



Canadian Air Transport Security Authority

Summary of the

2015/16 – 2019/20 Corporate Plan
2015/16 – 2019/20 Operating Budget
2015/16 – 2019/20 Capital Budget



April 28, 2016

Summary of the 2015/16 – 2019/20 Corporate Plan, Operating and Capital Budgets

These documents are being submitted in accordance with section 125 of the Financial Administration Act (FAA) and summarize the Corporate Plan, Operating Budget, and the Capital Budget as approved on March 10, 2016.

In accordance with section 153 of the FAA, information that if published could be detrimental to the commercial interests of the Corporation has not been included. Similarly, aviation-security sensitive information has not been included in this Summary.

The French version of this Corporate Plan is provided for translation purposes only. In the case of any discrepancy, inconsistency, inaccuracy, ambiguity or contradiction between the wording of the French version and the wording of the English version of this Corporate Plan, the wording of the English version shall prevail.

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EXECUTIVE SUMMARY

In accordance with the *Canadian Air Transport Security Authority Act* (CATSA Act), CATSA is responsible for providing effective and efficient screening of persons who access aircraft or restricted areas, the property in their possession or control, and the belongings or baggage that they give to an air carrier for transport.

CATSA is an agent Crown corporation, fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport.

CATSA's mandate consists of four areas of aviation security:

- Pre-Board Screening (PBS): the screening of passengers and their belongings prior to their entry into the secure area of an air terminal building;
- Hold Baggage Screening (HBS): the screening of passengers checked (or hold) baggage to prevent the boarding of prohibited items;
- Non-Passenger Screening (NPS): the random screening of non-passengers accessing restricted areas at the highest risk airports; and
- Restricted Access Identity Card (RAIC): the program which uses iris and fingerprint biometric identifiers to allow non-passengers access to the restricted areas of airports.

This Plan is a comprehensive five-year outlook that identifies how CATSA will meet its obligations as described in legislation. The following key challenges have been identified over the planning period:

Growing Passenger Volumes and Increasing Wait Times

In 2010/11, CATSA screened approximately 47.7 million passengers at designated airports. By the end of 2015/16, CATSA is forecast to screen 55.9 million passengers. By 2019/20, passenger volumes are expected to reach approximately 62.8 million.

Given the increases in billing rates and anticipated passenger growth, the funding provided in Budget 2010 did not allow CATSA to maintain the service level it achieved in previous years, despite significant screening efficiency improvements.

In 2014/15, CATSA worked with Transport Canada on funding options to mitigate these impacts. Subsequently, the Government of Canada approved one-year funding of \$26.8M. This will allow CATSA to deliver a service level of approximately 88% of passengers screened in 15 minutes or less on average at Class I airports. This funding is for 2015/16 and after this fiscal year, CATSA's reference levels will revert to what was set out in Budget 2010¹.

Given its current reference levels and expected passenger growth and billing rate increases, CATSA's PBS Wait Time Impact Model is forecasting longer passenger wait times in 2016/17 reflecting CATSA's declining purchasing power starting in 2016/17.

CATSA will continue working with Transport Canada on mitigating these impacts.

Cost Recovery

In October 2014, with Transport Canada's support, CATSA entered into a Supplemental Screening Trial Agreement with the Greater Toronto Airports Authority (GTAA) which allowed the GTAA to purchase additional screening services in the form of supplemental screening lines staffed with four screening

¹ Note that, subsequent to the approval of CATSA's 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

officers using available, unfunded screening capacity. CATSA's primary objectives for this trial are to assess the impact on wait time service levels, administrative requirements and operations.

The trial was scheduled to be completed on March 31, 2015. The GTAA has expressed a desire to continue purchasing additional screening hours. Transport Canada has given its support of the trial extension until March 31, 2016. CATSA will work with the GTAA on the extension of the Supplemental Screening Trial Agreement.

On July 28, 2015, the Government of Canada announced new regulations to allow airports that do not have access to security screening services from CATSA to obtain them on a cost-recovery basis. The new regulations allow smaller, non-designated airports to invest in screening services in order to provide passengers with connecting flights to larger airports, while enhancing the security of the aviation system in Canada. CATSA continues to work with TC in creating a feasible solution for implementing cost recovery at these airports.

Deficit Reduction Action Plan (DRAP) Savings Proposals

As part of DRAP, CATSA worked with Transport Canada on new proposals and identified further cost reductions of \$19.2M annually in operating expenditures which include savings from workforce adjustment.

In July 2015, CATSA received approval from the Government of Canada to proceed with the implementation of these proposals. The cost reductions will be implemented in a phased-in approach, with approximately \$12.6M in 2015/16 and the full amount of \$19.2M starting in 2016/17 and ongoing.

Once fully implemented, this reduction coupled with an earlier \$73.3M annual reduction brings the total reduction to \$92.5M annually. These changes do not impact CATSA's front-line security mandate.

Security Effectiveness

Security is CATSA's top priority. CATSA closely monitors its security effectiveness performance in relation to other metrics such as wait times and throughput.

Office of the Auditor General (OAG) Special Examination

The Office of the Auditor General Special Examination began in 2013/14 and was completed in 2015/16. The OAG recognized significant improvement since the last Special Examination in 2006. It concludes that CATSA provides reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. The final report was presented to the Board of Directors in June 2015. CATSA is on track to meeting the recommendations with its action plan, with an expected completion date of March 31, 2017.

CATSA STRATEGIC PLANNING FRAMEWORK

<p>CATSA Mandate</p>	<p>In accordance with the <i>Canadian Air Transport Security Authority Act (CATSA Act)</i>, CATSA is responsible for providing effective and efficient screening of persons who access aircraft or restricted areas, the property in their possession or control, and the belongings or baggage that they give to an air carrier for transport. CATSA's goal is to provide a professional, effective and consistent level of security screening across the country, in accordance with the standards set by Transport Canada.</p>
<p>Vision</p>	<p>CATSA's vision is to excel in air transport security. We will achieve our vision through:</p> <ul style="list-style-type: none"> • Our service: We provide the best possible passenger experience and deliver value to Canadians with an optimal use of our resources; • Our people: We are engaged, committed and succeed through teamwork; and • Our partnerships: We work in collaboration with partners to generate mutual benefits and improvements.
<p>Strategic Goals (2015/16-2019/20)</p>	<ul style="list-style-type: none"> ◆ <i>Delivering effective, efficient and consistent security screening services</i> ◆ <i>Deploying Screening Technologies that employ the best industry practices</i> ◆ <i>Organizational Re-design</i> ◆ <i>Maintaining trust and confidence</i>
<p>Activities / Initiatives</p>	<ul style="list-style-type: none"> ◆ <i>Delivering effective, efficient and consistent security screening services</i> <ul style="list-style-type: none"> ◆ Security screening effectiveness ◆ Driving checkpoint efficiency ◆ Continued deployment of enhanced non-passenger screening ◆ <i>Deploying Screening Technologies that employ the best industry practices</i> <ul style="list-style-type: none"> ◆ HBS Recapitalization ◆ Technology for Evolving Threats ◆ <i>Organizational Re-design</i> <ul style="list-style-type: none"> ◆ Strategic Operating Review ◆ <i>Maintaining trust and confidence</i> <ul style="list-style-type: none"> ◆ Cost Recovery ◆ Airport Screening Services Agreements (ASSA) Renewal ◆ Office of the Auditor General (OAG) Special Examination ◆ Maintaining excellent stakeholder relationships
<p>Monitoring</p>	<ul style="list-style-type: none"> ◆ Performance metrics will be monitored through the Corporate Dashboard ◆ CATSA will prepare an annual review of initiatives. ◆ Non-sensitive information will be publicly reported in CATSA's Annual Report

1.0 CORPORATE PROFILE

In accordance with the *Canadian Air Transport Security Authority Act* (CATSA Act), CATSA is responsible for providing effective and efficient screening of persons who access aircraft or restricted areas, the property in their possession or control, and the belongings or baggage that they give to an air carrier for transport. CATSA's goal is to provide a professional, effective and consistent level of security screening across the country, in accordance with the standards set by Transport Canada.

CATSA is an agent Crown corporation, fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. Supported by screening contractors and their screening officer workforce, CATSA's mandated operations are expected to screen 55.9 million passengers and their belongings in 2015/16.

This Plan is a comprehensive five-year outlook that identifies how CATSA will meet its obligations as described in legislation. It has been updated from the 2014/15-2018/19 Corporate Plan to reflect changes in plans and priorities, as well as to meet requirements as set out by the Treasury Board of Canada Secretariat (TBS). The activities outlined in this document have been refined based on direction received by CATSA's senior management and Board of Directors. This 5-year plan is based on current conditions, which may evolve over time, given the complex operating and regulatory environment that CATSA works within. Accordingly, CATSA will adapt its strategy to the changing conditions.

1.1 MANDATE AND RESPONSIBILITIES

CATSA's mandate consists of four areas of aviation security:

- PBS: the screening of passengers and their belongings prior to their entry into the secure area of an air terminal building;
- HBS: the screening of passengers checked (or hold) baggage to prevent the boarding of prohibited items;
- NPS: the random screening of non-passengers accessing restricted areas at the highest risk airports; and
- RAIC: the program which uses iris and fingerprint biometric identifiers to allow non-passengers access to the restricted areas of airports.

In addition to its mandated activities, CATSA has an agreement with Transport Canada to conduct screening of cargo at smaller airports. This program was designed to screen limited amounts of cargo during off-peak periods and involves using existing technology and resources.

For more information, please consult the [What We Do](#) section of CATSA's website, or the most recent [Annual Report](#).

1.2 MISSION AND VISION

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

CATSA's vision is to excel in air transport security. We will achieve our vision through:

- Our service: We provide the best possible passenger experience and deliver value to Canadians with an optimal use of our resources;
- Our people: We are engaged, committed and succeed through teamwork; and
- Our partnerships: We work in collaboration with partners to generate mutual benefits and improvements.

1.3 LEGISLATIVE AND REGULATORY FRAMEWORK

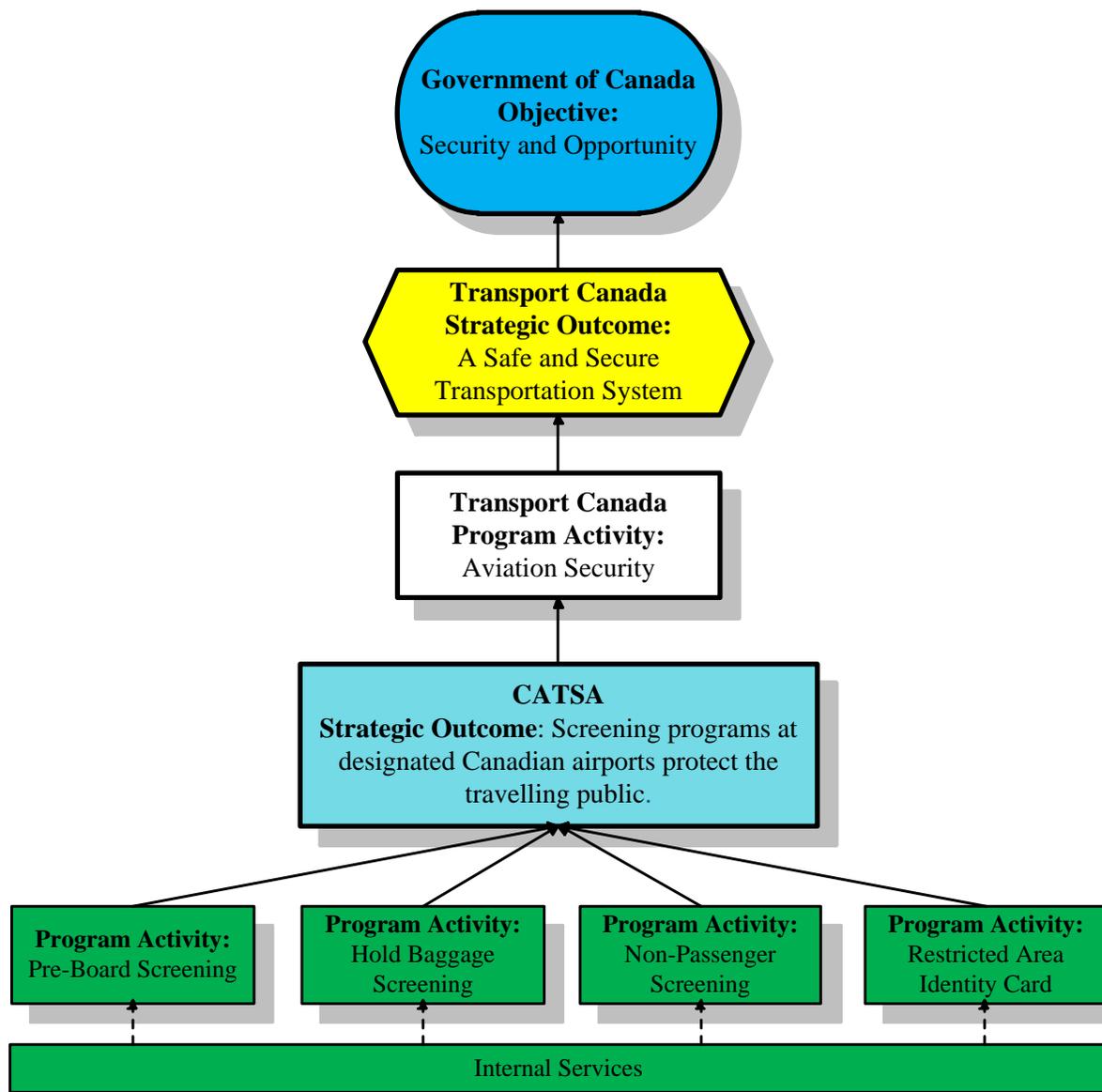
Responsibility for civil aviation security in Canada is shared among several federal government departments and agencies, as well as air carriers and airport operators. CATSA, as the civil aviation security screening authority for Canada, is regulated by Transport Canada; Canada's designated national civil aviation security authority, pursuant to the standards established by the International Civil Aviation Organization (ICAO).

