



Canadian Air Transport Administration canadienne
Security Authority de la sûreté du transport aérien

Summary of the 2011/12 – 2015/16

Corporate Plan, Capital and Operating Budgets

Canada



Table of Contents

EXECUTIVE SUMMARY	1
1. CORPORATE PROFILE	3
1.1 Mission, Vision and Values	3
1.2 Legislative and Regulatory Framework	4
1.3 Governance and Organization Structure	5
1.4 Mandate and Responsibilities	6
1.4.1 Pre-Board Screening	6
1.4.2 Hold-Baggage Screening	6
1.4.3 Non-Passenger Screening	6
1.4.4 Restricted Area Identity Card	7
2. IDENTIFICATION OF RESULTS	8
2.1 Strategic Results for 2010/11	9
2.1.1 Pre-Board Screening	9
2.1.2 Hold-Baggage Screening	9
2.1.3 Non-Passenger Screening	10
2.1.4 Restricted Area Identity Card	10
2.2 Performance Measurement	10
2.2.1 Performance Measurement Framework	11
2.2.2 Corporate Performance Reporting	12
3. OPERATING ENVIRONMENT	13
3.1 Parliamentary Appropriations	13
3.2 Service Delivery	13
3.3 Economic Environment	15
3.4 Threat and Risk Environment	15
3.5 External Reports and Review	16
4. STRATEGIC DIRECTION	17
4.1 CATSA's 2011/12-2015/16 Strategy Overview	17
4.2 Pre-Board Screening	18
4.3 Hold-Baggage Screening	19
4.4 Non-Passenger Screening	19
4.5 Restricted Area Identity Card	19
4.6 New Initiatives	20
4.7 Transformation	20
5. FINANCIAL ANALYSIS	21
GLOSSARY	36

Executive Summary

Overview

CATSA's mission is to protect the public by securing critical elements of the air transportation system as assigned by the Government of Canada, consistent with its four legislative outcomes – to provide effective, efficient and consistent security screening in the interest of the travelling public.

To achieve this, CATSA is mandated to conduct screening services in the following four areas, pursuant to Transport Canada's direction:

- 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 meeting this mandate, CATSA strives to maintain compatibility with its key international partners, both in terms of technologies and security screening processes, to ensure the security of the travelling public. CATSA delivers on this commitment in accordance with the resources assigned to it by the Government of Canada and as approved by Parliament.

Setting the Strategy: Planning Issues for 2011/12-2015/16

In developing its five-year strategic plan, CATSA's strategic direction was guided by a number of important considerations, including CATSA Review 2010, Budgets 2010 and 2011 and CATSA's Request for Proposals for new Airport Screening Services Agreements (ASSAs). These issues are highlighted below.

Increase in Long-Term Funding

In Budget 2010, CATSA received long-term funding of \$1.5B (in accrual) over five years and its ongoing annual reference levels starting in 2015/16 were re-adjusted to more closely align with

core operational requirements. On the operating side, this meant long-term funding to allow CATSA to initiate a competitive process for new ASSAs. On the capital side, the Budget announcement set aside a recurrent envelope of funds for CATSA to acquire screening equipment for its mandated activities at 89 designated airports.

While the multi-year funding announcement was a significant change from the past several years, as outlined in CATSA's Summary of the 2010/11 Corporate Plan, the operating funding level set as a result of Budget 2010 did not accommodate for growth in passenger volumes or for the costs of inflation. In addition, CATSA was faced with a five-year funding profile that did not reflect its cash flow requirements, both in terms of operating and capital, and declined in later years of the planning period.

To manage the funding profile issue, working with Transport Canada, CATSA was granted the flexibility to utilize funding from the 2015/16 appropriations for earlier years of the planning period and reallocate within the planning period. CATSA was also granted the flexibility to re-profile a total of \$45.1M (\$35.8M in operating and \$9.3M in capital) from 2009/10 and 2010/11 into the planning period. Further discussion of CATSA's funding profile can be found in section 5.1, "CATSA Funding."

CATSA Review 2010 and Budget 2011

In line with the announcement in Budget 2010, CATSA underwent a review in 2010/11 of its spending, efficiency and structure to ensure that the organization is fulfilling its mandate effectively. This review included public and stakeholder participation and examined CATSA's governance model, in addition to related aviation security issues.

