it not?

Mr Hall: I fear that it is probable that some of it will.

Chairman: That is the under-statement of the year.

Q132 Mr Bacon: Which means that you will be forced to go back to your friends in the consulting sector to do the next bit, will you not, you will have no choice?

Mr Hall: No, I do not accept that because we are recruiting and continue to recruit and wish to recruit aggressively. As I said earlier, our plan during the course of 2007 is to recruit from a technological and programme management group that has about 80 civil servants in it today to a group of about 200. That is our objective. We recognise it is an ambitious objective to do that in that time but that is what we would like to do.

Q133 Mr Bacon: You said 80 civil servants; you were not paying them £1,000 a year each were you?

Mr Hall: No, this is the cost of this project.

Q134 Mr Bacon: It is such a small amount, what did that £82,000 comprise?

Mr Hall: I think, if I recall rightly, that we had about five full-time civil servants on this project and an average of about 16 consultants and interims over the period.

Q135 Mr Bacon: Is it possible you could send us a note unpacking paragraph 3.8 in a bit more detail?

Mr Hall: We would be delighted to.⁵

Q136 Mr Bacon: I would like to ask about the warranty. Could you turn to page 29, which is Appendix Three. In the fifth bullet point down there it says: “if the chip unit warranty is breached in a

⁴ Ev 23–24

⁵ Ev 245

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substantial number of passports, Security Printing and Systems Ltd is required to put a plan in place to remedy the situation”. Who defines “substantial”?

Mr Herdan: There is no absolute figure on that. It is not precise.

Q137 Mr Bacon: Is there any description of it in the contract? How will you know when a substantial number has been reached and that Security Printing and Systems Ltd is required to put in place a plan to replace them?

Mr Herdan: If you are asking me whether there is a contractual provision which defines “substantial” I would have to write back to you.⁶

Q138 Mr Bacon: What I was actually asking was how will you know as the Identity and Passport Service when Security Printing and Systems Ltd has hit an obligation to put a plan together to remedy the situation?

Mr Herdan: There will be more precise contractual provisions. This is not in contractual language obviously. Some of that may be commercially in confidence but insofar as we can we will let you have a note about that.

Q139 Mr Bacon: Thank you very much. Mr Hall, how many major procurements does your Identity and Passport Service have to put in place? How many major systems have you got to procure in relation to what you are doing in the next few years?

Mr Hall: I do not have the exact figure to hand but my view would be if you define “major” we are probably talking about half a dozen.

Q140 Mr Bacon: Half a dozen to 10 or something like that? That is what I had heard. Including the replacement of the main passport system?

Mr Hall: Including the replacement of the main passport system with a new application and enrolment system which will support both passports and identity cards.

Q141 Mr Bacon: What the other major ones?

Mr Hall: The other major ones will include the biometric database which I mentioned previously, the security database, I think you could in some ways regard as a procurement. The work we are commissioning from DWP to upgrade their customer information systems to support our biographic information requirements.

Q142 Mr Bacon: That proportion of them that they are not sending out to the world and his brother for anyone to look at, you mean? There was a major breach at the DWP recently, was there not?

Mr Hall: One of the things that we made clear in our strategic action plan which perhaps has not always been understood by people reading the newspaper comments is that we are not actually just taking the data that is on the DWP system and using it. We are using their technology and their capability and obviously their data will be one of our reference

points but as we enrol each individual we will be collecting data from that individual as part of the process and then using their technology to store that information, so we are not simply taking their data, which we recognise has got some level of error in it.

Q143 Mr Bacon: Going back to the procurements, are you confident that the Identity and Passport Service has the capacity to deliver this series of procurements?

Mr Hall: Clearly one of my key management issues is to confirm that we do. We are in the process of recruiting a new commercial director for the organisation. I am sure that he or she when recruited may want to strengthen the commercial team. Obviously the technology and programme management capability that I described earlier will be heavily involved in those procurements and we are currently reviewing and finalising our overall procurement approach to ensure that we have thought through the most efficient way to procure everything that we need to do so without placing, frankly, a burden on ourselves or an excessive burden on the technology industry itself.

Q144 Mr Bacon: From that answer it sounds like you are saying that at this minute you are not yet in the position to say you have got the capacity to do it?

Mr Hall: Yes because we are in this process of recruiting capacity.

Q145 Mr Bacon: I just want to ask Mr Herdan a question. You mentioned that you have had 400 hits in the process of matching despite the fact that facial recognition software is still rather flaky and that of those 400 hits it says in paragraph 2.4 some of which related to new passport applications?

Mr Herdan: Yes.

Q146 Mr Bacon: How many of the 400?

Mr Herdan: A relatively small fraction. What happened was in the process of establishing our database of around 30,000 fraudulent images that we wish to check against, a lot of hits happened where we found that different offices with these databases had got the same images with different people’s names against them, so there had been multiple attempts to defraud us with the same image but different names, so the department was setting up cross-checks to enable us to link those together, which itself was very valuable. A smaller number—I think from memory around 30—were actually live applications coming in to be checked against the database.

