



CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Summary of the 2013/14 – 2017/18 Corporate Plan 2013/14 Capital Budget 2013/14 Operating Budget

November 22, 2013

Catalogue Number: CC402-1/2013E-PDF
ISSN : 1929-7343

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EXECUTIVE SUMMARY

CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the Government of Canada. To achieve this, CATSA is mandated to conduct security screening in the following four areas:

- Pre-Board Screening (PBS): the screening of passengers, their carry-on baggage and their personal belongings;
- Hold Baggage Screening (HBS): the screening of checked baggage;
- Non-Passenger Screening (NPS): the screening of non-passengers on a random basis; and
- Restricted Area Identity Card (RAIC): the administration of access control to airport restricted areas through biometric identifiers.

In addition, under an agreement it concluded with Transport Canada in 2010, CATSA is authorized to conduct screening, where capacity exists, of cargo at 49 smaller airports.

Recent Accomplishments

Improving the effectiveness and efficiency of screening operations has been an important priority for CATSA in recent years. As a result, CATSA has been able to lower the cost of screening without impacting the level of security and is now capable of delivering, at peak times, an average throughput of 120 passengers per lane per hour at Class I airports. With its new Airport Screening Services Agreements (ASSAs), CATSA is also now able to better plan, schedule and monitor resource deployment to match traffic demand.

In addition, CATSA continues to invest in its screening technology and equipment, particularly as it deploys its new HBS system at airports across Canada in support of the Canada-US Beyond the Border Declaration for a Shared Vision for Perimeter Security and Economic Competitiveness.

Looking Ahead

While continuing to meet its security mandate, CATSA has significantly improved its operations and is committed to continue doing so in the future to keep delivering value for air travellers in Canada. CATSA and Transport Canada are working together to assess and alleviate the impact of increases in contractor billing rates and rising passenger volumes.

ICAO recently adopted a strengthened standard for non-passenger screening and security controls, and CATSA is working with Transport Canada, airports and air carriers on long-term options to continue meeting the standard.

Note: Pursuant to section 152(1) of the *Financial Administration Act* (FAA) and 32(2) of the *CATSA Act*, CATSA must keep confidential any information the publication of which, in the opinion of the Minister of Transport, would be detrimental to air transport security or to public security, including financial and other data that might reveal such information.

1. CORPORATE PROFILE

Introduction Established on April 1, 2002, the Canadian Air Transport Security Authority (CATSA) is an agent Crown corporation, fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. CATSA's goal is to provide a professional, effective and consistent level of security screening across the country, at or above the standards set by Transport Canada. With its front-line screening officers, CATSA's mandated operations are expected to screen 53 million passengers and their baggage in 2013.

1.1 Mandate and Responsibilities

Overview CATSA has a mandate to provide security in 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; and
- RAIC: the program which uses iris and fingerprint biometric identifiers to allow non-passenger access to the restricted areas of airports.

In addition to its mandated activities, CATSA signed a "good neighbour" agreement with Transport Canada in 2010 that authorized CATSA 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 operating resources.

For more information on its mandate, please consult CATSA's website.

1.2 Mission and Vision

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

Vision CATSA's vision is to excel as a world leader 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

Reporting to Parliament

CATSA reports to Parliament, through the Minister of Transport.

Legislative, Regulatory and Procedural 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 ICAO. CATSA is subject to domestic legislation, regulations and procedures in the way that it conducts its business and screening activities as demonstrated below.

Legislation/ Regulations/ Procedures	Application to CATSA
<i>The Canadian Air Transport Security Authority Act (CATSA Act)</i>	<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 (FAA), Part X</i>	<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.
<i>Canadian Aviation Security Regulations</i>	<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.
<i>Security Screening Orders</i>	<ul style="list-style-type: none"> Provide the measures 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 Governance and Organizational Structure

Board of Directors

CATSA is a Crown corporation with a Board of Directors appointed by the Governor in Council on the recommendation of the Minister of Transport.

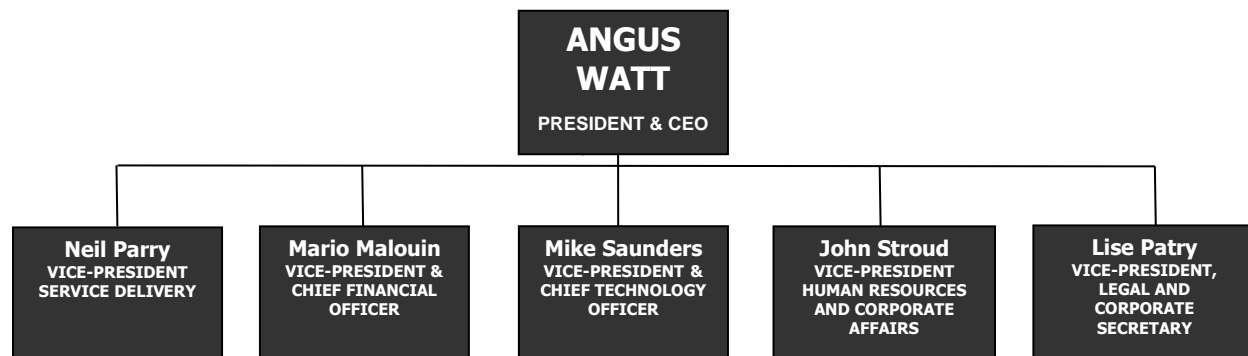
The Board is chaired by Lloyd McCoomb, who was appointed for a four-year term in October 2012, and is composed of 11 members – one Chair and 10 Directors. There are four positions for industry nominees; two must be nominated by representatives of the airline industry and two must be nominated by representatives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

For more information on CATSA's Board of Directors, including Director profiles and CATSA's Board Committees, please visit the [Board of Directors](#) section of CATSA's website.

CATSA's Senior Management Team

Effective June 29, 2012, the *CATSA Act* was amended requiring that any future Chief Executive Officer (CEO) of CATSA be appointed by the Governor in Council and that an employee of CATSA may not replace the CEO for more than 90 days without the approval of the Governor in Council. This change was outlined in Bill C-38, the *Jobs, Growth and Long-term Prosperity Act*.

