



SUMMARY OF THE 2010/11 – 2014/15
**Corporate Plan, Capital
and Operating Budgets**

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EXECUTIVE SUMMARY

Organization and Mandate

CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the government, consistent with its four legislative outcomes – to provide effective, efficient and consistent security screening in the public interest. To achieve this, CATSA is mandated to conduct screening services 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 (e.g. airport employees, flight crews) on a random basis, pursuant to Transport Canada's direction; and
- Restricted Area Identity Card (RAIC): the administration of access control to airport restricted areas through biometric identifiers.

Strategic Issues and Planned Responses

As announced by the Minister of Transport, Infrastructure and Communities on February 25, 2010, and confirmed in the 2010 Federal Budget, CATSA has received long-term funding from the Government of Canada. The Minister also announced that CATSA will be undergoing a review of its spending, efficiency and structure to ensure that CATSA is fulfilling its mandate effectively.

This new funding will allow CATSA to maintain a level of capacity comparable to that of 2009/10 for the first two years of the planning period. However, in later years, projected growth in passenger traffic and the increased costs of screening services will strain CATSA's ability to maintain a comparable level of capacity. The reduced funds available for operating services in years four and five will lead to a reduction in the number of screening hours. This, compounded by projected passenger growth and increased costs, may have an impact on passenger wait times.

To respond to these challenges, CATSA is proactively taking a number of steps to improve its efficiency, beyond what was identified in its 2009/10 Strategic Review. Over the planning period, CATSA will concentrate on identifying potential efficiencies through the optimization of equipment

and processes, including:

- the reconfiguration of PBS checkpoints;
- investing in new tools, such as the Boarding Pass Scanning System (BPSS) to monitor wait times and throughput data, and the Secure Identification and Time Tracking system (SITT), that will enable CATSA to improve scheduling; and
- working with Transport Canada on risk-based amendments to regulations which would facilitate increased passenger throughput, without diminishing security.

Taken together, these initiatives could help CATSA manage the challenges mentioned above. However, should the forecasted passenger growth continue as projected, CATSA may have to return to the Government to seek additional funding for the later years of the planning period to address the reduction in its operational capacity.

Measuring Performance

CATSA identified three five-year intermediate outcomes in the CATSA 2007/08 – 2011/12 Corporate Plan:

1. Customer-focused security
2. Strengthened capacity
3. Recognized expertise

This summary presents an overview of CATSA's progress against attaining these intermediate outcomes, in the form of realized initiatives and activities undertaken or completed in this past fiscal year and their contributions to CATSA's long-term legislative outcomes.

Over the coming year, CATSA will work with the Treasury Board Secretariat (TBS) to seek approval of its amended Program Activity Architecture (PAA) and Strategic Outcome in accordance with TBS's *Policy on Management, Resources and Results Structures*. The PAA will allow the organization to further develop its performance measurement framework to more closely align with CATSA's four legislative outcomes.

1 CORPORATE PROFILE

CATSA'S CREATION

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

Fully funded by appropriations from the federal Consolidated Revenue Fund, CATSA was created to deliver security screening services at 89 designated airports across Canada in an efficient, effective, and consistent manner that is in the public interest.

With over 530 employees who support the operations of over 6,600 Screening Officers, CATSA screens over 48 million passengers, 62 million pieces of baggage and 715,000 non-passengers every year.

1.1 MISSION, VISION AND VALUES

MISSION

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

VISION

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

- contributing to a highly secure air transportation system;
- being cost effective;
- striving for excellence;
- networking with partners;
- establishing clear accountabilities;
- being innovative;
- fostering ethics and values; and
- continuously improving implementation of best practices.

VALUES

CATSA has established a series of values – fairness, loyalty, accountability, integrity and respect – that serve as the basis for the organization's approach to managing its operations.

1.2 LEGISLATIVE AND REGULATORY FRAMEWORK

REPORTING TO PARLIAMENT

CATSA is funded through federal parliamentary appropriations and reports to Parliament, through the Minister of Transport, Infrastructure and Communities.

**LEGISLATIVE,
REGULATORY &
PROCEDURAL
FRAMEWORK**

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

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

1.3 GOVERNANCE AND ORGANIZATIONAL STRUCTURE

STRUCTURE

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

CHARACTERISTICS OF THE BOARD OF DIRECTORS

The Board has eleven director positions, including the Chairman. There are four positions for industry representatives: 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. None is a CATSA employee or public servant. One new director was appointed to the Board in 2009/10.

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

The Board discharges many of its responsibilities through four standing committees: the Audit Committee, the Corporate Governance and Human Resources Committee, the Strategy Committee and the Pension Committee. The committees are governed by Board-approved Terms of Reference, are independent from management and every Director serves on at least two committees.

2010/11 BOARD PRIORITIES

In 2010/11, the following is a summary of priorities for CATSA's Board of Directors and management:

- The Board will engage and participate in the Substantive Review announced by the Minister of Transport, Infrastructure and Communities.
- The Board will oversee the national RFP process for the awarding of new screening contractors in 2011/2012.
- The Board will oversee and provide guidance to management on the implementation of new security measures.
- The Board will also engage in providing oversight and advice to management on matters relating to the organization's performance measurement framework and future direction with regard to its operations and technologies.

CONFLICT OF INTEREST

CATSA is committed to ensuring public confidence in the integrity of employees and management of the organization, including the Board of Directors. To minimize the possibility or appearance of conflicts arising between the personal interests and the official duties of CATSA employees and Directors, a conflict of interest code has been developed for each the Board of Directors and employees as part of the codes referred to below.

Directors

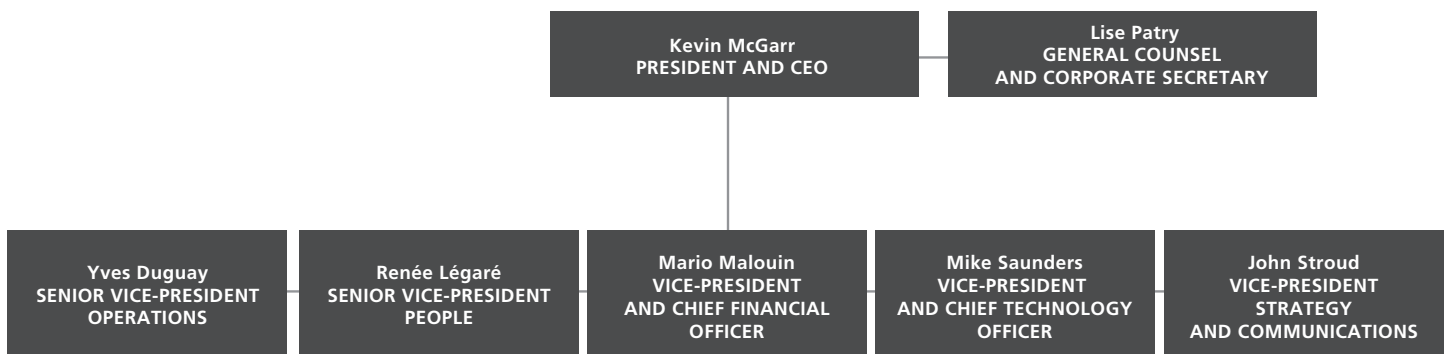
Members of the Board of Directors must affirm on an annual basis that they have complied with the *Code of Conduct and Ethical Behaviour for Directors*.

Employees/Management

All employees and members of management are required to review on an annual basis the *Code of Ethics and Conduct for the Employees of the Canadian Air Transport Security Authority* ("Code of Ethics").

CATSA'S SENIOR MANAGEMENT TEAM

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



1.4 MANDATE AND RESPONSIBILITIES

MANDATE

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

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

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

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

CATSA'S RESPONSIBILITIES

While CATSA currently contracts security screening to third-party screening contractors, it is responsible for the following activities:

- purchase, deployment and maintenance of PBS equipment and HBS equipment at 89 airports across the country;
- oversight of screening operations at PBS, HBS and NPS screening points;
- training, testing and certification of Screening Officers; and
- deployment and maintenance of RAIC.