Q147 Mr Bacon: How many prosecutions have you engaged in as a result of these fraudulent activities?

Mr Herdan: Against those 30 I would not know but in general what happens when we detect fraud is if the evidence is sufficiently strong we pass the case across to police and they have to decide whether or not to pursue a prosecution. I have to say in quite a few cases they do not do so because they have decided it is not sufficiently—

⁶ Information provided but not printed (commercial in confidence).

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Q148 Mr Bacon: This is interesting because one of the themes that we have come across again and again on this Committee in lots of variants is an unwillingness or an inability or lack of capacity to pursue prosecutions so it is not really much of a disincentive. Is it possible you could send us a note with precise details of the prosecutions that have been entered into.

Mr Herdan: We can do our best.⁷ We do not always know whether a case that we have passed across to the police to deal with—

Q149 Mr Bacon: So you do not monitor that?

Mr Herdan: We do when we are told about that. We will send you a note

Mr Bacon: Thank you.

Chairman: Mr Mitchell is the last questioner.

Q150 Mr Mitchell: What was the rush to bring this in? We were not signatories to Schengen and we were not legally obliged to adhere to the US visa waiver programme. The technology was undeveloped and untried. Why not hang about a bit and give it time and let other people make the mistakes?

Mr Hall: The view that was taken was that there was significant economic benefit to the UK from its continued participation in the US waiver programme and that therefore every effort should be made to ensure that we complied with that.

Mr Herdan: We did not try to be the first. Some countries tried to hit the original 2004 deadline and we said we were not going to do that. We said that was unsafe with the sort of scale of production we have. We chose to go more slowly so in a way you are right, we did take the view that we did not want to be one of the first. I think we were the tenth country to attempt to go live with the new passport.

Q151 Mr Mitchell: But the main benefit was that people would not have to pay \$100 for an American visa. That was the main benefit to this country and the Americans would have been cutting off their nose to spite their face of course if all the tourists had had to pay \$100 for a visa. It would have cut down tourists fairly drastically, that was a game of bluff there, but it still does not explain to me why the rush.

Mr Hall: As Bernard described, we persuaded the United States to change their timescale twice before the final timescale was met which we and other countries believed that we could achieve, as indeed we did, so we obviously moved at this with a pace but we avoided a headlong rush that might have caused us to fail.

Q152 Mr Mitchell: What overlap is there between this and ID cards? How far is this preparation for ID cards and how far is the technology developing going to be used in ID cards and how far are the preparations you are making going to have a spin-off benefit to ID cards? How far is the interview framework you are building up going to be used for ID cards? Are the two interconnected?

Mr Hall: I think all of those things are useful preparation.

Q153 Mr Mitchell: Preparation?

Mr Hall: Useful preparation of the experience of our organisations and building the capability that we will use. For example as Mr Herdan already identified, the experience we have gained with biometric chips in the course of implementing the ePassport gives us high confidence that the basic technologies and capabilities that we will use for both the second biometric passport and the identity card—

Q154 Mr Mitchell: So it is preparation, not overlap of technology? You are learning from your mistakes which will not be transferred over to the ID cards? There is not an actual overlap of technology?

Mr Hall: I believe that to be a correct position, yes.

Q155 Mr Mitchell: When it comes to somebody from Grimsby, I am horrified by the prospect of enormous long delays if people have to travel somewhere to prove their identity. Where is somebody from Grimsby going to have to go to prove their identity?

Mr Hall: I am sorry, I am not sure I know where the nearest office is.

Chairman: Cleethorpes!

Q156 Mr Mitchell: Who would want to?

Mr Hall: I am sorry, I do not know the exact location of every office.

Q157 Mr Mitchell: If I am on social security are my travel expenses going to be paid to go and prove my identity?

Mr Hall: No.

Q158 Mr Mitchell: Is it going to lead to delays? We have already had a period of delays in the past. These are quite crucial for people who are wanting to go on holiday.

Mr Hall: We will be launching a publicity campaign during the course of this year as we roll out this interview process, specifically to remind people that they should allow a little bit more time in order to get their first passport. Remembering that this only applies to people who are applying for their first ever passport.

Q159 Mr Mitchell: Is that the news about where we go from Grimsby?

Mr Hall: It may be, we will see.

Mr Herdan: The nearest interview office to Grimsby is 33 miles away in Kingston upon Hull.

Mr Mitchell: A lot of people will not like that!

Chairman: It is in Yorkshire for a start!

Q160 Mr Mitchell: You have got to go to a foreign country to get your passport. I gather from the Report that you do not accept responsibility except for manufacturing faults in the chip. Can it be accidentally erased? I erased my entire credit cards once by passing them accidentally over one of those

⁷ Ev 24–25

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book erasers in a shop in Hay-on-Wye, the thing that sets the alarms off. Is it going to be possible to do that?