CATSA is subject to domestic legislation, regulations and procedures in the way that it conducts business and screening, as demonstrated below:

Legislation/Regulations /Procedures	Application to CATSA
CATSA Act	<ul style="list-style-type: none"> • Establishes the role of CATSA to conduct the screening of passengers (and their belongings) that access aircraft or restricted areas at airports listed in the <i>CATSA Aerodrome Designation Regulations</i>. • Specifies CATSA's role in ensuring consistent delivery of service across the country and acting in the interest of the general and travelling public.
<i>The Financial Administration Act</i> (FAA), Part X	<ul style="list-style-type: none"> • Provides the control and accountability framework for parent Crown corporations and their subsidiaries.
<i>The 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.
Canadian Aviation Security Regulations	<ul style="list-style-type: none"> • Contain requirements of general application to CATSA, aerodrome operators, air carriers and the general public. • Define such aspects as: the screening of persons, goods, things and vehicles; the control of access to restricted areas; and, the response to threats against aircraft or a flight.
Screening Security Measures	<ul style="list-style-type: none"> • Contain confidential requirements for screening persons, their personal belongings and their baggage.
Standard Operating Procedures (SOPs)	<ul style="list-style-type: none"> • Guide screening officers in the performance of their duties.

1.4 PROGRAM ACTIVITY ARCHITECTURE (PAA)

In accordance with the TBS Policy on Management, Resources and Results Structures, CATSA's PAA and Strategic Outcome are aligned with the Government of Canada's Strategic Outcome of a "Security and Opportunity," in addition to Transport Canada's Strategic Outcome of a "Safe and Secure Transportation System." CATSA's PAA is presented in the illustration below.²



CATSA's PAA allows the organization to continue refining its planning and reporting processes, as well as its performance measurement framework in order to continually improve its operations to attain its strategic outcome.

² Please note that CATSA refers to Internal Services as Corporate Services.

1.5 GOVERNANCE

Accountability Relationships

In accordance with the CATSA Act, CATSA is structured as an agent Crown corporation with a Board of Directors appointed by the Governor in Council on the recommendation of the Minister of Transport. CATSA reports to Parliament through the Minister of Transport, and works with Transport Canada to ensure regulatory compliance.

Board of Directors

The Board is chaired by Lloyd McCoomb, who was appointed for a four-year term in October 2012. The Board is composed of 11 members – one Chair and 10 Directors. There are four positions for industry nominees; two must be nominated by representatives of the airline industry and two must be nominated by representatives of airport operators. All Directors are independent of management.

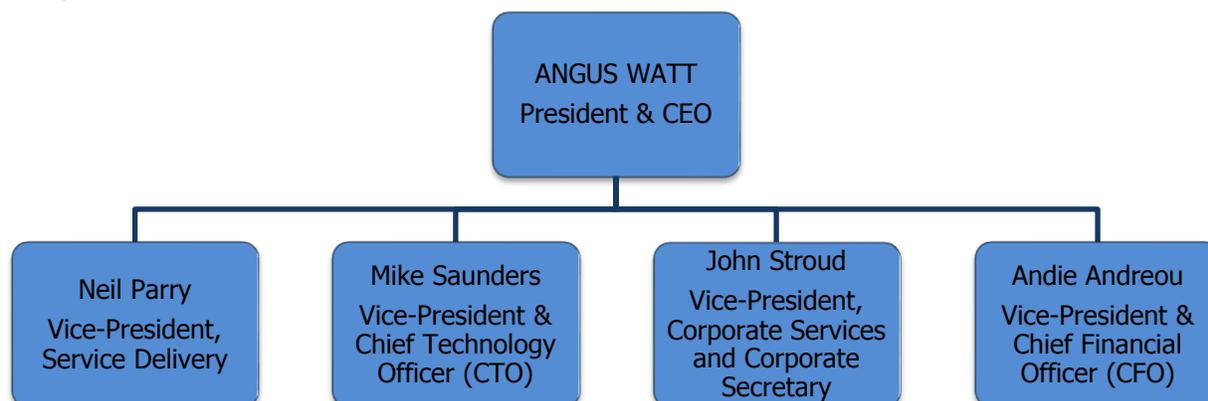
The Board of Directors has a number of ongoing responsibilities, including the following :

- Drafting, amending or repealing corporate by-laws (*Financial Administration Act*, s.114);
- Approving CATSA's Corporate Plan for recommendation to the Minister;
- Monitoring corporate performance;
- Approving the President and CEO's objectives for the year and evaluating his/her Performance (CATSA Act s.17);
- Ensuring the principal risks of CATSA's business are identified and that appropriate Systems to manage these risks have been implemented; and
- Reviewing and approving management's succession plan for senior management.

For more information on CATSA's Board of Directors, please refer to the [Board of Directors](#) section of CATSA's website.

CATSA's Senior Management Team

CATSA is led by the President and Chief Executive Officer (CEO), Angus Watt, and supported by a Senior Management team, as shown below:³



³ On May 4, 2015, CATSA reduced its number of vice-presidents from five to four. The responsibilities of the former Vice-President, Legal & Corporate Secretary have been re-allocated to the vice presidents of the remaining branches.

For CATSA's Senior Management team profiles, please visit the [Executive Team](#) section of CATSA's website.

1.6 THIRD-PARTY SCREENING MODEL

CATSA operates under a third-party business model. It realizes its mandate by contracting the delivery of screening services to private screening contractors. These contractors are responsible for employing the screening workforce and performing screening operations at designated airports in Canada.

Since November 1, 2011, the following companies are responsible for delivering screening services at designated airports in Canada:

- Pacific Region: G4S Secure Solutions (Canada) Ltd.;
- Prairies Region: Garda Security Screening Inc.;
- Central Region: Garda Security Screening Inc.; and
- East Region: Securitas Transport Aviation Security Ltd.

These five-year performance-based contracts gave the organization the opportunity to improve airport screening management and to deliver more efficient, effective and consistent screening services that better balance high levels of security and excellence in customer service.

The current Airport Screening Services Agreements (ASSAs) will be up for renewal as of March 31, 2017. Further details on ASSA Renewal are discussed in Chapters 2 and 3.

1.7 CATSA PERSONNEL, ROLES AND RESPONSIBILITIES

In 2015/16, the organization employs approximately 430 indeterminate employees, including five executives – one CEO and four Vice-Presidents, all of which are non-unionized. Of this total, approximately 150 positions exist in the regions, and approximately 280 positions are located at its headquarters in the National Capital Region.

Compensation Strategy

CATSA offers a package of group benefits to its employees, which include health, dental, and disability insurance plans. CATSA recognizes the importance of workplace well-being as an important factor in both the recruitment and retention of employees. As the group benefit plan sponsor, CATSA is responsible for establishing and modifying the plans and developing policy. It also sets the terms and conditions relating to eligibility, premiums, contributions, and benefits. Its benefit plan is administered by Sun Life Financial Canada. In addition to a comprehensive benefits and compensation strategy, CATSA has a host of human resources policies and programs designed to support its workforce as they work to meet CATSA's mandate from government. Some of these key policies are outlined below.

Pension Plans

As announced in Budget 2013, the Government of Canada committed to aligning the pension plans of Crown corporations with key features of the *Public Service Superannuation Act* (PSSA). In support of this commitment, CATSA reviewed the cost-sharing principles for its pension plan, aligning employee contribution rates with those of public servants under the PSSA pension plan. With this approach, CATSA employees will have contributions that match those of public servants for a pension plan that closely aligns the PSSA plan.

CATSA will have fully implemented pension reform by 2017. By this time, based on a projection prepared in September 2013, CATSA will have a 52:48 employer/employee contribution rate. The cost sharing ratio is subject to change based on updated actuarial assumptions and new guidance from the Canadian Institute of Actuaries.

CATSA closed its defined benefit plan to new members as of June 30, 2013. Given the circumstances around the closing of its defined benefit plan, CATSA believes its approach to achieving equitable cost sharing is fair and reasonable. As a result, CATSA will seek an exemption from the Pension Plan Directives as they related to 50:50 cost sharing for the Defined Benefit Plan on the basis that compliance would be unfair to plan members.

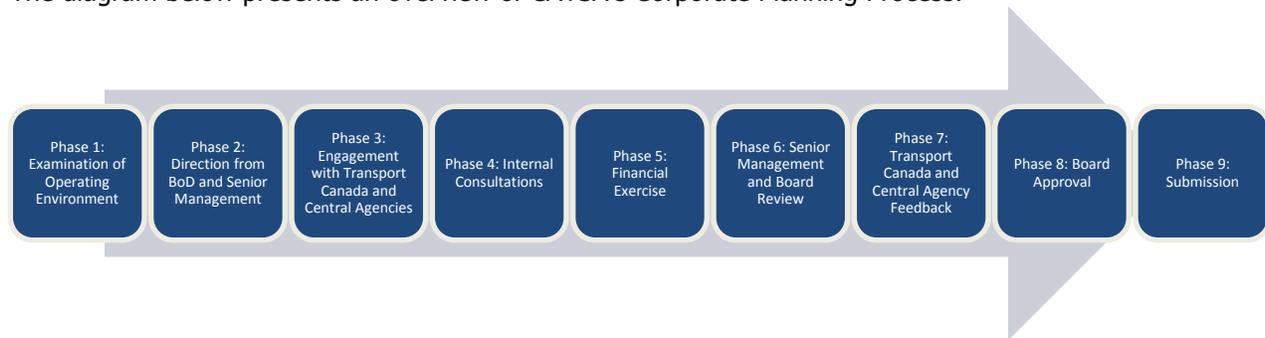
2.0 OPERATING ENVIRONMENT

CATSA is a security organization mandated by the CATSA Act to operate screening programs that are effective, efficient, consistent, and in the public interest. Each year, in order to successfully execute its mandate and as part of its annual strategic planning process, CATSA analyzes its complex operating environment and identifies key issues, opportunities and challenges that could impact the organization over the planning period.

As part of the ongoing assessment of its operating environment, CATSA's management also regularly reviews the organization's operational performance and key risks to inform decision making in the short and long term, including the strategic direction CATSA will take over the next five years.

2.1 CORPORATE PLANNING PROCESS

The diagram below presents an overview of CATSA's Corporate Planning Process.



To start the Corporate Plan process, CATSA examines previous year's performance metrics, performs its annual environmental scan for strengths, weaknesses, opportunities, and challenges, and updates the Corporate Risk profile. The findings of the operating environment review are used to produce a starting point for the Board of Directors discussion in order to define key strategic goals. Once this discussion has taken place, the Senior Management Committee establishes the priorities, or key activities, for the planning period.

Next, CATSA meets with Transport Canada, the Treasury Board of Canada Secretariat and the Department of Finance to present the general strategy, and to collaborate on the approach and timelines. CATSA also seeks input from Transport Canada for direction on policy issues impacting its operations. During this same timeframe, CATSA conducts meetings with each Branch to seek input on how strategic initiatives will be conducted, and what success looks like. Internal discussions are held to identify strategic projects and performance indicators are developed for each identified initiative.

In phase 5, CATSA's Finance team engages each branch to define budget requirements for the upcoming fiscal year and prepares the five-year financial plan. Branch budgets are aligned with strategic management discussions and the results of the budgeting exercise are incorporated into the financial analysis chapter of the Corporate Plan.

CATSA's Senior Management Committee reviews the draft Corporate Plan before it is sent to the Board of Directors and Transport Canada for review. Following Transport Canada's review, a revised version of the draft Corporate Plan is provided to Central Agencies. Once the Central Agencies have had the opportunity to provide feedback, CATSA's Board of Directors approves the final Corporate Plan, and the organization then submits it to the Minister of Transport so that it can be submitted for Treasury Board approval with a recommendation that it be approved by the Governor in Council.

2.2 PERFORMANCE MEASUREMENT

Performance data on CATSA’s operations is gathered on a quarterly basis and presented to management and the Board of Directors through the Corporate Performance Dashboard. The dashboard serves as a management tool in setting the corporation’s strategic direction, in managing the tactical oversight of its front-line operations and in identifying and addressing performance issues as they arise.

This section presents an analysis of the key variables that management and the Board of Directors focus on each quarter to make decisions. Management and the Board of Directors pay particular attention to measures of effectiveness, as security is CATSA’s top priority.

Security Effectiveness

CATSA’s security effectiveness is measured by the ability of screening officers to identify and prevent threat items from entering the sterile area, while consistently applying standard operating procedures (SOPs) to ensure the integrity of security procedures. Given the sensitivity of this performance category, its associated results cannot be included in a public document.