1.4.1 PRE-BOARD SCREENING (PBS)

PRE-BOARD SCREENING (PBS)

The most public and visible of CATSA's security programs is PBS, which incorporates the screening of passengers and their carry-on belongings prior to their entry into the sterile zone of an airport terminal.

Passengers and their belongings are examined to ensure that items on Transport Canada's prohibited items list are not brought on board an aircraft, thereby eliminating the potential for hostile use on board.

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

- inspection of boarding passes;
- operating the X-ray machine (for passengers' carry-on baggage and belongings);
- physical search of passengers and carry-on baggage;
- operating the Explosives Detection Trace (EDT) equipment; and
- monitoring of passengers using the Walk-Through Metal Detectors (WTMD), Hand-Held Metal Detectors (HHMD), and Full Body Scanners.



1.4.2 HOLD BAGGAGE SCREENING (HBS)

HOLD BAGGAGE SCREENING (HBS)

Screening Officers use specialized explosives detection systems (EDS) to screen passengers' checked baggage. CATSA's work with HBS involves the purchase, installation, testing and maintenance of EDS equipment for designated airports across Canada.

Activities over the next five years will focus on:

- re-engineering and optimization of existing systems;
- maintaining current equipment;
- testing and evaluation of new equipment and technologies;
- capital replacement and limited capacity for contingency operations; and
- performance measuring and monitoring.

1.4.3 NON-PASSENGER SCREENING (NPS)

NON-PASSENGER SCREENING (NPS)

CATSA conducts on a random basis, as pursuant to Transport Canada's direction, security screenings of non-passengers accessing restricted areas at Class I and Class II airports.

Non-passengers include individuals:

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

1.4.4 RESTRICTED AREA IDENTITY CARD (RAIC)

RESTRICTED AREA IDENTITY CARD (RAIC)

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

The final authority that determines access to the restricted areas of the airport is the airport authority itself.

2 IDENTIFICATION OF RESULTS

INTRODUCTION

CATSA's four major mandated activities must be guided by a strategic vision, with short and longer-term goals. In order to ensure that its activities contribute to achieving its four legislative outcomes, CATSA uses a corporate logic model that reflects on its progress, achievements and performance results, through both realized activities and initiatives.

LOGIC MODEL

The following logic model illustrates, at a high level, CATSA's inputs, activities, outputs and outcomes.

Inputs	\$595.1 M • 6,600 Screening Officers • 2500 pieces of security screening equipment • Training, regulations, SOPs			
Mandated Activities	Pre-Board Screening (PBS)	Hold-Baggage Screening (HBS)	Non-Passenger Screening (NPS)	Restricted Area Identity Card (RAIC)
Outputs	100% of passengers and carry-on items are screened for prohibited items at designated airports	100% of checked baggage is screened for explosive materials at designated airports	Non-passengers—selected at random—their belongings, and vehicles (as applicable) are screened for prohibited items at Class I and II airports	A national credential management system—dual biometric (iris and fingerprint) cards, software, and hardware—is developed and maintained for non-passengers at Class I and II airports.
Immediate Outcomes (Expected Results)	Prohibited items, as defined by TC, are prevented from being brought into the sterile or restricted area of an airport or on board an aircraft	Checked baggage containing explosives is prevented from being loaded onto an aircraft	Among those non-passengers and vehicles selected for screening, prohibited items, as defined by TC, are prevented from being brought into the restricted area of an airport	Non-passengers to whom an airport authority has granted access rights to secure areas of the airport will have their identity verified by a biometric comparison and will have the validity of the Transportation Security Clearance (TSC) associated with their credential confirmed
Intermediate Outcomes	Customer-focused security • Organizational capacity • Recognized expertise			
	<i>Strive for continuous improvement of expected results through executing strategy and managing performance</i>			
Final (Legislative) Outcomes	For each of CATSA's four mandated activities effective, efficient, and consistent aviation security screening that is in the public interest			

PROGRAM ACTIVITY ARCHITECTURE (PAA)

The logic model ensures that CATSA's inputs, activities, outputs and outcomes related to the four mandated activities (PBS, HBS, NPS and RAIC) enable the organization to better achieve its four legislative outcomes under the CATSA Act.

Over the coming year, CATSA will work with TBS to seek approval of its amended PAA and Strategic Outcome in accordance with TBS's *Policy on Management, Resources and Results Structures*. The PAA will allow CATSA to further refine its performance measurement framework in order to continually improve its operations to attain the four CATSA Act criteria – *effective, efficient, and consistent security screening that is in the public interest*.

2.1 STRATEGY IMPLEMENTATION RESULTS FOR 2009/10

CATSA'S FIVE-YEAR INTERMEDIATE OUTCOMES

Since 2007/08, CATSA has shaped its activities and priorities around three five-year intermediate outcomes, to enable it to better meet its statutory obligations under the *CATSA Act* and to embrace a cost-conscious culture. Every initiative that CATSA undertakes has the purpose of contributing to the achievement of one or more of these outcomes.

The three intermediate outcomes that CATSA has identified are:

Customer-Focused Security	Strengthened Capacity	Recognized Expertise
CATSA needs the people, processes, equipment and experience to ensure that its approach to its business and security screening programs remains customer focused; that is, perceived as effective and valuable to the travelling public.	CATSA must build and maintain a talented, engaged, and flexible workforce to meet the needs of a changing environment, and must ensure that people, processes and programs contribute to strengthening its corporate capacity.	CATSA needs to be recognized as being an expert in its mandated activity – air transport security screening. In order to do so, CATSA must develop performance measuring and reporting capacity, sound business processes and practices, and effective relationships.

PERFORMANCE SUMMARY

With the additional funding received in Budget 2009, CATSA was able to initiate a response to new and emerging threats, and enhance current systems by beginning to make appropriate investments in technology and operating methods.

CATSA undertook numerous risk-based activities and initiatives under the following categories:

Activities/Initiatives

Equipment and Technology	<ul style="list-style-type: none"> Supported growth and expansion at airports; Continued to optimize utilization of equipment through system re-engineering; and Managed the life-cycle of equipment.
Oversight	<ul style="list-style-type: none"> Enhanced system oversight at Canadian airports.
Customer-focused security	<ul style="list-style-type: none"> Continued proactive and integrated communications; Introduction of new layers of security at PBS; and Provision of screening equipment and personnel at the 2010 Winter Olympics and Paralympics in Vancouver.
New activities	<ul style="list-style-type: none"> Initiation of new security programs to address new threats and close security gaps such as Passenger Behaviour Observation (PBO), Critical Restricted Areas (CRA) and Fixed-Base Operations (FBO).

The following sections will provide an overview of CATSA's progress against these intermediate outcomes in this past fiscal year and their contributions to CATSA's long-term legislative outcomes.¹

1. In previous Corporate Plans, CATSA reported against 23 strategic initiatives, each of which was categorized under one of the three intermediate outcomes. In order to report more clearly and concisely, the strategic initiatives have been removed. CATSA now reports on activities/initiatives and how they relate to each of the four legislative outcomes – effective, efficient and consistent screening that is in the public interest.