As part of this review, and in addition to a proactive internal review examining CATSA's operations, the organization was able to identify a number of efficiencies, including the re-engineering of PBS checkpoints and improvements and streamlining of PBS processes. On average, these efficiencies have been leading to an increase in passenger throughput per PBS checkpoint.

These efficiencies have been quantified in numerical savings as follows:

(Figures are in thousands)	2011/12	2012/13	2013/14	2014/15	2015/16 and ongoing
CATSA Review 2010	\$ 7,891	\$ 25,611	\$ 25,818	\$ 26,002	\$ 26,002

In Budget 2011, it was announced that the Government intends to reallocate these savings to other aviation security priorities and consequently, CATSA's reference levels have been adjusted accordingly. The Government also allocated additional capital funding that will allow CATSA to start fully addressing the life-cycle management of its HBS systems.

In line with the Government of Canada's directive, addressing Budget 2010 cost containment measures in Crown Corporations' Corporate Plans and in order to partially address the budgetary pressures associated with inflation and growth in passenger volumes, CATSA has applied cuts to its expenditures lines. These cuts were examined and applied with a focus on employee costs, equipment related expenditures and other corporate services costs, such as professional services and travel costs.

Screening Service Levels: Impact of the Operating Funding Pressures

The efficiencies generated through Strategic Review 2009 and CATSA Review 2010 will allow CATSA to reduce the number of screening hours needed to carry out its operations. These efficiencies along with the financial flexibility granted to CATSA and CATSA's efforts to control corporate services costs will help the organization partially manage its funding pressures. However, over the planning period, passenger traffic is forecasted to grow in each of the five years. Consequently, the lack of growth in PBS lanes and inflationary pressures will continue to put a strain on CATSA's PBS capacity, and as these pressures continue to compound, it could be difficult to meet the increased volume of passengers to be screened without experiencing increased wait times, particularly at those major airports already experiencing pent-up demand.

Airport Screening Services Agreements: New Strategic Partnerships

In 2011/12, CATSA will award new long-term screening contracts, which 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.

With a newly defined contractual relationship related to service delivery expectations and management capabilities, CATSA will be better able to hold future screening contractors accountable. Through performance measures that are aligned with its Performance Measurement Framework, CATSA will ensure screening contractors are directly contributing to its ability to meet expected results.

At this time, as CATSA changes its expectations of screening contractors, there is recognition that there must be corresponding changes in CATSA's corporate culture. This includes becoming a better client, shifting focus from headquarters to the regions, and to outcome-based performance measurement. As a result, CATSA has launched a corporate-based Transformation initiative that is designed to identify the desired organizational behaviours at CATSA, and to develop the competencies and action plans to promote these desired behaviours.

1. Corporate Profile

Introduction

Established as a federal Crown corporation on April 1, 2002, the Canadian Air Transport Security Authority (CATSA) is charged with protecting the public through the effective and efficient screening of air travellers and their baggage. CATSA's goal is to provide a professional, effective and consistent level of security service across the country, at or above the standards set by Transport Canada.

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

With over 500 employees who support the operations of over 6,800 Screening Officers, CATSA expects to screen over 51 million passengers in 2011.

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 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.

Values

CATSA has established a series of values – fairness, loyalty, accountability, integrity and respect – that serves as the basis for the organization's approach to managing its operations and for how all CATSA employees interact with one another and with clients.

1.2 Legislative and Regulatory Framework

Reporting to Parliament

CATSA reports to Parliament through the Minister of Transport, Infrastructure and Communities. However, much of CATSA's reporting relationship to Parliament is managed through the Minister of State (Transport).

Legislative, Regulatory and Procedural Framework

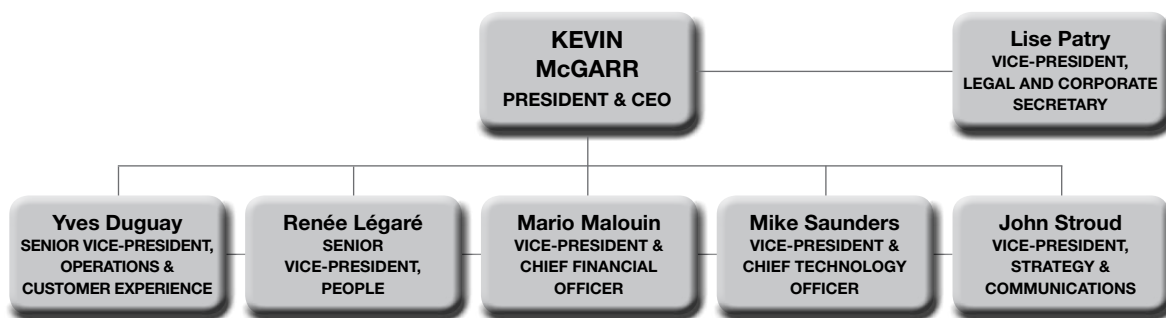
Responsibility for civil aviation security in Canada is shared among several federal government departments and agencies, as well as air carriers and airport operators. CATSA is regulated by Transport Canada, Canada's designated national civil aviation security authority, pursuant to the standards established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