Pre-Board Screening Wait Time Service Level

CATSA’s Pre-Board Screening (PBS) Wait Time Service Level (WTSL) is the percentage of passengers who waited less than a specified number of minutes to be screened at Class I airports.

CATSA does not have a government mandated service level standard for passenger wait times. However, to ensure CATSA’s resources are allocated in an efficient and consistent manner, wait time thresholds are used as a planning tool. In 2012/13, CATSA was able to screen 96% of passengers waiting 15 minutes or less. CATSA’s purchasing power for screening hours decreased in 2014/15 over its 2013/14 and 2012/13 levels due to increasing screening contractor billing rates. Coupled with rising passenger volumes, this resulted in passenger wait times increasing in 2014/15.

Passenger Wait Time	Q1 FY13/14	Q2 FY13/14	Q3 FY13/14	Q4 FY13/14	Q1 FY14/15	Q2 FY14/15	Q3 FY14/15	Q4 FY14/15
% < 15 mins	96.8	92.3	89.1	87.9	86.5	86.9	86.2	85.9
% ≥ 15 mins	3.2	7.7	10.9	12.1	13.5	13.1	13.8	14.1
# ≥ 15 mins (Class I only)	341,004	928,366	1,153,126	1,234,545	1,451,643	1,592,678	1,879,292	1,974,219

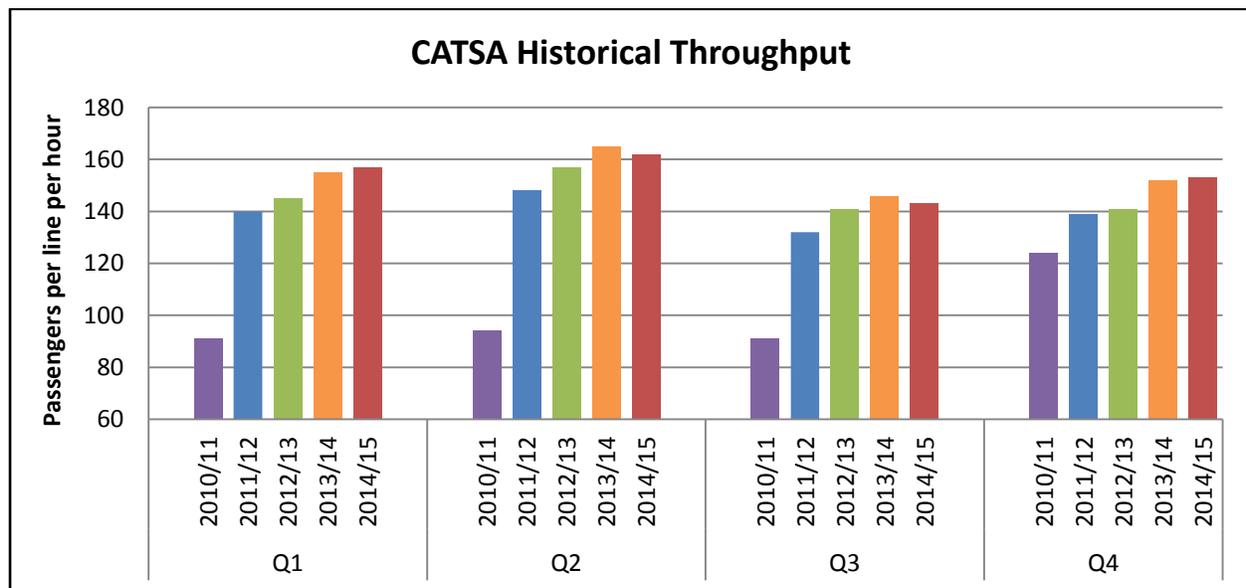
CATSA Passenger Throughput

Passenger throughput has been one of the primary PBS efficiency metrics for CATSA over the past ten years. This metric can be defined as the average of highest counts of persons screened at a screening line per hour when the line is busy. While the definition of passenger throughput generally remains consistent across international jurisdictions, there are significant differences in how this value is calculated.

CATSA’s throughput levels have increased significantly since the 2010 CATSA Review, as can be witnessed in the throughput increase from Q3 to Q4 2010/11 on the next page. Several operational trials for the evaluation of new processes, technologies and tools were developed and introduced to enhance screening operations.

Gains in efficiencies through process improvements and regulatory changes have allowed CATSA to substantially increase the number of passengers processed per hour. However, after successive

operational and organizational reviews, further meaningful gains in efficiency sufficient to offset the growing pressures are likely no longer feasible. Nonetheless, CATSA continues to constantly strive to improve every aspect of its operations.



Traffic seasonality's impact on CATSA's throughput is significant. Higher traffic volumes recorded during each summer period (Q2) combined with the reduction in the number of X-ray images due to reduced layers of clothing (e.g., coats, jackets), tend to increase throughput during the second quarter.

Efficiency

Operational efficiency is determined by how many passengers can be screened with every dollar paid to CATSA's screening contractors. With everything else being equal, the lower the per-unit cost of screening passengers, the more efficient CATSA's screening activities are.

There is an overall 1.44% decrease in Screening Contractor Payments per passenger from the fourth quarter of 2013/14 to the fourth quarter of 2014/15, which can be mainly attributed to CATSA's reduced purchase of screening hours, coupled with rising passenger volumes. However, this reduction has been achieved at the expense of longer passenger wait times.

As part of CATSA's efforts to support PBS and mitigate pressures on wait times, the organization has looked into other mandated activities for possible efficiencies and reallocated these savings to PBS.

Passenger Feedback

CATSA is committed to improving the customer experience at screening checkpoints and continues to emphasize that excellence in security can be enhanced by passenger facilitation. CATSA regularly collects feedback from passengers using on-site random intercept surveys at Class I airports. Recent passenger satisfaction results are at or very near CATSA's high targets.

The level of confidence passengers have in security screening continues to remain steady and is currently at 74%. CATSA has been able to maintain a satisfaction level of approximately 82% over the reporting period.

As CATSA's wait times increase, passenger satisfaction decreases and complaints increase. In order to reduce passenger complaints, CATSA tracks the nature of complaints and issues policy and procedure clarifications to screening officers when the organization notices reoccurring situations. On an individual level, complaints regarding screening officer conduct are addressed through a formal performance management process where specific events and incidents, including unprofessional conduct are discussed and remediation measures are put in place.

Enhanced Non-Passenger Screening for 2014/15

In accordance with Transport Canada requirements, CATSA must screen non-passengers accessing restricted areas of airports. These people include flight and cabin crews, airline customer service personnel, baggage handlers, vendors and other airport employees. In 2013, CATSA enhanced its non-passenger screening activities to acknowledge more stringent Transport Canada requirements stemming from its international obligations. In 2014/15, CATSA continued refining the application of these activities to recognize specific airport operations and configurations as well as enhancing a screening program for vehicles entering restricted areas of the aerodrome at select airports.

2.3 ENVIRONMENTAL SCAN

This year’s Corporate Plan will be influenced by CATSA’s current challenges and the period of uncertainty the Corporation faces:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good stakeholder relationships • Existing innovation capacity 	<ul style="list-style-type: none"> • CATSA’s reference levels
Opportunities	Challenges
<ul style="list-style-type: none"> • Hold Baggage Screening Recapitalization • Airport Screening Services Agreement Renewal • Continued exploration of policy options to resolve wait-time issues 	<ul style="list-style-type: none"> • Passenger volumes • Screening contractor billing rates • Increasing passenger wait times • Cost recovery • CATSA’s Deficit Reduction Action Plan Proposals

Strengths

Stakeholder Relationships

The environment in which CATSA operates is highly integrated, with many different entities – airport authorities, air carriers, law enforcement agencies – assigned to specific security responsibilities. From the scheduling of flights, passenger check-in, screening of passengers and baggage, baggage handling, loading of checked baggage, or to boarding of aircraft, all of these processes must operate smoothly and seamlessly to ensure the effective and efficient movement of people and goods. This integration requires a high degree of communication and coordination between CATSA and its security partners to not only ensure the effective and efficient screening of passengers and baggage, but to ensure the continuous movement of the system. Delays at one airport can have ripple effects across the entire system.

CATSA recognizes that its relationships with these partners are critical to the overall performance and success of the aviation industry and in the day-to-day success in delivering its mandate. In addition, the organization’s governing legislation (the CATSA Act) requires screening to be effective, efficient, consistent and in the public interest. As a result, in overseeing its operations, CATSA is committed to maintaining collaborative working and strategic relationships with industry partners by:

- working to staff its PBS checkpoints to match passenger volumes;
- sharing information, including operational data, with all major airports; and
- enhancing emergency protocols and contingency plans; and
- engaging on additional measures for enhanced NPS in Canada.

Starting in 2013, CATSA began its Strategic Relationship Management Program as a way to enrich the organization’s relationships and success with stakeholders. An integrated approach was created to ensure consistent messaging and knowledge and information sharing throughout the organization.

The most notable aspect of CATSA’s relationships with stakeholders is how it collaborates with screening contractors and airport authorities to ensure the most effective use of available resources. CATSA uses Boarding Pass Security System (BPSS) data, as well as historical passenger volumes and peak times, combined with throughput capabilities to collaboratively plan screening hours with the screening

contractors and airport authorities. Tools and procedures are routinely reviewed, adjusted, and documented, with an overall outcome of optimized screening contractor scheduling.

Innovation Capacity

As security is CATSA's top priority, the organization continuously invests in trials in an effort to identify ways to improve the organization's screening effectiveness and efficiency performance through the Security Screening Process Improvements (SSPI) initiative. In 2014/15, CATSA was able to trial the six following initiatives:

1. Checkpoint Optimization Project

As part of its ongoing commitment to maximize the efficiency and effectiveness of its operations, CATSA conducted a trial for a new checkpoint design at the Vancouver International Airport in 2014. The project sought to optimize a PBS checkpoint through the deployment of security screening process improvements and proven technology, with the goal of integrating all successful concepts and initiatives into a single checkpoint in order to evaluate how they perform as a system. The project also examined what combination of these processes and technologies would allow CATSA to maximize its efficiency and effectiveness. The initial phase included Manual Split Lanes, in-feed roller tables, Shared Entry Access, and standardization of screening lines.

Overall, the trial was deemed a success. The trial brought together many previously-trialed initiatives and positively impacted throughput, especially during the summer peak period, while using fewer resources on the line (i.e. deployed elsewhere at the checkpoint).

2. Queue Management System (QMS);

The Queue Management System (QMS) trial is an SSPI project intended to enhance PBS efficiency without negatively impacting security effectiveness or customer service. It builds upon previous CATSA trials to bring together multiple concepts into a system which can be measured and assessed. This concept will attempt to improve efficiencies via automation of screening officer tasks thereby permitting re-allocation of screening officers to value-added screening functions.

The preparation for the trial began at the Edmonton International Airport in Q3 2014/15 with the installation of tracking sensors and eGates at PBS to automate: collection of wait time data, access to the queue, boarding pass validation, and line entry access. With this concept, passengers will self-scan their boarding pass at the eGate, which will allow them entry into the queuing area, while tracking sensors in the ceiling will monitor wait times and queue lengths.

The trial went live in February 2015. Preliminary results are promising with what appears to be a high level of acceptance from passengers and screening officers. CATSA will continue to closely monitor and manage performance.

3. Harmonized Trusted Traveller (HTT);

During 2014, CATSA completed the Harmonized Trusted Traveller trial at the Toronto Pearson International Airport, and opened new HTT lines at Vancouver, Montreal, Calgary and Toronto (Terminals 1 and 3) thereby achieving the *Beyond the Border* Trusted Traveller program objectives while facilitating passenger flow. Such lanes are similar but not identical to U.S. TSA Pre✓™ lanes.

Harmonization introduces new screening procedures that provide passengers with tangible benefits and further promotes risk based screening. Program scope has expanded to include new Trusted Traveller groups (i.e. Global Entry, US and CA military, and air crew). Passenger feedback has been very positive due to enhanced convenience (e.g. passengers are not required to remove their shoes or overcoats).

For the next fiscal year, assessments for installation at Domestic and International checkpoints are in progress.

4. Remote Screening

On September 22, 2014, CATSA began its six month Remote Screening trial at the Ottawa Macdonald-Cartier International Airport with a goal of further optimizing screening effectiveness. Remote screening uses networking capabilities to locate a group of X-ray operators within a separately located operator room, thereby allowing for better load-balancing.

The trial demonstrated that a remote screening system can be successfully deployed at a PBS checkpoint for live screening.

5. X-Ray Time Limit Trial

As part of SSPI, CATSA's X-Ray Time Limit Trial is intended to address part of the bottleneck at the x-ray within the PBS process. The concept is to provide x-ray operators with a time limit for analyzing an image. If a decision to clear the item cannot be taken within the time limit, the item is sent to a bag search officer for further analysis. This concept was conducted on screening lines equipped with a Manual Split Lane as it provides additional space at the back to take items out of the primary stream and allow cleared bags to flow. This way, bags requiring additional search are taken off the primary lane, and passenger flow is facilitated.

CATSA has tested various time limits to determine the optimal level which permits improved flow through the line while not overloading the search area. The trial ended in February 2015. Results are being analyzed and decisions for moving forward will occur in the coming months.