Mr Herdan: You can erase it by putting it in a microwave. If you put it in a microwave it will not work.

Q161 Mr Mitchell: That has happened with laundry. I would not put it beyond my wife's capacity to make mistakes. Can it be accidentally erased?

Mr Hall: Not by walking through a book eraser, not in that sort or situation. It could be erased in a microwave. That is a fact.

Q162 Mr Mitchell: Then you do not accept any responsibility?

Mr Herdan: We would not if it had possibly deliberately.

Q163 Mr Mitchell: Not deliberately, it could have been an accident.

Mr Herdan: It is a possibility that could be something that someone might deliberately erase the chip in the hope that made it easier to change the contents and get away with a forged passport, so a chip that does not read will always be a worry for an immigration officer in case that is in indicator of a fraud.

Q164 Mr Mitchell: It is going to lead to longer delays? If it takes eight seconds, and you have got a huge queue as there usually is at Heathrow say, you are either going to be waving people through—and Kenneth Clarke gave us a vision just a few years back about people with British passports going to Europe being waved through and all you would have to do is give a friendly smile to the officer and you would be through; that never materialised—they are going to be either waving people through are showing them through authentication machines and delaying everybody.

Mr Herdan: I think the fact is that some time has got to be allowed for the immigration officers to do their job, otherwise it is pointless.

Q165 Mr Mitchell: But when there is a big queue and there is an angry mob wanting to get in.

Mr Herdan: It is for the immigration service to make sure that does not happen by doing as they do now and managing the queues.

Q166 Mr Mitchell: He cannot manage flight times.

Mr Herdan: The immigration officer has to be given a chance to do the checks and those in government would wish to make sure those checks are done.

Q167 Mr Mitchell: The big airlines with hundreds of people on board you cannot regulate that in advance. It is going to lead to a situation where you either do not scan it or you scan it and hold people up.

Mr Herdan: That is of course the situation today and this will make it tougher for them but, equally, I think the public expects that passports are checked and those checks are done properly, and those eight

seconds can be used for all sorts of checks. It is not just checking the chip, it is also the other data on the passports, it is checking UV security features, so there are a number of things happening in that time and I think I would argue that those eight seconds is time well spent in terms of checking that passport has not been tampered with.

Q168 Mr Mitchell: You mentioned the possibility, I am not sure what possibility it was, of putting scanners in local government offices or the private sector. Was that scanners?

Mr Hall: No, I was talking specifically about when we move to collect fingerprint biometrics for both the next generation of ePassports and for identity cards that one of the things we are working our way through now is how big a network of locations we will need and where—

Q169 Mr Mitchell: Will there be a scanner at Grimsby where I can go along and see what they are saying about me?

Mr Hall: I think that is exactly the sort of question we need to address our minds to because if we are starting to collect biometrics and we need every passport renewal to go there, it no longer is realistic to expect people to travel an hour in order to do that, they will want to travel much less distance, they will want to travel within their location, so in a location like Grimsby then the question will be what is the most cost effective way of delivering that capability.

Q170 Mr Mitchell: It is possible?

Mr Hall: Yes.

Q171 Mr Mitchell: Okay. Is the whole thing going to have to be junked or rejigged when you put the fingerprints on in 2009?

Mr Hall: It will continue to evolve. Just as this generation of passports are different from the previous generation—

Q172 Mr Mitchell: The existing ones will be outdated?

Mr Hall: Just as the passports that were issued three years ago before we started issuing ePassports will continue to be valid right the way through their life until you come to renew it, so any future generation of passports my expectation will be we will treat them the same way. We will gradually migrate to the next generation of passports over a number of years as people come up anyway to renew their passports.

Q173 Mr Mitchell: Okay. Imagine the frightening possibility that I am deselected in Grimsby and I want to “do a John Stonehouse”. I find a recently dead constituent, I go round to his widow and collect one or two utility bills from the house, I then go to Hull gritting my teeth to prove my identity; will I get away with it?

Mr Herdan: You should not do.

Q174 Mr Bacon: They will say, “That’s Austin Mitchell”!

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Mr Herdan: First of all, we check against deaths databases and we are increasingly doing that, so those kinds of scams, for example, that are well known in the *Day of the Jackal*, infant death frauds, we have pretty much ruled out now. We do still catch people doing that and that is one of the fraud routes but we do check that so we will check that for adults in the near future. Then you would have to come for interview as this is the first time you have held a passport in that name. That interview requires you to answer a quite few questions to which only the rightful owner of the identity should know the answers. This is just adults.

Q175 Mr Mitchell: What will I have to produce to prove who I am?

Mr Herdan: It is not about pieces of paper, it is about knowing answers to things that only you would know. That is the underlying purpose of the interview programme that we are now rolling out for first-time adult applicants.

Mr Mitchell: I will leave it there.