Senior Management at CATSA is led by the President and CEO, Angus Watt, and supported by a Senior Management team,¹ as shown below:



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

¹ Effective March 29, 2013, Neil Parry, previously Senior Director, Program Delivery, assumed responsibility as Vice-President, Service Delivery from Yves Duguay, who stepped down from his role as Senior Vice-President, Operations and Customer Experience.

2. OPERATING ENVIRONMENT

Introduction CATSA is a security organization mandated by an Act of Parliament 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 or challenges that could impact the organization over the planning period.

2.1 Performance Measurement

Corporate Performance Dashboard CATSA's Corporate Performance Dashboard serves as a management tool for its Board of Directors and Senior Management team 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.

Each year, CATSA's Board of Directors and its Senior Management team review the organization's key performance indicators (KPIs) and performance targets to ensure continuous improvement of its performance measurement activities.

Screening Effectiveness CATSA's screening effectiveness is measured by the ability of the screening contractor to identify and prevent threat items from entering the sterile area, while consistently applying SOPs to ensure the integrity of security procedures.

Efficiency For CATSA, operational efficiency is determined by how many passengers we can screen with every dollar paid to the screening contractors. The lower the per-unit cost of screening passengers, the more efficient CATSA's screening activities are.

From 2010/11 onwards and particularly in 2011/12, CATSA introduced several measures that have increased the efficiency of its operations. As a result, CATSA has been able to lower the cost of screening without impacting the level of security.

Productivity (Throughput) CATSA's screening productivity is defined by passenger throughput during peak periods. In other words, the number of passengers that can be screened per lane per hour at PBS at peak periods.

As part of the CATSA Review 2010, CATSA committed to the Government of Canada to improve its operational efficiency by re-engineering its PBS checkpoints and introducing measures to streamline and increase passenger throughput. Through the implementation of these efficiencies, CATSA is now capable of delivering, at peak times, an average throughput of 120 passengers per lane per hour at Class I airports.

Service Delivery Effectiveness Service delivery effectiveness is the ability to optimally staff an appropriate number of screening lanes and provide services to match passenger demand, thus minimizing wait times. With the new ASSAs, CATSA has put in place various processes and tools to plan, schedule and monitor resource deployment to match

traffic demand.

Through data collected by BPSS, CATSA is now able to accurately determine passenger wait times, which helps to better manage its resources and increase its effectiveness. Despite rising passenger volumes, with continual improvement in checkpoint management, wait times in 2012/13 have been relatively stable with approximately 96% of passengers waiting 15 minutes or less.

Passenger Satisfaction

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.

CATSA has been able to maintain a satisfaction level of approximately 80% over the past year. In addition, over 70% of passengers expressed "high confidence" in the screening processes employed by CATSA.

Review Savings

Over the past four years, CATSA has proactively taken steps to improve its operational efficiency through the optimization of equipment and processes. Through three government mandated reviews, CATSA achieved its savings targets and, as of April 1, 2013, CATSA will have realized \$73M in savings per year, of which approximately \$60M is in relation to Payments to Screening Contractors.

With respect to its most recent review, the Government of Canada's Economic Action Plan 2012 Spending Review, as of March 31, 2013, CATSA has realized all of the savings associated with proposals that were approved for implementation.

2.2 Opportunities

ASSA Update

Nearly 70% of CATSA's operating budget is dispersed through four long-term ASSAs, which came into effect November 1, 2011. By going back to market, CATSA has re-shaped its unique third-party service delivery model and has introduced transformative change to its most critical activities and one of its key business relationships.

First, a four-region model has brought about economies of scale and a streamlining of contract administration. Second, clearer roles and responsibilities between the screening contractors and CATSA mean that there is less administrative overlap and more efficient use of oversight and management resources. Third, better defined service requirements and built-in incentives have encouraged screening contractors to invest in the model, such as best-available scheduling technologies to optimize the deployment of screening hours to address daily and seasonal demand. Fourth, the new contracts have transferred to the screening contractors a key risk that CATSA assumed solely unto itself under the previous contracts: the upward pressure of collective bargaining agreements on screening contractor billing rate increases. Finally, CATSA has also implemented a new performance program for screening contractors, which sees their remuneration tied directly to the achievement and delivery of the commitments and obligations set forth in the ASSAs.

In 2012/13, during the transition year and first year of the five-year agreements, CATSA and its screening contractors have already achieved better results than were possible under the old contracts. Working together, CATSA and the screening contractors were able to increase productivity, introduce new management models, develop and implement an action plan for performance improvement, maintain high levels of passenger satisfaction, and reduce the cost per passenger screened.

Industry Partners

The environment in which CATSA operates its screening processes is highly integrated, with many different entities – airport authorities, air carriers, law enforcement agencies – assigned 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.

CATSA recognizes that its relationships with these partners are critical to the overall performance and success of aviation security activities 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 continuing to build collaborative working and strategic relationships and industry partners by:

- working to optimally staff an appropriate number of screening lanes to match passenger demand;
- sharing information, including operational data, with all major airports;
- enhancing emergency protocols and contingency plans; and
- continuing to work with Transport Canada to formalize the recommendation regarding a Security Program, including its integration with airport authorities' security plans.

Air Cargo Security Screening

As mentioned in Chapter 1, CATSA signed a “good neighbour” agreement with Transport Canada in 2010 to conduct screening of cargo at smaller airports. This program was based on the following principles:

- screening would take place using existing equipment and available personnel at off-peak times at small or remote Class II and Class III airports where independent cargo screening is not available or viable, and would not entail additional marginal capital or operating costs for CATSA;
- screening would be limited to small items received at the terminal and therefore ready for screening with existing HBS equipment; and
- cargo screening would not compromise the efficiency or effectiveness of passenger and baggage screening, and priority would be given to screening of cargo taken on board passenger flights.

At the time the agreement was signed, there were seven airports in question. In 2012/13, this program was expanded to include 42 additional airports, for a total of 49 airports. CATSA expects that its role in screening cargo will remain limited over the planning period as it is not a mandated activity.