6. Greater Toronto Airports Authority (GTAA) Supplemental Screening Trial Agreement

In October 2014, under Transport Canada's direction, CATSA entered into a Supplemental Screening Trial Agreement with the Greater Toronto Airports Authority (GTAA) which allowed the GTAA to purchase supplementary screening lines from CATSA.

GTAA can purchase additional screening services in the form of supplemental screening lines. The GTAA-funded screening lines would be over and above CATSA's allocation, and no hiring of additional SOs would be required. CATSA's primary objectives for this trial are to assess the effect on wait time service levels, administrative requirements and operations.

The trial was scheduled to be completed on March 31, 2015. The GTAA is generally pleased to date and has expressed a desire to continue purchasing additional screening hours. Transport Canada has given its support of the trial extension until March 31, 2016. CATSA will work with the GTAA on the extension of the Supplemental Screening Trial Agreement.

Many of these initiatives have been successful; other trials will continue to undergo further testing to refine operational procedures. Overall, the majority of CATSA's trials are leading to process improvements and are being considered for national implementation, where feasible.

Over the planning period, trials will continue to be identified and implemented where possible. If trials are deemed successful, there is potential to incorporate them into CATSA's operations.

More information regarding CATSA's planned pilots and trials can be seen in chapter 3.

Weaknesses

Reference Levels

Since Budget 2010, CATSA has not been funded to fully address increases in screening contractor billing rates and rising passenger volumes. As a result, its ability to purchase screening hours has declined.

In 2014/15, CATSA worked with Transport Canada on funding options to mitigate these impacts. Subsequently, the Government of Canada approved one-year funding of \$26.8M. This will allow CATSA to deliver a service level of approximately 88% of passengers screened in 15 minutes or less on average at Class I airports.

Recognizing that, at the present time, there is no government set service level, CATSA will operate within its approved reference levels and will continue to meet its security mandate. However, as evidenced in section 2.2, passenger wait times have increased since 2013/14, and in the absence of additional funding past 2015/16, passengers will continue to wait longer to be screened. CATSA will continue to work with Transport Canada to address its long-term funding requirements for fiscal year 2016/17 and beyond⁴.

Details regarding increasing passenger wait times are found in the “Challenges” section.

Opportunities

Hold Baggage Screening Recapitalization

As announced in Budget 2011, CATSA was allocated capital funding that enabled it to begin a ten-year HBS life-cycle management program through the deployment of CT technology while maintaining equivalency with key international partners. The HBS Recapitalization program ensures that CATSA migrates from a five level screening process to a three level process while introducing efficiencies and eliminates the need to re-screen checked baggage arriving from Canada, thereby streamlining the process for passengers connecting through a U.S. hub.

As CATSA nears the halfway point of this large-scale project, implementation is well underway. Initial deployments focused on Canadian airports with U.S. pre-clearance facilities in order to support the joint Canada-U.S. declaration *Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*.

Further details on the HBS Recapitalization program over the planning period can be seen in Chapter 3.

Airport Screening Services Agreement Renewal

With the current ASSAs expiring on March 31, 2017, CATSA has started exploring available contracting options. Over the next two years, CATSA will be refining the ASSA renewal strategy.

In preparation for the renewal, CATSA is initiating a working group to propose an ASSA Renewal strategy. The available scenarios range from a simple renewal to a full Request for Proposals (RFP). Further details regarding the strategy going forward can be seen in Chapter 3.

Pre-Board Screening Wait Time Options

As outlined in the next section, CATSA expects to see increasing funding pressures and associated impacts on deteriorating service levels over the planning period. In support of policy discussions with Transport Canada regarding these issues, CATSA has performed a wait time analysis using its Wait Time Impact Model.

In April 2015, the Government of Canada approved one-year funding of \$26.8M. This will allow CATSA to deliver a service level of approximately 88% of passengers screened in 15 minutes or less on average at Class I airports.

⁴ Note that, subsequent to the approval of CATSA's 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

This funding is for 2015/16 and after this fiscal year, CATSA’s reference levels will revert to what was set out in Budget 2010. CATSA and Transport Canada will continue working together to analyze and present PBS wait time options to alleviate funding pressures for 2016/17 and beyond⁵.

Challenges

Passenger Volumes

Transport Canada’s most recent forecasts (below), which were done in 2013, show that over the planning period, enplaned passenger volumes will rise in each of the next five years, with most of the growth occurring at Class I airports.

	2015/16	2016/17	2017/18	2018/19	2019/20
Traffic Growth at Class I airports (Year over Year)	3.4%	3.2%	3.0%	3.0%	3.0%

Source: Transport Canada, April 2013

This traffic growth can be broken down further by Class I airports, as presented in the table below.

	YEG	YHZ	YOW	YUL	YVR	YWG	YYC	YYZ	Total Class 1
2015/16	3.9%	3.5%	2.8%	3.4%	3.2%	3.3%	3.3%	3.4%	3.4%
2016/17	3.4%	2.9%	3.1%	3.3%	2.9%	2.9%	3.1%	3.3%	3.2%
2017/18	3.0%	2.8%	3.0%	3.1%	2.8%	2.6%	2.9%	3.2%	3.0%
2018/19	3.0%	2.8%	3.0%	3.1%	2.8%	2.6%	2.9%	3.2%	3.0%
2019/20	3.0%	2.8%	3.0%	3.1%	2.8%	2.6%	2.9%	3.2%	3.0%

The increase in enplaned passenger volumes, however, differs from the increase in passenger volumes that require screening (“screened passenger volumes”), which has a more direct impact on CATSA’s operations. In 2010/11, CATSA screened approximately 47.7 million passengers at designated airports. This figure grew to 49 million in 2011/12, 51 million in 2012/13, and 53.7 million passengers in 2013/14.

In 2014/15, CATSA has continued to see screened traffic grow:

- On a national level, screened traffic grew by 6.1%
- At the Toronto International Airport, screened traffic increased by 8.4%

By the end of 2015/16, CATSA is forecast to screen 55.9 million passengers. By 2019/20, passenger volumes are expected to reach approximately 62.8 million.

While these figures give a national perspective, growth in passenger volumes does not occur uniformly at all airports, but rather largely on a regional and site-specific basis and without much warning. To support any changes in passenger volumes that may occur, CATSA closely examines its purchases of screening hours from airport to airport, region to region. Overall, CATSA manages its screening hours on a national level to maintain a similar level of service across the country, in support of its responsibility under the CATSA Act to provide consistency of service. CATSA also works closely with its industry partners on operational factors, such as flight schedules, available space and passenger arrival patterns, to help manage potential issues related to influxes of passengers.

⁵ Note that, subsequent to the approval of CATSA’s 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

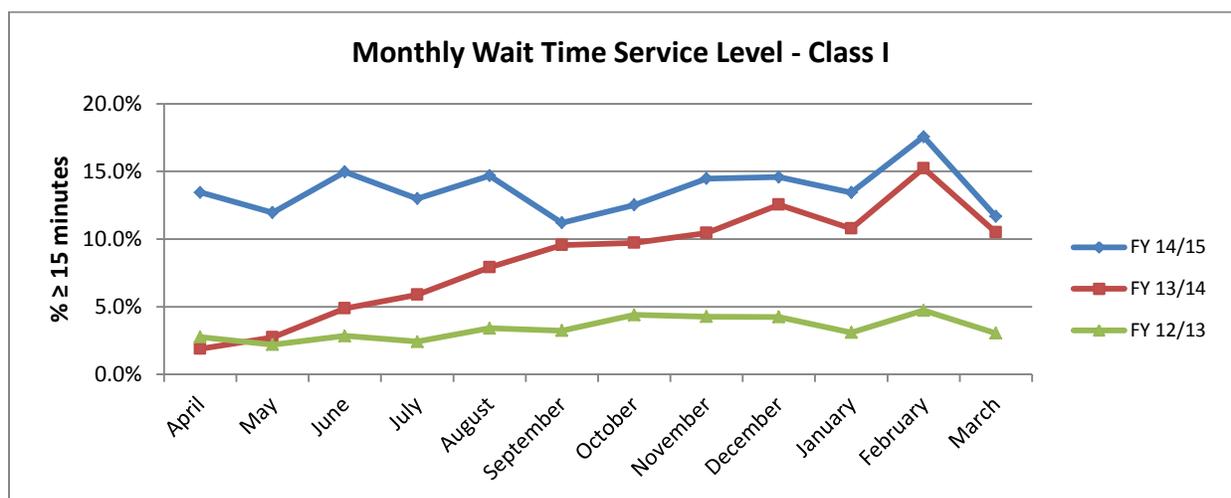
Screening Contractors' Billing Rates

CATSA completed a competitive process for its screening services in 2011. Billing rates, which were part of this competitive process, were determined by market forces. Nonetheless, under the terms of the agreements, the billing rates that CATSA pays its screening contractors for each hour of screening will increase over the planning period.

The increases in billing rates are a product of the collective bargaining process, in which CATSA does not participate, between the screening contractors and the labour union representing the screening officer workforce.

Increasing national Pre-Board Screening Wait Times in 2014/15

The following analysis illustrates the impact on CATSA's wait time service level at a national level. The data presented below is collected by CATSA's BPSS.



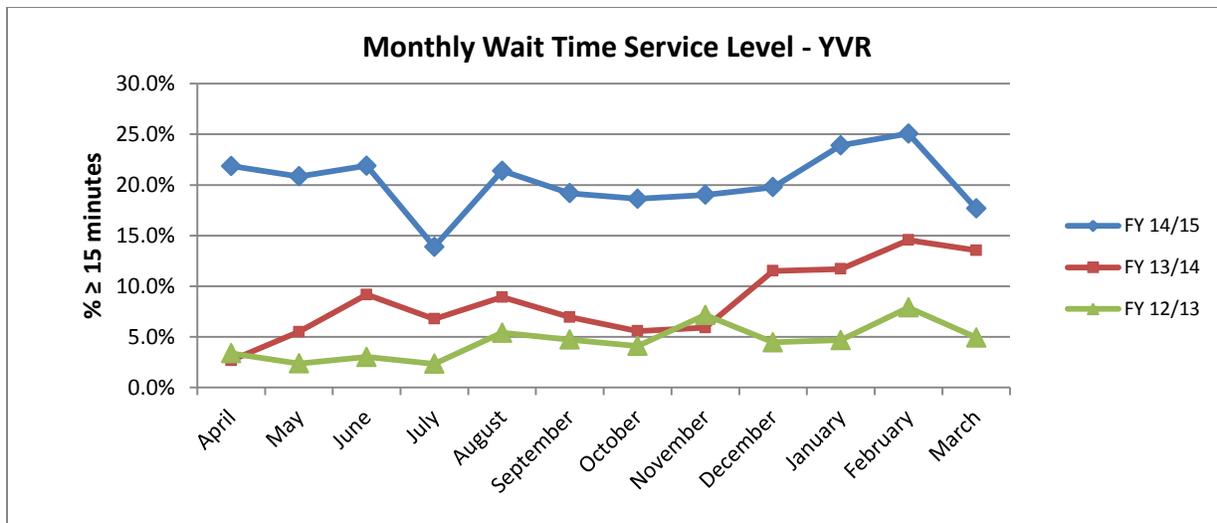
At Class I airports, 13.6% or 6.4 million passengers waited longer than 15 minutes in 2014/15 as opposed to 8% or 3.7 million passengers in 2013/14.

The number of passengers waiting 30 minutes or longer increased from approximately 19,000 in 2012/13 to 192,000 in 2013/14, to 382,000 in 2014/15.

Increasing Airport-Specific Pre-Board Screening Wait Times

The following analysis illustrates the impact on CATSA's wait time service level at an airport-specific (Vancouver International Airport) level. In Vancouver, in 2014/15:

- The number of passengers waiting 15 minutes or more in 2014/15 increased to 1,737,000 from 688,000 in 2013/14.
- The number of passengers waiting 30 minutes or longer increased to 96,000 in 2014/15, from approximately 5,600 in 2012/13 and 27,000 in 2013/14.
- The highest average wait times reached over 45 minutes every month during 2014/15.



Addressing Pre-Board Screening Wait Time Challenges

In support of government policy discussions on PBS wait times, CATSA developed an enhanced Wait Time Impact Model in 2013/14 that aimed to evaluate the impact of various funding options on PBS wait time service levels. This model incorporates elements of queuing theory and scheduling optimization techniques to estimate funding levels required to achieve given service levels at PBS. The model has since been shared with and validated by Transport Canada and involved extensive consultations with government central agencies.

In April 2015, the Government of Canada approved one-year funding of \$26.8M. This will allow CATSA to deliver a service level of approximately 88% of passengers screened in 15 minutes or less on average at Class I airports.

This funding is for 2015/16 and after this fiscal year, CATSA’s reference levels will revert to what was set out in Budget 2010.

Given its current reference levels and expected passenger growth and billing rates increases, CATSA’s PBS Wait Time Impact Model is forecasting longer passenger wait times from 2016/17 onward, reflecting CATSA’s declining purchasing power starting in 2016/17⁶.

CATSA will continue working with Transport Canada on mitigating the impacts of passenger growth and reduced purchasing power for 2016/17 and onward.