Q176 Chairman: Just following a question that Mr Mitchell asked, we know that 80% of the population have a passport. Do you have any information as to what proportion of them in a ten-year period actually need to travel to the US? I would suspect that it is very small. This is Mrs Brooke's point about her pensioner being required to pay for a very few travellers. Or is that an unfair question? Do you happen to know the answer?

Mr Herdan: The number I do know is that we did establish through survey work when we were looking at the possibility of people just getting a card to travel in Europe rather than having a book, that only about 30% of passport holders remain within Europe during that ten-year period so 70% of people would travel outside Europe. Not just to the States but elsewhere outside Europe.

Mr Hall: The answer is actually in the Report there are 4.2 million annual trips made by UK residents to the US.

Q177 Chairman: Okay, the other question I wanted to ask you is that you are not going to have to carry this ID card on your person; what consideration was given to just being required to produce within a set amount of time a driving licence or passport? If 80% of people have a passport that would be much easier. I think this was considered at the time, was it not?

Mr Hall: You are absolutely correct that there will be no legal requirement for people to carry an identity card with them. My expectation is that most people will tend to carry it with them in their wallet because over a period of time over a period of years there will be an increasing number of situations where it is quicker and more efficient and easier and more convenient for you as an individual to prove your identity by producing an identity card.

Q178 Chairman: I am sure that is true but what I am trying to tease out of you is given the enormous cost of the ID cards and given that 80% of the population already have passports, given that you do not have

to have your ID card, would it not be a lot easier to allow most people to produce a passport as opposed to force them to have an ID card?

Mr Hall: First of all, people produce passports today and indeed although we think of the passport as primarily a travel document, it is for many, many people the principal means of identifying and authenticating identities today.

Q179 Chairman: Exactly, that is the question I am asking.

Mr Hall: It is not the most convenient document to carry around on your person the whole time to prove—

Chairman: You will not have to carry the ID card around on your person the whole time. 80% of the population already have a passport so instead of going to all the effort and the £5 billion cost of having ID cards compulsory for most people, would it not have been easier just require them to produce a passport.

Mr Bacon: You nearly nodded there.

Q180 Chairman: You nearly nodded.

Mr Hall: As I said earlier—

Q181 Mr Bacon: You are a civil servant now!

Mr Hall: As I said earlier, the £5.4 billion costs that you identified earlier are not simply the incremental costs of the ID card; they are the costs of the passport and the ID card and all the processes which go round it. I hope one of the things we can tease out and show in the next cost Report is a little bit more of the allocation of costs between those various components.

Chairman: There are a couple of supplementaries.

Q182 Mr Dunne: A very quick one on the initial interview. 80% of the population have passports, the vast majority of new applicants are going to be children—indeed my son got a passport aged three—so what are you anticipating that you are going to ask?

Mr Hall: No, the new passports we are talking about are for first-time adult applicants so that is people over the age of 16. People who get passports as a child their identity is authenticated through their parents essentially and they would therefore no longer need to go through that process. We are talking about 600,000 people a year who fall into two principal categories. The first category is newly naturalised citizens of the UK and the second is people coming into adulthood who for whatever reason have not previously held a passport.

Q183 Dr Pugh: Following through on a point made by Mr Bacon, you mentioned the DWP data. Are we talking about cross-indexation or merging of databases here and you using data which has been given by benefit claimants to the DWP?

Mr Hall: No, we are talking about using DWP's computer systems and capabilities as an existing asset that we can reuse quickly at reduced cost and risk to deliver the biographic—

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Q184 Dr Pugh: No data-sharing?

Mr Hall: We are not talking about data-sharing. We do of course now use a number of other government databases and other databases as part of the cross-referencing as we are authenticating somebody else's identity, and we will use CIS as one of those as part of that process.

Q185 Mr Bacon: Back to this question of cost, you just said a minute ago that you hoped in the next cost Report to be able to provide more information. When will that cost Report come out?

Mr Hall: I believe that it is due in April, which of course is during the recess, and I think we are still debating as to whether it will come out before or after the recess.

Q186 Mr Bacon: It is going to be published?

Mr Hall: We have a statutory obligation to publish it every six months.

Q187 Mr Bacon: Okay. What concerns me is—and this in this graph on page 10 which I was asking questions about earlier—if you add up the application processing, the anti-fraud initiatives, the administration and the increased book production costs, not the whole book production costs, that alone amounts to £42.47. If you then add on the authentication by interview of £5.88 it comes to say £48.35, nearly 50 quid. If you turn to paragraph 1.3 it says that you issue six million passports a year, hence 60 million over 10 years. If you could extract out of that nearly £50, £10 towards the cost of your ID cards, you would get £600 million, if you could extract £20 you would get £1.2 billion. Are you not consciously over-specifying the passport in order to subsidise the cost of the ID card or muddying the waters so it is not clear how much of the actual cost is passport and how much of it is ID card?