CATSA, 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>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 Screening Officer designation. 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 aspects such 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.
<i>Standard Operating Procedures (SOPs)</i>	<ul style="list-style-type: none"> Guide Screening Officers in the performance of their duties.

1.3 Governance and Organizational Structure

<i>Structure</i>	In accordance with the <i>CATSA Act</i> , CATSA is structured as a Crown corporation with a Board of Directors appointed by the Governor in Council on the recommendation of the Minister of Transport, Infrastructure and Communities. The Board is headed by Chairman D. Ian Glen, Q.C.
<i>Characteristics of the Board of Directors</i>	<p>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.</p> <p>Each director holds office for a term of no 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.</p> <p>The Board is assisted in the discharge of 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. These committees assist in the Board's oversight duties and also make recommendations to the Board for Board decisions.</p> <p>The committees are governed by Board-approved Terms of Reference, are independent from management and every Director serves on at least two committees.</p>
<i>2011/12 Board Priorities</i>	<p>The following is a summary of CATSA's Board of Directors' and managements' priorities for 2011/12:</p> <ul style="list-style-type: none"> • The Board will provide guidance to management regarding the implementation of recommendations from the CATSA Review 2010 announced by the Minister of Transport, Infrastructure and Communities on February 25, 2010. • The Board will provide strategic direction to management in identifying measures to mitigate the corporation's financial situation. • The Board will oversee the national Request for Proposals (RFP) process for the awarding of new screening contractors in 2011/12. • The Board will 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.
<i>CATSA's Senior Management Team</i>	Senior Management at CATSA is led by the President and 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. It is also responsible for air transport security functions that the Minister may assign to it, subject to any terms and conditions that the Minister may establish.

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).

1.4.1 Pre-Board Screening (PBS)

Overview

The most public and visible of CATSA's mandated activities is PBS. Passengers and their belongings are screened at CATSA's PBS checkpoints prior to their entry into the secure area of an air terminal building (ATB).

Screening Officers use a variety of screening technologies and procedures to examine passengers and their belongings, making sure that they are not carrying objects or materials that are on Transport Canada's prohibited items list, such as knives, firearms or incendiary devices and explosives, to eliminate the possibility that they could be used to cause harm.

Investments in new leading-edge technology and training of its Screening Officer workforce, combined with continuously improving operational procedures, ensure that CATSA's PBS remains compatible with its international partners in aviation security.

1.4.2 Hold-Baggage Screening (HBS)

Overview

In addition to screening passengers and their carry-on baggage, Screening Officers use specialized explosives detection equipment to screen passengers' checked baggage.

A vital layer of security to protect the travelling public, CATSA's HBS activities involve the purchase and integration of equipment into an airport's baggage handling system, equipment operation and maintenance, and management of Screening Officer training on the detection equipment. CATSA also conducts ongoing testing and evaluation of new equipment and technologies, and performance measuring and monitoring of its HBS processes and systems.

1.4.3 Non-Passenger Screening (NPS)

Overview

In 2010/11, CATSA conducted on a random basis, pursuant to Transport Canada's direction, over 1,200,000 security screenings of non-passengers accessing restricted areas at major 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, concession employees, caterers, maintenance personnel, baggage handlers, etc).

1.4.4 Restricted Area Identity Card (RAIC)

Overview

The RAIC system, created by CATSA in partnership with Transport Canada and airport authorities, uses iris and fingerprint biometric identifiers to allow non-passenger access to the restricted 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 are guided by a strategic vision, which allows the organization to ensure that its activities contribute to achieving its four legislative outcomes – *effective, efficient and consistent aviation security screening that is in the interest of the travelling public.*

Logic Model

CATSA uses a corporate logic model to reflect and report on its performance. The following logic model illustrates, at a high level, CATSA's inputs, activities, outputs and outcomes:

Inputs	\$519.2M	6,800+ Screening Officers	3,000+ pieces of security screening equipment	Training regulations, SOPs
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 major airports	A national credential management system – dual biometric (iris and fingerprint) cards, software, and hardware – is developed and maintained for non-passengers at major airports
Expected Results: Immediate Outcomes	Prohibited items, as defined by Transport Canada, 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 Transport Canada, 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 biometric comparison and will have the validity of the Transportation Security Clearance associated with their credential confirmed
Final (Legislative) Outcomes	For each of CATSA's four mandated activities effective, efficient, and consistent aviation security screening that is in the interest of the travelling public.			

