



Summary of the 2009/10 – 2013/14

CORPORATE PLAN, CAPITAL AND OPERATING BUDGETS



Administration canadienne
de la sûreté du transport aérien

Canadian Air Transport
Security Authority

Canada

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EXECUTIVE SUMMARY

Organization and Mandate

CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the government, consistent with its four legislative outcomes – to provide effective, efficient and consistent screening in the public interest. CATSA is responsible for the delivery of effective and efficient screening of persons and their belongings prior to gaining access to aircraft or restricted areas of airports. To achieve this, CATSA is mandated to conduct screening services in the following four mandated areas:

- Pre-Board Screening (PBS), the screening of passengers, their carry-on baggage and their personal belongings;
- Hold Baggage Screening (HBS), the screening of checked baggage;
- Non-Passenger Screening (NPS), the screening of non-passengers (e.g. airport employees, flight crews); and
- Restricted Area Identity Cards (RAIC), the administration of access control to airport restricted areas through biometric identifiers.

Measuring Performance

CATSA identified three five-year strategic outcomes and associated initiatives in the *Summary of the 2007/08 – 2011/12 Corporate Plan*, and continues to pursue them. Every initiative that CATSA undertakes has the purpose of contributing to the achievement of one or more of these strategic outcomes:

1. Customer-focused security
2. Capacity
3. Recognized Expertise

In support of these outcomes, and on a more measurable basis, CATSA works at achieving 23 strategic initiatives, each of which contribute to one of those three outcomes listed above. This Summary reports on progress against those strategic initiatives, in detail, in the form of realized activities and initiatives.

In the *Summary of the 2008/09 – 2012/13 Corporate Plan*, CATSA reported that although it had begun establishing a reporting framework for its Performance Measurement (PM) Program, there was more work to be done. In this year's Summary, for each of its

legislative outcomes – effective, efficient, and consistent in the public interest – CATSA will present key performance indicators, and identify specific targets and results for each area. Subject to the recommendations arising from the formative evaluation on the Performance Measurement framework that is in progress, CATSA will continue to develop and refine its PM program.

Strategic Issues and Planned Responses

Over the planning period, CATSA must respond to such pressing strategic issues as evolving risks and threats, passenger growth, the demand to have screening methods and technology compatible with those of international counterparts, and the replacement of contracts with screening contractors through a competitive process.

CATSA's main impediment to taking appropriate action against these strategic issues beyond 2009/10 is the continued uncertainty of CATSA's funding levels. In the 2009 Federal Budget, CATSA was allocated additional funding over and above its annual recurrent funding levels, but for 2009/10 only. Given that funding will revert to \$234.4M with \$0 capital funding in 2010/11 and beyond, the organization can begin to address the highest risk areas over the next year, but with limitations. CATSA will not, in 2009/10, undertake projects requiring a multi-year commitment, nor will it be able to run a competitive process for screening contractor contract replacements.

Over the next year, CATSA will begin to address the highest risks by investing in new screening equipment and detection capabilities, introducing several operational enhancements, and beginning the rollout of the three new screening initiatives listed below, at select Class I airports:

- Behaviour Pattern Recognition (BPR) – a screening methodology that uses risk-based security principles to screen passengers and identify those with malicious intent;
- Screening at Fixed Base Operations (FBO) – the delivery of passenger and baggage screening at FBOs where significant numbers of passengers depart on large aircraft; and
- Establishment of the Critical Restricted Area (CRA) – vehicle and non-passenger screening outside of the air terminal buildings, for those persons accessing the CRA.

These measures will, for 2009/10, put Canada on track to future compatibility with international partners.

CATSA's most important challenge over the planning period will be securing funding to sustain those new programs and initiatives which will begin over the next year. Once funding reverts to approved annual funding levels in 2010/11, even in the face of declining passenger growth, CATSA will be unable to deliver its mandate without causing significant delays and inconveniences to travellers, airlines and airports. For this reason, and so that it may fully execute its five-year plans, CATSA intends to return to the Government to seek additional funding for 2010/11 and beyond.

In the Strategic Direction chapter of this Summary (chapter 4), CATSA will present its strategic plans for 2009/10, in accordance with approved funding levels, but will also introduce its longer-term plans, for which additional funding from the Government of Canada is required.

1 CORPORATE PROFILE

PROFILE

The Canadian Air Transport Security Authority (CATSA), a Crown corporation headquartered in the National Capital Region, was the cornerstone of the Government of Canada's response to the attacks of 9/11.

Before 9/11, screening at airports was the responsibility of airlines which, in turn, contracted these services to private companies. The use of private companies to screen passengers, using various standards and methodologies, quickly became a concern to the government. CATSA was created to deliver security screening services at 89 designated airports in an efficient, effective, and consistent manner that was in the public interest.

With over 390 employees who support the operations of just over 6,000 screening officers (SO), CATSA screens over 43 million passengers, 56 million pieces of baggage and more than 600,000 non-passengers every year.

1.1 MISSION, VISION AND VALUES

MISSION

CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the government.

VISION

The vision of the organization is to be a world leader in air transportation security through commitment to the mission and through operational and corporate excellence. CATSA's vision will be attained by:

- Contributing to a highly secure air transportation system;
- Being cost effective;
- Striving for excellence;
- Networking with partners;
- Establishing clear accountabilities;
- Being innovative;
- Fostering ethics and values; and
- Continuously improving implementation of best practices.



1.2 LEGISLATIVE AND REGULATORY FRAMEWORK

LEGISLATIVE, REGULATORY & PROCEDURAL FRAMEWORK

CATSA is subject to domestic legislation, regulations and procedures in the way that it conducts business and screening. The legislative framework is highlighted in the table below:

Legislation/Regulations/Procedures	Application to CATSA
<i>Financial Administration Act Part X</i>	<ul style="list-style-type: none"> Provides the control and accountability framework for parent Crown corporations and their subsidiaries.
<i>Aeronautics Act</i>	<ul style="list-style-type: none"> Defines all aspects of the Canadian aeronautics system Outlines the authority for creating security regulations and the power of the Minister to create security measures Authorizes the designation of the screening officer States that no person will board an aircraft unless he or she submits to a search of their person and their belongings
<i>Canadian Air Transport Security Authority Act (CATSA Act)</i>	<ul style="list-style-type: none"> Establishes the role of CATSA to conduct screening of persons and their belongings that access aircraft or restricted areas Specifies CATSA's role in ensuring consistent delivery of service across the country and acting in the interest of the general and travelling public
CATSA Aerodrome Designation Regulations	<ul style="list-style-type: none"> Includes a list of the Canadian aerodromes that are designated
Security Screening Order (SSO)	<ul style="list-style-type: none"> Contains requirements relating to CATSA's screening of persons, their personal belongings and their baggage
Standard Operating Procedures (SOPs)	<ul style="list-style-type: none"> Guides screening officers in the performance of their duties

1.3 GOVERNANCE AND ORGANIZATIONAL STRUCTURE

INTRODUCTION

In accordance with the *CATSA Act*, CATSA is structured as a Crown corporation with a Board of Directors headed by Chairman D. Ian Glen, Q.C., appointed by the Governor in Council on the recommendation of the Minister of Transport, Infrastructure and Communities.

CHARACTERISTICS OF THE BOARD OF DIRECTORS

The Board is composed of 11 members – one Chair and ten Directors. Two must be representatives of the airline industry and two must be representatives of airport operators. One new director was appointed to the Board in 2008/09.

Each director holds office for a term of not more than five years. The Governor in Council may renew the term of office of any director for a maximum of one further term of not more than five years.

2009/10 BOARD PRIORITIES

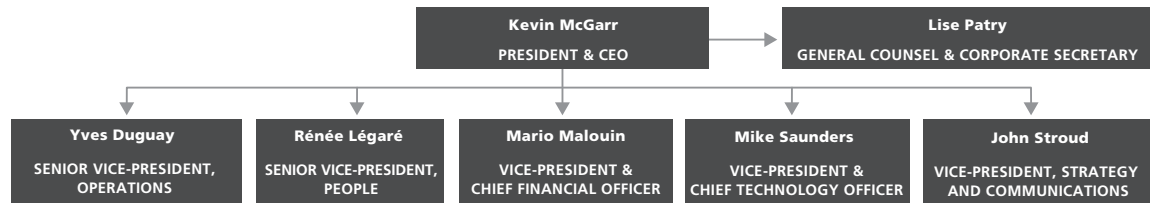
In 2009/10, planning for, and engaging the government on the issues of long-term sustainability funding will continue to occupy the agenda of CATSA's Board of Directors and management.

The Board will continue to focus on providing guidance to management with regard to the continuous implementation of the recommendations made by the OAG in the 2006 Special Examination.

The Board will also engage more effectively in providing oversight and advice to Management on matters relating to CATSA's future direction with regard to its operations, technologies and service delivery model.