2.1.1 CUSTOMER-FOCUSED SECURITY

DEFINITION	CATSA needs the people, processes, equipment and experience to ensure that its approach to its business and security screening programs remains customer focused; that is, perceived as effective and valuable to the travelling public.
RESULTS	<p style="text-align: center;">Progress</p> <hr/> <p>Effective Procured and deployed Mobile Screening Vehicles (MSV) to achieve capacity for mobile screening.</p> <p>Efficient Began PBS project trials of new and existing equipment, procedures and configuration in order to develop a solution to better provide screening that is effective, efficient, consistent, and in the public interest.</p> <p>Consistent Deployed a web-based, touch-screen format of the SOPs, in order to contribute to Screening Officers' consistent understanding and application of SOPs.</p> <p>In the Public Interest Developed and began implementing a targeted, evidence-based communications strategy aimed at reducing the number of prohibited items collected at the security checkpoint, which included:</p> <ul style="list-style-type: none"> • customer-service support (public inquiries); • consistent signage at airports; • web updates; and • passenger education campaigns <hr/>

2.1.2 STRENGTHENED CAPACITY

DEFINITION	CATSA must build and maintain a talented, engaged and flexible workforce to meet the needs of a changing environment, and must ensure that people, technology, processes and programs contribute to strengthening its capacity to meet the mandate.
RESULTS	<p style="text-align: center;">Progress</p> <hr/> <p>Effective Deployed new, advanced, internationally compatible equipment and technology to increase effectiveness and address new and evolving threats:</p> <ul style="list-style-type: none"> • Full Body Scanners; • split-lane systems; • replacement of single-view X-rays with multi-view X-rays; • new explosives vapour detection equipment; and • purchased and deployed Mobile Screening Vehicles. <p>Also enhanced the NPS program through increased coverage at NPS points, and began construction of vehicle search checkpoints at the Vancouver International Airport.</p> <p>Began program development for PBO, a new layer of screening at Canadian airports.</p> <p>Efficient Networked WTMD at pre-board screening in Class I airports, which will permit the collection of data to measure operational and system/equipment performance.</p> <p>Consistent Hired additional oversight staff to monitor and oversee screening workforce and screening contractor performance.</p> <p>Also developed and implemented a Recurrent Learning and Recertification program to ensure consistent performance through continuous learning.</p> <p>Continued deployment of Closed-Circuit Television (CCTV) cameras to airports with new camera layout.</p> <p>In the Public Interest Began implementation of procedures to enhance boarding pass security and launched a Positive Passenger Identification pilot project.</p> <p>Supported PBS and HBS expansions across Canada, through the deployment of additional screening equipment, and staffing at new screening points or lanes.</p> <hr/>

2.1.3 RECOGNIZED EXPERTISE

DEFINITION	CATSA needs to be recognized as being an expert in its mandated activity – air transport security screening. In order to do so, CATSA must develop performance measuring and reporting capacity, sound business processes and practices, and effective relationships.
RESULTS	<p style="text-align: center;">Progress</p> <hr/> <p>Effective Provided equipment and screening personnel to temporarily designated sites during the 2010 Vancouver Winter Olympic and Paralympic Games.</p> <p>Efficient Acquired new testing facility space for evaluation of new equipment and screening methodologies to optimize technology through system re-engineering.</p> <p>Consistent Implemented training and development programs and tools, such as the National Screening Officer Pre-Qualification Program, to ensure that Screening Officers acquire adequate expertise in consistent screening through proper skill development.</p> <p>In the Public Interest Undertook numerous projects to refine management systems and frameworks in order to ensure the organization is achieving “value for money” for its operations. These projects include:</p> <ul style="list-style-type: none"> • development of a Performance Management Program and Performance Measurements Plans; • development of Corporate Management System (CMS); • completion of software upgrade for the SITT system; and • development of Chief Executive Officer/Chief Financial Officer certification guidelines. <hr/>

2.1.4 CONCLUSION

BENEFIT TO CANADIANS	Continuing to deploy equipment and technology that demonstrated the best probability for increasing effectiveness, efficiency and consistency of screening operations, CATSA increased its focus on identifying and pursuing opportunities to enhance its capacity within the existing mandate and to achieve greater international compatibility. Working with its partners and stakeholders to build and maintain the required infrastructure and operational coverage, CATSA also worked to support airport expansion plans to contribute to the competitiveness, viability and efficiency of airports and air carriers. Taken together, these initiatives are designed to contribute to the long-term success of the Canadian aviation industry while also serving to provide benefits to Canadians through safe and secure air travel.
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2.2 PERFORMANCE MEASUREMENT

INTRODUCTION	CATSA has an Operational Performance Reporting process that provides quarterly reports primarily on PBS and HBS activities at Class I airports. CATSA has also developed a Performance Measurement Framework to measure the degree to which each of its four mandated activities are effective, efficient, consistent, and in the public interest.
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2.2.1 PERFORMANCE MEASUREMENT FRAMEWORK

INTRODUCTION

CATSA's performance measurement framework (see below) is based in part on the logic model (see page 8) and the organization's experience during the Strategic Review exercise in the summer and fall of 2009.

For each of the four mandated activities, specific criteria are defined to determine how to measure security screening performance in terms of being effective, efficient, consistent, and in the public interest as required by the CATSA Act. From there, one or more key performance indicators (KPIs) are identified or developed to satisfy the requirements of each of the criteria. Data is then collected and analyzed, performance baselines and targets are set, and results are measured and evaluated.

	Pre-Board Screening (PBS)	Hold-Baggage Screening (HBS)	Non-Passenger Screening (NPS)	Restricted Area Identity Card (RAIC)
Efficient	The extent to which PBS resources are maximized to screen 100% of passengers and carry-on items for prohibited items	The extent to which HBS resources are maximized to screen 100% of checked baggage for explosive materials	The extent to which NPS resources are maximized to screen non-passengers—selected at random—their belongings, and vehicles (as applicable) for prohibited items	The extent to which RAIC resources are maximized to develop and maintain a national credential management system
Effective	The degree to which PBS is preventing prohibited items, as defined by TC, from being brought into the sterile or restricted area of an airport or on board an aircraft	The degree to which HBS is preventing checked baggage containing explosives from being loaded onto an aircraft	Among those non-passengers and vehicles selected for screening, the degree to which NPS is intercepting prohibited items, as defined by TC, from being brought into the restricted area of an airport	The degree to which RAIC is verifying, through biometric means, the identity of non-passengers attempting to access restricted areas at Class I and II airports, and confirming the credential is associated with a valid TSC
Consistent	The degree to which PBS is meeting applicable statutory, regulatory, SOPs, operational policy, and contractual/staffing requirements at designated airports across Canada	The degree to which HBS is meeting applicable statutory, regulatory, SOPs, operational policy, and contractual/staffing requirements at designated airports across Canada	The degree to which NPS is meeting applicable statutory, regulatory, SOPs, operational policy, and contractual/staffing requirements at Class I and II airports	The degree to which RAIC is meeting applicable statutory, regulatory, SOPs, and operational policy requirements at Class I and II airports
In the Public Interest	As PBS is a government function, the extent to which PBS contributes to passengers at designated airports feeling secure and enjoying a reasonably pleasant travel experience that meets expectations: for example, departing on time, being treated courteously, not standing in lines for long periods, not having their carry-on items stolen or damaged.	As HBS is a government function, the extent to which HBS contributes to passengers at designated airports enjoying a reasonably pleasant travel experience that meets expectations: for example, departing on time, not having their checked baggage lost, stolen or damaged.	As NPS is a government function, the extent to which NPS contributes to aviation security and meets the needs of stakeholders at Class I and II airports	As RAIC is a government function, the extent to which RAIC contributes to aviation security and meets the needs of stakeholders at Class I and II airports

2.2.2 KEY PERFORMANCE INDICATORS

INTRODUCTION

For each of the legislative outcomes defined above, CATSA has established KPIs, which, when taken together, can demonstrate the degree to which CATSA is achieving those legislative outcomes. These KPIs will be reported on in CATSA's 2011 Annual Report.

NEXT STEPS

Going forward with its Performance Measurement program, CATSA will:

- continue to develop and refine its performance measurement framework and internal and external performance reports;
- enhance its Business Intelligence system;
- engage TC in performance measurement discussions; and
- explore with international partners ways to benchmark performance.

3 OPERATING ENVIRONMENT

INTRODUCTION

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

This chapter's assessment of the environment:

- identifies the anticipated internal and external trends over the next five years that could impact CATSA's operations;
- provides information and commentary regarding the 2010 Budget and the resulting opportunities;
- outlines CATSA's key corporate risks; and
- enables CATSA to analyze and take appropriate actions to ensure that it can continue to carry out its mandated activities.

To successfully carry out its security screening programs, CATSA works closely with its regulator, Transport Canada, other government organizations, law enforcement authorities and the aviation industry. CATSA not only provides a critical service for the protection of air travellers, it must also consider its impact on the economic viability of the aviation industry – including airlines, airports, screening contractors, as well as the various elements of the aviation manufacturing, and the travel and tourism industries. CATSA recognizes that maintaining constant and effective communication with its partners and stakeholders is paramount in ensuring that the potential impact of operational changes resulting from unplanned events and sudden regulatory amendments is minimized.