Mr Hall: No, and in fact the decisions about the move to introduce the ePassport and decisions about authentication by interview predate the setting up of the Identity and Passport Service, the current agency, and predate the passage of the Identity Card Act.

Q188 Mr Bacon: You are not trying to muddy the waters about costs?

Mr Hall: No.

Q189 Mr Bacon: Why then are you resisting freedom of information requests for information about costs?

Mr Hall: I am not conscious that—

Q190 Mr Bacon: You are not conscious that you are? So the next time my mate puts one in he will get a good answer, will he?

Mr Hall: I did not say that particularly, no.

Q191 Mr Bacon: Would you like to say that?

Mr Herdan: We have resisted questions about cost which might prejudice future competitions, so where that depth of detail is being sought around the cost of procurements that we have not yet undertaken, it would not be clever to be giving information out which the companies could then bid to that level. If we say we have allowed this much money of capital investment for a new functionality that is to come or we have assumed the cost of setting up the ID card production line will be this much, if that gets into the public domain, then people are going to bid to that figure. So in terms of value for money, which is something this Committee is interested in, if that is the subject, that has been our line until now.

Q192 Mr Bacon: What I am really interested in is the unit cost information about producing the new passport in its present form. I hope when your note comes it will provide us with the information.

Mr Herdan: We have no problem with that.⁸

Q193 Chairman: Right, that concludes our hearing. Thank you, Mr Hall and Mr Herdan, and thank you for answering our questions so skilfully. We all depend on passports for visiting friends and family and for business so, Mr Hall, after your very good performance today we will hold you personally responsible if we are stranded at a gate with a chip in a passport that does not work.

Mr Hall: Thank you very much and I trust I never receive that call.

⁸ *Note by witness:* On current estimates the average cost of producing the 6.2 million passports we expect to issue in the 2006–07 financial year will be £58.38. Not all of these passports were ePassports as they were gradually introduced in the course of the year. For the current financial year we are forecasting an average unit cost of £63.40.

Supplementary memorandum submitted by the Identity and Passport Service

Question 21 (Helen Goodman): *Breakdown of costs relating to the IND's project to upgrade readers at borders*

1. Mrs Goodman asked for a breakdown of costs relating to the Immigration and Nationality Directorate's (IND's) project to upgrade readers at border control mentioned in paragraph 1.3 of the NAO Report. (Please note that on 1 April, IND became a shadow agency and was renamed Border & Immigration Agency (BIA). Consequently, whereas reference would previously have been to IND, it is now BIA.)

2. The additional costs in question were not quantified in the NAO Report due to variously being absorbed within normal running costs, as part of a broader project to upgrade the technical facilities at immigration control, or as part of a wider maintenance agreement. An assessment of the financial charge incurred against each of the costs identified in the NAO Report is set out below. The details provided, below, represents BIA's best estimate.

IN-HOUSE BUSINESS CHANGE

3. The roll-out programme to introduce refreshed technical equipment to BIA's ports and other strategic locations was completed on schedule at the end of March 2007. Costs incurred as a result of business change associated with the introduction of ePassports will be due to the difference in transaction times ie the time required to process a passenger with a digital passport or other non-e enabled travel document compared with the corresponding time necessary for a passenger with an e-travel document.

4. BIA is undertaking a wide ranging study of cross-border passenger movements which among other things will give us more information on passenger processing rates and the proportion being encountered with e-travel documents. The study is scheduled to run for the remainder of 2007 and will support work being done to prepare future forecasts of passenger flows. However, a very limited internal study of operational activity at three ports (Heathrow Terminals 1 and 3, and Luton Airport) was manually undertaken soon after the introduction of the new equipment and implementation of the new processes. From this, it has been calculated that the average *increase* in transaction time (that is, from when the document is presented to the Immigration Officer to when it is handed back to the passenger) between a digital document and an e-travel document is just under four seconds (see Table 1 below). The proportion of e-travel documents of all nations encountered during the period of the study across the three locations averaged 7.93% of the total number of documents processed (see Table 3 below). Based on average costs of an Immigration Officer, this equates to an additional cost of just under 2.7 pence per passenger (see Table 2 below). Using the above figures and assuming no change, when calculated against the latest published immigration statistics (Control of Immigration Statistics United Kingdom, 2005. CM6904) that Reported a total of 101.9 million arriving passengers, this indicates there would have been an additional cost of just under £220,000 (101.9 million x £0.027 x 7.93%).

5. It is expected that costs will vary over time due, for instance, to the increased familiarisation with the new equipment and processes by immigration staff at the immigration control, and increased utilisation of automated clearance systems. Variance in costs are also likely due to the proportion of ePassports of all nationalities being encountered, together with other chip enabled documents such as ID cards, which make up an increasing proportion of documents being presented at the immigration control.