CATSA'S SENIOR MANAGEMENT TEAM

Senior management at CATSA is led by the President and Chief Executive Officer (CEO), Mr. Kevin McGarr who was appointed to the position by the Board of Directors effective September 15, 2008. He is supported by a senior management team, as shown below:



1.4 MANDATE AND RESPONSIBILITIES

MANDATE

CATSA is responsible for the delivery of “effective and efficient screening of persons who access aircraft or restricted areas through screening points, the property in their possession or control and the belongings or baggage that they give to an air carrier for transport”.

The legislation also specifies that the delivery of screening services must be done in a consistent manner, and in the public interest.

CATSA has a mandate to provide security in four areas of aviation security:

- Pre-board Screening (PBS);
- Hold Baggage Screening (HBS);
- Non-Passenger Screening (NPS); and
- Restricted Area Identity Card (RAIC).

CATSA RESPONSIBILITIES

In addition to the provision of those mandated screening services listed above, CATSA is also responsible for the following activities:

- Purchase, deployment and maintenance of pre-board screening equipment and hold baggage screening equipment at 89 airports across the country;
- Oversight of screening operations at pre-board and hold baggage screening checkpoints as well as non-passenger screening checkpoints;
- Training, testing and certification of screening officers; and,
- Deployment and maintenance of the Restricted Area Identity Card (RAIC).

1.4.1 PRE-BOARD SCREENING (PBS)

PRE-BOARD SCREENING

PBS incorporates the screening of passengers, their carry-on baggage and their personal belongings. This is CATSA's most tangible and visible interaction with the public.

Transport Canada maintains the prohibited items list, while screening officers determine if passengers are carrying any of those items.

Screening officers undertake the following tasks throughout various stages of PBS:

- Inspecting boarding passes;
- Operating the X-ray machine (for passengers' carry-on baggage and belongings);
- Physical searching of passengers and carry-on baggage;
- Operating the Explosives Detection Trace (EDT) equipment; and
- Monitoring passengers using the Walk-Through Metal Detectors (WTMD) and/or Hand-Held Metal Detectors (HHMD).

1.4.2 HOLD BAGGAGE SCREENING (HBS)

HOLD BAGGAGE SCREENING

HBS uses specialized explosives detection systems (EDS) to screen over 56 million pieces of checked baggage every year.

CATSA's work with HBS involves the purchase, installation, testing and maintenance of EDS equipment for designated airports across Canada. The HBS system requires numerous pieces of equipment that can be configured to address the unique space requirements of each airport.

As the deployment phase has been completed, the organization can now focus on:

- Re-engineering and optimization of existing systems;
- Maintaining current equipment;
- Testing and evaluation of new equipment and technologies;
- Life-cycle management;
- Airport growth; and
- Performance measuring and monitoring.

1.4.3 NON-PASSENGER SCREENING (NPS)

NON-PASSENGER SCREENING

Screening is conducted on more than 600,000 non-passengers accessing the restricted areas of major airports every year.

Non-passengers include individuals:

- whose workplace is an airport;
- who visit an airport to provide services or deliver goods; or
- who pass through an airport and require access to the designated restricted areas of airports (e.g. flight crews, airline customer service personnel, caterers, maintenance personnel, baggage handlers, etc.).

Mobile screening points are set up inside airports to randomly screen non-passengers going into restricted areas. Seven permanent checkpoints have been set up to screen non-passengers at the Halifax, Winnipeg, Montreal, Calgary, and Edmonton airports.

1.4.4 RESTRICTED AREA IDENTITY CARD (RAIC)

RESTRICTED AREA IDENTITY CARD

All non-passengers that access the restricted areas of an airport must have a RAIC. The RAIC system, created by CATSA in partnership with Transport Canada and airport authorities, uses biometric identifiers (iris and fingerprint) to allow entrance to the restricted areas of airports. Over 100,000 non-passengers have been enrolled in the program.

The RAIC system has the ability to interface with the airports' access control systems.

It is important to note that the final authority that determines access to the restricted areas of the airport is the airport authority itself.

2 IDENTIFICATION OF RESULTS

STRATEGIC OUTCOMES

The three strategic outcomes that CATSA has identified to enable it to better meet its statutory obligations under the *CATSA Act* are:

1. Customer-focused security

CATSA needs the people, processes, equipment and experience to ensure that its approach to its business and security screening programs remains customer focused, that is, perceived as effective and valuable to the travelling public.

2. Capacity

CATSA must build and maintain a talented, engaged, and flexible workforce to meet the needs of a changing environment, and must ensure that people, processes and programs contribute to strengthening its corporate capacity.

3. Recognized expertise

CATSA needs to be recognized as being an expert in its mandated activity – air transport security screening. In order to do so, CATSA must develop performance measuring and reporting capacity, sound business processes and practices, and effective relationships.

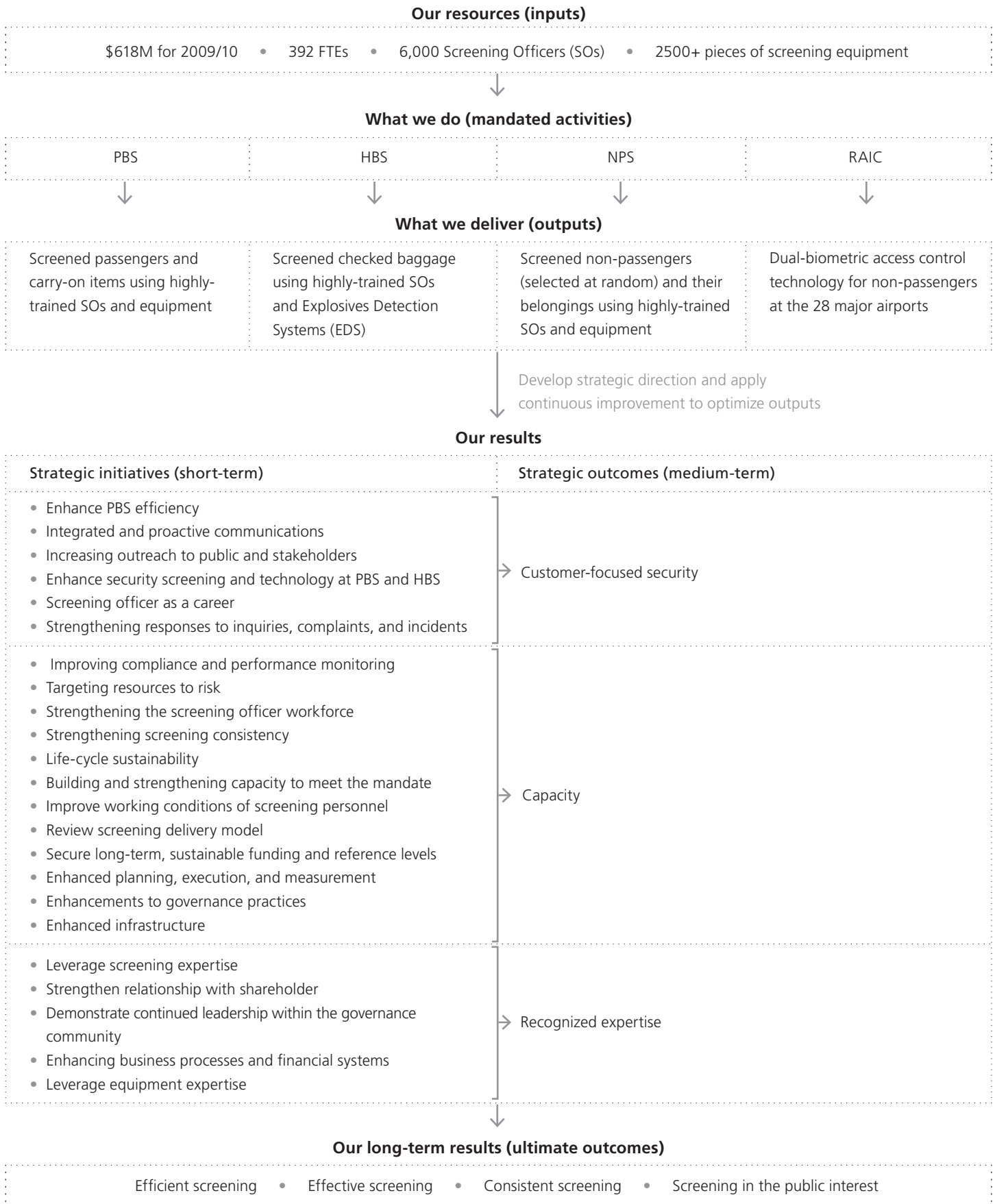
The 23 strategic initiatives outlined in detail in section 2.1 demonstrate that a number of activities and projects collectively drive the realization of CATSA's strategic outcomes.

The fulfillment of CATSA's mandate, or long-term results – efficient effective and consistent screening, in the public interest – is outlined in section 2.3 based on this year's results against key performance indicators.

LOGIC MODEL

The logic model that follows illustrates, at a high level, CATSA's strategic inputs and outputs. This year's results will be reported on – both in terms of realized activities and initiatives and performance results – in sections 2.1 and 2.3 of this chapter.