2.3 Challenges

Passenger Volumes

The latest Transport Canada forecasts show that passenger volumes will rise in each of the next five years, with most of the growth occurring at Class I airports.

In 2011/12, CATSA screened approximately 49.7M passengers at the designated airports. Based on BPSS data, CATSA’s operations screened approximately 51M passengers by the end of fiscal year 2012/13. Passenger volumes are expected to continue increasing.

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 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.

Screening Contractors’ Billing Rates

Despite the fact that CATSA completed a competitive process for its screening services, which generated significant savings for the organization, the billing rates that CATSA pays for each hour of screening have been set by market forces and will increase over the planning period.

The increases in screening contractors’ billing rates are primarily driven by screening officer wage increases. These increases 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. Based on the current allocation of screening hours, the annual, weighted average of billing rate increases built in the new contracts is 2.9%.

The contracts introduced some predictability in the billing rate increases, which

CATSA did not have under previous screening contracts. This predictability allows CATSA to better manage its budget and its allocation of screening hours.

**CATSA's
Reference
Levels**

CATSA's most important expenditure line, Payments to Screening Contractors, has two important limitations:

- CATSA is not funded to fully accommodate increased operating costs due to rising passenger volumes, which means that without additional funding, passengers will likely wait longer to be screened.
- CATSA's funding profile allows for a limited amount of inflation but is less than the 2.9% average increase in billing rates set in the ASSAs. This means that CATSA's purchasing power in its Payments to Screening Contractors will decline over each of the next five years.

Recognizing that there is no government set service level, CATSA will operate within its approved reference levels and will continue to meet its security mandate. The financial considerations described above will likely lead to longer wait times and CATSA may face pressure from the aviation industry and the travelling public.

Enhanced NPS

ICAO recently adopted a strengthened standard for non-passenger screening and security controls, and CATSA is working with Transport Canada, airports and air carriers on long-term options to continue meeting the standard.

**HBS
Recapitalization**

CATSA is moving forward with the life-cycle management of its HBS system that will ensure its equipment remains compatible and employs the best industry practices and standards to deliver a secure experience for air travelers. This initiative supports the Canada-US Perimeter Security and Economic Competitiveness Action Plans and will lead to cost savings from the elimination of duplicate screening as well as facilitate easier transiting of passengers departing Canada and transiting through US airports.

2.4 Key Corporate Risks

**CATSA's
Corporate Risk
Profile**

As a key member of the Canadian civil aviation security system, CASTA 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 and risk response, CATSA also conducts various risks assessments pertaining to its corporate strategies and operations.

3. STRATEGIC DIRECTION

Introduction

Building on the information presented to CATSA through its analysis of its past operational performance, the anticipated and/or known opportunities and challenges in its operating environment, and the risks facing the organization, this chapter presents CATSA strategic plan and corporate priorities for the five-year planning period.

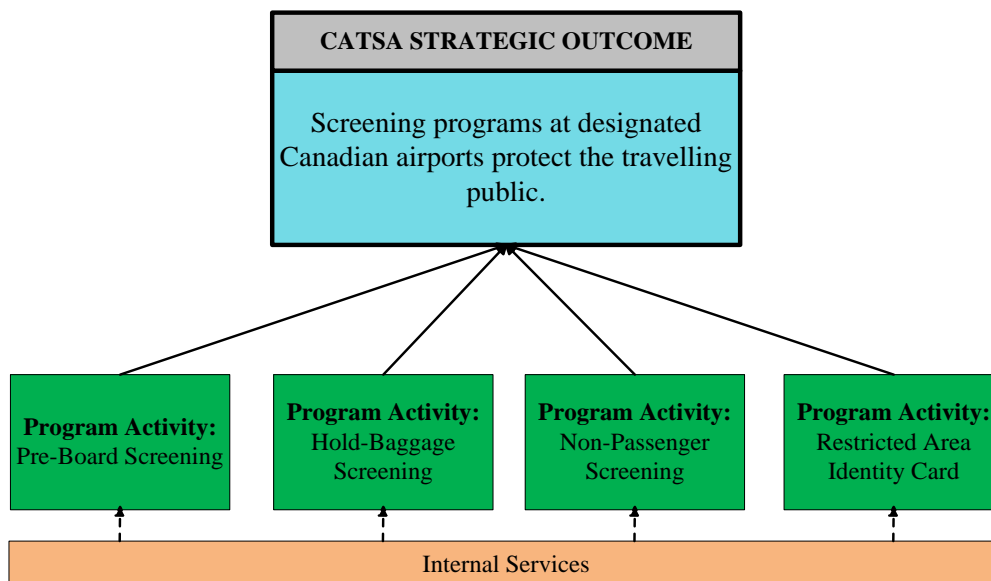
Guided by its Program Alignment Architecture (PAA), the strategies and priorities presented in this chapter builds on the foundations set out in CATSA’s previous corporate plans and continues to support the organization’s overarching strategic outcome of delivering screening programs at designated Canadian airports to protect the travelling public.

3.1 Program Alignment Architecture

Overview

CATSA’s PAA and Strategic Outcome is aligned with the Treasury Board Secretariat (TBS) *Policy on Management, Resources, and Results Structures (MRRS)*, as demonstrated in the illustration below.

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 legislated outcomes.



3.2 Performance Plan

Performance Priorities

CATSA uses its Operations Performance Oversight Program to provide ongoing monitoring of its operational performance. Data collected through this program is analyzed and measured against KPIs in CATSA's performance programs (the Contract Compliance Program and Service Excellence Program) for screening contractors and shared with Transport Canada. Where there is a gap between expected performance and actual performance, analysis is done on a position-by-position basis and root cause is identified. From there, CATSA and its screening contractors put together performance improvement action plans at both the tactical and strategic levels.

In 2013/14, CATSA will continue to implement and assess its plan to improve screening effectiveness, which will include, but are not limited to, the following:

- developing and deploying initiatives designed to target screening officer competency and human factors;
- introducing supplementary training material;
- continuing to work with its screening contractors to address systemic; and environmental factors, such as screening officer culture and engagement.