Cost Recovery

On July 28, 2015, the Government of Canada announced new regulations to allow airports that do not have access to security screening services from CATSA to obtain them on a cost-recovery basis. The new regulations allow smaller, non-designated airports to invest in screening services in order to provide passengers with connecting flights to larger airports, while enhancing the security of the aviation system in Canada. CATSA continues to work with TC in creating a feasible solution for implementing cost recovery at these airports.

Further details regarding cost recovery are described in chapter 3.

⁶ Note that, subsequent to the approval of CATSA’s 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

Deficit Reduction Action Plan Savings Proposals

As part of DRAP, CATSA worked with Transport Canada on new proposals and identified further cost reductions of \$19.2M annually in operating expenditures which include savings from workforce adjustment.

In July 2015, CATSA received approval from the Government of Canada to proceed with the implementation of these proposals. The cost reductions will be implemented in a phased-in approach, with approximately \$12.6M in 2015/16 and the full amount of \$19.2M starting in 2016/17 and ongoing.

Once fully implemented, this reduction coupled with an earlier \$73.3M annual reduction brings the total reduction to \$92.5M annually.

2.4 RISK FRAMEWORK

Risk Framework

Risk management at CATSA is a formalized, systematic approach to determine the best course of action during times of uncertainty by identifying, assessing, understanding, acting on and communicating risk throughout the organization. This approach contributes to risk-informed decision-making, which enables CATSA to effectively manage its risk and capitalize on opportunities.

CATSA's risk framework is guided by the corporate Risk Management Policy which outlines CATSA's intent, approach and principles to practicing risk management as well as identifies ownership and high level accountability for risk management activities across the organization. The policy further defines CATSA's risk attitude which may be described as both conservative and flexible. The organization generally focuses effort more heavily on the active management of medium and high risks (key risks).

CATSA's Risk Management Program supports the integration of a common risk management approach into decision-making processes at all levels across the organization. Key risks associated with its corporate and business or operating activities are identified and assessed based on established likelihood and impact criteria. This enables a consistent approach to risk assessments both at the corporate, operating and project level. Risks are evaluated against the established risk attitude and, where appropriate, formal mitigation strategies and treatment plans are developed, implemented and tracked. Key corporate risks are monitored by the Senior Management Committee and reported to the Board of Directors on a quarterly basis.

For information on CATSA's approach to risk management including the roles of the Board of Directors and the Senior Management Committee, please refer to Part 6 of the Management's Discussion and Analysis session contained in [CATSA's 2015 Annual Report](#). To view how CATSA's Corporate Governance structure works with the Risk Management Program, please refer to the [Board of Directors Committee Terms of Reference](#).

CATSA's Corporate Risk Profile

As a key member of the Canadian civil aviation security system, CATSA is exposed to a variety of risks that may impact the organization's ability to fulfill its mandate. Specific responses to aviation security threats and risks are mandated by Transport Canada and implemented by CATSA. In addition to intelligence-related threat information overseen by Transport Canada and risk responses, CATSA also conducts various risks assessments pertaining to its corporate strategies and operations.

CATSA's key risks are presented in its annual Corporate Risk Profile (CRP), which is a snapshot of those risks that could impede the organization's ability to reach its strategic objectives. Management and the Board of Directors pay closest attention to those risks related to the effectiveness of screening, as security is CATSA's top priority. The risk information contained in CATSA's 2014/15 CRP was used to inform the 2015/16 Corporate Plan.

Overview of Key Risks

CATSA's key risks are those that have the greatest potential to impact the achievement of the corporation's objectives and outcomes. Risks are monitored and reviewed by CATSA's Board of Directors and Senior Management on a quarterly basis, and the organization's key risks can be identified as follows:

Level of service delivery

CATSA faces a variety of external challenges and pressures such as increases in screening contractor billing rates and rising passenger volumes. As a result, its ability to purchase screening hours has declined in the last two years. Consequently, passenger wait times have increased.

In April 2015, the Government of Canada allocated additional funding for CATSA for 2015/16. This will allow CATSA to achieve a wait time service level similar to 2014/15 service levels. CATSA continues to work with Transport Canada on identifying potential long-term solutions to address this risk for 2016/17 and beyond, as discussed in section 2.3.⁷

Reputational Risk

Stakeholders have raised concerns about CATSA's operations on a variety of issues and have questioned whether CATSA's mandated services provide value for money.

To address this risk, CATSA continues to improve the passenger experience by responding to customer complaints in a timely manner and promoting a customer service-oriented culture. CATSA regularly liaises with industry stakeholders and has implemented a variety of communication strategies such as conducting passenger intercept surveys and the expanded use of social media to engage its multiple stakeholder groups.

Detection Capability

Security is CATSA's top priority. CATSA is mandated to provide screening in accordance with the security regulations, measures and directives set by Transport Canada. As with any system, there is a risk that CATSA may not detect all high risk threat items, which may result in substantial consequences to the civil aviation system.

To address this risk, CATSA works to continually review and improve the effectiveness of its operational processes and procedures, and also maintains a capital program to support the replacement and upgrading of equipment.

Illegal labour disruption

CATSA outsources its services to screening contractors, who rely on a unionized screening officer workforce to deliver screening services. CATSA monitors for signs of potential labour unrest – particularly illegal labour action – that may occur at airports as a result of union activity. With current collective bargaining agreements between CATSA's screening contractors and their unionized screening officer workforce expiring on March 31, 2015, illegal labour unrest remains a risk for the organization.

Continued vigilance will be an ongoing priority for the organization, which has a variety of plans and procedures in place to monitor and respond to any illegal labour unrest. Should such a situation arise over the course of the planning period, CATSA will work closely with its screening contractors, Transport Canada and the industry to minimize the impact to the travelling public.

⁷ Note that, subsequent to the approval of CATSA's 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

3.0 STRATEGIC DIRECTION

CATSA's main strategic priorities for 2015/16 to 2019/20 are the following:

- I. *Delivering effective, efficient and consistent security screening services.*
- II. *Deploying Screening Technologies that employ the best industry practices.*
- III. *Organizational re-design.*
- IV. *Maintaining trust and confidence.*

Continued use of internal audits will ensure that CATSA's performance is regularly assessed by a neutral party. Non-sensitive performance will be reported on in CATSA's Annual Report.

3.1 DELIVERING EFFECTIVE, EFFICIENT, AND CONSISTENT SECURITY SCREENING SERVICES

CATSA's first priority continues to be the delivery of effective and efficient security screening services. CATSA must also continue to evolve and adapt the mission as circumstances change. Within this priority, key areas of focus will be security screening effectiveness, driving checkpoint efficiency, continued deployment of enhanced non-passenger screening, and maintenance of the RAIC program.

Security screening effectiveness

As security is CATSA's top priority, the organization continuously invests in initiatives to achieve continuous and sustained performance improvements as part of the Strategy for Screening Effectiveness (SSE). With a goal of continuous and sustained security screening performance improvements, the success of CATSA's ongoing commitment of improving the effectiveness of its screening operations will be measured through security effectiveness and security screening compliance performance metrics.

Driving checkpoint efficiency

Over the years, gains in efficiencies through process improvements have allowed CATSA to increase the number of passengers processed per hour. In section 2.3, there is a summary of the major innovation projects of the past year. CATSA will continue to explore such operational trials for the evaluation of new processes, technologies, and tools that are developed to enhance screening operations. Indicators of success will be measured through continuous improvements to the following metrics: screening contractor payments per passenger and optimal throughput. At this point, the following initiatives are being considered by senior management for implementation over the planning period:

Manual Split Lanes

Over the last year, a trial was conducted at the Toronto Pearson International Airport that installed manual split lanes on screening lines to ease passenger flow at the checkpoint and facilitate additional searches when required. Checkpoints where the trial was conducted saw increases in peak volume throughput, improved processing times, and exceeded passenger satisfaction targets. The changes employed in this trial have been found to reduce the congestion of the main screening line and have allowed CATSA to conduct multiple searches in the separate area, allowing for better care and control, while passengers who do not require additional search were able to leave the checkpoint efficiently. The trial was deemed a success and CATSA is currently moving forward with national deployment.

By the end of 2014/15, CATSA has implemented Manual Split Lanes at the select checkpoints at the following airports: Vancouver, Ottawa, Edmonton, Montreal, Toronto, Fort McMurray, Victoria, Winnipeg,

Calgary, Halifax, Saskatoon, and Quebec City. Remaining deployments, at smaller checkpoints, are expected to be completed by the end of 2016/17.

Parallel Divestiture

Parallel divestiture is a trial where the current divest area at a screening line will be modified such that multiple passengers are able to divest simultaneously. In conjunction with this modification, the design will require that the screening line has a manual split lane and sufficient repack space to allow for bins to flow out of the x-ray continuously.

The combination of these changes to the screening line could allow for a more continuous flow of bins into the x-ray machine, which may result in improved throughput.

Continued deployment of Enhanced Non-Passenger Screening

In accordance with Transport Canada requirements, CATSA must screen non-passengers accessing restricted areas of airports. These people include flight and cabin crews, airline customer service personnel, baggage handlers, vendors and other airport employees. In 2013, CATSA significantly enhanced its non-passenger screening activities to acknowledge more stringent Transport Canada requirements stemming from its international obligations. In 2014/15, CATSA continued refining the application of these activities to recognize specific airport operations and configurations as well as enhancing a screening program for vehicles entering restricted areas of the aerodrome at select airports.

CATSA is working closely with Transport Canada and stakeholders to ensure the continued implementation of the enhanced NPS program is on track and on budget.

Restricted Area Identity Card (RAIC)

CATSA will continue to deliver and maintain an effective, efficient, and reliable biometric credential management system at 32 airports across Canada.

Over the five year planning period, CATSA's RAIC activities will focus on:

- the life-cycle management of the biometric verification hardware and the core IT system infrastructure; and
- reviewing the current system's biometric platform to ensure it will meet future business requirements.

3.2 DEPLOYING SCREENING TECHNOLOGIES THAT EMPLOY THE BEST INDUSTRY PRACTICES

CATSA's front-line operations are highly dependent on effective screening technologies. On a long-term basis, CATSA will need to ensure that technology adapts to evolving threats, while maintaining a value-for-dollar. Within this priority, key areas of focus will be HBS recapitalization and technology for evolving threats.

Hold Baggage Screening Recapitalization

CATSA will continue its 10-year HBS Recapitalization Program over the planning period. This program is designed to ensure that CATSA's equipment remains compatible with international partners and employs the best industry practices and standards to deliver a secure experience for air travellers.

As CATSA nears the halfway point of this large-scale project, implementation is well underway. Initial deployments focused on Canadian airports with U.S. pre-clearance facilities in order to support the joint Canada-U.S. declaration *Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*.

As part of the *Beyond the Border Action Plan*, Canada committed to replacing, by December 2015, its HBS equipment at all preclearance airports with technology certified by the U.S. Transportation Security Administration (TSA). CATSA will be in a position to meet this requirement.

It is important to note that HBS integration projects are complex in nature due to the intricacies of the design and the coordination with multiple vendors. While CATSA works closely with airport authorities and other vendors throughout the duration of these projects, changes or modifications to project plans, or delays in schedule beyond CATSA's control often result. CATSA's project timelines and costs may be subsequently impacted. In this case, CATSA will work with the airport to readjust its deployment schedule and will also work with Transport Canada and Central Agencies to ensure that financial resources are properly reallocated in line with the newly adjusted schedule.

Technology for Evolving Threats

In addition to the HBS recapitalization program, CATSA develops a capital deployment plan for its other mandated activities: PBS, NPS, and RAIC for both Explosives Detection Systems (EDS) requirements and non-EDS capital requirements.

3.3 ORGANIZATIONAL RE-DESIGN

CATSA's focus must remain on delivering effective and efficient security screening services, while operating within its allocated resources and in accordance with regulatory requirements. Over the planning period, success will be measured through the effective transition to a post-restructuring environment.

As part of DRAP, CATSA worked with Transport Canada on new proposals and identified further cost reductions of \$19.2M annually in operating expenditures which includes savings from workforce adjustment. In July 2015, these proposals were approved by the Government of Canada and have since been fully implemented.

This reduction coupled with an earlier \$73.3M annual reduction brings the total reduction to \$92.5M annually. These changes do not impact CATSA's front-line security mandate.

For further information on costs associated with implementing these proposals in 2015/16, please refer to Chapter 4.

3.4 MAINTAINING TRUST AND CONFIDENCE

Confidence and trust are the lifeblood of CATSA. Confidence and trust from the regulator affords CATSA the necessary scope to carry its mandate out effectively. Achieving confidence and trust from the industry helps foster collaboration despite everyday operational problems, and finally, confidence and trust from the travelling public enhances cooperation at the checkpoint.

All of CATSA's endeavours must meet the highest standards of professionalism and integrity. The organization must ensure that its structure, processes, and practices not only support the delivery of effective and efficient screening services, but are also worthy of public trust and confidence. Within this priority, CATSA's focus will be on four areas: cost recovery, ASSA renewal, the Office of the Auditor General (OAG) Special Examination, and maintaining excellent stakeholder relationships.