2.1 STATUS AND RESULTS FOR 2008/09

Customer-Focused Security

STRATEGIC INITIATIVE	WHAT WAS DONE IN 08/09
1 – Enhance PBS efficiency	To alleviate some of the upward pressure on CATSA's budget, some operational flexibilities for screening checkpoints have been examined.
2 – Integrated and proactive communications	CATSA's five-year social marketing campaign will focus on changing air traveller behaviour in terms of decreasing the number of liquids, aerosols and gels (LAGs) and other prohibited or restricted items collected at the checkpoint, with the objective of increasing throughput.
3 – Increase outreach to public and stakeholders	<p>Launched a new national Shift Briefing program to improve communication, harmonize and manage the information transferred to screening officers. This document focuses on the two main pillars of CATSA's operations - Security and Customer Satisfaction.</p> <p>In 2008, 26 delegates representing 11 countries took part in the CATSA-created International Forum for Security Screening in Aviation (IFSSA), held in Geneva, Switzerland and hosted by the Federal Office of Civil Aviation.</p>
4 – Enhance security screening and technology at PBS and HBS	<p>Trials and planning for a number of new and replacement technologies are currently underway to increase efficiency and address new and evolving threats.</p> <p>A Boarding Pass Security System (BPSS) pilot technical solution to validate boarding passes was developed, with a pilot scheduled to take place in the next fiscal year.</p>
5 – Screening officer as a career	The new national Shift Briefing Program will inform screening officers, as well as collect their ideas and feedback and foster discussions on issues of importance. Shift briefings will help engage, motivate and focus the screening officer workforce. As of February 2009, 96% of screening officers were receiving shift briefings.
6 – Strengthening response to inquiries, complaints, and incidents	Additional employees were hired for the Security Operations Centre (SOC), making the SOC physically staffed 24/7.

Strategic Outcome: Capacity

STRATEGIC INITIATIVE	WHAT WAS DONE IN 08/09
<p>7 – Improving compliance and performance monitoring</p>	<p>The deployment of 60 oversight officers was complete by the end of 2008/09. Increased oversight will enhance CATSA's presence at airports and further its ability to monitor and oversee screening officer and screening contractor compliance and performance.</p>
<p>8 – Targeting resources to risk</p>	<p>The planning committee for CATSA's role during the Olympic and Paralympic period established that after the Games, portable screening units (PSUs) will be used for CATSA's other mandated activities, where needed.</p>
<p>9 – Strengthening the screening officer workforce</p>	<p>Work has commenced on the deployment of the improved software and the reactivation of the Threat Image Projection system at all PBS and HBS checkpoints.</p> <p>The X-Ray Tutor (XRT) Standard Edition will be replaced with the Professional Edition at all Class I and II airports, and at most Class Others. It contains a 70 percent larger image library and contains updated and new threat images of guns, knives and improvised explosive devices (IED) with which to enhance the skills of screening officers.</p> <p>The following training programs were developed:</p> <ul style="list-style-type: none"> • A recurrent learning and recertification program; • The National Screening Officer Pre-qualification Program; • Three new e-learning modules; • A Learning and Development Program for Oversight Officers; • The Point Leader Certification Program; and • The Learning and Performance Advisor certification program.
<p>10 – Strengthening screening consistency</p>	<p>The Oversight Officer Orientation and Training Program was developed and launched as a week-long session for oversight officers. One key role of oversight officers will be to ensure the consistency of screening operations at airports across Canada.</p> <p>The CATSA Operating Procedures (COPs) are currently under review, and being updated for all Class I and II airports.</p>
<p>11 – Life-cycle sustainability</p>	<p>Many equipment and software replacements and upgrades are underway.</p> <p>Contracts for maintenance service with airports were developed or amended where needed. Meetings are held regularly with General Electric, L3 and NAV Canada to discuss maintenance issues.</p> <p>A policy and guidelines covering the disposal of surplus materiel was developed. This policy also addresses the disposal of components potentially harmful to the environment.</p>

Strategic Outcome: Capacity

STRATEGIC INITIATIVE	WHAT WAS DONE IN 08/09
12 – Building and strengthening capacity to meet the mandate	<p><i>Contracts with Screening Contractors</i></p> <p>Completed negotiations with the four major screening contractors, extending them for a two-year period. Recommendations on negotiations with the remaining small regional contracts were approved by the Board in February 2009.</p> <p><i>2010 Olympic and Paralympic Games:</i></p> <p>A second year of funding for the Olympics and Paralympics was allocated to CATSA in the 2009 Budget.</p> <p>Consultations between CATSA and screening contractors are in progress to finalize a staffing strategy to accommodate the need for additional screening officers during the Games.</p> <p>The design prototype for the 10 portable screening units (PSUs) to be used for the Games was approved, and fabrication of the prototype PSU is underway with a delivery timeline of early February 2009 for testing. Production of the units is set to commence in April 2009.</p>
13 – Improve working conditions of screening personnel	<p>CATSA held consultations with external experts and a cross-country review to gather suggestions from screening contractors on operational improvements. Various strategies are being implemented to improve working conditions, including an integrated approach to address stability within the screening officer workforce.</p>
14 – Review screening delivery model	<p>CATSA continues to provide screening services via a third-party screening model, as was deemed the preferred delivery option in the 2007 Service Delivery Model Review. A December 2008 third-party re-assessment of the service delivery model options concluded that the screening contractor model continues to be the preferred option for CATSA.</p>
15 – Secure long-term, sustainable funding and reference levels	<p>CATSA helped prepare a request to the Government of Canada in order to secure sustainable funding for the planning period from 2009-2014, and beyond. This request was to support ongoing operations as well as new initiatives to address the highest risk areas to aviation security.</p> <p>In the 2009 Budget, CATSA was allocated \$355.8M for 2009/10 in addition to its ongoing reference level of \$234.4M. For 2010/11 and beyond, CATSA's funding returns to \$234.4M, with no capital funds.</p>
16 – Enhanced planning, execution, and measurement	<p>A set of Key Performance Indicators for CATSA's legislative outcomes (effectiveness, efficiency, consistency and in the public interest) was developed, and will be presented in Section 2.3 of this summary.</p> <p>An Operations Action Committee was formed to review operational performance on a frequent basis, with the objective of addressing action items identified in the Passenger Incident Review Committee and Security Incident Review Committee meetings and to create ongoing and future action plans and initiatives.</p>

Strategic Outcome: Capacity

STRATEGIC INITIATIVE	WHAT WAS DONE IN 08/09
17 – Enhancements to governance practices	<p>The Board of Directors has developed and implemented an annual evaluation process.</p> <p>The Competencies Matrix for Directors has been updated and is used as a tool to provide guidance regarding new appointments.</p> <p>CATSA's Board of Directors continued to proactively disclose its travel and hospitality expenses on the CATSA website.</p>
18 – Enhanced infrastructure	<p>Networking of WTMD at all Class I airports via a Wide Area Network to CATSA Headquarters is in progress, as is a proof of concept for networking PBS and X-Ray.</p> <p>A Material Management Information System (MMIS) that incorporates key performance indicators to enable better monitoring and assessment of equipment performance is being developed and implemented.</p> <p>CATSA continues to support airport expansion projects in Montreal, Quebec City, Calgary, and Winnipeg.</p>

Strategic Outcome: Recognized Expertise

STRATEGIC INITIATIVE	WHAT WAS DONE IN 08/09
19 – Leverage screening expertise	CATSA became a member of the Current Intelligence Working Group – a network of governmental departments and agencies which produce Daily Intelligence Reports.
20 – Strengthen relationship with shareholder	<p>CATSA is supporting Transport Canada's cargo screening pilot initiative in the form of screening, and contribution to the development of Standard Operating Procedures (SOPs).</p> <p>The Chair of the Board continues to work in close coordination with the offices of the Minister of Transport, Infrastructure and Communities, and the Minister of State, Transport.</p> <p>CATSA worked in close cooperation with Transport Canada on the development of the 2008/09 funding request to the Government of Canada.</p>
21 – Demonstrate continued leadership within the governance community	CATSA continues to participate in a forum of discussion with corporate secretaries from other Crown corporations.
22 – Enhancing business processes and financial systems	<p>A number of CATSA Internal Audits were performed over the year, and a response and/or action plan has been prepared for each.</p> <p>Planned evaluation of the current pre-qualifying process for screening contractors to bid on Contracts in preparation for the 2011 RFP.</p> <p>A revised Performance Payment Program (PPP) was developed and deployed to the four major screening contractors, with considerable improvements made to the program's fairness and flexibility. CATSA is currently developing a new PPP for Advanced Contract Award Notice (ACAN) regional sites.</p> <p>Chief Executive Officer and Chief Financial Officer certification guidelines are being developed in correspondence with Section 34 Verification procedures.</p> <p>Completed deployment of the Secure Identification and Time Tracking (SITT) system to all Class I and II airports, which reconciles screening contractors' hours scheduled and hours worked.</p>
23 – Leverage equipment expertise	<p>Trials and security assessments are currently underway with portable screening units for use at the 2010 Olympic and Paralympic Games in Vancouver.</p> <p>Testing is in progress at Toronto's Pearson airport to evaluate the use of two types of explosive vapour detectors (EVD). These portable technologies are being tested as potential measures to enhance security screening for liquids, aerosols and gels, and to assess the impact of integrating such equipment into the screening process at PBS.</p>

2.2 PERFORMANCE MEASUREMENT PROGRAM

INTRODUCTION

In the *Summary of the 2008/09 – 2012/13 Corporate Plan*, CATSA noted that Performance Measurement (PM) would be the subject of increased attention over the five-year planning period.