In addition, CATSA will be launching a data and information-sharing initiative with its screening contractors to facilitate the sharing of performance measurement information that will aid in decision-making and management of its front-line screening operations. CATSA will also continue to explore with Transport Canada opportunities where passengers are grouped by risk and screened accordingly, such as the Trusted Traveller CATSA Security Lines initiative.

3.3 Strategic Plan by Program Activity

Overview

CATSA's strategic plan is guided by its PAA. The organization has identified a number of specific objectives related to its PBS, HBS, NPS, RAIC and Internal Services for the five-year planning period.

3.3.1 PBS

Strategic Plan

While CATSA's commitment to improve its screening effectiveness performance remains a top priority, CATSA will also continue to improve its operations in an effort to identify possible process improvements by exploring pilot projects that aim to maximize the new screening contracts and to optimize screening checkpoint space. CATSA also continues to work closely with its screening contractors to optimize screening hours scheduling.

It is important to note that while CATSA will continue to meet its mandate of screening passengers, the organization will face challenges in accommodating increases in screening contractors' billing rates and rising passenger volumes. Over the planning period, CATSA will work with Transport Canada to propose long-term strategy.

**Planning
Period
Priorities**

Over the planning period, CATSA's PBS activities will focus on:

Ongoing activities:

- maintaining passenger peak throughput levels of 120 passengers screened per hour per lane at Class I airports;
- continuing to introduce and promote the concept of passenger facilitation at the screening checkpoint;
- conducting regular contingency exercises to ensure CATSA's operations are ready to face extraordinary events;
- deployment of liquids, aerosols and gels detection equipment at select airports;
- ongoing lifecycle management of equipment; and
- ongoing performance measuring and monitoring.

New activities:

- launching an Information Sharing Access Portal with screening contractors, airport authorities and air carriers;
- continuing to implement security screening process improvements; and
- providing screening services for the 2015 Pan American and Parapan American Games.

3.3.2 HBS

Strategic Plan

With regards to HBS, CATSA's main focus for the five-year planning period will be the continued execution of its HBS life-cycle management program, which will see CATSA replacing its existing equipment with more advanced, internationally compatible Computed Tomography (CT)-equivalent technology. The implementation of this recapitalization plan began in 2011/12 and will continue over a 10-year period for all Class I, II and select Class III airports. This deployment strategy is in support of the Canada-US Beyond the Border Declaration for a *Shared Vision for Perimeter Security and Economic Competitiveness*. This initiative will facilitate shorter connection times by eliminating the need for the US to re-screen connecting baggage originating from Canadian airports with US pre-clearance facilities.

**Planning
Period
Priorities**

In addition to above, CATSA's HBS priorities for the planning period will focus on:

- deploying CT-technology;
 - maintaining current HBS equipment at designated airports;
 - testing and evaluation of new equipment and technologies;
 - accommodating HBS expansions at select Class I and II airports; and
 - ongoing performance measuring and monitoring.
-

3.3.3 NPS

Strategic Plan Over the planning period, CATSA will continue to comply with NPS requirements. In addition, in an ongoing effort to optimize resources and increase the security value of NPS, CATSA will continue to re-deploy screening officers from PBS to NPS during non-peak periods, where possible.

Planning Period Priorities ICAO recently adopted a strengthened standard for non-passenger screening and security controls, and CATSA is working with Transport Canada, airports and air carriers on long-term options to continue meeting the standard.

3.3.4 RAIC

Strategic Plan CATSA will continue to deliver and maintain an effective, efficient and reliable biometric credential management system for airport authorities and Transport Canada to deliver on the regulated RAIC requirements at 29 airports across Canada.

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

- life-cycle management of biometric verification hardware and core IT system infrastructure;
- reviewing the current system's biometric platform to ensure it will meet future business requirements; and
- evaluating novel applications of biometric reader units that can be deployed in a variety of operational environments.

3.3.5 Internal Services

Strategic Plan Since 2010, CATSA has controlled discretionary spending such as travel and professional services and minimize growth in these areas. As CATSA continuously adjusts and strives to enhance its financial agility, the organization will continue to reallocate all available funds towards addressing risk.

Planning Period Priorities CATSA's priorities for its internal services over the planning period will include:

- phasing in increases to employee contributions to the closed defined benefit plan over a five-year period commencing April 1, 2013 in order to align with those of the *Public Service Superannuation Act* (PSSA) pension plan;
- implementing a defined contribution plan for new hires as of July 1, 2013; and
- continuing to leverage the organization's internal Strategic Relationship Management Program, which provides CATSA's Senior Management team with current, accurate and relevant stakeholder information to make better and more informed strategic decisions and to better understand how and where stakeholders relationships can add strategic value

4. FINANCIAL ANALYSIS

Introduction

As outlined in Chapter 1, CATSA 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 forecasted financial results and budget for 2012/13, and its financial plan for the five-year period 2013/14 – 2017/18.

4.1 Funding Overview

CATSA's Funding

The financial table below provides an overview of CATSA's financial results for 2011/12, its forecasted financial results for 2012/13, and its financial plan for the period 2013/14 – 2017/18.

	Actual 2011/12	Forecast 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Five Year Total 2013/14 – 2017/18
Operating Expenditures	\$ 486	\$ 474	\$ 477	\$ 473	\$ 470	\$ 491	\$ 491	\$ 2,402
Capital Expenditures	23	39	101	113	114	82	42	452
Total	\$ 509	\$ 513	\$ 578	\$ 586	\$ 584	\$ 573	\$ 533	\$ 2,854

Operating:

In the Government of Canada's Economic Action Plan 2012 Spending Review, CATSA made several proposals that amounted to \$59.7 million in annual operating savings by 2014-15. Of these proposals, CATSA received approval to proceed with annual planned savings of \$32.1 million. The remaining \$27.6 million in proposed savings has been put on hold pending further consideration.

Capital:

Every year, CATSA develops its capital plan based on current project plans and any changes to requirements from airport authorities. However, HBS integration projects are complex in nature due to the intricacies of the design and the coordination with multiple vendors. As a result, CATSA's timelines associated with these projects are often subject to fluctuations and projects may be pushed from one year to the next.