Table 1—Average Transaction Times

<i>Location</i>	<i>Digital (secs)</i>	<i>e-Passport (secs)</i>	<i>Variation (secs)</i>
Heathrow TN1	10.76	17.28	+ 6.52
Heathrow TN3	9.95	13.00	+ 3.05
Luton	14.63	17.02	+ 2.39
Average	11.78	15.77	+ 3.99

- The timing was calculated from the document being handed to the Immigration Officer through to its return to the passenger.
- The timings were recorded manually.
- The timings represent a restricted sample based on timings at one desk on the EU channel at each location over a period of upto 2.5 hours.
- Sampling was undertaken shortly after the installation of the equipment at the above locations and may not reflect full familiarity of the operational staff with the equipment.
- The data was recorded for internal purposes only and has not been quality assured or independently verified.

Table 2—Additional Staff Costs

<i>Location</i>	<i>Cost (p) per e-passport transaction</i>
Heathrow TN1	4.41
Heathrow TN3	2.06
Luton	1.61
Average	2.69

- This data is based on average staff costs for Immigration Officers.
- The time element of the calculations was derived from sample of average transaction times above and is subject to the specific caveats relating to that data.
- The data was recorded for internal purposes only and has not been quality assured or independently verified.

Table 3—Proportion of e-Documents Encountered

<i>Location</i>	<i>Percentage of e-documents</i>
Heathrow TN1	7.25
Heathrow TN3	10.29
Luton	6.25
Average	7.93

- The above figures represent a snapshot between January and March 2007.
- The data was recorded for internal purposes only and has not been quality assured or independently verified.

FRAUD

6. BIA's National Document Fraud Unit (NDFU) was closely involved with the design of the UK's ePassport, specifically its security features. This progressed over a period of approximately three years and involved the attendance at meetings together with some research and development activity. Only two members of staff were involved, and then for only a small percentage of their available time. It is estimated that the financial cost incurred by NDFU to undertake this activity was in the order of £33,000.

TRAINING

7. Training to enable staff to utilise effectively the newly introduced technical equipment installed at all fixed ports has been provided to all Immigration Officer grades based at those locations and, in the case of the Juxtaposed Controls in France and Belgium, Assistant Immigration Officer grades. The equipment was also installed at BIA's Public Enquiry Offices in Birmingham, Croydon, Glasgow and Liverpool, with training provided to a range of grades at those locations.

8. Guidance on the processing of e-travel documents (passports and ID cards) was delivered as part of a broader package on the use of the refreshed Warnings Index technical equipment. The period of training assessed as being specific to e-documents issued worldwide, not just by IPS (that is, which was additional to the generic guidance provided for the handling of *all* travel documents, both digital and e-documents) amounted to approximately 15 minutes. The trainers delivering this were themselves provided with approximately 45 minutes of e-document specific training as part of a course that lasted just under one day. Working on the basis of average costs for the grades and given the numbers involved, the estimated total cost incurred in delivering this training was £14,500.

ROLL-OUT COSTS

9. It is estimated there were no additional costs incurred as a result of rolling-out a capability to read e-documents. BIA had to undertake a programme of technical refreshment and upgrading of the border operation due to the then existing equipment being at the end of its functional life. The procurement of document scanners was an integral element of the refresh and upgrade requirements and were scheduled to be deployed irrespective of the introduction of ePassports. It was possible to merge this requirement with the separate one of e-travel document processing, thus achieving value for money by negating the incurring of separate costs to procure and roll-out dedicated e-document readers, and limiting disruption to the operation of immigration controls.

SUPPORT & MAINTENANCE

10. Support and maintenance of the new passport readers forms part of the overall Warnings Index (WI) Support and Maintenance Agreement, which is delivered to the Home Office as a fully integrated service.

11. Support of the WI was subject to a competitive procurement in 2005 and awarded in May 2006 for a maximum period of eight years at an estimated value of £16 million, ie approximately £2 million per annum (excluding changes to the size and scope of the system). The competition achieved overall estimated annual savings of £1 million. The support contract is delivered as a managed service and as such it is not possible to break the component costs down and compare them to either the previous contract component costs or to alternative technologies that were not specified to be bought at the time.

Question 93 (Mr Philip Dunne): *Breakdown of the Authentication by Interview (AbI) budget in terms of set-up costs and the annual running costs of the offices*

Table 4 below provides a breakdown of actual expenditure incurred for 2004–05 to 2006–07. Subsequent years are budgeted figures. The figures are currently under review and I will write to the Committee again once this review is complete. It should be noted that the costs of the AbI project are partly funded by a component of the passport fee but capital expenditure is not funded in this way though it is reflected in the fee over time via depreciation and cost of capital.