Cost Recovery

CATSA is supporting Transport Canada's analysis to explore the possibilities of providing screening services at select airports on a cost recovery basis. As an example, after receiving confirmation from Transport Canada that it supports a pilot to recover costs from the Greater Toronto Airport Authority (GTAA) for enhanced screening services at the Toronto Pearson International Airport, CATSA has been conducting a trial where GTAA is able to purchase additional capacity from CATSA on a cost recovery basis. CATSA will support Transport Canada in evaluating this short-term activity to inform future policy options with respect to cost-recovery.

The GTAA has expressed a desire to continue purchasing additional screening hours. Transport Canada has given its support of the trial extension until March 31, 2016. CATSA will work with the GTAA on the extension of the Supplemental Screening Trial Agreement.

On July 28, 2015, the Government of Canada announced new regulations to allow airports that do not have access to security screening services from CATSA to obtain them on a cost-recovery basis. The new regulations allow smaller, non-designated airports to invest in screening services in order to provide passengers with connecting flights to larger airports, while enhancing the security of the aviation system in Canada. CATSA continues to work with TC in creating a feasible solution for implementing cost recovery at these airports.

Airport Screening Services Agreement Renewal

The current ASSAs will be up for renewal as of March 31, 2017. In preparation for the renewal, CATSA is initiating a working group to propose an ASSA Renewal strategy. The available scenarios range from a simple renewal to a full RFP.

There are three factors that will be considered when developing the renewal options: the degree of affordability, the degree of change desired to the ASSA, and the optimal length of renewals. Affordability will mean that CATSA receives the best value for money possible within the current environment. The degree of change can range from simple renewal, to contract amendments and extensions, to the issuing of a full new RFP for screening services. Renewal options can be exercised together or separately in one-year terms for a total of up to five years.

Office of the Auditor General Special Examination

Under the *Financial Administration Act*, CATSA is subject to a special examination at least once every 10 years. This examination is used to determine whether CATSA's systems and practices provide it with reasonable assurance that: its assets are safeguarded and controlled; its financial, human and physical resources are managed economically and efficiently; and that its operations are carried out effectively.

The Special Examination began in 2013/14 and was completed in 2015/16 and the OAG has presented its report to CATSA. The OAG recognized significant improvement since the last Special Examination in 2006. It concludes that CATSA provides reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

CATSA agrees with each of OAG's seven recommendations and is working towards implementing the recommendations from the Office of the Auditor General Special Examination Report. The final report was presented to the Board of Directors in June 2015. CATSA is on track to meeting the recommendations with an expected completion date of March 31, 2017.

Maintaining excellent stakeholder relationships

CATSA will continue to focus on maintaining excellent relationships with airport authorities, national aviation associations and vendors. In addition to building awareness and understanding of the impacts of screening hours reductions and enhanced NPS implementation, CATSA will work to clearly communicate its new reality and its new organizational model so that it is well understood that while CATSA's core services will continue to be delivered without compromise to security, stakeholders' expectations will be moderated given the changes to CATSA's operating and financial environment.

4.0 FINANCIAL ANALYSIS

As outlined in Chapter 1, CATSA, as an agent Crown corporation, is fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. Consequently, CATSA's financial plan is prepared in accordance with the resources it is assigned by the Government of Canada and as approved by Parliament.

This chapter presents an overview of the organization's funding, as well as CATSA's financial results and budget for 2014/15, and its financial plan for the five-year period.

4.1 FUNDING OVERVIEW

CATSA's Funding Profile

Table 1 summarizes CATSA's financial results for 2013/14 and 2014/15, and its funding profile for the period 2015/16 to 2019/20.

	Actual 2013/14	Actual 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Five Year Total 2015/16 - 2019/20
Operating Expenditures	\$ 476	\$ 544	\$ 558	\$ 589	\$ 471	\$ 471	\$ 471	\$ 2,560
Capital Expenditures	81	77	165	125	69	84	132	575
Total	\$ 557	\$ 621	\$ 723	\$ 714	\$ 540	\$ 555	\$ 603	\$ 3,135

The section below provides an overview of the changes to CATSA's funding profile over the five-year planning period compared to its approved 2014/15 Corporate Plan.

Budget 2015

Given passenger growth and screening contractor billing rate increases, the funding provided in Budget 2010 did not allow CATSA to maintain the service level it achieved in previous years, despite significant screening efficiency improvements. As a result, service levels have declined since 2013/14.

In April 2015, the Government of Canada approved one-year incremental funding of \$26.8M for fiscal year 2015/16. The increase in funding will allow CATSA to deliver an average service level of approximately 88% of passengers screened in 15 minutes or less at Class I airports. CATSA will continue to work with Transport Canada to address its long-term funding requirements for fiscal year 2016/17 and beyond⁸.

Deficit Reduction Action Plan

In 2012, CATSA put forward six savings proposals as part of DRAP, totaling \$59.7M, or 11.7% of its review base. CATSA implemented all of its approved initiatives with the exception of one proposal, resulting in annual savings of \$32.1M starting April 1, 2013. The Government of Canada informed CATSA

⁸ Note that, subsequent to the approval of CATSA's 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

that one proposal would not proceed as originally planned. As a result, the \$27.6M in savings associated with this proposal did not materialize and the funds were not removed from CATSA's reference levels.

In 2014/15, CATSA worked with Transport Canada on new proposals and identified further cost reductions of \$19.2M annually in operating expenditures including savings from workforce adjustment.

In July 2015, CATSA received approval from the Government of Canada to proceed with the implementation of these proposals. The cost reductions will be implemented in a phased-in approach, with approximately \$12.6M in 2015/16 and the full amount of \$19.2M starting in 2016/17 and ongoing.

Once fully implemented, this reduction coupled with an earlier \$73.3M annual reduction brings the total reduction to \$92.5M annually. The DRAP proposals consisted of the implementation of operational efficiencies and cost cutting measures.

Changes in Capital Spending Profile

CATSA is currently undertaking a 10-year life-cycle management plan for its HBS system which involves managing large multi-year HBS integration projects with airports across Canada. These projects are complex in nature due to the intricacies of the designs and the coordination with multiple vendors. Furthermore, the integration of the HBS system may be part of a larger airport capital project. As a result of these complexities, CATSA's project timelines and cost estimates often change for reasons which are largely outside of its control. CATSA works closely with airport authorities and vendors throughout the various stages of these projects. Nevertheless, changes or modifications to airport project plans or construction delays often result due to vendor issues, weather and other unpredictable factors. It is therefore important for CATSA to maintain a certain degree of flexibility in its capital budget to meet changing project requirements over time.

Over the course of the fiscal year, CATSA identified capital spending of \$41.1M to be re-profiled from 2014/15 to 2015/16. This is in addition to a re-profile of \$1.6M from fiscal year 2013/14. These capital re-profiles are largely due to delays in CATSA's HBS integration projects. In addition, CATSA revised its capital spending profile over the five-year planning period during the development of this Corporate Plan. The adjustments are primarily in response to revised spending requirements associated with CATSA's multi-year HBS integration projects resulting from changes in airport project plans. In August 2015, CATSA received approval by the Government of Canada for the above changes.

4.2 FINANCIAL RESULTS FOR 2014/15 AND THE 2015/16 - 2019/20 FINANCIAL PLAN BY PROGRAM ACTIVITY

Overview

Table 2 summarizes CATSA's financial results for 2013/14, its financial results and budget for 2014/15, and its 2015/16 – 2019/20 operating and capital plan by program activity.

TABLE 2 Financial Plan by Program <i>(in thousands of dollars)</i>	Actual 2013/14	Actual 2014/15	Budget 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Five Year Total 2015/16 - 2019/20
Operating Expenditures									
PBS	\$ 296,120	\$ 314,548	\$ 302,993	\$ 319,042	\$ 313,970	\$ 314,954	\$ 313,886	\$ 311,837	\$ 1,573,689
HBS	95,010	104,742	108,097	99,498	97,343	96,501	98,646	100,863	\$ 492,851
NPS	38,144	73,303	79,879	101,451	135,737	18,551	18,522	18,512	\$ 292,773
RAIC	2,109	2,566	2,674	1,600	2,147	2,190	2,227	2,254	\$ 10,418
Corporate Services	44,028	49,122	51,844	36,217	39,246	39,233	38,148	37,963	\$ 190,807
Subtotal	\$ 475,411	\$ 544,281	\$ 545,487	\$ 557,808	\$ 588,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,560,538
Other Sources of Operating Funding (Net of Other Expenses)	27	(447)	-	-	-	-	-	-	\$ -
Total	\$ 475,438	\$ 543,834	\$ 545,487	\$ 557,808	\$ 588,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,560,538
Capital Expenditures									
PBS	\$ 8,945	\$ 4,525	\$ 5,840	\$ 10,085	\$ 33,624	\$ 23,731	\$ 13,769	\$ 37,095	\$ 118,304
HBS	68,858	62,109	98,182	136,654	89,818	43,924	60,600	90,263	\$ 421,259
NPS	1,964	6,763	12,312	15,518	-	-	5,724	-	\$ 21,242
RAIC	33	1,442	1,725	587	30	30	2,270	2,946	\$ 5,863
Corporate Services	1,471	2,013	1,465	2,068	1,753	1,147	1,867	1,358	\$ 8,193
Subtotal	\$ 81,271	\$ 76,852	\$ 119,524	\$ 164,912	\$ 125,225	\$ 68,832	\$ 84,230	\$ 131,662	\$ 574,861
Proceeds of Disposal	(32)	(52)	-	-	-	-	-	-	\$ -
Total	\$ 81,239	\$ 76,800	\$ 119,524	\$ 164,912	\$ 125,225	\$ 68,832	\$ 84,230	\$ 131,662	\$ 574,861
Total Expenditures	\$ 556,677	\$ 620,634	\$ 665,011	\$ 722,720	\$ 713,668	\$ 540,261	\$ 555,659	\$ 603,091	\$ 3,135,399

Total operating expenditures were \$1.7M lower than budget for 2014/15. In addition, operating expenditures by program activity varied from plan primarily due to the reallocation of screening hours budget to PBS from other program activities, which is discussed in more detail in Section 4.3.1.

Total capital expenditures were \$42.7M lower than budget for 2014/15. As stated earlier, CATSA received approval to re-profile capital funds of \$41.1M to 2015/16.

The following section provides an overview of the five-year financial plan for each program activity as defined in CATSA's mandate (PBS, HBS, NPS, and RAIC), as well as Internal Services (Corporate Services) as a separate program activity.

Pre-Board Screening (PBS)

Expenditures for PBS operations account for 61.5% of CATSA's five-year operating plan.

CATSA continues to look for opportunities to improve passenger facilitation. In 2014/15, CATSA launched the Queue Management System (QMS) pilot project at the Edmonton airport which consisted of the

installation of tracking sensors and eGates at the PBS checkpoints. This pilot would allow CATSA to confirm whether it will be feasible to automate the collection of wait time data, access to the queue, boarding pass validation, and line entry access, all of which could result in more efficient resource scheduling. Accordingly, CATSA's Financial Plan accommodates the deployment of the QMS at all Class I airports based on the successful outcome of this pilot project.

In the fall of 2014, CATSA launched a Remote Screening trial at the Ottawa airport with the objective of further improving screening effectiveness. Based on the outcome of the trial, CATSA has budgeted for the deployment of the Remote Screening initiative at select airports over the planning period.

In addition, CATSA entered into a trial agreement with the GTAA in October 2014 which allowed the Airport Authority to purchase supplemental PBS screening hours from CATSA on a cost recovery basis. The GTAA has expressed a desire to continue to purchase supplemental PBS screening hours beyond the trial's completion date of March 31, 2015. As stated in Section 2.3, Transport Canada has given its support of the trial extension until March 31, 2016. CATSA will work with the GTAA to extend the Supplemental Screening Trial Agreement.

CATSA's EDS capital plan supports the ongoing life-cycle management of its PBS equipment over the five-year period. This includes the start of the life-cycle management of its Walk-Through Metal Detector (WTMD) equipment with more advanced technology which will be phased in over the next several years. CATSA will also continue to deploy new Liquid Explosive Detection Systems (LEDS) technology at PBS checkpoints which will allow Canada to maintain compatibility with its international partners.

Hold Baggage Screening (HBS)

Expenditures for HBS operations account for 19.2% of CATSA's five-year operating plan.

The operating plan for HBS accommodates the new protocols which were implemented in 2014/15. The plan also provides for the ongoing maintenance and support of CATSA's HBS equipment. In 2015/16, CATSA is terminating its existing Funding Agreements for the Maintenance Contribution and Support Services at Class I airports. This will generate annual costs savings of \$10.3M by 2016/17 and reduce its overall expenditures for HBS operations over the five-year planning period by approximately 9%.

CATSA's EDS capital plan continues to focus on the life-cycle management of its HBS system which represents approximately 69% of the total capital spending over the five-year period. Given the complexity of this initiative, ongoing changes to the HBS capital plan can be anticipated as airport projects may shift from one year to another based on factors beyond CATSA's control.

Non-Passenger Screening (NPS)

Expenditures for NPS operations account for 11.4% of CATSA's five-year operating plan.

In 2014, the Government of Canada provided incremental funding in the amount of \$282.4M to CATSA over the three-year period 2014/15 to 2016/17 for the delivery of Enhanced NPS to meet Transport Canada requirements. In 2014/15, CATSA achieved its overall objectives planned for the fiscal year, and continues to work closely with Transport Canada and stakeholders in the delivery of the Enhanced NPS program.