Program Activity Architecture

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*.

In March 2011, CATSA responded to Treasury Board Secretariat's (TBS) call letter for amending its Management, Resources, and Results Structure (MRRS) for Fiscal Year 2012/13. CATSA has since been working with TBS to seek approval of its proposed Program Activity Architecture (PAA) and Strategic Outcome in accordance with TBS's *Policy on MRRS* (see section 4.1 for details). The PAA will allow CATSA to further refine its Performance Measurement Framework in order to continually improve its operations to attain its legislated outcomes.

2.1 Strategic Results for 2010/11

Performance Summary

The following section provides an overview of CATSA's progress and achievements for 2010/11 against its PBS, HBS, NPS and RAIC activities. Please note that this list is not exhaustive of all corporate and operational initiatives for the fiscal year 2010/11.

2.1.1 Pre-Board Screening

Performance Summary

CATSA's PBS activities for 2010/11 included the adoption of new initiatives to facilitate the screening process for air travellers, identified and implemented efficiencies in PBS operations, ongoing training of the Screening Officer workforce, and investment in new and proven PBS technologies to ensure continued compatibility with international partners.

Performance Highlights

PBS activities and initiatives for 2010/11 included:

- initiation of a RFP for new ASSAs to be implemented in 2011/12;
- deployment of Full Body Scanners at airports that have U.S.-bound flights;
- introduction of a Trusted Traveller/NEXUS pilot project at select airports which was extended to include travelling RAIC holders;
- deployment of a Boarding Pass Security System (BPSS) – a boarding pass validation and data collection tool – at Vancouver, Calgary, Edmonton, Toronto, Ottawa, Montreal and Halifax airports;
- identification and implementation of efficiencies and improvements in PBS operations;
- introduction of an Operations communications tool to disseminate messages and bulletins to the Screening Officer workforce;
- introduction of a pilot project allowing the use of Security Tamper-Evident Bags for carry-on baggage for in-bound passengers travelling through Toronto and Montreal International Airports with duty-free purchases;
- introduction of a Passenger Behaviour Observation (PBO) program pilot project at Vancouver International Airport;
- investment in and deployment of vapour detection technology, explosives detection equipment and multi-view X-rays to maintain PBS technological compatibility with international partners; and
- continuation of a long-term passenger campaign that assists air travellers in being better prepared when they arrive at PBS.

In 2010/11, CATSA also signed Memoranda of Understanding (MOU) with the Canadian Border Services Agency (CBSA) and various policing organizations. These MOUs will allow CATSA to use law enforcement personnel for security screening purposes in case of emergencies, such as the events of December 25, 2009. CATSA must be prepared to manage these types of contingencies but can face operational and financial challenges in doing so.

2.1.2 Hold-Baggage Screening

Performance Summary

This mandated activity includes screening operations at HBS, continued re-capitalization of baggage screening technology, and managing capacity for contingency operations.

Performance Highlights

CATSA's HBS activities for 2010/11 included:

- continuation of deployment, operations and maintenance of HBS equipment at designated airports;
- identification and implementation of efficiencies and improvements in HBS operations;
- provision of HBS system design consultative services to airport staff and system vendors, to ensure future systems meet all of CATSA's stringent security screening requirements;
- proactively working with Transport Canada to add advanced high-speed Computed Tomography (CT) or CT-equivalent technology to Transport Canada's approved products list;
- integration and installation of HBS equipment at various airports;
- implementation of HBS in the Vancouver Link Building to address a shortfall of baggage screening capacity; and
- purchase and delivery of HBS testing simulators.

2.1.3 Non-Passenger Screening

Performance Summary

This mandated activity consists of the random screening of non-passengers accessing restricted areas of an airport's terminal building. NPS minimizes the risk of non-passengers bringing prohibited items through to restricted areas, resulting in a more secure environment for the travelling public and non-passengers working in the ATB.