In particular, CATSA:

- Formed cross-functional management committees to review operational performance, identify issues/trends, and develop action plans to implement and monitor corrective actions and improvements;
- Deployed oversight officers at several Class I airports who have begun to collect and analyze SOP and regulatory compliance data at PBS, for use in CATSA's PM program as it continues to evolve;
- Modified the Performance Payment Program for screening contractors; work involved defining two new key result areas—excellence in management and supervision and security performance—and streamlining the reporting cycle; and
- Completed a Performance Measurement Plan (part of CATSA's Performance Based Management Framework) that covers deployed EDS, RAIC and network infrastructure equipment.

2.3 PERFORMANCE MEASURES

INTRODUCTION

For CATSA, measuring performance begins with establishing the objectives of security screening. To determine performance against those objectives requires CATSA to identify key performance indicators; determine baselines and targets; and collect, analyze, and evaluate measureable data.

CATSA's security screening objectives, defined below, are taken from the four legislative outcomes in the *CATSA Act*.¹

EFFECTIVE

Means "attaining the given objective(s). For CATSA, achieving security is the primary objective..."

EFFICIENT

Means "the relationship of the level of resources applied to activities, outputs, and results. It can be expressed in quantitative or qualitative terms, and addresses for example, value for money concerns".

CONSISTENT

Means "security (screening) should be at the same level across Canada. It need not be performed identically in every location because of differing local conditions and variations in the threat environment".

IN THE PUBLIC INTEREST

Refers primarily to "fly[ing] safely and feel[ing] secure while travelling" and "to enjoy a reasonably pleasant travel experience that meets expectations, such as departing on time, being treated courteously, not standing in lines for long periods, not losing one's luggage, etc."

¹ Definitions for effective, efficient, consistent and in the public interest are taken from Transport Canada: *Flight Plan: Managing the Risks in Aviation Security - Report of the Advisory Panel*.

2.3.1 KEY PERFORMANCE INDICATORS

INTRODUCTION

For each of the legislative outcomes defined above, CATSA has established key performance indicators (KPI) which, when taken together, can demonstrate the degree to which CATSA is achieving those legislative outcomes. These KPIs will be reported on in CATSA's 2009 Annual Report.

NEXT STEPS

Going forward with its Performance Measurement program, and subject to the review of recommendations from the formative evaluation of its PM framework and from a review of its business planning policy and processes, CATSA will over the planning period:

- Continue to collaborate with TC on aligning CATSA's activities and outcomes with relevant outcomes on TC's outcome map and to clarify the objectives of CATSA's performance measures;
- Continue to explore automation and networking of existing equipment to facilitate more efficient and effective data collection and reporting;
- Undertake a multi-year, comprehensive review of existing operational data collection efforts and key performance indicators; and
- Refine performance reporting requirements for internal and external audiences.

3 OPERATING ENVIRONMENT

INTRODUCTION

CATSA's operations are greatly affected by events and trends occurring domestically and internationally. In order to successfully execute its mandate and carry out its operations diligently, CATSA must assess the adequacy of its resources to address the strategic issues that it will face over the planning period.

This chapter's assessment of the environment:

- Identifies the anticipated internal and external trends over the next five years that could impact CATSA's operations; and
- Enables CATSA to analyze and take appropriate actions to ensure that it can continue to carry out its mandated activities.

3.1 FUNDING

BUDGET 2009

In the 2009 Federal Budget, CATSA was allocated \$355.8M for 2009/10, in addition to its annual recurrent funding of \$234M. With this funding, the organization can begin to address the highest risk areas in 2009/10, but with limitations. Given that CATSA's funding will revert to unsustainable recurrent annual reference levels for 2010/11 and beyond, CATSA will not, in 2009/10, undertake projects requiring a multi-year commitment.

So that it may fully execute its five-year plans, CATSA intends to return to the Government to seek additional funding for 2010/11 and beyond. This Summary of the Corporate Plan is based on approved funding levels.

The new projects and technologies that will be introduced to address the highest risk areas and begin to put Canada on track toward enhanced security will be covered in chapter 4.

3.2 THREATS AND RISK

INTER-AGENCY RISK ASSESSMENT

Led by Transport Canada, an Aviation Security Risk Assessment was conducted in July 2008 involving experts from CATSA, the Canadian Security Intelligence Service (CSIS), the Integrated Threat Assessment Centre (ITAC), Public Safety Canada (PS), and the Royal Canadian Mounted Police (RCMP). Scenarios were designed and assessed, focusing primarily on terrorism.

The risks identified by the group were factored into CATSA's strategic plan.

CATSA CORPORATE RISK PROFILE

The Corporate Risk Profile (CRP) is a point in time capture of the organization's key risks – those risks that could impede the organization's ability to reach its strategic objectives – and the main mitigation strategies in place to respond to the identified risks at a given point in time.

To produce the latest CRP, roundtable discussions were held with members of CATSA's management team, where participants were asked to review the key risks, and identify those which may affect the achievement of CATSA's objectives. Risks were calculated by determining the likelihood of occurrence and potential impact to CATSA.

RECENT EVENTS

Though various aviation security measures have been put in place since the events of 9/11, terrorists and other would-be attackers have demonstrated adaptation to these measures, selecting alternative tactics.

Moreover, increased use of coordinated armed attacks intended to cause mass casualties have included attacks on transit infrastructure (such as the attack in Mumbai in November 2008 on the Chhatrapati Shivaji Terminus).

Open source materials indicate that attackers across the world continue to view hijacking as a viable option for attacking aviation security, and have attempted to carry out such attacks, with varying degrees of success.

Each attack requires aviation security authorities to change their practices to mitigate the vulnerability exposed; it can also inspire, or inform would-be attackers, effectively changing the aviation security environment in which CATSA operates.

3.3 LEGISLATION AND REGULATION

INTRODUCTION

CATSA is subject to Part X of the *Financial Administration Act (FAA)*. As a Crown corporation, CATSA is required to:

- Maintain financial and management control and information systems, and management practices, that provide reasonable assurance that its assets are safeguarded and controlled;
- Ensure that its financial, human, and physical resources are managed economically and efficiently; and
- Ensure that its operations are carried out effectively.

SERVICE DELIVERY MODEL

In 2008, CATSA commissioned a third-party re-assessment of the service delivery model options, and it was concluded that the screening contractor model continues to be the preferred option for CATSA.

In 2010, CATSA intends to initiate a competitive process for screening contractors to replace the existing contracts.

CATSA/ TRANSPORT CANADA RELATIONS

The Government of Canada is responsible for the legislation of Government Security Policy and has mandated Transport Canada to be the regulatory body for aviation security policy and regulations. CATSA is the civil aviation security screening authority in Canada and operates aviation security programs according to its current statutory responsibilities.

THIRD-PARTY REVIEWS

CATSA underwent an OAG Special Examination of its systems and practices in 2006. Similarly, an advisory panel was appointed in November 2005 to conduct a review of CATSA's activities. The recommendations by both panels were covered in depth in the *Summary of the 2007/08 – 2011/12 Corporate Plan*.

In 2008/09, CATSA continued to make progress in implementing the recommendations from the aforementioned reviews.

3.4 ECONOMY AND GROWTH

INTERNATIONAL TRAFFIC IN 2008/09

As in the case of most other sectors, the global economic downturn in 2008 had an impact on the airline industry. Based on the monthly statistics released by the International Air Transport Association (IATA) in December 2008, international passenger traffic dropped 4.6% in the month of November 2008.² In North America, carriers saw international traffic decline by 4.8% while European carriers saw international traffic drop by 3.4%.

The 2008 economic situation has carried over into 2009. Customer confidence in businesses continues to diminish and the persisting turmoil in financial markets indicates that this trend is likely to continue.

PASSENGER FORECASTS

Transport Canada statistics show that during the last five years, total passenger volume in Canada has grown at an average annual rate of 7.3%. Due to the global economic downturn, air traffic increased more modestly at a rate of 3.5% in 2008. Transport Canada expects a decrease of 5.5% in 2009 compared to 2008, but this decline is expected to be temporary. In the short to medium term, air traffic is predicted to again increase by 1.3-5.1% annually in subsequent years. Between 2009/10 and 2013/14, an average annual growth rate of 2.5% in passenger volume is expected.

The funding announced in Budget 2009 will allow CATSA to accommodate passenger volume for 2009/10.