Table 4—AbI expenditure 2004–05 to 2006–07 and budgeted costs 2007–08 to 2009–10

<i>Financial Cost Summary</i>	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	<i>Cumulative Total 2009–10</i>
	£000	£000	£000	£000	£000	£000	£000
<i>IPS resource costs</i>							
Staff costs							
Staff recruitment costs (set up)	0	534	1,522	310	317	305	2,988
Staff training costs (set up)	0	522	2,058	574	584	577	4,314
Staff running costs—Areas & Satellites	0	81	12,321	14,236	14,516	14,417	55,570
Staff running costs—Fraud Investigation Units	0	0	0	0	0	0	0
Premises							
Premises running costs	0	0	6,833	10,026	10,297	10,575	37,731
Information and Communications							
Technology (ICT)							
ICT set up costs	0	0	0	0	0	0	0
AbI Office System support	0	0	148	308	322	337	1,115
ICT running cost	0	81	1,502	2,390	2,438	2,474	8,885
Support Costs							
Communications (set up)	0	500	1,266	162	0	0	1,928
Project team & set-up expenses	752	3,123	1,499	0	0	0	5,374
Call Centre costs (running)	0	0	1,079	2,032	1,992	1,851	6,954
Support Services and Miscellaneous Costs (running)	0	0	1,122	2,278	2,327	1,309	7,035
Optimism Bias for Resource Cost	0	164	1,493	1,533	1,544	1,527	6,260
Total resource costs	752	5,005	30,842	33,850	34,336	33,370	138,154
Capital costs							
ICT	0	827	4,300	0	0	0	5,127
AbI Office System set-up	0	4,700	2,970	0	0	0	7,670
Premises Fit Out Costs	0	8,762	19,920	0	0	0	28,682
Optimism Bias for Capital	0	629	1,196	0	0	0	1,825
Total Capital	0	14,918	28,386	0	0	0	43,305
Depreciation (1st 5 yrs 33% pa; thereafter 20%)		4,763	13,826	13,826	9,063	0	41,479
Cost of Capital at 3.5%		167	567	559	159	0	1,452
Relevant costs for Fees increase¹		10,563	46,432	48,235	43,558	33,370	182,159

Notes

- Summation of total resource costs, optimism bias for capital, depreciation and cost of capital rounding effects may mean that totals shown do not add up exactly.
- Although the figure of £752,000 (Total Resource Cost, 2004–05) has been included in Table 1 and is included in the Cumulative Total it has not been included in the Relevant Costs for Fee Increase because the Business Case for AbI was submitted in October 2005 (post financial year 2004–05) and therefore the figure in question did not impact the Passport Fee. However in an effort to be as transparent as possible it was felt that the figure should nevertheless be included.
- Funding for the AbI project comes principally from two sources:
 - Home Office and/or HM Treasury funding is required for some parts of the project where costs have been capitalised.
 - Fee revenue.

Question 118 (Mr Richard Bacon): *Breakdown of production costs for passports over the past 20 years*

Mr Bacon asked for a breakdown of the cost of producing a passport over the past 20 years (or as far back as we could go) in the format used on page 10 of the NAO Report. Table 5 below provides a breakdown going back to 1992. It is a breakdown of the fee charged for a standard adult passport not the unit cost of producing a passport as we do not hold the information in that form. As the costs of the passport business are recovered through charges, the breakdown of the fee matches the breakdown of the cost very closely. Detailed information is available for the last two years and the analysis for earlier years is based on annual outturn costs.

Table 5—Passport fee breakdown 1992-present

	<i>Fees</i> 22/11/92 to 27/3/98	<i>Fees</i> 28/3/98 to 15/12/99	<i>Fees</i> 16/12/99 to 29/11/01	<i>Fees</i> ¹ 30/11/01 to 20/11/02	<i>Fees</i> 21/11/02 to 3/10/03	<i>Fees</i> 4/10/03 to 30/11/05	<i>Fees</i> 1/12/2005 to 4/10/06	<i>Fees</i> 5/10/06 to present
	£	£	£	£	£	£	£	£
Application processing	13.05	15.32	21.27	21.41	9.82	10.16	14.02	14.49
FCO consular protection ²					9.40	9.65	9.65	9.65
Book production ³					5.00	5.00	5.00	12.25
Secure delivery ⁴						3.00	3.00	3.00
Anti fraud initiatives ⁵							14.51	15.88
Administrative	4.95	5.68	6.73	8.59	8.78	14.19	4.82	4.85
AbI								5.88
	18.00	21.00	28.00	30.00	33.00	42.00	51.00	66.00

Notes

1. Prior to November 2002, costs are only split between direct passport production (application processing) and indirect overhead (administrative) costs.
2. The proportion of the fee which is passed to the Foreign and Commonwealth Office (FCO) to fund the provision of consular services for British travellers overseas was only formalised in 2002–03. Prior to this a surplus agreed with the Treasury was made and credited to the FCO.
3. Prior to 2002–03 the cost of passport book production was included in application processing costs.
4. Secure Delivery was introduced in 2003–04 and earlier distribution costs are included in application processing.
5. The cost of anti-fraud initiatives has only been isolated from 2005–06. Previous data is not available.