In 2012/13, CATSA requested a reprofile of capital funds totaling \$29.1M (\$1.1M from 2011/12 and \$28.0M from 2012/13) to fiscal year 2013/14 in order to accommodate changes to airport projects that were beyond CATSA's control. CATSA received approval of this reprofile from the Treasury Board in February 2013.

During the 2012/13 fiscal year, CATSA returned to market for the purchase of CT equipment, which will be deployed as part of the life-cycle management of CATSA's

HBS system. CATSA has since completed the evaluation of the proposals received from the Request for Standing Offer process and awarded the new contract to the winning vendor.

As a result of this competitive process, as well as other one-time capital adjustments, CATSA's capital funding requirements over the planning period were reduced to reflect potential capital savings amounting to approximately \$72M which may be realized by 2017/18.

Subsequently, CATSA identified capital spending of \$15.6M planned in 2012/13, which has been postponed to 2013/14 mainly due to revised airport HBS integration plans. The funds have been budgeted in 2013/14 using a portion of the capital savings identified above.

**Future
Challenges**

As described in Chapter 2, screening contractor billing rates will increase an average of 2.9% and passenger volumes, particularly at Canada's largest airports, are expected to increase. However, CATSA's approved reference levels do not fully accommodate increases in screening contractor billing rates and rising passenger volumes. As a consequence, its ability to purchase screening hours will decline over each of the next five years and passengers will likely wait longer to be screened.

ICAO recently adopted a strengthened standard for non-passenger screening and security controls, and CATSA is working with Transport Canada, airports and air carriers on long-term options to continue meeting the standard.

4.2 Fiscal Year 2012/13 and the 2013/14 – 2017/18 Financial Plan by Program Activity

Overview

Table 2 summarizes CATSA's financial results for 2011/12, its forecasted financial results and budget for 2012/13, as well as its 2013/14 – 2017/18 operating and capital plan by program activity.

TABLE 2 Financial Plan by Program <i>(in thousands of dollars)</i>	Actual 2011/12	Forecast 2012/13	Budget 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Five Year Total 2013/14 - 2017/18
Operating Expenditures									
PBS	\$ 326,119	\$ 314,057	\$ 306,394	\$ 297,898	\$ 310,373	\$ 304,246	\$ 322,911	\$ 323,162	\$ 1,558,590
HBS	95,113	95,158	98,579	93,341	95,260	97,010	96,444	96,313	\$ 478,368
NPS	14,904	17,057	13,502	38,122	17,043	16,600	17,745	17,758	\$ 107,268
RAIC	1,724	2,120	2,618	2,234	2,021	2,061	2,104	2,140	\$ 10,560
Corporate Services	48,571	45,734	46,804	45,343	48,767	49,939	51,425	51,256	\$ 246,730
Total	\$ 486,431	\$ 474,126	\$ 467,897	\$ 476,938	\$ 473,464	\$ 469,856	\$ 490,629	\$ 490,629	\$ 2,401,516
Capital Expenditures									
PBS	\$ 6,450	\$ 7,090	\$ 10,256	\$ 12,983	\$ 8,927	\$ 4,307	\$ 3,801	\$ 5,419	\$ 35,437
HBS	14,076	29,823	76,130	83,097	100,767	108,084	76,838	33,696	\$ 402,482
NPS	73	-	-	2,000	-	-	-	-	\$ 2,000
RAIC	55	543	837	1,144	1,021	60	60	2,300	\$ 4,585
Corporate Services	5,120	2,608	1,881	2,148	1,711	1,760	1,444	1,249	\$ 8,312
Subtotal	\$ 25,774	\$ 40,064	\$ 89,104	\$ 101,372	\$ 112,426	\$ 114,211	\$ 82,143	\$ 42,664	\$ 452,816
Proceeds of Disposal	(2,636)	(821)	-	-	-	-	-	-	\$ -
Total	\$ 23,138	\$ 39,243	\$ 89,104	\$ 101,372	\$ 112,426	\$ 114,211	\$ 82,143	\$ 42,664	\$ 452,816
Total Expenditures	\$ 509,569	\$ 513,369	\$ 557,001	\$ 578,310	\$ 585,890	\$ 584,067	\$ 572,772	\$ 533,293	\$ 2,854,332

Forecasted operating expenditures compared to budget for 2012/13 take into account a reallocation of capital surplus funds in the amount of \$6.2M to the operating budget. This reallocation has enabled CATSA to manage increases in screening contractor billing rates and rising passenger volumes in the fiscal year.

Forecasted capital expenditures compared to budget for 2012/13 reflect the above reallocation, as well as the capital reprofile of \$28.0M to 2013/14. Furthermore, the 2012/13 forecast was adjusted downward by a further \$15.6M mainly due to additional delays in certain airport projects. The associated capital spending has been postponed to 2013/14.

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.

PBS Expenditures for PBS operations account for 64.9% of CATSA's five-year operating plan. With respect to its most recent review, the Government of Canada's Economic Action Plan 2012 Spending Review, as of March 31, 2013, CATSA has realized all of the savings associated with proposals that were approved for implementation.

CATSA's capital plan over the five-year period supports the ongoing life-cycle management of PBS single-view X-ray equipment with multi-view technology at designated airports across Canada. It also provides for the upgrade of trace equipment and the introduction of new EDS technology at PBS checkpoints.

HBS Expenditures for HBS operations account for 19.9% of CATSA's five-year operating plan. The operating plan for HBS is relatively constant over the five-year period and accommodates ongoing maintenance of CATSA's existing HBS equipment and the deployment of new technologies.

CATSA's capital plan focuses on the life-cycle management of its HBS system. CATSA's HBS life-cycle management program represents 88.9% of capital spending over the five-year planning period.

NPS Expenditures for NPS operations account for 4.5% of CATSA's five-year operating plan. In 2012/13, the efficiencies generated from more effective resource scheduling at PBS checkpoints allowed CATSA to re-deploy screening officers from PBS to NPS during non-peak periods. This is in line with CATSA's ongoing effort to optimize resources.

As discussed in Section 4.1, this plan reflects in-year reallocation of capital funds following an updated risk-assessment. CATSA is also providing support to Transport Canada in the development of a long-term plan to continue meeting the strengthened ICAO standard.