3.1 FUNDING

BUDGET 2010

In 2010, CATSA obtained long-term funding from the Government of Canada. For the first two years of the planning period, this new funding will allow CATSA to manage strategic issues, as outlined in this chapter. However, reduced funds available for operating services in later years, compounded by projected passenger growth and increased costs, may have impact on passenger wait times. CATSA will proactively take steps to manage these impacts by identifying potential efficiencies through optimization of equipment and process, reconfiguration of checkpoints and investment in new tools. In addition, should the forecasted passenger growth continue as projected, CATSA may have to return to the Government to seek additional funding for the later years of the planning period to address the reduction in its operational capacity.

Details of CATSA's annual funding levels are set out in Chapter 5.

3.2 THREATS AND RISK

EVOLVING THREATS

Ongoing domestic and international intelligence reports that civil aviation remains a favoured target of terrorist attacks and that Canada is on active terrorist lists. The seriousness of current and evolving threats demonstrates the need for member countries to remain vigilant and to continue to address high-risk areas in their respective aviation systems.

CATSA'S CORPORATE RISK PROFILE

CATSA participates in risk assessments pertaining to the aviation security system. Information from such risk assessments impacts the way CATSA conducts its operations and implements its strategy. Responses to specific threats identified by intelligence agencies are typically mandated by Transport Canada and acted upon by CATSA.

The Corporate Risk Profile is a point-in-time capture of the organization's key risks – those risks that could impede the organization's ability to reach its strategic objectives, and the main mitigation strategies in place to respond to the identified risks, at a given point in time. The information in the CRP is used to inform CATSA's corporate planning and decision making at the highest levels of the organization and acts as the source document for the reporting of its risks and mitigation plans.

MITIGATION AND CONTROL

Evolving threats demand innovative and flexible screening procedures, and have created the need for and production of new technologies with enhanced detection capabilities.

CATSA must identify potential failures and vulnerabilities in the screening process and put in place appropriate controls, through employing appropriate screening methods and technologies, in order to mitigate risks and minimize threats.

RECENT EVENTS

On December 25, 2009, an individual with alleged ties to al Qaeda attempted to detonate an improvised explosives device (IED) on board an aircraft in Canadian airspace destined for Detroit, Michigan from Amsterdam.

As a response to this incident, the Transportation Security Administration (TSA) imposed significantly increased screening requirements on all flights to the US. Given the volume of transborder traffic from Canada, Transport Canada authorized CATSA to use RCMP, local police officers and Canada Border Services Agency agents at select airports to actively assist with some procedures specific to the screening process to alleviate the immediate pressures at the security checkpoint resulting directly from these temporary emergency measures. In addition, temporary security measures affecting carry-on luggage were immediately put in place for US-bound traffic from Canada in response to this incident.

During this period, CATSA remained in constant communication with partners and stakeholders, as well as expanded its communication efforts, in order to minimize impacts on the travelling public while meeting these enhanced screening requirements. CATSA's front-line workforce had to adapt quickly and sustain additional pressures in order to meet new U.S. security requirements. CATSA had to place an additional focus on staffing and training of Screening Officers to carry out these new measures, which resulted in incremental operating cost for the organization. In addition, CATSA also rendered substantial payments to police partners for their assistance in performing screening procedures to alleviate pressure caused directly from the new security requirements.

Details of costs associated with carrying out additional security measures are found in Chapter 5.

Following discussions between Transport Canada and the TSA in April 2010, the additional screening requirements that were imposed after the events of December 25, 2009 on flights to the US were relaxed.

3.3 STRATEGIC REVIEW

2009 STRATEGIC REVIEW

In 2009/10, CATSA completed an in-depth Strategic Review of the funding, relevance and performance of all its programs to determine value for money and results for the public. CATSA explored ways in which it can streamline its operations, realign its activities and enhance its cost effectiveness while still maintaining efficiency and fulfilling its mandate. The recommendations of this Strategic Review were submitted to Treasury Board for approval in the fall of 2009 and subsequently announced in the 2010 Budget.

Over the coming planning period, CATSA will begin to implement the findings of the review, as well as take action to integrate and improve governance throughout the organization and its operations.

3.4 EXTERNAL REVIEWS

SUBSTANTIVE REVIEW

As announced by the Minister of Transport, Infrastructure and Communities on February 25, 2010 and confirmed in Budget 2010, CATSA will be undergoing a review of its spending, efficiency and structure to ensure that CATSA is fulfilling its mandate effectively. This review will include stakeholder participation and will examine CATSA's governance model in addition to related aviation security issues.

3.5 SERVICE DELIVERY MODEL

SERVICE DELIVERY MODEL

CATSA's service delivery model of using third-party screening contractors to provide a Screening Officer workforce is unique in the world of aviation security.

Several reviews of service delivery model options have determined that the third-party screening contractor model provides the most value for money, is the most efficient to implement and deliver screening, and provides benefits such as the ability to deliver high-quality, consistent security service and the flexibility needed to adapt to changing passenger volumes and service needs.²

3.6 GLOBAL AVIATION SECURITY CAPABILITIES

ICAO STANDARDS

As a signatory country to ICAO, an agency of the United Nations that has the mandate of "ensuring the safe, efficient and orderly evolution of international civil aviation," Canada has an obligation to follow ICAO conventions on aviation security and related protocols.

With the new, long-term funding for 2010/11 and beyond, CATSA will begin to address the most pressing issues it faces in today's operating environment.

2. Under the *CATSA Act*, there are four options available to CATSA in the provision of security screening services: Direct employment model (federalization); Screening contractor model; Aerodrome direct model (contracting to an airport); and, Aerodrome subcontract model (contract to an airport, which in turn contracts to a screening contractor).

3.7 ECONOMY AND REQUIRED CAPACITY

INTERNATIONAL TRAFFIC IN 2009/10

The recent global economic downturn has had a significant impact on the airline industry in 2009. Based on figures from the International Air Transport Association,³ North American carriers saw international traffic decline by 2.5% in August 2009 compared to August 2008, while European carriers saw international traffic drop by 2.8% in the same period.

As the global economy continues to recover, passenger traffic has begun to show improvements. Since its lowest point in March 2009, international air traffic has improved by 6%, but still remains 5% below May 2008 when the fall in traffic began.

PASSENGER FORECASTS

Transport Canada statistics show that in the last five years the number of passengers has increased by nearly 14%. Due to the global economic downturn, air traffic experienced a decrease of 5.6% in 2009 compared to 2008. However, this trend is not expected to continue. Starting in 2010, passenger traffic is forecasted to grow in each of the following years.

AIRPORT EXPANSIONS

Airport growth occurs in the form of airport facility expansions, and results from one of two drivers:

- an airport's need to accommodate increases in required capacity; and
- pent-up demand – airports that despite the current downturn in passenger forecasts still do not meet current demand.

To determine capital needs over the longer term and in consideration of the recent passenger forecasts, CATSA consulted with airport authorities on their plans.

3. http://www.iata.org/pressroom/Documents/French_PR_2009-09-29-01.pdf.

4 STRATEGIC DIRECTION

4.1 CONTEXT FOR DEVELOPMENT OF CATSA'S 2010/11-2014/15 STRATEGIC PLAN

MISSION, VISION AND VALUES

While CATSA's mandate has evolved since its inception, its mission, vision and values will remain constant over the next five-year planning period:

- CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the government.
- CATSA's vision is to be a world leader in air transportation security through commitment to the mission and through operational and corporate excellence.
- CATSA has a series of values – fairness, loyalty, accountability, integrity and respect – that serve as the basis for the organization's approach to managing its operations.

OPERATING ENVIRONMENT SCAN

Over the five-year planning period, CATSA's environment will be characterized by:

- continually evolving threats and corresponding improvements in security technologies and techniques;
- enhancements to make Canada's screening and security procedures more fully compatible with those of international partners;
- a resurgence in passenger growth and corresponding airport expansion plans;
- implementation of operational efficiencies identified in the Strategic Review;
- identification of potential efficiencies through optimization of equipment, processes and procedures; and
- updating of its strategic partnership with screening contractors.

4.2 CATSA'S 2010/11-2014/15 STRATEGY OVERVIEW

INTRODUCTION

The focus of CATSA's five-year strategic plan is continuing to ensure that core programs are delivered in a manner that is effective, efficient, consistent, and in the public interest.