AIRPORT EXPANSIONS

To determine capital needs over the longer term and in consideration of the recent passenger forecasts, CATSA has consulted with airport authorities to determine possible expansion plans. Given the funding announced in Budget 2009, in 2009/10, CATSA will be in a position to support some of the planned expansions, which will entail the deployment of additional screening equipment, in addition to eventual staffing at new screening checkpoints or lanes.

² <http://www.iata.org/pressroom/pr/2008-12-30-01.htm>

4 STRATEGIC DIRECTION

4.1 INTRODUCTION TO CATSA'S FIVE-YEAR STRATEGY

DETERMINANTS OF STRATEGY

CATSA's strategic direction for the upcoming five-year planning period is formulated based on input from a variety of sources, including:

- CATSA's Corporate Risk Profile;
- Letters of guidance and expectations from the Minister of Transport, Infrastructure and Communities;
- Budget allocation for 2009 from the Federal Government;
- Inter-Agency Risk Assessment;
- CATSA's three strategic outcomes (described in chapter 2); and
- Current third-party service delivery model.

CONSIDERATIONS

Chapter 3 of this summary identified internal and external trends over the next five years that could impact CATSA's operations. A number of these trends or circumstances are of particular consideration in relation to CATSA's strategy over the five-year planning period:

- Threats are continuing to evolve;
- Other countries are making significant investments in their screening technology;
- Some of CATSA's current equipment needs to be replaced according to a life-cycle management plan in order to maintain existing service standards;
- Security requirements have increased since 2002, particularly for liquids, aerosols and gels (LAGs); and
- Passenger volumes will decline for 2009/10, and rise again in subsequent years.

ACTIVITY CATEGORIES

In response to those key considerations mentioned above CATSA has devised a strategic plan for the five-year planning period. In this chapter, the risk-based activities and initiatives that form this strategy will be grouped under the following categories:

- Equipment and technology;
- Oversight;
- Customer-focused security; and
- New activities.

4.2 IMPACT OF BUDGET 2009 ON CATSA'S PLANNING

IMPACT OF FUNDING

The one year of additional funding announced in Budget 2009 will allow CATSA to maintain existing standards of service for 2009/10, and to begin to make preliminary investments in technology and operating methods for the first year of CATSA's five-year strategic plan. Additional funding from the Government of Canada is required to fully carry-out the five-year strategic plan.

For 2009/10, CATSA's approach for delivering mandated activities will be to deliver existing passenger and baggage screening services without compromising security and to initiate a limited number of new security measures by implementing selected specific, discrete phases of work that can be completed within the fiscal year.

4.3 EQUIPMENT AND TECHNOLOGY

DESCRIPTION	CATSA's strategy with relation to equipment and technology focuses on meeting international equivalency, maintaining properly functioning equipment, planning for airport development and providing efficient, effective screening.
GROWTH	Over the planning period, CATSA will support expansions at airports across Canada. According to recent airport surveys, this will involve deploying equipment for additional PBS lanes and HBS installations over the five-year period, in addition to eventual staffing at new screening checkpoints or lanes. CATSA cannot support all planned expansions for 2009/10, as it will only be undertaking discrete phases of work that can be completed within the fiscal year.
LIFE-CYCLE MANAGEMENT	<p>Life-cycle management will take on even greater importance over the next five years. Older equipment has been discontinued, maintenance parts are becoming more difficult to find and therefore equipment needs replacement.</p> <p>The networking of screening equipment at PBS will enable CATSA to measure operational and system/equipment performance, which will help guide the organization in terms of systems re-engineering and optimization.</p>
NEW TECHNOLOGIES	<p>The planned acquisition and installation of new equipment over the five-year period will significantly enhance CATSA's current detection capabilities, and make Canada more compatible with its key international partners, given their recent technological advancements.</p> <p>In particular, the following new screening devices will be deployed in 2009/10 which will permit CATSA to address new and emerging threats:</p> <ul style="list-style-type: none">• Passenger Explosives Detection system; and• Liquids and Gels equipment.
CLOSED-CIRCUIT TELEVISION SYSTEM (CCTV)	Airports currently utilizing the CCTV system will be upgraded to the enhanced, four-camera-per-screening-lane CCTV system. CATSA will also be migrating the CCTV system to cover all aspects of its operations, and not solely pre-board screening.

4.4 OVERSIGHT

DESCRIPTION

In response to the need for tighter control measures over front line operations, CATSA has developed a five-year strategic approach to enhance system oversight at Canadian airports. The scope of the enhancement project includes:

- Three separate human resources components;
- A hardware component; and
- The enhancement of a current computer software component.

Taken together, these will improve the security, efficiency and consistency of CATSA's screening services and fulfill recommendations of the OAG and the Five-Year Review Panel for increased operational oversight and performance measurement.

OVERSIGHT OFFICERS, OPERATIONS MANAGERS, AND DUTY OFFICERS

In 2008/09, the oversight officer position was created and piloted as a means to monitor operations at the screening checkpoints.

Over the five-year period, CATSA plans to deploy additional oversight officers and operations managers at Class I airports across the country. Hiring for some of these positions can begin under approved funding levels, however, full realization of the oversight program is subject to available funding beyond 2009/10.

Increased oversight will enhance CATSA's presence at airports, and further its ability to monitor and oversee screening workforce and screening contractor performance. CATSA will be better able to ensure high standards are upheld both in terms of security performance and customer service.

The introduction of additional duty officers in 2009/10 will permit CATSA to continue to provide 24/7 coverage at the SOC to accommodate the 24-hour schedule of some airports, and the variation between Canada's many time zones.

STANDARD OPERATING PROCEDURES (SOP) VISIBILITY

In line with recommendations by both the OAG and Five-Year Review Panel, over the planning period, CATSA will develop an up-to-date format of its Standard Operating Procedures by deploying a web-based, touch-screen format accessible to screening officers directly in their work environment.

CALL AND INCIDENT DATA COLLECTION (CIDC) SYSTEM

CATSA will enhance its current CIDC application, which will help optimize the other proposed oversight enhancements by capturing details pertaining to incidents, oversight officer observations, inquiries, complaints, claims and updates. Through analysis of this data, CATSA will ensure that information remains current, accurate, comprehensive and reportable, and will develop a capacity to detect trends, with the ability to measure performance. This software will be particularly important and beneficial for the development of the oversight officer program, and will support and facilitate the incident response functions of the SOC.

4.5 CUSTOMER-FOCUSED SECURITY

DESCRIPTION

CATSA's strategy is developed to ensure that security is maintained and enhanced, and also that customer service continues to be a top priority. In order to ensure these outcomes, CATSA intends to put in place new measures to simplify and streamline the screening process, and engage the travelling public.

Through the following initiatives, CATSA aims to ensure that it provides services that are both security-focused and customer-focused:

- Continued proactive and integrated communications,
- Boarding Pass Security System (BPSS);
- Positive Passenger Identification (PPI); and
- 2010 Winter Olympic and Paralympic Games to take place in Vancouver.

PROACTIVE AND INTEGRATED COMMUNICATIONS

The primary objective of proactive communications is to reduce the number of prohibited items currently being collected at the security checkpoint in an effort to increase throughput and improve security.

CATSA's communications focus is based on social marketing – an evidence-based approach which will determine specific segments of the travelling population with which CATSA must target its communications.

A key aspect of the social marketing plan is to identify partners with whom the organization can work to get the message out to the target groups. Three partner areas have been identified: trip planning, preparing for travel, and airport arrival.

BOARDING PASS SECURITY SYSTEM (BPSS)

BPSS is a stand-alone technology that will scan boarding passes to reduce the effects of breaches, and that will gather performance measurement data on operational statistics such as wait time, throughput and traffic.

This system will validate each bar-coded boarding pass to ensure that the information contained in the barcode corresponds to a valid flight and that the same barcode has not been used previously that day. Passengers who have been selected for secondary screening by air carriers will be automatically flagged by the system as their boarding pass is scanned.

POSITIVE PASSENGER IDENTIFICATION (PPI)

PPI procedures, designed to verify a passenger's identity and confirm a positive match to the data embedded on the security features of the boarding pass, will be combined with boarding pass validation at the checkpoint to add an additional layer of security to the system.

2010 OLYMPIC AND PARALYMPIC GAMES

Over the 2010 Olympic and Paralympic Games period, CATSA will supply equipment and screening services to Vancouver-area sites to accommodate the surge in travellers, as well as the heightened risk associated with high-profile international events.

The provision of these services will require the temporary transfer of screening officers from across Canada to extend the number of hours at current screening facilities, and provide screening services at 15 newly-designated temporary facilities – for which CATSA has contracted the design and fabrication of 10 portable screening units (PSU).

After receiving the second and final year of funding for the preparation of the Olympics and Paralympics in the 2009 Budget, CATSA now has the capital required to purchase the PSUs and screening equipment, and the operating funds to augment staffing where needed.