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

The capital plan for RAIC accommodates the life-cycle management of the RAIC system and equipment deployed at 29 airports across Canada.

Corporate Services Expenditures for Corporate Services account for 10.3% of CATSA's five-year operating plan. In 2012/13, savings were realized as part of the Economic Action Plan 2012 Spending Review to support CATSA's corporate infrastructure. CATSA will continue to benefit from these savings throughout the planning period.

The capital plan for Corporate Services consists primarily of investments in CATSA's network and corporate management systems.

4.3 Fiscal Year 2012/13 and the 2013/14 – 2017/18 Financial Plan for Operating Expenditures

Overview

Table 3 summarizes CATSA's financial results for 2011/12, its forecasted financial results and budget for 2012/13, as well as its 2013/14 - 2017/18 operating plan by major expenditure category.

	Actual 2011/12	Forecast 2012/13	Budget 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Five Year Total 2013/14 - 2017/18
Operating Expenditures									
SCREENING SERVICES AND OTHER RELATED COSTS	\$ 355,816	\$ 347,606	\$ 343,125	\$ 352,052	\$ 341,785	\$ 331,805	\$ 355,016	\$ 355,685	\$ 1,736,343
Payments to Screening Contractors	348,884	342,256	336,322	345,649	335,255	325,110	348,222	348,755	1,702,991
Uniforms & Other Related Costs	5,048	3,600	4,446	4,486	4,575	4,693	4,760	4,855	23,369
Trace & Consumables	1,884	1,750	2,357	1,917	1,955	2,002	2,034	2,075	9,983
EQUIPMENT OPERATING AND MAINTENANCE	\$ 42,055	\$ 43,011	\$ 43,819	\$ 44,785	\$ 44,337	\$ 48,007	\$ 43,368	\$ 43,471	\$ 223,968
Equipment Maintenance & Spare Parts	41,229	41,707	41,746	42,724	42,992	46,935	42,325	42,492	217,468
Training & Certification	820	535	1,163	1,277	545	256	211	130	2,419
RAIC	6	769	910	784	800	816	832	849	4,081
DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES	\$ 89,015	\$ 83,906	\$ 80,953	\$ 80,101	\$ 87,342	\$ 90,044	\$ 92,245	\$ 91,473	\$ 441,205
Employee Costs	62,422	60,546	53,147	55,801	62,817	64,434	66,809	65,562	315,423
Professional Services and Other Business Related Costs	6,954	5,865	7,014	6,727	6,455	7,019	6,455	6,455	33,111
Office and Computer Expenses	5,353	4,855	5,608	5,361	5,573	5,688	5,784	5,893	28,299
Communications and Public Awareness	1,871	1,151	1,362	1,348	1,300	1,325	1,300	1,300	6,573
Other Administrative Costs ¹	12,415	11,489	13,822	10,864	11,197	11,578	11,897	12,263	57,799
Subtotal	\$ 486,886	\$ 474,523	\$ 467,897	\$ 476,938	\$ 473,464	\$ 469,856	\$ 490,629	\$ 490,629	\$ 2,401,516
Interest Revenue, Foreign Exchange Gain/Loss, and Net Change in Inventory and prepaids	(455)	(397)	-	-	-	-	-	-	-
Total Operating Expenditures	\$ 486,431	\$ 474,126	\$ 467,897	\$ 476,938	\$ 473,464	\$ 469,856	\$ 490,629	\$ 490,629	\$ 2,401,516

¹ Other Administrative 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 Direct Administrative Costs and Corporate Services.

The following section provides a variance analysis of the forecasted financial results compared to budget for 2012/13, and a discussion of the 2013/14 – 2017/18 operating plan for each major 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 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 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.

Uniforms and Other 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 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, swabs and verification filters.

2012/13 Variance Analysis

Screening Services and Other Related Costs are forecasted \$4.5M higher than budget. This is attributable to higher Payments to Screening Contractors resulting from an increase in screening hours purchased and higher costs relating to the performance program.

Through the purchase of additional screening hours and more effective resource scheduling, CATSA was able to:

- manage the increased passenger volume while minimizing wait times during peak periods at PBS checkpoints at Canada's busiest airports; and
- re-deploy screening officers from PBS to NPS during non-peak periods.

Costs for the performance program were higher than anticipated due to screening contractors' performance results exceeding planned expectations.

Other screening related costs were lower than budget as follows:

- Uniforms and Other Related Costs, resulting from lower uniform purchases, and reduced requirements for bin and line cleaning services and common look-and-feel of checkpoints; and
- Trace and Consumables, due to a more effective usage of trace supplies, and a delay in the upgrade of the trace equipment, which allowed CATSA to use existing inventory and postpone the purchase of trace supplies designated for the new equipment.

**2013/14-
2017/18
Financial Plan**

Payments to Screening Contractors

The five-year operating plan for Payments to Screening Contractors has been developed based on CATSA's approved reference levels. Planned expenditures have been adjusted to reflect the savings from the approved Economic Action Plan 2012 Spending Review initiatives.

The plan reflects in-year reallocation of capital funds following an updated risk-assessment.

Uniforms and Other Related Costs

Planned expenditures reflect uniform purchases required to meet operational requirements, which are expected to remain relatively constant throughout the planning period. 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.

Uniforms and Other Related Costs planned for fiscal year 2013/14 are higher compared to the prior year as CATSA benefited from the usage of uniform inventory on hand in 2012/13.

Trace and Consumables

Expenditures for Trace and Consumables are expected to remain relatively constant over the planning period, and reflect CATSA's ongoing operational requirements.

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 operation and maintenance of RAIC.

Training and Certification

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

RAIC Cards

RAIC Cards consist of the purchase of cards in support of the existing biometric validation system at 29 airports across Canada.

2012/13 Variance Analysis

Expenditures for 2012/13 are forecasted to be \$0.8M lower than budget, mainly due to the following:

- lower training and certification costs, resulting from a revised EDS capital deployment schedule for 2012/13 which required fewer technicians to be trained; and
- the impact of favourable foreign exchange rates for equipment maintenance services from US vendors; partially offset by
- higher maintenance costs incurred for the support of older EDS equipment as a result of deployment delays, and costs associated with the implementation of operational enhancements.