The operating plan for NPS for 2015/16 and 2016/17 reflects the ongoing implementation of the Enhanced NPS program. The NPS funding levels for 2017/18 and beyond revert back to levels prior to the delivery of Enhanced NPS.

The capital plan for NPS accommodates the deployment of EDS and Non-EDS equipment and systems in 2015/16 in support of the Enhanced NPS program. The capital plan also accommodates the replacement of NPS equipment that is reaching the end of its useful life.

Restricted Area Identity Card (RAIC)

Expenditures for RAIC operations account for 0.4% of CATSA's five-year operating plan. The planned expenditures reflect ongoing operational and maintenance requirements for the biometric verification hardware and system infrastructure.

The capital plan for RAIC accommodates the life-cycle management of the RAIC system and equipment deployed at the 32 highest risk airports in Canada.

Corporate Services

Expenditures for Corporate Services account for 7.5% of CATSA's five-year operating plan and consist of expenditures associated with support services and systems critical to the efficient and effective delivery of CATSA's core mandate.

Planned expenditures reflect a reduction in FTE positions and discretionary expenses which are largely focused on CATSA's Corporate Services. These reductions will have a limited impact on CATSA's capacity to perform its support and administrative functions.

The capital plan for Corporate Services represents 1.4% of the total five-year capital plan, and consists primarily of investments in CATSA's network infrastructure and corporate management systems.

4.3 FINANCIAL RESULTS FOR 2014/15 AND THE 2015/16 - 2019/20 FINANCIAL PLAN FOR OPERATING EXPENDITURES

Overview

Table 3 summarizes CATSA's financial results for 2013/14, its financial results and budget for 2014/15, and its 2015/16 - 2019/20 operating plan by major expenditure category.

	Actual 2013/14	Actual 2014/15	Budget 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Five Year Total 2015/16 - 2019/20
Operating Expenditures									
SCREENING SERVICES AND OTHER RELATED COSTS	\$ 352,277	\$ 403,909	\$ 403,225	\$ 439,834	\$ 466,421	\$ 351,829	\$ 353,099	\$ 353,036	\$ 1,964,219
Payments to Screening Contractors	344,691	397,195	394,442	432,853	457,620	346,460	347,415	347,331	1,931,679
Uniforms and Other Screening-Related Costs	5,526	3,906	6,314	4,783	5,693	3,437	3,678	3,622	21,213
Trace and Consumables	2,060	2,808	2,469	2,198	3,108	1,932	2,006	2,083	11,327
EQUIPMENT OPERATING AND MAINTENANCE	\$ 44,785	\$ 48,620	\$ 48,615	\$ 39,604	\$ 38,147	\$ 35,798	\$ 36,598	\$ 37,328	\$ 187,475
Equipment Maintenance and Spare Parts	43,320	45,961	46,476	39,014	36,195	34,811	35,492	35,701	181,213
Training and Certification	696	1,206	742	289	1,135	154	256	777	2,611
RAIC Cards	769	1,453	1,397	301	817	833	850	850	3,651
PROGRAM SUPPORT AND CORPORATE SERVICES	\$ 78,349	\$ 91,752	\$ 93,647	\$ 78,370	\$ 83,875	\$ 83,802	\$ 81,732	\$ 81,065	\$ 408,844
Employee Costs	57,436	70,847	69,270	54,976	60,396	60,870	59,553	58,725	294,520
Professional Services and Other Business-Related Costs	5,007	4,394	7,099	6,918	6,284	6,050	5,650	5,650	30,552
Office and Computer Expenses	4,718	5,350	5,231	4,971	5,206	5,254	5,319	5,319	26,069
Communications and Public Awareness	1,306	1,180	1,300	975	950	950	950	950	4,775
Other Costs ¹	9,882	9,981	10,747	10,530	11,039	10,678	10,260	10,421	52,928
Subtotal	\$ 475,411	\$ 544,281	\$ 545,487	\$ 557,808	\$ 588,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,560,538
Other Sources of Operating Funding (Net of Other Expenses)	27	(447)	-	-	-	-	-	-	-
Total Operating Expenditures	\$ 475,438	\$ 543,834	\$ 545,487	\$ 557,808	\$ 588,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,560,538

1. Other Costs consist of Insurance, Rent and Facilities, and Network and Telephony.

CATSA's operating plan is comprised of Screening Services and Other Related Costs, Equipment Operating and Maintenance, and Program Support and Corporate Services.

The following section provides a variance analysis of the financial results compared to budget for 2014/15, and a discussion of the 2015/16 – 2019/20 operating plan for each expenditure category.

4.3.1 SCREENING SERVICES AND OTHER RELATED COSTS

Summary

Screening Services and Other Related Costs consist of the following major cost elements:

- Payments to Screening Contractors;
- Uniforms and Other Screening-Related Costs; and
- Trace and Consumables.

Payments to Screening Contractors

Payments to Screening Contractors represent the largest expenditure in CATSA's operating plan. Key cost drivers impacting Payments to Screening Contractors are screening hours and billing rates.

Screening hours are typically impacted by passenger volumes and additional staffing levels resulting from airport expansions. In addition, evolving threats and security incidents can result in new security regulations, which may lead to changes in screening hour requirements.

Billing rates are based on all-inclusive rates paid to the screening contractors, as set forth under the terms of CATSA's ASSAs. The ASSAs also include a performance program that remunerates screening contractors for contractual compliance and achievement of specified performance targets.

The budget for Payments to Screening Contractors also provides for screening officer training and recurrent learning requirements.

Uniforms and Other Screening-Related Costs

CATSA is responsible for providing uniforms to ensure that screening officers are clearly identified by the public in order to facilitate the effective performance of screening activities. Other Screening-Related Costs consist of non-capitalized items deployed at the checkpoints that are used in the screening process, and ancillary activities such as bin and line cleaning.

Trace and Consumables

Trace and Consumables consist of items necessary for screening officers to perform their screening activities, and include items such as gloves, trace swabs and verification filters.

2014/15 Variance Analysis

Screening Services and Other Related Costs were \$0.7M higher than budget. The variance is mainly due to higher Payments to Screening Contractors partially offset by lower Uniforms and Other Screening-Related Costs.

Additional screening hours were purchased at PBS checkpoints over the course of the fiscal year in order to partially mitigate deteriorating service levels during peak periods at Class I airports. The additional PBS screening hours were funded from the following sources:

- purchase of supplemental PBS screening hours by the GTAA on a cost-recovery basis, as discussed in Section 4.1;
- fewer NPS screening hours purchased to support the Enhanced NPS program;
- fewer screening hours purchased for HBS resulting from a better utilization of screening resources to support new protocols implemented during the fiscal year; and
- lower uniform purchases, benefiting from the use of an inventory purchase made at the end of the prior fiscal year.

2015/16-2019/20 Financial Plan

Payments to Screening Contractors

The five-year budget for Payments to Screening Contractors was developed based on CATSA's annual operating reference levels as assigned by the Government of Canada. As stated in Section 4.1, Budget 2010 funding does not allow CATSA to maintain service levels comparable to prior years due to passenger growth and a decline in its purchasing power resulting from annual billing rate increases. Through Budget 2015, CATSA received incremental PBS funding of \$26.8M to address these pressures for fiscal year 2015/16. CATSA will continue to work with Transport Canada on mitigating these impacts for 2016/17 onwards⁹.

⁹ Note that, subsequent to the approval of CATSA's 2015/16 Corporate Plan, Federal Budget 2016 provided CATSA with supplemental funding to mitigate PBS wait time challenges in 2016/17.

CATSA's screening hours budget for HBS was developed based on meeting its operational baseline requirements which accommodate new protocols.

The budget for NPS screening hours is in consideration of the additional funding received from the Government of Canada for the delivery of the Enhanced NPS program. This will allow CATSA to continue to implement the Enhanced NPS program at airports across Canada as well as to meet the additional screening officer training requirements in support of the program. In late fiscal year 2015/16, CATSA ramped up its screening officer workforce in order to deliver the expansion of the Enhanced NPS program effective April 1, 2016. The NPS budget for fiscal year 2017/18 and beyond reverts back to levels prior to the delivery of Enhanced NPS.

The performance pay budgeted over the five-year planning period is based on a predetermined percentage of the screening hours budget, as per the terms of the ASSAs, as well as in consideration of the screening contractors' past performance. Consequently, the decrease in the performance pay budgeted for fiscal years 2017/18 to 2019/20 corresponds to a reduction in the screening hours budget for NPS, as discussed above.

Uniforms and Other Screening-Related Costs

Planned expenditures over the five-year period reflect uniform purchases required to meet operational requirements. This includes the additional uniform requirements for Enhanced NPS resulting from the screening officer ramp up in 2015/16. The plan also accommodates the purchase of screening-related items to enhance operational efficiencies and to maintain a common look-and-feel at PBS checkpoints.

Planned expenditures for 2015/16 take into consideration the purchase of uniform inventory in 2014/15. The budget also reflects favourable uniform pricing from a recent competitive procurement process and a revised uniform allocation program.

Trace and Consumables

The planned expenditures for Trace and Consumables reflect CATSA's ongoing operational requirements, which include the additional requirements to support the Enhanced NPS program. Similarly, planned expenditures in 2015/16 reflect the purchase of inventory in 2014/15. The plan also reflects cost efficiencies generated through more efficient use of trace swabs, as well as favourable pricing from procurement efficiencies.

4.3.2 EQUIPMENT OPERATING AND MAINTENANCE

Summary

Equipment Operating and Maintenance consists of the following major cost elements:

- Equipment Maintenance and Spare Parts;
- Training and Certification; and
- RAIC Cards.

Equipment Maintenance and Spare Parts

These costs relate to the operation and maintenance of the screening equipment deployed at designated airports, including the purchase and warehousing of spare parts for EDS equipment. Also included in this category are costs relating to the ongoing support and maintenance of RAIC and other Non-EDS equipment and systems.

Training and Certification

These costs relate to the training and certification of maintenance service providers on new EDS technology deployed at the designated airports.

Restricted Area Identity Cards

RAIC Cards consist of the purchase of cards in support of the existing biometric validation system installed at Class I and Class II airports, and at select Class III airports.

2014/15 Variance Analysis

Expenditures for 2014/15 were in line with the budget as lower Equipment Maintenance and Spare Parts costs were offset by higher Training and Certification costs, as described below.

Equipment Maintenance and Spare Parts costs were \$0.5M lower than budget. This is mainly due to lower maintenance costs to support the various programs, partially offset by the purchase of additional spare parts for certain EDS equipment.

Training and Certification costs were \$0.5M higher than budget. The increase is attributable to training for trace equipment which did not take place in 2013/14, and additional training requirements to support the networking of the Computed Tomography (CT) equipment.

2015/16-2019/20 Financial Plan

Equipment Maintenance and Spare Parts

Planned expenditures for Equipment Maintenance and Spare Parts take into consideration the costs to support CATSA's existing EDS capital and also addresses equipment maintenance and support for new EDS deployments planned over the five-year period. The budget accommodates annual contractual increases, as per the terms of CATSA's equipment maintenance contracts, as well as an estimated USD exchange rate for contracts denominated in U.S. dollars.

The budget also considers costs associated with the ongoing support of Non-EDS capital equipment and systems, including CCTV, RAIC, BPSS and QMS.

CATSA's budget has been adjusted to remove annual expenditures of \$10.3M by 2016/17 associated with the termination of the Funding Agreements for the Maintenance Contribution and Support Services at Class I airports. The spending profile over the five-year period also reflects the additional budget requirements to support the Enhanced NPS program. Lastly, fluctuations in the spending profile are impacted by the replacement of legacy EDS equipment with new technology, which is covered under standard warranty terms.

Training and Certification

Planned expenditures reflect the training requirements for new EDS technology deployed at airports across Canada, of which the majority are in support of the new CT equipment as part of the HBS capital life-cycle management plan.

Restricted Area Identity Cards

Planned expenditures for RAIC reflect the purchase of cards to meet annual operational requirements over the planning period. RAIC card purchases planned in 2015/16 take into consideration the purchase of additional inventory in 2014/15.

4.3.3 PROGRAM SUPPORT AND CORPORATE SERVICES

Summary

Support services and systems are critical to the efficient and effective delivery of CATSA's core mandate and comprise its corporate infrastructure.

Program Support and Corporate Services are categorized as follows:

- Employee Costs;
- Professional Services and Other Business-Related Costs;
- Office and Computer Expenses;
- Communications and Public Awareness; and
- Other Costs, which consist of Rent and Facilities, Insurance, and Network and Telephony.

2014/15 Variance Analysis

Program Support and Corporate Services costs were \$1.9M lower than budget. The variance is primarily due to reduced spending for Professional Services and Other Business-Related Costs to support CATSA's corporate activities. Additionally, employee cost savings were realized as a result of fewer staffed positions. These combined savings enabled CATSA to issue a higher than budgeted solvency deficit payment for CATSA's Registered Pension Plan. This disbursement will cover the anticipated statutory payments for calendar years 2015 and 2016 (see below for further details).

2015/16-2019/20 Financial Plan

Employee Costs

The Employee Cost budget accommodates 439 approved FTE positions, reflecting a reduction of 30 FTE positions through workforce adjustment. CATSA's planned workforce may change over the five-year planning period as it pursues opportunities to gain efficiencies. This may result in the insourcing or outsourcing of certain functions over time.