4.6 NEW ACTIVITIES

DESCRIPTION	<p>The Government of Canada has approved the following new activities, which CATSA will initiate in 2009/10:</p> <ul style="list-style-type: none"> • Behaviour Pattern Recognition (BPR); • Development of the Critical Restricted Area (CRA); and • Screening at Fixed-Base Operations (FBO). <p>CATSA's ability to fully implement these projects will depend upon the availability of ongoing funding beyond 2009/10.</p>
BEHAVIOUR PATTERN RECOGNITION (BPR)	<p>In the current screening process, all passengers are treated equally and consistently, meaning that the focus is on searching for prohibited items. Going forward, the screening process could focus more on potentially dangerous people.</p> <p>Over the planning period, CATSA will begin to implement the BPR screening program by means of research, program design, and an initial pilot project to better assess the requirements, constraints and capabilities of a BPR program.</p>
CRITICAL RESTRICTED AREA (CRA)	<p>The Critical Restricted Area encompasses the highest risk areas in and around the air terminal building (ATB) such as the commercial apron, and sites where checked baggage is organized to be loaded onto aircraft. In 2009/10, as a preliminary stage of the CRA project, CATSA will establish a prototype at one or two priority Class I airports. Personnel will be present at all access points to screen non-passengers, on a random, continuous basis. CATSA will also screen occupants of vehicles, as well as the vehicles themselves, entering the CRA. RAIC readers will be installed at each of these access points to enable validation of the non-passenger's identity. For 2009/10, CATSA will only be undertaking discrete phases of work on the CRA that can be completed within the fiscal year.</p>
FIXED-BASE OPERATIONS (FBO)	<p>Under Transport Canada's direction, CATSA will undertake passenger and baggage screening at FBOs where significant numbers of passengers depart on large aircraft at Class I airports. In 2009/10, CATSA plans to acquire the advanced mobile screening equipment to achieve the capacity for mobile screening. Funding for 2010/11 and beyond will be required to implement security screening services using the mobile equipment. CATSA's longer-term plan, subject to additional funding, is to operate advanced mobile screening checkpoints at each Class I airport.</p>

4.7 CONCLUSION

CONCLUSION	<p>The initiatives listed in this chapter are part of the implementation plan for CATSA's corporate strategy for the five-year planning period. For 2009/10, CATSA is funded to carry out its strategy as planned, but the continued implementation of the five-year strategy will be dependent on funding for 2010/11 and onward. CATSA will seek additional funding for 2010/11 and beyond so that it may continue to deliver its mandate without causing significant delays and inconveniences to travellers, airlines, and airports, while also meeting the Government of Canada's commitments in the 2009 Federal Budget – to make improvements in CATSA's operations – including new security measures, advanced internationally-compatible screening equipment and other technology, and training for the screening officer workforce to increase security and efficiency. The new security measures that will begin in 2009/10 (i.e. BPR, CRA, FBO) will, at this time, only be undertaken in specific phases of work that can be completed within the fiscal year.</p>
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5 FINANCIAL ANALYSIS

5.1 INTRODUCTION

CATSA FUNDING SUMMARY

CATSA's ongoing reference level is \$234.4M per year. However, for most years since CATSA's creation, this amount has fallen well below its annual requirements for the provision of mandatory passenger and baggage screening services at designated airports across Canada. To address this, additional appropriations beyond the annual nominal reference level have brought CATSA's total funding in recent years to a level exceeding \$450M per year.

CATSA's total parliamentary appropriations for operating and capital expenditures for the period 2002/03 to 2008/09 can be summarized as follows:

Parliamentary Appropriations <i>(in millions of dollars)</i>	Five Year Total 2002/03-2006/07	2007/08	2008/09	Total
Operating	\$ 1,311	\$ 389	\$ 378	\$ 2,078
Capital	\$ 643	\$ 48	\$ 57	\$ 748
Total	\$ 1,954	\$ 437	\$ 435	\$ 2,826

Budget 2009 committed \$355.8M in addition to CATSA's ongoing annual reference level of \$234.4M and capital re-profile from 2008/09 of \$28.1M but does not provide additional new resources beyond 2009/10. For 2009/10, CATSA's approach for delivering our mandated activities will be to deliver existing passenger and baggage screening services without compromising security and to initiate a limited number of new security measures (namely FBOs and CRAs) by implementing selected specific, discrete phases of work that can be completed fully within the fiscal year.

The 2009/10 operating and capital financial plan presented hereafter, focuses on implementing priority investments in 2009/10 that are consistent with the February 2009 Federal Budget. The key mandate's critical success factors considered in developing the 2009/10 financial plan can be summarized as follows:

- Maintain uninterrupted, efficient screening operations, with no reduction in security value;
- Address key vulnerabilities and align security measures with risks;
- Ensure domestic and international airport interoperability by aligning Canada's security measures and technologies with those of key international partners; and
- Given the uncertainty of funding for years beyond 2009/10 fiscal year, investments will focus on those discrete project elements and phases that can be completed responsibly within the year, i.e. without carry-over of contractual and financial commitments for which resources in future years cannot be assured.

CATSA's actual expenditures for 2007/08, forecasted expenditures for 2008/09, and funding status for the planning period covering 2009/10-2013/14 can be summarized as follows:

TABLE 1
Financial Plan
Operating & Capital Plan

(in millions of dollars)

	2007/08 Actual	2008/09 Forecast	2009/10 Budget	2010/11 Planned	2011/12 Planned	2012/13 Planned	2013/14 Planned	Five Year Total 2009/10 -2013/14
Operating Expenditures	\$ 392	\$ 377	\$ 489	\$ 235	\$ 235	\$ 235	\$ 235	\$ 1,429
Capital Expenditures	48	50	124	-	-	-	-	124
Interest Revenue, Foreign Exchange Gain and Net Changes in Inventory/Prepays	(3)	(2)	5	(1)	(1)	(1)	(1)	1
Surplus	-	10	-	-	-	-	-	-
Total	\$ 437	\$ 435	\$ 618	\$ 234	\$ 234	\$ 234	\$ 234	\$ 1,554

REPORTING
ACCOUNTABILITY:
IFRS

In March 2009, the Canadian Accounting Standards Board issued an exposure draft, "Adopting IFRS in Canada, II" referencing the Public Sector Accounting Board's (PSAB) project to clarify the source of generally accepted accounting principles (GAAP) for government controlled organizations such as CATSA. Under alternatives being contemplated (although subject to change) by the PSAB, CATSA would have the option to self select either the Public Sector Accounting Handbook or International Financial Reporting Standards (IFRS) as its basis of accounting for fiscal years beginning on or after January 1, 2011. CATSA intends to report under IFRS for its fiscal year ending March 31, 2012 and will include comparative figures for 2011.

CATSA's transition plan consists of three phases: scoping, development and implementation. The scoping phase, now completed, included the establishment of a formal project governance structure. This governance structure includes a steering committee consisting of senior level management from Finance, Human Resources, Technology and Operations. In addition, a multi-disciplinary IFRS team was established which is supported by external advisors. During this phase, high level impact assessments examining the major differences between Canadian GAAP and IFRS were prepared.

The development phase included the preparation of detailed impact assessments for specific financial statement components. Each assessment outlines the potential impacts of the changeover to IFRS on accounting policies, financial reporting, business processes, information technology systems and internal controls. In addition, the assessments include a preliminary evaluation of accounting policy choices and the transition rules and practices in IFRS1, First Time Adoption of IFRS.

The implementation phase will commence in early 2009 with the goal of implementing the action items identified during the development phase. Key milestones identified in the implementation plan include the preparation of an opening IFRS balance sheet for April 1, 2010 and IFRS figures for the fiscal year ending March 31, 2011 to be used as comparatives for CATSA's first full IFRS financial statements that will be prepared for March 31, 2012.

CATSA has provided training to key employees and will continue providing periodic training throughout the transition. Regular updates on the status of the transition plan are provided to the Audit Committee of the Board of Directors.

5.2 FORECAST FOR THE 2008/09 FISCAL YEAR AND THE 2009/10–2013/14 FINANCIAL PLAN

5.2.1 OPERATING EXPENDITURES BUDGET

Table 2 summarizes the actual operating expenditures for 2007/08, operating forecast and operating budget for 2008/09, and the 2009/10–2013/14 operating budget by major expenditure category.