2013/14- 2017/18 Financial Plan

Equipment Maintenance and Spare Parts

Planned expenditures for Equipment Maintenance and Spare Parts for 2013/14 take into consideration contractual increases for EDS equipment maintenance services, which are budgeted annually over the planning period. The increase compared to 2012/13 is also attributable to higher anticipated foreign exchange rates for equipment maintenance services from US vendors.

The annual contractual increases for 2014/15 and beyond are offset by lower equipment maintenance costs associated with the replacement of legacy EDS equipment with new CT equipment over the planning period.

Training and Certification

Planned expenditures reflect training requirements for new EDS technology deployed primarily at the PBS and HBS checkpoints. The training plan is aligned with CATSA's EDS capital deployment schedule and is specifically related to:

- deployment of new CT equipment;
- ongoing deployment of multi-view technology; and
- upgrade of trace equipment.

RAIC Cards

Planned expenditures for RAIC reflect the purchase of cards to meet annual operational requirements, which is expected to remain relatively constant over the planning period.

4.3.3 Direct Administrative Costs and Corporate Services

Summary

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

Direct Administrative Costs 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 Administrative Costs, which consist of Rent and Facilities, Insurance, and Network and Telephony.
-

2012/13 Variance Analysis

Direct Administrative Costs and Corporate Services are forecasted to be \$2.9M higher than budget. This is attributable to a higher than planned statutory pension plan deficit payment for CATSA's Registered Pension Plan for calendar year 2013. It is also attributable to top-up payments related to former employee transfers from the pension plan.

The increase was partially offset by reduced employee costs resulting from a lower average number of staffed positions. Professional Services and Other Business Related Costs were also lower than budget resulting from the use of internal resources, as well as reduced travel costs mainly due to delays in the airport HBS integration projects. Lastly, Office and Computer Expenses and Insurance costs were lower than budget.

2013/14- 2017/18 Financial Plan

Employee Costs

Planned expenditures for Employee Costs over the five-year plan have been updated to support ongoing costs associated with salaries and benefits for CATSA's current workforce. The plan also includes annual statutory pension plan solvency deficit payments for CATSA's Registered Pension Plan.

In 2013/14, CATSA will execute the following changes to its Registered Pension Plan:

- in December 2012, CATSA made the decision to phase in increases to employee contributions to the closed defined benefit plan over a five-year period commencing April 1, 2013. CATSA's employee contribution rates will now align with those of the Public Service Superannuation Act (PSSA) pension plan; and
- effective July 1, 2013, enrolment in the Defined Benefit Plan will be closed for new employees and instead they will be enrolled in a Defined Contribution Plan.

Professional Services and Other Business Related Costs

Planned expenditures for professional services in 2013/14 account for an increased focus on key corporate priorities including the life-cycle management of CATSA's HBS system with CT technology, as well as initiatives aimed at improving the

security screening process. Expenditures will remain constant over the remainder of the planning period and will continue to focus on specialized technical skills that are not available within the organization.

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

Office and Computer Expenses

Planned expenditures for Office and Computer reflect ongoing requirements to support CATSA's operations and corporate infrastructure, and accommodate annual increases for software and hardware renewal contracts.

Communications and Public Awareness

Planned expenditures for Communications and Public Awareness are expected to remain constant over the planning period. Media campaigns will continue to leverage data collected through evidence-based activities to target specific groups of passengers.

Other Administrative Costs

Planned expenditures for Other Administrative Costs take into account the cost savings as part of the Economic Action Plan 2012 Spending Review. The plan also reflects annual increases in CATSA's office space leases as per the terms of the leasing contracts.

4.3.4 Interest Revenue, Foreign Exchange Gain/Loss

Overview

Interest revenue represents interest earned on cash deposits. Foreign exchange gains/losses are the result of US dollar expenses and payables being translated at varying exchange rates during the fiscal year. Given that these items are unpredictable in nature, they are not considered in the planning period.

4.4 Fiscal Year 2012/13 and the 2013/14 – 2017/18 Financial Plan for Capital Expenditures

Overview

Table 4 summarizes CATSA's financial results for 2011/12, its forecasted financial results and budget for 2012/13, as well as its 2013/14 - 2017/18 capital plan by major expenditure category.

TABLE 4
Capital Plan by Major Expenditure Category
(in thousands of dollars)

	Actual 2011/12	Forecast 2012/13	Budget 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Five Year Total 2013/14 - 2017/18
Capital Expenditures									
EDS CAPITAL									
PBS	\$ 5,155	\$ 5,834	\$ 7,673	\$ 5,631	\$ 8,799	\$ 2,835	\$ 3,567	\$ 5,189	\$ 26,021
HBS	14,076	29,823	76,130	83,097	100,767	108,084	76,838	33,696	402,482
NPS	73	-	-	2,000	-	-	-	-	2,000
Total EDS Capital	\$ 19,304	\$ 35,657	\$ 83,803	\$ 90,728	\$ 109,566	\$ 110,919	\$ 80,405	\$ 38,885	\$ 430,503
NON-EDS CAPITAL									
PBS	\$ 1,295	\$ 1,256	\$ 2,583	\$ 7,352	\$ 128	\$ 1,472	\$ 234	\$ 230	\$ 9,416
RAIC	55	543	837	1,144	1,021	60	60	2,300	4,585
Corporate Services	5,120	2,608	1,881	2,148	1,711	1,760	1,444	1,249	8,312
Total Non-EDS Capital	\$ 6,470	\$ 4,407	\$ 5,301	\$ 10,644	\$ 2,860	\$ 3,292	\$ 1,738	\$ 3,779	\$ 22,313
Proceeds of Disposal	(2,636)	(821)	-	-	-	-	-	-	-
Total Capital Expenditures	\$ 23,138	\$ 39,243	\$ 89,104	\$ 101,372	\$ 112,426	\$ 114,211	\$ 82,143	\$ 42,664	\$ 452,816

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

EDS capital expenditures consist of the purchase of screening equipment and the associated installation and integration costs for PBS, HBS and NPS. Non-EDS capital expenditures consist primarily of the purchase of equipment and costs required to support the RAIC system, as well as CATSA's network infrastructure and corporate management systems.