IMPACT OF BUDGET 2010 ON PLANNING

CATSA received long-term funding from the Government of Canada in Budget 2010. This new funding increases CATSA's operating funds to levels that will allow CATSA to maintain a level of capacity comparable to that of 2009/10 and to meet today's screening requirements for the first two years of the planning period by investing in effective and proven technology, thus enabling Canada to continue on the track to compatibility with international partners.

Starting in year three, the projected growth in passenger traffic and the increased costs of screening services will strain CATSA's ability to maintain a comparable level of capacity. The reduced funds available for operating services in years four and five will lead to a reduction in the number of screening hours. This, compounded by projected passenger growth and increased costs, may have an impact on passenger wait times.

IMPACT OF BUDGET 2010 ON PLANNING

To respond to these challenges, CATSA is proactively taking a number of steps to improve its efficiency, beyond what is already identified in the Strategic Review. In particular, potential efficiencies could include:

- the reconfiguration of PBS checkpoints;
- investing in new tools, such as the BPSS to monitor wait times and throughput data, and SITT, that will enable CATSA to improve scheduling; and
- working with Transport Canada on risk-based amendments to regulations which would facilitate increased passenger throughput, without diminishing security.

At the same time, CATSA will prepare to enter into a new long term strategic partnership with screening contractors, requiring them to make significant investments that will enhance the stability of the current service delivery model and achieve optimal management capabilities, competencies, and systems.

While the Strategic Review will have no financial impact in 2010/11, CATSA will also be preparing to implement costs savings in subsequent years.

Taken together, these initiatives could help CATSA manage the impact on wait times for passengers. However, should the forecasted passenger growth continue as projected, CATSA may have to return to the Government to seek additional funding for the later years of the planning period to address this reduction in capacity.

4.3 PRE-BOARD SCREENING

PLANNING SUMMARY

Over the first two years of the planning period, CATSA will maintain its baseline security services. Irregular and seasonal peaks deviating from the baseline will be managed with current resources and existing inventories.

PLANNING HIGHLIGHTS

Budget 2010 allocated CATSA with funding to undertake the following core activities during the planning period:

- maintain a level of capacity comparable to that of 2009/10 at PBS in the first two years of the planning period;
- maintain PBS technological compatibility with international partners;
- Provide consistent screening services to optimize throughput and enhance security; and
- optimize off-peak staffing levels through improved scheduling among PBS, HBS, NPS and training.

In addition, Budget 2010 allows CATSA to proceed with the following activities:

- accelerate deployment of Full Body Scanners at Class I airports and those Class II airports that have US-bound flights;
- acquire, test and deploy new explosives detection systems at transborder checkpoints at all Class I airports; and
- maintain its oversight program of screening operations to improve the level of service offered to passengers.

PUBLIC INTEREST

While CATSA will be able to maintain a level of capacity comparable to that of 2009/10 in the early years of the planning period, the reduced funds available for operating services in years four and five will lead to a reduction in the number of screening hours. This, compounded by projected passenger growth and increased costs, may have an impact on passenger wait times.

4.4 HOLD BAGGAGE SCREENING

PLANNING SUMMARY

This mandated activity includes screening operations to achieve required capacity at HBS; continued capital replacement of baggage screening technology; and managing capacity for contingency operations.

PLANNING HIGHLIGHTS

With 2010 Budget resources, CATSA will be able to continue the following core activities at HBS during the planning period:

- continue to deploy, operate and maintain HBS equipment at designated airports; and
- provide screening services at existing HBS checkpoints.

Budget 2010 allocated CATSA with funding to cover the increase in its liability insurance coverage.

PUBLIC INTEREST

Additional resources announced in Budget 2010 will allow CATSA to address existing screening needs and properly manage contingency planning, while minimizing resource redundancy to enhance the efficiency of current operations.

4.5 NON-PASSENGER SCREENING

PLANNING SUMMARY

This mandated activity consists of the random screening of non-passengers accessing restricted areas within the air terminal buildings (ATBs). Budget 2009 permitted CATSA to work towards achieving 100% presence at NPS points in Class I airports. This target was achieved at a number of airports; however, resources were transferred to PBS transborder checkpoints to address additional requirements after the events of December 25, 2009.

PLANNING HIGHLIGHTS

Budget 2010 supports construction of a vehicle search checkpoint at the Vancouver International Airport and the subsequent launch of an NPS pilot project.

PUBLIC INTEREST

CATSA will be able to maintain random screening of non-passengers at checkpoints within the ATBs and minimize risk of non-passengers bringing prohibited items through to restricted areas, resulting in a secure environment for the travelling public and non-passengers.

4.6 RESTRICTED AREA IDENTITY CARD

PLANNING SUMMARY

Having completed the life-cycle replacement of the system infrastructure, verified the security credential databases and fully developed the RAIC application, the focus over the planning period will include the replacement of existing identity verification equipment and the production and implementation of new identity management software applications.

PLANNING HIGHLIGHTS

CATSA will, during the planning period, continue to evaluate fixed RAIC biometric reader units that can be deployed in unfavourable environmental conditions.

PUBLIC INTEREST

Budget 2010 resources will allow CATSA to maintain the existing biometric, restricted area identification system.

4.7 SERVICE DELIVERY MODEL

SCREENING CONTRACTOR QUALIFICATION PROGRAM

The Screening Contractor Qualification Program is used to create a directory of qualified organizations eligible to participate in future RFP processes for screening services at designated Canadian airports.

This Qualification Program is an integral part of the enhancements to the screening contractor certification requirements for organizations entering into Airport Screening Services Agreements with CATSA.

SCREENING CONTRACTOR SELECTION PROCESS

The long-term funding allocated in Budget 2010 will enable CATSA to conduct a competitive RFP process to award new long-term screening contracts by 2011/2012, that will provide screening contractors with both the economic incentive and sufficient time to achieve optimal management capabilities, competencies, and systems which, in turn, would allow CATSA to focus its resources on improving overall screening effectiveness and efficiency.

4.8 STRATEGIC REVIEW

RESULTS OF STRATEGIC REVIEW

As a result of its Strategic Review in 2009/10, CATSA identified efficiencies and improvements in its service delivery model, operations and training delivery. All recommendations were accepted by the Government of Canada and have no financial impact on CATSA for the fiscal year 2010/11. Consequently, beginning in 2011/12, CATSA will begin to implement cost savings in a number of areas.

5 FINANCIAL ANALYSIS

5.1 INTRODUCTION

CATSA FUNDING SUMMARY

Up to March 31, 2010, CATSA's ongoing reference level was \$234.4M per year. However, for most years since CATSA's inception, this amount has fallen well below its annual requirements for the provision of mandatory passenger and baggage screening services at designated airports across Canada. To address this, additional appropriations beyond the annual permanent reference level have brought CATSA's total funding in recent years to a level exceeding \$425M per year.

The following is a summary of CATSA's total parliamentary appropriations used for operating and capital expenditures for the period 2002/03 to 2009/10:

Parliamentary Appropriations Used <i>(in millions of dollars)</i>	Five Year Total 2002/03-2006/07	2007/08	2008/09	2009/10	Total
Operating	\$ 1,311	\$ 389	\$ 378	\$ 471	\$ 2,549
Capital	643	48	49	116	856
Total	\$ 1,954	\$ 437	\$ 427	\$ 587	\$ 3,405

BUDGET 2009 AND BUDGET 2010

Budget 2009 committed \$355.8M in addition to CATSA's ongoing annual reference level of \$234.4M. This included the purchase of new, advanced, internationally compatible screening equipment, technology and training for the screening workforce to increase levels of security and efficiency, and funding to begin preliminary work on new security initiatives such as PBO and expanding NPS beyond ATBs. The budget also provided CATSA with the resources to acquire MSVs to achieve capacity for mobile screening. These vehicles were used to augment CATSA's screening capacity during the 2010 Winter Olympic and Paralympic Games.

As a result of Budget 2010, the Government of Canada set CATSA's reference levels for 2010/11 fiscal year at \$585.9M. In subsequent years, CATSA's reference levels will be adjusted to reflect the operational efficiencies identified in its Strategic Review.