TABLE 2
Operating Plan by Major Expenditure Category

(in thousands of dollars)

	2007/08 Actual	2008/09 Forecast	2008/09 Corporate Plan	2009/10 Budget	2010/11 Planned	2011/12 Planned	2012/13 Planned	2013/14 Planned	Five Year Total 2009/10 - 2013/14
Operating Expenditures									
SCREENING SERVICES AND OTHER RELATED COSTS									
Payments to Screening Contractors	\$ 288,493	\$ 259,676	\$ 251,859	\$ 317,623	\$ 151,598	\$ 151,598	\$ 151,598	\$ 151,598	\$ 924,015
Training and Certification	7,959	8,207	8,554	9,558	3,466	3,466	3,466	3,466	23,422
Uniform and Other Related Costs	5,617	7,379	6,699	7,348	3,988	3,988	3,988	3,988	23,300
EQUIPMENT OPERATING AND MAINTENANCE									
Equipment Maintenance	\$ 24,963	\$ 30,711	\$ 32,684	\$ 40,852	\$ 16,528	\$ 16,528	\$ 16,528	\$ 16,528	\$ 106,964
Spare Parts and Warehousing	4,488	5,217	5,869	3,632	2,999	2,999	2,999	2,999	15,628
Consumables	1,656	2,646	2,737	3,091	2,120	2,120	2,120	2,120	11,571
RESTRICTED AREA IDENTITY CARDS (RAIC)									
Cards and Enrollment Costs	\$ 577	\$ 300	\$ 937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment and Application Maintenance	312	202	750	1,933	1,120	1,120	1,120	1,120	6,413
DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES									
Employee Costs	\$ 33,890	\$ 37,493	\$ 41,849	\$ 56,939	\$ 33,148	\$ 33,148	\$ 33,148	\$ 33,148	\$ 189,531
Professional Services	6,291	8,084	6,611	13,302	2,720	2,720	2,720	2,720	24,182
Office and Computer Expenses	2,733	2,664	2,482	2,915	2,115	2,115	2,115	2,115	11,375
Travel and Business Related Costs	2,986	3,095	3,624	11,696	2,882	2,882	2,882	2,882	23,224
Communications and Public Awareness	2,628	1,894	1,705	3,171	1,690	1,690	1,690	1,690	9,931
Other Administrative Costs	9,395	9,040	11,586	16,079	9,980	9,980	9,980	9,980	55,999
Total Operating Expenditures	\$ 391,987	\$ 376,608	\$ 377,946	\$ 488,139	\$ 234,354	\$ 234,354	\$ 234,354	\$ 234,354	\$ 1,425,555
Interest Revenue, Foreign Exchange Gain and Net Changes in Inventory/Prepays	(2,713)	(643)	-	\$ 5,621	-	-	-	-	\$ 5,621
Surplus	-	2,211	-	-	-	-	-	-	-
Total Operating Budget	\$ 389,274	\$ 378,176	\$ 377,946	\$ 493,760	\$ 234,354	\$ 234,354	\$ 234,354	\$ 234,354	\$ 1,431,176

Note: Forecast 2008/09 includes a re-allocation of \$230K from capital to operating. These expenditures were initially planned as capital; however, they have been deemed operating in nature as a result of CATSA's new capital asset policy.

5.2.2 SCREENING SERVICES AND OTHER RELATED COSTS

PAYMENTS TO SCREENING CONTRACTORS

2008/09 VARIANCE ANALYSIS

Payments to screening contractors were higher than budgeted as a result of upward pressure on screening officer wages. CATSA implemented cost cutting measures and used savings in other areas of the organization to finance the incremental budget related to payments to screening contractors to ensure compliance with all regulatory requirements.

2009/10 FINANCIAL PLAN

Payments to screening contractors include the salaries and benefits of screening officers and a fixed and variable component for screening contractors. The two key variables impacting the expense line item are billing rates and number of screening hours.

Salaries

The screening costing model has incorporated the impact of the recently signed collective agreements between the screening officers' unions and the major screening contractors engaged by CATSA. The agreements include measures for workforce stabilization as well as standard annual wage increases to address the chronically low wages in this sector and the high attrition rate. Wage harmonization for screening officers across Canada will become completely standardized by April 2010.

Screening hours

The key drivers that impact screening hours include:

- Forecast passenger traffic decrease of 5.5% for 2009/10;
- Airport expansions consistent with CATSA's one-year capital deployment plan;
- New activities including initiating the establishment of prototype CRAs at one or two of the larger Class I airports and acquiring new mobile screening buses to establish a capacity for passengers and baggage screening at FBOs;
- Customer-focused security plans including the BPSS and the PPI project; and
- 2010 Winter Olympic and Paralympic Games requiring an increase in screening officers and screening hours.

Fixed and Variable Components for Screening Contractors

Recent negotiations of contract extensions with screening contractors have resulted in an overall increase in fixed fees, management fees and performance pay costs for 2009/10.

TRAINING AND CERTIFICATION

2008/09 VARIANCE ANALYSIS

Spending was consistent with approved budget.

2009/10 FINANCIAL PLAN

The key variables impacting the training budget can be summarized as follows:

- Additional training requirements for the new technology which will be introduced in the first year of the planning period;
- Basic and advanced training for the new screening officer positions planned to address airport expansions, as well as non-passenger, and vehicle control and screening at CRA prototypes;
- Additional specialized training costs are planned in preparation for the 2010 Winter Games; and
- CATSA will develop a training framework to deploy the BPR initiative.

UNIFORMS AND OTHER RELATED COSTS

2008/09 VARIANCE ANALYSIS

Overall expenditures for uniforms and other screening-related costs were higher than planned. Facility costs were higher than anticipated as a result of unanticipated increases in the cost per square foot of leased space. Other screening-related costs were higher as a result of the new capital policy, as some items were originally budgeted as capital costs.

2009/10 FINANCIAL PLAN

Uniform costs take into consideration the increase in the number of screening officers to accommodate passenger growth, airport expansions and new activities as discussed above.

Other screening-related costs take into account the increased requirement for space at the airports to accommodate the incremental screening officers.

5.2.3 EQUIPMENT OPERATING AND MAINTENANCE

EQUIPMENT MAINTENANCE

2008/09 VARIANCE ANALYSIS

Expenditures for the fiscal year 2008/09 were lower than planned due to negotiated discounts from key maintenance contractors, performance penalties charged to some contractors not meeting targets, and lower than expected expenditures for testing and evaluation as some expenses were capitalized.

2009/10 FINANCIAL PLAN

For next year, costs for equipment maintenance take into account:

- The planned deployment of additional pieces of equipment;
- A planned increase in the maintenance per diems of a major equipment maintenance vendor;
- Training of maintenance contractors on new technology platforms;
- The implementation of performance measuring and monitoring networking systems in the airports; and
- Additional equipment for FBOs, non-passenger and vehicle access control, and CRA prototypes.

SPARE PARTS

2008/09 VARIANCE ANALYSIS

Expenditures for spare parts for 2008/09 were slightly lower than anticipated. Following an assessment of current inventory levels and anticipated requirements, unallocated funds were transferred to other technology-related priorities.

2009/10 FINANCIAL PLAN

Costs for spare parts take into account the requirement for increases in spare part kits to accommodate the planned additional pieces of equipment and new technology.

CONSUMABLES

2009/10 FINANCIAL PLAN

Next year's budget considers the planned deployment of new trace equipment which will require trace consumables.

5.2.4 RAIC

2008/09 VARIANCE ANALYSIS

Total costs were below plan due to a delay in the implementation of new RAIC technology. The implementation will take place next fiscal year.

2009/10 FINANCIAL PLAN

Since the RAIC Card inventory is sufficient to meet the needs over the next fiscal year, management is not anticipating to buy additional cards in 2009/10.

Maintenance costs take into account the deployment of Phase II of the RAIC program that will be implemented at control points for some Class I airports accessing the CRA.

5.2.5 DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES

EMPLOYEE COSTS

2008/09 VARIANCE ANALYSIS

Employee costs for 2008/09 were less than planned due to slower than anticipated staffing of oversight officers and other positions in the organization.

Employee costs, however, were partly offset by an increase in purchased labour to address peaks in workload and to secure resources for hard-to-fill jobs, and a low response rate on the Request for Proposal (RFP) for recruitment services required by CATSA.

Development costs were higher than anticipated to address Cardio Pulmonary Resuscitation (CPR) and First Aid training for regional employees and training delivered in preparation for the implementation of IFRS. Professional association fees & CATSA Academy course fees were also higher than budgeted.

2009/10 FINANCIAL PLAN

CATSA forecasts an increase in the number of FTEs to support core operations and the planned new activities. The forecast includes:

- An increase primarily in the technology branch to ensure proper project and program management, support of new capital projects and implementation of security enhancements at CRA and FBO; and
- Additional oversight officers, additional operations managers and duty officers at SOC.

PROFESSIONAL SERVICES

2008/09 VARIANCE ANALYSIS

Expenses for professional services were higher than budgeted in 2008/09. The increase was driven primarily by a higher than expected number of internal audits performed, the implementation of the personal digital assistant (PDA) policy, business process re-engineering for the finance branch, various feasibility studies and review recommendations.

2009/10 FINANCIAL PLAN

Professional services will be required to support numerous initiatives planned for next year, including: the implementation of CATSA's capital deployment plan, the development and deployment of a learning and development program in support of our capital deployment plan, and screening operations at FBOs and the 2010 Olympics.

OFFICE AND COMPUTER EXPENSES

2008/09 VARIANCE ANALYSIS

Spending was consistent with approved budget.

2009/10 FINANCIAL PLAN

Office and computer expenses consider the growth in screening activities, FTE count and additional security initiatives planned for the next year.