The plan also provides for projected statutory pension plan solvency deficit payments for CATSA's Registered Pension Plan, which are based on a solvency deficit of \$36.8M as per the December 31, 2014 actuarial valuation.

It is currently projected that the statutory pension plan solvency deficit payment requirement for calendar year 2016 has been met resulting from the payment of \$17.5M issued in fiscal year 2014/15. This projection assumes that there will be no unforeseen events affecting the pension plan during the balance of 2015, such as a significant drop in market interest rates or lower than anticipated investment returns.

Professional Services and Other Business-Related Costs

Planned expenditures for professional services focus on specialized technical skills that are not available within the organization. This includes external expertise to support corporate activities in the areas of IT, internal audit, legal and pension, as well as new initiatives including the Enhanced NPS program. The five-year budget also reflects cost reductions applied to professional services.

Planned expenditures for other business-related costs take into consideration travel requirements to support the screening operations within the regions, the capital deployment plan, and other operational initiatives.

The budget for Professional Services and Other Business-Related Costs in 2015/16 is considerably higher compared to the 2014/15 financial results. This is partly due to lower spending in 2014/15 as discussed above, coupled with additional travel requirements in 2015/16 in support of the 2015 Pan American/ParaPan American Games.

Office and Computer Expenses

Planned expenditures for Office and Computer Expenses reflect ongoing requirements to support CATSA's operations and corporate infrastructure, and accommodate annual increases for software and hardware renewal contracts. The plan also takes into consideration CATSA's life-cycle management plan for computer hardware.

Communications and Public Awareness

Planned expenditures for Communications and Public Awareness decreased significantly over the planning period compared to prior year levels. The decrease reflects cost reductions which will be applied to CATSA's proactive outreach program. This program serves to inform passengers on what to expect at the PBS checkpoint and how to better prepare for screening. CATSA will continue to use its existing website and a limited social media presence to inform passengers. CATSA does not anticipate that the cost reductions will impact its ability to efficiently screen passengers and checked baggage.

Other Costs

Planned expenditures for Other Costs take into account CATSA's commercial general liability insurance premiums and its office space leases at corporate headquarters and in the regions. Beginning in late 2017/18, CATSA will benefit from a favourable rate for the renewal of its lease for corporate headquarters.

Other Costs also accommodate bandwidth requirements to support CATSA's network infrastructure across Canada, including additional bandwidth requirements for the Enhanced NPS program over the duration of the program.

4.3.4 OTHER SOURCES OF OPERATING FUNDING

Overview

Other sources of operating funding are comprised of revenue generated from sources other than parliamentary appropriations. These sources include the following:

- Interest revenue earned on cash deposits;
- Foreign exchange gains/losses resulting from the translation of U.S. dollar expenses and payables at varying exchange rates during the fiscal year; and

Summary of the 2015/16 – 2019/20 Corporate Plan, Operating and Capital Budgets

- Other revenue, including the recovery of costs for supplemental PBS screening hours from the GTAA trial.

Given that these items are unpredictable in nature or that the scope of the operational trials are currently under negotiations, they are not considered in the planning period.

4.4 FINANCIAL RESULTS FOR 2014/15 AND THE 2015/16 - 2019/20 FINANCIAL PLAN FOR CAPITAL EXPENDITURES

Overview

Table 4 summarizes CATSA's financial results for 2013/14, its financial results and budget for 2014/15, and its 2015/16 - 2019/20 capital plan by major expenditure category.

	Actual 2013/14	Actual 2014/15	Budget 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Five Year Total 2015/16 - 2019/20
Capital Expenditures									
EDS CAPITAL									
PBS	\$ 7,202	\$ 2,036	\$ 3,051	\$ 8,994	\$ 25,365	\$ 17,931	\$ 13,543	\$ 36,973	\$ 102,806
HBS	68,858	61,893	98,182	136,654	89,818	43,924	60,600	90,263	421,259
NPS	1,752	5,654	8,808	7,038	-	-	5,724	-	12,762
Total EDS Capital	\$ 77,812	\$ 69,583	\$ 110,041	\$ 152,686	\$ 115,183	\$ 61,855	\$ 79,867	\$ 127,236	\$ 536,827
NON-EDS CAPITAL									
PBS	1,743	2,489	2,789	1,091	8,259	5,800	226	122	15,498
HBS	-	216	-	-	-	-	-	-	-
NPS	212	1,109	3,504	8,480	-	-	-	-	8,480
RAIC	33	1,442	1,725	587	30	30	2,270	2,946	5,863
Corporate Services	1,471	2,013	1,465	2,068	1,753	1,147	1,867	1,358	8,193
Total Non-EDS Capital	\$ 3,459	\$ 7,269	\$ 9,483	\$ 12,226	\$ 10,042	\$ 6,977	\$ 4,363	\$ 4,426	\$ 38,034
Proceeds of Disposal	(32)	(52)	-	-	-	-	-	-	-
Total Capital Expenditures	\$ 81,239	\$ 76,800	\$ 119,524	\$ 164,912	\$ 125,225	\$ 68,832	\$ 84,230	\$ 131,662	\$ 574,861

CATSA's capital plan is comprised of EDS and non-EDS capital expenditures.

EDS capital expenditures consist of the acquisition of explosives detection system equipment for PBS, HBS and NPS as well as associated installation and integration costs.

Non-EDS capital expenditures consist of equipment and systems essential to the support of screening operations, RAIC as well as CATSA's network infrastructure and corporate management practices.

The following section provides a variance analysis of the financial results compared to budget for 2014/15, and a discussion of the 2015/16 – 2019/20 financial plan for EDS and non-EDS capital.

4.4.1 EXPLOSIVES DETECTION SYSTEMS CAPITAL

Summary

The key considerations in developing the EDS capital plan are as follows:

- keeping up-to-date with advances in technology to maintain compatibility with international partners;
- replacing equipment that is reaching the end of its useful life;
- equipment requirements to support new security regulations and operational trials; and
- ensuring that required capacity at airports can be met through the integration of additional screening equipment.

A significant amount of EDS capital equipment is expected to be purchased from US vendors over the planning period. Consequently, the USD exchange rate used in the development of the Capital Plan provides some flexibility in managing the volatility in the Canadian dollar.

2014/15 Variance Analysis

As discussed in Section 4.1, CATSA received approval for the capital re-profile of \$41.1M (\$38.4M for EDS and \$2.7M for Non-EDS) from 2014/15 to 2015/16.

After taking into consideration the capital re-profile, capital expenditures for EDS were \$2.1M lower than budget. The variance is mainly due to lower costs incurred during the fiscal year for the life-cycle management of the HBS system.

2015/16 - 2019/20 Financial Plan

The EDS capital plan represents 93.4% of CATSA's capital budget over the planning period.

PRE-BOARD SCREENING

CATSA's capital plan for PBS takes into consideration the life-cycle management of its existing equipment at PBS checkpoints which will be reaching the end of its useful life.

The capital plan also accommodates the ongoing deployment of new LEDS technology at PBS checkpoints. This will allow CATSA to meet the regulatory changes as a result of the relaxation of the ban on liquids, aerosols and gels at PBS checkpoints, and maintain PBS equivalency with its international partners.

Lastly, CATSA's capital plan accommodates the deployment of Remote Screening capability at select airports based on the outcome of the trial in Ottawa.

HOLD BAGGAGE SCREENING

The EDS capital plan continues to focus on the life-cycle management of its HBS system.

In 2011, CATSA initiated the life-cycle management of its HBS system with CT technology at airports across Canada. Through Budget 2011, CATSA received additional capital funds of \$153.8M over a five-year period, and its annual capital reference levels were increased from \$59M to \$90M to upgrade the HBS system. In addition, CATSA was given the authority to draw on its future years' capital appropriations in order to accelerate the deployment of the new HBS Transborder system at Class I airports in support of the *Canada-US Beyond the Border Declaration for a Shared Vision for Perimeter Security and Economic Competitiveness*. This initiative will eliminate the need for the US Transportation Security Administration (TSA) to re-screen connecting baggage originating from Canadian airports with US pre-clearance facilities by December 2015.

CATSA is projecting to spend a total amount of \$398M for the life-cycle management of its HBS system over the course of the five-year planning period, which represents approximately 74% of the overall EDS capital budget envelope.

CATSA's HBS capital plan also provides for the ongoing life-cycle management of Trace and X-ray equipment for oversized baggage, and the deployment of a network solution for CATSA's CT equipment aimed at improving performance and screening capabilities. Lastly, the plan accommodates project engineering support and testing of new technology solutions over the course of the planning period.

NON-PASSENGER SCREENING

The capital plan for NPS supports the ongoing purchase and deployment of EDS equipment as part of the Enhanced NPS program, which includes the purchase of LEDES technology.

The plan also accommodates the life-cycle management of older EDS equipment deployed at NPS access points.

4.4.2 NON-EXPLOSIVES DETECTION SYSTEMS CAPITAL

Summary

The Non-EDS capital plan is developed in consideration of the following key factors:

- useful life of CATSA's existing Non-EDS equipment and systems at corporate headquarters and in the regions;
- operational trials conducted at the airports; and
- new technologies to enhance CATSA's network infrastructure and corporate management systems.

2014/15 Variance Analysis

The capital re-profile for Non-EDS of \$2.7M is mainly associated with delays in the deployment of system infrastructure for Enhanced NPS.

After taking into consideration the capital re-profile, capital expenditures were \$0.5M higher than budget. The increase in capital spending is mainly attributable to additional requirements to support the regional offices and the deployment of new technology.

During fiscal 2014/15, CATSA completed the following initiatives:

- deployment of the RAIC system at three Class III airports in support of the Enhanced NPS program;
- deployment of the QMS in support of the pilot project at the Edmonton airport; and
- purchase of the RAIC Handheld Readers as part of the life-cycle management program.

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The plan for non-EDS capital will continue to address CATSA's operational and security enhancements directed towards improving efficiency and effectiveness.

In particular, the plan supports the installation of network and system infrastructure in support of the Enhanced NPS program. It also accommodates the national deployment of the QMS based on the successful outcome of the pilot project in Edmonton.

Additional non-EDS capital projects planned over the five-year period include, but are not limited to:

- replacement and upgrade of podiums and hardware for BPSS, which provide CATSA with accurate passenger data to optimize resource utilization;
- life-cycle management of the RAIC equipment and system; and
- ongoing life-cycle management of CATSA's network infrastructure and the CCTV program.

4.4.3 DISPOSALS OF CAPITAL ASSETS

Overview

CATSA manages its assets, including asset disposal, as part of a life-cycle management regiment. The disposal of assets is governed by corporate policy and procedures that ensure compliance with applicable legislation and regulations concerning the disposal of Crown assets. In some cases, the organization will incur costs to dispose of assets in compliance with environmental laws and regulations. A decommissioning liability will be recorded to address these costs if applicable.

Proceeds from disposals during the planning period are not expected to be material. Accordingly, such amounts have not been included in the planning period. Disposal proceeds will be fully accounted for in accordance with International Financial Reporting Standards.

Glossary

Airport Authority	An operator of an airport listed in the <i>Airport Transfer (Miscellaneous Matters) Act</i>
ASSAs	Airport Screening Services Agreements
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
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
CRP	Corporate Risk Profile
CT	Computed Tomography
Designated Airports	The 89 airports at which CATSA is responsible for the provision of screening services according to regulations
DRAP	Deficit Reduction Action Plan
EDS	Explosives Detection Systems: manual or automated systems used primarily to check for explosives in carry-on and checked baggage
FTE	Full-Time Equivalent
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
HTT	Harmonized Trusted Traveller
ICAO	International Civil Aviation Organization
NPS	Non-Passenger Screening: the screening of selected non-passengers accessing restricted areas of airports. Subject to certain exceptions, everyone who has access to restricted/sterile areas in airports is subject to screening. Individuals requiring screening include, but are not limited to: <ul style="list-style-type: none"> • domestic air crews (pilots and flight attendants) • ramp/station attendants (aircraft groomers, baggage handlers) • air carrier customer service agents (including agents at check-in counters, departure/arrival gates and concierge) • aircraft mechanics • airport authority staff (including security personnel and maintenance equipment operators) • trade workers (millwrights, carpenters, electricians, plumbers, technicians working on site or as contractors) • concessionaires at sterile area commercial outlets • aircraft refuelers • building cleaners • couriers • catering staff • screening personnel • CATSA employees
PAA	Program Alignment Architecture: an inventory of all the activities undertaken by a department or agency. The activities are depicted in their logical relationship to each other and to the Strategic Outcome(s) to which they contribute.
PBS	Pre-Board Screening: the screening of passengers, their belongings and carry-on

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	baggage
QMS	Queue Management System
RAIC	Restricted Area Identity Card: an identification card issued to all employees authorized to enter the restricted areas of Class I and II airports
Screening Contractor	A company that has entered into a contract with CATSA for the provision of PBS, HBS and other screening services
SOPs	Standard Operating Procedures
SSPI	Security Screening Process Improvements
TBS	Treasury Board of Canada Secretariat
WTMD	Walk-Through Metal Detector
WTSL	Wait Time Service Level