For the first two years of the planning period, this new funding will allow CATSA to maintain a level of capacity comparable to that of 2009/10. However, reduced funds available for operating services in later years, compounded by projected passenger growth and increased costs, may have an impact on passenger wait times. CATSA will proactively take steps to manage this impact by identifying potential efficiencies through optimization of equipment and process, reconfiguration of PBS checkpoints and investment in new tools.

Should the forecasted passenger growth continue as projected, CATSA is expecting to have to return to the Government to seek additional funding for the later years of the planning period to address this reduction in capacity.

Under the Strategic Review, CATSA conducted a systematic assessment of all organizational spending and programs. CATSA's goal was to identify five per cent – or \$13.124M – of its base funding of

\$234.4M, for reallocation. The proposed reallocation amounted to \$15.164M and will allow CATSA to become more efficient without compromising security or negatively impacting passenger flow. This reallocation can be summarized as follows (in thousands of dollars):

2010/11	2011/12	2012/13 and ongoing
-	\$12,036	\$15,164

OVERVIEW OF THE 5-YEAR FINANCIAL PLAN

CATSA's funding requirements for the planning period covering 2010/11-2014/15 can be summarized as follows:

TABLE 1
Financial Plan

(in millions of dollars)

	2009/10 Forecast	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	Five Year Total 2010/11 -2014/15
Operating Expenditures	\$ 474	\$ 527	\$ 514	\$ 511	\$ 469	\$ 469	\$ 2,490
Capital Expenditures	116	68	59	59	59	59	304
Interest Revenue, Foreign Exchange Gain and Net Changes in Inventory/Prepays	(3)	-	-	-	-	-	-
Total	\$ 587	\$ 595	\$ 573	\$ 570	\$ 528	\$ 528	\$ 2,794

FINANCIAL REPORTING FRAMEWORK: IFRS

In December 2009, the Public Sector Accounting Board issued a revised introduction to public sector accounting standards requiring Crown corporations – classified as “Other Government Organizations” – to determine the most appropriate basis of accounting for their organizations (either International Financial Reporting Standards (IFRS) or Public Sector Accounting Standards). CATSA has determined that IFRS is the most appropriate basis of accounting. Accordingly, CATSA's first set of IFRS-compliant financial statements will be released for the interim quarter ending June 30, 2011. This date is in accordance with the timelines issued by the Canadian Accounting Standards Board.

CATSA's IFRS transition plan consists of three phases: scoping; development; and implementation. The scoping and development phases were completed in the 2008/09 fiscal year. During the 2009/10 fiscal year, CATSA commenced the implementation phase of the project.

The following table provides a summary of key activities to be completed during the implementation phase of the IFRS transition project:

Year	Required Activities
2010/11	<ul style="list-style-type: none"> Finalize remaining action items identified within component evaluations Ensure both Canadian Generally Accepted Accounting Principles (GAAP) and IFRS balances are generated where differences exist <ul style="list-style-type: none"> Although Canadian GAAP financial statements will be issued for fiscal 2010/11, IFRS balances will be required for inclusion as comparatives within the June 30, 2011, quarterly financial statements Prepare an opening Balance Sheet and equity reconciliation under IFRS. Ensure all accounting policy documents and business processes are updated to reflect IFRS requirements
2011/12	<ul style="list-style-type: none"> Prepare interim and annual financial statements under IFRS <ul style="list-style-type: none"> Canadian GAAP balances are no longer required Communicate transitional updates on IFRS and continue to provide training as required

5.2 FORECAST FOR THE 2009/10 FISCAL YEAR AND THE 2010/11–2014/15 FINANCIAL PLAN

5.2.1 OPERATING EXPENDITURES BUDGET

Table 2 summarizes the operating forecast and operating budget for 2009/10, and the 2010/11–2014/15 planned operating budget by major expenditure category.

TABLE 2
Operating Plan by Major Expenditure Category

(in thousands of dollars)

Operating Expenditures

SCREENING SERVICES AND OTHER RELATED COSTS

	2009/10 Forecast	2009/10 Corporate Plan	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	Five Year Total 2010/11 - 2014/15
Payments to Screening Contractors	\$ 335,420	\$ 317,623	\$ 361,076	\$ 352,559	\$ 344,670	\$ 303,665	\$ 307,032	\$1,669,002
Uniform & Other Related Costs	5,585	7,348	7,041	7,173	7,350	7,324	7,340	36,228
Trace & Consumables	2,487	3,091	1,000	1,000	1,000	1,000	1,000	5,000

EQUIPMENT OPERATING AND MAINTENANCE

Equipment Maintenance	\$ 37,974	\$ 40,852	\$ 46,760	\$ 50,573	\$ 51,007	\$ 52,205	\$ 50,493	\$ 251,038
Spare Parts & Warehousing	2,821	3,632	3,755	3,496	3,500	3,500	3,500	17,751
Training & Certification ¹	1,550	9,558	9,370	994	2,393	2,941	1,252	16,950

RESTRICTED AREA IDENTITY CARDS (RAIC)

Cards & Enrollment Costs	\$ 951	\$ -	\$ -	\$ -	\$ 2,731	\$ -	\$ -	\$ 2,731
Equipment & Application Maintenance	240	1,933	838	855	872	890	908	4,363

DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES

Employee Costs	\$ 53,769	\$ 56,939	\$ 65,040	\$ 65,787	\$ 67,516	\$ 68,495	\$ 68,844	\$ 335,682
Professional Services & Other Business Related Costs	12,851	24,998	8,873	8,073	6,020	5,295	4,502	32,763
Office and Computer Expenses	5,458	2,915	6,082	5,853	5,925	5,926	5,535	29,321
Communications & Public Awareness	3,776	3,171	1,800	2,470	1,800	1,800	1,800	9,670
Other Administrative Costs ²	11,518	16,079	15,219	15,585	16,506	16,249	17,084	80,643

Total Operating Expenditures	\$ 474,400	\$ 488,139	\$ 526,854	\$ 514,418	\$ 511,290	\$ 469,290	\$ 469,290	\$ 2,491,142
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Interest Revenue, Foreign Exchange Gain and Net Changes in Inventory/Prepays	(3,087)	5,621	-	-	-	-	-	-
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Total Operating Budget	\$ 471,313	\$ 493,760	\$ 526,854	\$ 514,418	\$ 511,290	\$ 469,290	\$ 469,290	\$ 2,491,142
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1. The decrease in forecasted expenditures for 2009/10 in comparison to the 2009/10 Corporate Plan budget is a result of reclassifying the training and certification costs relating to screening officers to Payments to Screening Contractors. Accordingly, the remaining expense for the current year relates to all other training and certification costs (i.e. training of maintenance technicians).

2. Other Administrative costs consist of Insurance, Rent and Facilities Related Costs, and Network and Telephony costs.

Note: In 2009/10, an amount of \$2.696M has been re-allocated from the operating budget to the capital budget for the purchase of Full Body Scanners.

After considering the reallocation mentioned above, CATSA is forecasting to lapse \$19.7M in operating funds in 2009/10. The lapsed funding was primarily a result of substantial under-spending on professional services as CATSA reduced its reliance on consultants and negotiated lower than planned billing rates. In addition, payments to screening contractors for the 2010 Olympic and Paralympic Games and billing rates for Screening Officers were lower than planned. Lastly, equipment maintenance costs were lower than expected, partially due to favourable foreign exchange rates.

5.2.2 SCREENING SERVICES AND OTHER RELATED COSTS

Payments to Screening Contractors

Payments to Screening Contractors include salaries and benefits of the Screening Officers and a fixed and variable component paid to the screening contractors. The three key variables impacting the expenditures include billing rates, screening hours and training hours.

2009/10 VARIANCE ANALYSIS

Payments to Screening Contractors were higher than planned in the 2009/10 Corporate Plan. This was mainly due to:

- new U.S. Security Measures that came into effect in response to the attempted attack on December 25, 2009; and
- increased NPS coverage within ATBs at Class I airports.

These additional requirements were partially offset by lower than planned payments to screening contractors for the Winter 2010 Olympic and Paralympic Games and billing rates for Screening Officers.