TRAVEL AND BUSINESS RELATED COSTS

2008/09 VARIANCE ANALYSIS

Travel and Business related costs were lower than anticipated as less travel was required to head office and within the regions and for the RAIC II project due to a delay in the application renewal.

2009/10 FINANCIAL PLAN

Planned expenditures for travel and business related costs take into account the increase in travel requirements to support the deployment of the capital plan, the oversight officer program, the 2010 Olympics and Paralympics, deployment of the standard operating procedures (SOP) in a web-based touch-screen format at the airports, implementation of the new security measures at CRA checkpoints, and the delivery of new training programs to support the deployment of the capital plan.

COMMUNICATIONS AND PUBLIC AWARENESS

2008/09 VARIANCE ANALYSIS

Spending was consistent with approved budget.

2009/10 FINANCIAL PLAN

The 2009/10 budget takes into account the development of a targeted, evidence-based communications strategy. This will include costs for media buys, electronic communications, research analysis and trade shows.

OTHER ADMINISTRATIVE COSTS

2008/09 VARIANCE ANALYSIS

Other administrative costs were lower than expected as a result of:

- Delays in staffing of oversight officers which impacted the requirement for regional facilities;
- Lower insurance costs resulting from favourable market conditions;
- Unexpected savings in network and telephony costs realized in a competitive bid process; and
- Unbudgeted interest revenue.

2009/10 FINANCIAL PLAN

Other administrative costs are budgeted to increase as a result of:

- Additional workspace and related network and telephony costs to accommodate additional FTEs, equipment and technology projects and related operational activities;
- Anticipated increases in insurance premiums; and
- Enhancements to the current Call and Incident Data Collection (CIDC) system.

5.3 CAPITAL EXPENDITURES

Table 3 summarizes the 2007/08 actual capital acquisitions, the 2008/09 forecast, the 2008/09 Corporate Plan, and the 2009/10 capital budget by major category.

The original 2008/09 capital budget of \$83.0M was adjusted for a late capital re-profile of \$2.4M from 2007/08 and a capital re-profile of \$28.1M to the 2009/10 fiscal year. The revised capital budget for 2008/09 was \$57.3M.

There is no approved capital funding for the fiscal year starting April 1, 2010. Accordingly, no financial analysis is provided for the 2010/2011 to 2013/2014 fiscal years.

TABLE 3
Capital Plan by Major Expenditure Category

(in thousands of dollars)

	2007/08 Actual	2008/09 Forecast	2008/09 Corporate Plan	2009/10 Budget	2010/11 Planned	2011/12 Planned	2012/13 Planned	2013/14 Planned	Five Year Total 2009/10 - 2013/14
Capital Expenditures									
SCREENING OPERATIONS									
EDS Equipment									
PBS equipment and installation	\$ 3,844	\$ 6,257	\$ 6,412	\$ 60,243	\$ -	\$ -	\$ -	\$ -	\$ 60,243
HBS equipment and installation	29,808	36,687	38,664	43,625	-	-	-	-	43,625
	33,652	42,944	45,076	103,868	-	-	-	-	103,868
NPS and RAIC									
NPS Equipment	1	-	-	4,357	-	-	-	-	4,357
RAIC	4,717	1,002	3,261	2,360	-	-	-	-	2,360
	4,718	1,002	3,261	6,717	-	-	-	-	6,717
	\$ 38,370	\$ 43,946	\$ 48,337	\$ 110,585	\$ -	\$ -	\$ -	\$ -	\$ 110,585
NON EDS EQUIPMENT									
Security Systems	7,189	5,168	8,344	8,948	-	-	-	-	8,948
Office furniture and equipment	2,293	800	623	4,948	-	-	-	-	4,948
	\$ 9,482	\$ 5,968	\$ 8,967	\$ 13,896	\$ -	\$ -	\$ -	\$ -	\$ 13,896
Total Capital Expenditures	\$ 47,852	\$ 49,914	\$ 57,304	\$ 124,481	\$ -	\$ -	\$ -	\$ -	\$ 124,481
Surplus	-	7,651	-	-	-	-	-	-	-
Other Items*	(173)	(490)	-	-	-	-	-	-	-
Total Capital Budget	\$ 47,679	\$ 57,075	\$ 57,304	\$ 124,481	\$ -	\$ -	\$ -	\$ -	\$ 124,481

* Includes equipment down payments applied to current year purchases.

5.3.1 EDS EQUIPMENT

2008/09 VARIANCE ANALYSIS

EDS capital expenditures were lower than planned due primarily to unforeseen events impacting CATSA's ability to finalize its 2008/09 capital deployment plan. Delays in airport expansion projects which are beyond CATSA's control contributed to projects being started in late summer and being re-profiled to the subsequent year. In addition, delays in the approval of CATSA's corporate plan impacted CATSA's ability to deploy capital projects early in the fiscal year.

- As a result of airport expansions in Calgary and Winnipeg, equipment purchases related to the Olympics, and other EDS projects, \$28.1M of the capital projects was re-profiled to 2009/10.
- An additional request for a capital re-profile of \$6.9M, relating primarily to EDS projects at the Calgary and Vancouver airports, to 2009/10 is currently pending approval.

2009/10 FINANCIAL PLAN

CATSA's total one-year capital budget is dedicated to the acquisition and deployment of EDS equipment, as 83% of forecasted capital spending will be attributed to this activity.

- The 2009/10 capital plan was envisioned under a comprehensive five-year strategy, and took into consideration which investments addressed the highest risks and could be completed by the end of 2009/10.

5.3.2 RAIC AND NPS

2008/09 VARIANCE ANALYSIS

Capital expenditures for RAIC were less than planned due to delays in the development of the upgraded software application for RAIC Phase I.

2009/10 FINANCIAL PLAN

The financial plan for RAIC and NPS take into account that CATSA will continue to deliver its current RAIC and NPS programs and will lead the development of the CRA which includes RAIC and NPS.

5.3.3 NON-EDS EQUIPMENT

2008/09 VARIANCE ANALYSIS

Non-EDS capital expenditures are lower than anticipated as some capital projects including Threat Image Protection System, Learning Management System and Corporate Management System and Practices have been delayed to next year due to some factors outside of CATSA's control or a management decision to realign certain projects.

2009/10 FINANCIAL PLAN

The capital plan for non-EDS equipment took into consideration the current operational needs as well as the security enhancement needs (Call and Incident Data Collection system (CIDC) and Standard Operating Procedures (SOP) Visibility).

GLOSSARY

Airport Authority	An operator of an airport listed in the <i>Airport Transfer (Miscellaneous Matters) Act</i>
ATB	Air Terminal Building
BPR	Behaviour Pattern Recognition: a screening methodology that uses risk-based security principles to screen passengers and identify those with malicious intent
BPSS	Boarding Pass Security System: a stand-alone technology that scans boarding passes to validate the information embedded in the bar-code
CATSA	Canadian Air Transport Security Authority
CCTV	Closed-Circuit Television System
CEO	Chief Executive Officer
CIDC	Call and Incident Data Collection system
Class I Airports	Airports with annual passenger traffic in excess of 1 million people, or with a high threat/risk potential
Class II Airports	Airports with one or more of the following characteristics: <ul style="list-style-type: none">• annual passenger traffic in excess of 200,000 people;• has a medium threat/risk potential;• is the primary airport of provincial/territorial capital; or• is a transit stop for international flights bound for Class I or II airports
CRA	Critical Restricted Area: encompasses the highest-risk areas in and around the air terminal buildings (e.g. the commercial apron and sites where checked baggage is organized to be loaded onto aircraft)
Designated Airports	The 89 airports at which CATSA is responsible for the provision of screening services according to regulations
EDS	Explosives Detection Systems: manual or automated systems used primarily to check for explosives in carry-on and checked baggage
FAA	<i>Financial Administration Act</i>
FBO	Fixed-Base Operation: facilities separate from the airport terminal building, from which many charter, corporate and government aircraft depart
FTE	Full-time Equivalent
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
IED	Improvised Explosive Device
IFRS	International Financial Reporting Standards
LAGs	Liquids, aerosols and gels

GLOSSARY

NPS	Non-Passenger Screening: the screening of selected non-passengers accessing restricted areas of airports. Non-passengers include flight crews, refuellers, caterers, aircraft groomers, maintenance and construction personnel, baggage handlers, and concession staff
OAG	Office of the Auditor General
PBS	Pre-Board Screening: the screening of passengers, their belongings and carry-on baggage
PPI	Positive Passenger Identification: procedures to verify a passenger's identify and confirm a positive match to the data embedded in the passenger's boarding pass
PSU	Portable Screening Unit
RAIC	Restricted Area Identity Card: an identification card issued to all employees authorized to enter the restricted areas of Class I and II airports
RFP	Request for Proposals
Screening Contractor	A company that has entered into a contract with CATSA for the provision of PBS, HBS and other screening services
SO	Screening Officer: An employee of the screening contractor who carries out screening services
SOC	Security Operations Centre
SOPs	Standard Operating Procedures
WTMD	Walk-Through Metal Detector
XRT	X-Ray Tutor