Question 135 (Mr Richard Bacon): Breakdown of employment figures

Mr Bacon wanted to know the number of people employed under each of the cost figures quoted in section 3.8 of the NAO Report. The numbers varied according to the phase of the project and are shown in Table 6 below.

Table 6—People employed by category

<i>Category</i>	<i>2004–05</i>	<i>2005–06</i>	<i>Apr–Nov 2006</i>	<i>Costs from May 2003 Nov 2006</i>
Consultants	14	18	15	£4,900,000
Civil Servants (Full Time Equivalents) ¹	4	4	4	£82,000
Fixed-term contractors	4	0	10	£322,000

Note

1. The civil servants employed on the project also worked on other projects at the same time. The figure quoted in section 3.8 of the NAO Report represented the cost of the time attributed to their work on the ePassports project.

Question 148 (Mr Richard Bacon): Information on the number of cases Reported to the police arising from the use of facial recognition software and the number that resulted in prosecutions

IPS's Facial Recognition System is a stand alone proof of concept system installed in all seven of our Fraud Intelligence Units. It is based on a watch list of some 25,000 facial images built up over a number of years of those known or suspected of involvement in fraudulent passport applications. In building this database IPS identified some 627 instances in which individuals are known to have submitted fraudulent applications in more than one identity.

Since the system was installed in the Fraud and Intelligence Units, there have been five recorded instances in which new passport applications have resulted in a match against the facial recognition watch list and have subsequently been referred to the police. In three of the five cases intelligence reports summarising the findings of IPS investigations have been forwarded to the appropriate police force and, in one case, the UK Immigration Service. IPS has yet to receive any contact from the police or Immigration Service in respect of these cases.

The individual involved in the fourth case had her fraudulently obtained passport seized by the British High Commission in Ghana when she attempted to obtain a passport on behalf of a child. The fifth case led to the arrest of a man in the UK and his case is now proceeding through the courts.

In relation to the element of the passport fee attributed to anti-fraud initiatives, the direct costs of anti-fraud measures are split across:

- the Fraud Investigation Units based in each of the regional offices and HQ;
- a passport examiner resource attributed to checking applications for fraud and follow-up actions;
- ongoing anti-fraud change initiative projects;
- security enhancement projects; and

- management and fixed costs.

The comprehensive counter fraud strategy to combat identity fraud in the passport issuing process, which is in line with international moves to strengthen passport security, includes:

- checking biographical information to ensure that the identity claimed on the application form is real, living, and can be linked to the customer through cross checks against a range of public and private sector databases;
- the development of facial recognition systems to check applicant images against a database of images of suspected fraudsters as discussed in paragraphs 20–22 above;
- checking applicants against increasingly sophisticated internal watch files including the database of passports reported lost or stolen;
- strengthening business processes for identity authentication, and training and support for passport examiners and specialist fraud units;
- interviews for all first-time adult customers (which is covered in part by a separate part of the passport fee).

These measures are only the latest in a long running programme of counter fraud initiatives developed by IPS. In the last five years IPS has:

- significantly increased security in passport book through the development and issue from last year of the ePassport;
- from 2002 created a database of around 750,000 infant death records to counter *Day of the Jackal* type fraud;
- introduced secure delivery of passports to customers from February 2004 resulting in an 80% reduction in losses of passport in the post;
- created better arrangements for the reporting, recording and sharing of data on lost/stolen passports. This database of around 920,000 records is now shared with UK border control and border control authorities worldwide via Interpol;
- established fraud and intelligence units in each of its seven passport issuing offices and provided professional, accredited training for all investigators;
- introduced the Passport Validation Service which enables approved government agencies to validate the status of a UK passport which has been presented to them as evidence of identity. The service is also available to organisations regulated by the Financial Services Authority that have to comply with the “Know Your Customer” statement of good practice requirements.

On an operational level, IPS are using intelligence received and data on known frauds actively to manage passport fraud identified after the issue of the passport. It is currently investigating some 2,000 cases. Utilising intelligence on known fraud patterns, other fraud will be identified through the searches IPS are conducting on its database of 50 million passport records. This will be a similar set of exercises as that successfully conducted on infant deaths. This is an ongoing process and will be strengthened in November 2007 when IPS has access to adult death information.

All the information uncovered on fraudulently obtained passports is passed to the BIA for use at all UK ports. Experience shows that this is successful in disrupting criminal activities.

During 2005–06 a sample of several thousand applications were scrutinised by specialist IPS teams with support from fraud investigators. This found that 0.25% of applications (equivalent to 16,500 fraudulent passport applications a year) were believed to be from people attempting to obtain a passport fraudulently. Almost half of these applications were stopped by existing IPS processes including Facial Recognition. The remainder had gone undetected. Our current estimate is therefore that the level of undetected fraud is approximately 0.15% (equivalent to 10,000 applications against the some six million passports issued per year). IPS’s 2007–08 business plan which was published on 20 March includes a Key Performance Indicator to reduce our level of passport application fraud below 0.15% .