The following section provides a variance analysis of the forecasted financial results compared to budget for 2012/13, and a discussion of the 2013/14 – 2017/18 financial plan for EDS and non-EDS capital.

4.4.1 EDS Capital

Summary

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

- keeping up-to-date with advances in technology, which is vital to CATSA's success in delivering its mandate as evolving threats have created the need for, and the subsequent introduction of, new technologies with enhanced detection capabilities;
- replacing equipment that is reaching the end of its useful life;
- maintaining technological equivalency and compatibility with Canada's international security partners; and
- ensuring that required capacity at airports can be met through the integration of additional screening equipment.

2012/13 Variance Analysis

EDS capital expenditures are forecasted \$48.1M lower than budget. This is mainly attributable to delays in certain EDS capital projects.

CATSA received approval for the reprofile of capital budget in the amount of \$29.1M (\$1.1M from 2011/12 and \$28.0M from 2012/13) to fiscal year 2013/14. The reprofile consists of capital spending related to EDS projects that were postponed to 2013/14 primarily as a result of:

- changes to airport HBS integration plans, beyond CATSA's control, which led to delays in the deployment of the new HBS system at certain airports; and
- a revised deployment schedule for new EDS technology at airports across Canada, to align with the European Union.

The 2012/13 forecast also reflects the postponement of \$15.6M in capital spending to 2013/14, of which \$15.0M relates to EDS projects and \$0.6M to non-EDS.

After taking into consideration the capital reprofile and the postponement of spending, EDS capital expenditures are forecasted to be \$5.1M lower than budget. This is primarily attributable to:

- lower than anticipated costs for the deployment of the new HBS system at certain airports, due to reduced airport requirements for equipment and integration work, and favourable pricing for the equipment;
- cost savings realized for the purchase of trace equipment as a result of a competitive bidding process; partially offset by
- the purchase of CT equipment to allow CATSA to perform comprehensive testing of the equipment prior to its deployment.

**2013/14-
2017/18
Financial Plan**

EDS capital expenditures represent 95.1% of CATSA's capital budget over the planning period.

The EDS capital plan is primarily focused on the life-cycle management of CATSA's HBS system with CT technology. The deployment plan for the new HBS system has been developed based on a ten-year implementation schedule and will allow CATSA to maintain equivalency with its international partners.

CATSA has accelerated the deployment of the new HBS system at Transborder checkpoints in support of the Canada-US Perimeter Security and Economic Competitiveness Declaration. This initiative will eliminate the need for the TSA to re-screen connecting baggage originating from Canadian airports with US pre-clearance facilities by 2015/16.

The plan also accommodates continued life-cycle management of the PBS equipment, the upgrade of trace equipment at PBS and HBS checkpoints, and the deployment of new technology at PBS checkpoints. In addition, capital investments of \$2.0M in 2013/14 have been allocated to the NPS program.

4.4.2 Non-EDS Capital

Summary

The Non-EDS capital plan supports CATSA's operations at headquarters and in the regions. These expenditures consist primarily of the purchase of equipment and associated costs as follows:

- required to support the RAIC system;
 - for corporate management systems; and
 - to support the CATSA network infrastructure.
-

**2012/13
Variance
Analysis**

Non-EDS capital expenditures for 2012/13 are forecasted \$0.9M lower than budget. This is mainly attributable to lower installation costs and a revised deployment plan for Closed-Circuit Television System (CCTV) cameras, in addition to favourable pricing for the replacement of RAIC readers. The variance is also due to lower costs associated with the Secure Identification and Time Tracking (SITT) project resulting from the introduction of a risk management approach to the life-cycle

management of the equipment.

During fiscal 2012/13, CATSA completed the following non-EDS capital projects:

- the deployment of BPSS at a select number of smaller airports in order to permit PBS data collection, including passenger throughput and customer wait time metrics, as well as to better monitor the efficiency of the PBS process; and
- the development of system enhancements for key corporate management systems, in support of CATSA's procurement and contracting, and financial planning processes.

**2013/14-
2017/18
Financial Plan**

The plan for non-EDS capital will continue to address CATSA's operational and security enhancements directed towards improving efficiencies. The plan also accommodates the life-cycle management of the biometric platform for RAIC.

Non-EDS capital projects over the five-year planning period include, but are not limited to:

- continued upgrades and replacement of podiums and kiosks for BPSS, which provide CATSA with improved passenger data to optimize resource utilization; 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 regime. 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 has been recorded to address these costs.

Proceeds from disposals during the planning period 2013/14 – 2017/18 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 the International Financial Reporting Standards.

4.4.4 Hedging Foreign Exchange Risk

Overview

CATSA is embarking on a significant life-cycle management plan over the five-year planning period. Expenditures for EDS equipment will amount to tens of millions of dollars annually. A significant amount of EDS equipment is expected to be purchased from US vendors. Entering into US-dollar denominated contracts to purchase equipment at a future date inherently brings foreign exchange risk. As a result, CATSA will embark on a strategy to mitigate this risk by hedging against foreign exchange fluctuations during the planning period.

GLOSSARY

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
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
CT	Computed Tomography
Designated Airports	The 89 airports at which CATSA is responsible for the provision of screening services according to regulations
EDS	Explosives Detection Systems: manual or automated systems used primarily to check for explosives in carry-on and checked baggage
FBS	Full Body Scanner
FTE	Full-Time Equivalent
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
ICAO	International Civil Aviation Organization
KPI	Key Performance Indicator
LAGs	Liquids, Aerosols and Gels
NPS	Non-Passenger Screening: the screening of selected non-passengers accessing restricted areas of airports. Non-passengers include flight crews, refuellers, caterers, aircraft groomers, maintenance and construction personnel, baggage handlers, and concession staff
PBS	Pre-Board Screening: the screening of passengers, their belongings and carry-on baggage
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
TSA	Transportation Security Administration