The variance between the 2009/10 Corporate Plan and the forecast is also explained by a reclassification of expenses that took place during the 2009/10 fiscal year.

2010/11-2014/15 FINANCIAL PLAN

CATSA's current budget for Payments to Screening Contractors will be sufficient to maintain a level of capacity comparable to that of 2009/10 in the first two years of the planning period. Year three will see a reduction in screening hours, at which time CATSA will implement anticipated efficiencies with the aim of maintaining a comparable capacity level. Further reduced funding levels for operations in years four and five, compounded with projected passenger growth and increased costs, may have an impact on passenger wait times.

Uniforms and Other Related Costs

2009/10 VARIANCE ANALYSIS

Expenditures for uniforms for the fiscal year 2009/10 were lower than budgeted as a result of a reclassification of expenses in 2009/10 and lower than planned travel expenses for Screening Officers.

2010/11-2014/15 FINANCIAL PLAN

Uniform costs take into consideration the increase in new Screening Officers and new activities as outlined in Chapter 4.

Trace and Consumables

2009/10 VARIANCE ANALYSIS

Trace and Consumables expenses were lower than planned for the fiscal year 2009/10 as the existing inventory on hand was consumed to meet operational requirements.

2010/11-2014/15 FINANCIAL PLAN

The budget for the next five years for trace and consumables is lower than in previous years.

5.2.3 EQUIPMENT OPERATING AND MAINTENANCE

Equipment Maintenance

2009/10 VARIANCE ANALYSIS

Expenditures for Equipment Maintenance were lower than planned due to performance penalties charged to some contractors for not meeting targets, favourable foreign exchange rates, performing systems audits internally instead of subcontracting them, delays in deploying some EDS equipment, and lower than expected expenditures for testing and evaluation as some of these expenditures were deemed to be capital in nature.

2010/11-2014/15 FINANCIAL PLAN

The increases in planned expenditures over the planning period take into account the planned deployment of additional units of PBS and HBS equipment.

Spare Parts and Warehousing

2009/10 VARIANCE ANALYSIS

Expenditures for Spare Parts and Warehousing were lower than planned due primarily to CATSA's new approach of paying a monthly fee in exchange for providing spare parts when and as required.

2010/11-2014/15 FINANCIAL PLAN

Costs for spare parts take into account the requirement for an increase in spare part kits to accommodate additional units of equipment and new technology.

Training and Certification

2009/10 VARIANCE ANALYSIS

Expenditures for Training and Certification were lower than planned. The variance was due to the reclassification of Training costs for Screening Officers to Payments to Screening Contractors.

2010/11-2014/15 FINANCIAL PLAN

The planned expenditures take into account the EDS deployment plan as well as an allowance for additional training and certification costs in the event a new vendor is awarded the new maintenance service contract in 2010/11.

5.2.4 RESTRICTED AREA IDENTITY CARD

2009/10 VARIANCE ANALYSIS

RAIC Equipment and Application Maintenance expenditures were lower than planned due to a delay in the construction of a vehicle search checkpoint and lower than anticipated maintenance costs on equipment covered under warranty.

2010/11-2014/15 FINANCIAL PLAN

Planned expenditures include the maintenance of existing biometric validation equipment within the ATBs of the Class I and Class II airports and replenishment of RAIC cards in 2012/13.

5.2.5 DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES

Employee Costs

2009/10 VARIANCE ANALYSIS

CATSA's plan for 2009/10 included the hiring of 146 new employees, bringing CATSA's full time equivalents (FTEs) count to 538. These employees are based at CATSA HQ and in the regions.

Employee Costs for 2009/10 were lower than planned due to a longer period required to hire new employees compared to the timeframe originally planned, and starting salaries of new hires being lower than planned.

These savings were partially offset by additional payments made to the employee pension plan to reduce the pension solvency deficit.

2010/11-2014/15 FINANCIAL PLAN

The increase in salary costs in 2010/11 compared to 2009/10 reflects the FTE increase of 146 employees hired over the last year. The five-year financial plan takes into consideration the planned efficiencies identified in the Strategic Review. CATSA does not forecast an increase in the number of FTEs over the five-year planning period. The increase in employee costs reflects the estimated annual increase in salaries, benefits and employee training costs over the planning period.

Professional Services and Other Business Related Costs

2009/10 VARIANCE ANALYSIS

Professional Services and Other Business Related Costs were lower than planned due to: CATSA's ability to complete a number of projects and activities with internal resources; the reclassification of some professional services to capital; and lower billing rates. In addition, travel costs were lower than budgeted as a result of delays in certain airport expansion projects and less travel being incurred in relation to the capital deployment plan.

2010/11-2014/15 FINANCIAL PLAN

Planned expenditures consider the need for professional services for specialized skills required to support current operational requirements and the completion of certain pilot projects. In addition, the budget includes travel expenditures in support of the capital deployment plan. Due to the completion of the 2010 Winter Olympic and Paralympics Games, travel requirements for next year have been reduced.

Office and Computer Expenses

2009/10 VARIANCE ANALYSIS

Expenditures for Office and Computer Expenses were higher than planned due to additional software licences and maintenance contracts required in relation to the growth in FTEs within the organization during 2009/10.

2010/11-2014/15 FINANCIAL PLAN

Office and Computer expenditures are expected to increase in 2010/11 compared to 2009/10 forecasted expenditures. This reflects additional IT support required in the regions and will decrease by the end of the fifth year of the planning period.

Communications and Public Awareness

2009/10 VARIANCE ANALYSIS

Expenditures for Communications and Public Awareness for fiscal year 2009/10 were higher than budget due to higher operating costs relating to CATSA's 1-800 telephone and E-mail enquiry services. The increase was also due to additional communications targeted at air travellers as a result of the new U.S. Security Measures that came into effect on December 26th.

2010/11-2014/15 FINANCIAL PLAN

Planned expenditures for the next five years have been reduced but include costs associated with the development and sustainment of a targeted, evidence-based communications strategy.

Other Administrative Costs

2009/10 VARIANCE ANALYSIS

Expenditures for Other Administrative Costs were lower than planned as a result of:

- lower rent due to the successful negotiation of lease incentives at corporate headquarters;
- lower network costs relating to certain key projects; and
- realizing a foreign exchange gain on foreign denominated transactions.

2010/11-2014/15 FINANCIAL PLAN

Planned expenditures for the next five years are budgeted to increase as a result of higher:

- rental fees for the office space at corporate headquarters and the regions;
- IT infrastructure costs in relation to certain key projects; and
- insurance costs as a result of increasing liability insurance.

5.3 CAPITAL EXPENDITURES

Table 3 summarizes the 2009/10 capital forecast and plan as well as the 2010/11-2014/15 capital plan by major category.

The 2010 Federal Budget provides CATSA with \$59.0M of ongoing capital funding per year. The approved funding will allow CATSA to replace and enhance some of its existing PBS and HBS screening equipment through the acquisition and deployment of new equipment with increased explosives detection capability, allowing CATSA to address security gaps and maintain PBS technology compatibility with international partners.

TABLE 3
Capital Plan by Major Expenditure Category

(in thousands of dollars)

	2009/10 Forecast	2009/10 Corporate Plan	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	Five Year Total 2010/11 - 2014/15
Capital Expenditures								
SCREENING OPERATIONS								
EDS Equipment								
PBS equipment and installation	\$ 61,368	\$ 60,437	\$ 29,398	\$ 12,049	\$ 11,815	\$ 13,728	\$ 6,626	\$ 73,616
HBS equipment and installation	26,664	38,792	13,767	41,993	41,198	40,557	43,114	180,629
Total	\$ 88,032	\$ 99,229	\$ 43,165	\$ 54,042	\$ 53,013	\$ 54,285	\$ 49,740	\$ 254,245
NPS and RAIC								
NPS Equipment	\$ 4,491	\$ 4,357	\$ 2,800	\$ -	\$ -	\$ -	\$ -	\$ 2,800
RAIC	3,357	4,619	500	500	500	500	500	2,500
Total	\$ 7,848	\$ 8,976	\$ 3,300	\$ 500	\$ 500	\$ 500	\$ 500	\$ 5,300
Total Screening Equipment	\$ 95,880	\$ 108,205	\$ 46,465	\$ 54,542	\$ 53,513	\$ 54,785	\$ 50,240	\$ 259,545
NON EDS EQUIPMENT	\$ 19,920	\$ 13,976	\$ 12,535	\$ 4,458	\$ 5,487	\$ 4,215	\$ 8,760	\$ 35,455
Total Capital Expenditures	\$ 115,800	\$ 122,181	\$ 59,000	\$ 59,000	\$ 59,000	\$ 59,000	\$ 59,000	\$ 295,000
EDS Capital Re-Profiled from 2009/10	-	-	9,202	-	-	-	-	9,202
Total Capital Budget	\$ 115,800	\$ 122,181	\$ 68,202	\$ 59,000	\$ 59,000	\$ 59,000	\$ 59,000	\$ 304,202

Note:
 - In 2009/10, an amount of \$2.696M has been re-allocated from the operating budget to the capital budget for the purchase of Full Body Scanners.
 - 2009/10 forecast results reflect amounts in Non-EDS spending that were planned as part of EDS capital spending in the 2009/10 Corporate Plan. These amounts are reflected in their appropriate expense categories (EDS vs. Non-EDS) in the planned years for 2010/11 to 2014/15. Specific programs include BPSS, CCTV and equipment networking.

CATSA's capital budget comprises EDS equipment and non-EDS equipment consisting primarily of security systems, management systems, office furniture and leasehold improvements.

After considering the reclassification mentioned above, CATSA is forecasting to lapse \$9.1M in capital funds in 2009/10. The lapsed funding was due to the postponement of several projects, some of which were delayed as a result of the deployment of the new U.S. Security Measures. These projects included: CRA, BPSS, CCTV, RAIC, and the Vancouver and Calgary airport expansion projects.

5.3.1 EDS EQUIPMENT

2009/10 VARIANCE ANALYSIS

After considering the funding reclassification from EDS to Non-EDS budget related to BPSS, CCTV and equipment networking of approximately \$13.0M, EDS capital expenditures were higher than planned due to the additional requirements for Full Body Scanners and trace equipment related to the new U.S. Security Measures.

The costs of these additional requirements were partially offset by savings generated by favourable foreign exchange rates, redeploying EDS equipment on hand for airport expansions and other projects, favourable pricing following extensive negotiations with some vendors and lower than expected costs for the Vancouver and Calgary airport expansion projects.

Due to delays in airport expansion projects which are beyond CATSA's control, CATSA is re-profiling \$9.2M to 2010/11 related to three expansion projects at the Vancouver International, Goose Bay and Winnipeg airports.

2010/11-2014/15 FINANCIAL PLAN

The acquisition and deployment of EDS equipment represents approximately 77% of CATSA's 2010/11 capital budget.

The key drivers for CATSA's capital deployment plan over the five-year planning are as follows:

Capital Replacement

Influenced by the technology and equipment that is available and supported by industry, CATSA's objective is to ensure that capital replacement maximizes both the longevity and efficiency of passenger and baggage screening equipment.

From 2011/12 to 2014/15, CATSA will continue to manage its equipment through the replacement and/or acquisition of trace and PBS and HBS multi-view X-ray units.

Required Capacity

The 2010/11 capital budget includes HBS screening equipment and related installation costs, including installations designed for airport improvement plans. These will be deployed in order to increase operational efficiencies and enhance the overall effectiveness of screening operations.

System Re-engineering and Optimization

To optimize the utilization of equipment through system re-engineering, CATSA will continue the ongoing deployment of split PBS lanes, in addition to its investment in its testing facility, which is located in Ottawa and is used to support the testing of new equipment and screening methodologies.

Performance Measuring and Monitoring

The capital plan over the planning period includes investment in PBS networking capabilities and the acquisition of simulators for use in training exercises.

New Standards

In 2010/11, planned expenditures include the purchase and deployment of liquids, aerosols and gels (LAGs) technology and Full Body Scanners. From 2011/12 to 2014/15, CATSA will continue to deploy LAGs equipment and start the deployment of shoe scanners at transborder PBS checkpoints.

5.3.2 RESTRICTED AREA IDENTITY CARD AND NON-PASSENGER SCREENING

2009/10 VARIANCE ANALYSIS

Capital expenditures for RAIC were lower than planned due to the delay in the RAIC application development and the use of existing equipment to meet requirements.

NPS capital expenditures were higher than planned mainly due to an increased presence at NPS checkpoints, which led to an increase in NPS equipment and integration costs. This increase was partly offset by the delay in the construction of a vehicle search checkpoint at Vancouver International Airport.

2010/11-2014/15 FINANCIAL PLAN

The capital plan involves the ongoing delivery of current RAIC and NPS programs, which includes the replacement and/or acquisition of RAIC equipment. It also includes system enhancements to the RAIC application and the completion of the construction of a vehicle search checkpoint in Vancouver in 2010/11.

5.3.3 NON-EDS EQUIPMENT

2009/10 VARIANCE ANALYSIS

After considering the funding reclassification from EDS to Non-EDS budget for BPSS, CCTV and equipment networking (approximately \$13.0M), Non-EDS capital expenditures were lower than planned mainly due to the postponing of the CMS project to 2010/11. This was done in order to finance the costs related to the incremental Full Body Scanners bought in 2009/10 to address the new U.S. security measures.

2010/11-2014/15 FINANCIAL PLAN

The capital plan for Non-EDS Equipment addresses some of CATSA's current operational and security enhancement requirements and need for efficiencies.

Security enhancements include enhancements or continued deployment of the Call and Incident Data Collection (CIDC) system, BPSS and CCTV initiatives.

Current operational requirements include, among other things, the continued improvement of the CMS aimed at enhancing the efficiency and effectiveness of CATSA's management practices.

GLOSSARY

Airport Authority	An operator of an airport listed in the <i>Airport Transfer (Miscellaneous Matters) Act</i>
BPSS	Boarding Pass Security System: a stand-alone technology that scans boarding passes to validate the information embedded in the bar code
CCTV	Closed-Circuit Television System
CIDC	Call and Incident Data Collection system
Class I Airports	Airports include Calgary, Edmonton, Halifax, Montreal (Pierre Elliott Trudeau International), Ottawa, Toronto (Lester B. Pearson International), Vancouver and Winnipeg
Class II Airports	Airports include Charlottetown, Fredericton, Gander, Iqaluit, Kelowna, London, Moncton, Prince George, Quebec City, Regina, Saint John, St. John's, Saskatoon, Sudbury, Toronto (City Centre), Thunder Bay, Victoria, Whitehorse, Windsor and Yellowknife
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
EDT	Explosives Detection Trace
FAA	<i>Financial Administration Act</i>
FBO	Fixed-Base Operations
FTE	Full-time Equivalent
Full Body Scanners	New voluntary scanning technology that detects the presence of threat objects on passengers
GAAP	Generally Accepted Accounting Principles
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
HHMD	Hand-Held Metal Detector
ICAO	International Civil Aviation Organization
IED	Improvised Explosive Device
IFRS	International Financial Reporting Standards
MSV	Mobile Screening Vehicles: to be used for screening passengers and their belongings at Fixed-Base Operations
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

GLOSSARY

OAG	Office of the Auditor General
PAA	Program Activity 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.
PBO	Passenger Behaviour Observation: a screening methodology that uses risk-based security principles to screen passengers and identify those with malicious intent
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
RFP	Request for Proposals
Screening Contractor	A company that has entered into a contract with CATSA for the provision of PBS, HBS and other screening services
SOPs	Standard Operating Procedures
Strategic Review	A Strategic Review is the review of 100% of all direct program spending and the operating costs of a department or an agency's major statutory programs on a cyclical basis, with a view to better manage spending, modernize and simplify internal operations, and to achieve better results for Canadians
SITT	Secure Identification and Time Tracking: an enterprise IT system installed at airports, and used to both validate the eligibility of Screening Officers to perform functions at checkpoints as well as to provide attendance tracking of screening personnel using biometric-based electronic timecards
TSA	Transportation Security Administration (U.S.)
WTMD	Walk-Through Metal Detector