Performance Highlights

CATSA re-deployed Screening Officers from PBS to NPS during off-peak times, where possible, at Canada's largest airports to optimize resources.

CATSA also completed construction of a vehicle search checkpoint at Vancouver International Airport and launched a vehicle search pilot project in consultation with Transport Canada. The objective of the pilot was to examine the feasibility of expanding NPS beyond the ATB.

2.1.4 Restricted Area Identity Card

Performance Summary

Having completed the life-cycle replacement of the system infrastructure, verified the security credential databases and fully developed the RAIC application, CATSA continues to maintain the existing biometric restricted area identification card program.

Performance Highlights

In light of possible future expansion of NPS, CATSA continued to evaluate novel applications of biometric reader units that can be deployed in a variety of operational environments.

2.2 Performance Measurement

Introduction

CATSA has a Performance Measurement Program that provides performance reports to CATSA's Board of Directors and Senior Management on its mandated activities and the corporate services that support the delivery of those mandated activities.

2.2.1 Performance Measurement Framework

Performance Measurement Framework

In 2009/10, CATSA started to improve its Performance Measurement Program through the development of a Performance Measurement Framework. This framework measures the degree to which each of its four mandated activities is effective, efficient, consistent, and in the interest of the travelling public.¹

For each of CATSA's 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 interest of the travelling public, 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.

CATSA's Corporate Performance Framework is illustrated in the following diagram.

Mandated Activity	Pre-Board Screening (PBS)	Hold-Baggage Screening (HBS)	Non-Passenger Screening (NPS)	Restricted Area Identity Card (RAIC)
Outputs – Efficiency	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 major airports	A national credential management system – dual biometric (iris and fingerprint) cards, software, and hardware – is developed and maintained for non-passengers at major airports
Expected Results – Effectiveness	Prohibited items, as defined by Transport Canada, 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 Transport Canada, are intercepted at access points into the restricted area of major airports	Non-passengers to whom an airport authority has granted access rights to secure areas of the airport will have their identity identified by a biometric comparison and will have the validity of the Transportation Security Clearance associated with their credential confirmed.
Expected Results – Consistency	PBS is performed according to applicable statutory, regulatory, (SOPs), operational policy, and contractual/ staffing requirements at designated airports	HBS is performed according to applicable statutory, regulatory, SOPs, operational policy, and contractual/ staffing requirements at designated airports	NPS is performed according to applicable statutory, regulatory, SOPs, operational policy, and contractual/ staffing requirements at major airports	RAIC meets applicable statutory, regulatory, SOPs, and operational policy requirements at major airports
Expected Results – In the Interest of the Travelling Public	The PBS process 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.)	The HBS process contributes to passengers at designated airports feeling secure and enjoying a reasonably pleasant travel experience that meets expectations (for example, departing on time, not having their carry-on items stolen or damaged.)		

¹ The former criterion 'In The Public Interest' has been renamed 'In the Interest of the Travelling Public' in order to better align with the KPIs currently included in this reporting category.

2.2.2 Corporate Performance Reporting

Introduction

In 2010/11, CATSA's Board of Directors and its Senior Management team reviewed the Performance Measurement Program to ensure its KPIs were relevant to management, used to manage the business, and reported on in a quarterly corporate dashboard and associated performance scorecards.

CATSA reports on its KPIs in its Annual Report. KPIs for 2011/12 will be reported on in CATSA's 2012 Annual Report.

Next Steps

Going forward with its Performance Measurement Program, CATSA will:

- continue to refine its Performance Measurement Framework and internal and external performance reports to be implemented with the commencement of the new ASSAs in 2011/12;
- enhance its Business Intelligence System;
- engage Transport Canada in performance measurement discussions;
- continue to work with TBS to approve its proposed PAA and Strategic Outcome, in accordance with the MRRS, in order to align its Performance Measurement Framework more closely with its mandated activities and legislative outcomes; and
- continue to explore ways to benchmark performance with international partners.

3. Operating Environment

Introduction | CATSA's operations are affected by events and trends occurring domestically and internationally. In order to successfully execute its mandate, CATSA assesses issues that the organization will face in its operating environment over the planning period and assigns resources accordingly.

3.1 Parliamentary Appropriations

*Current
Operating
Funding Profile*

In Budget 2010, CATSA received long-term funding over five years and its ongoing annual reference levels starting in 2015/16 were re-adjusted to more closely align with core operational requirements.

In line with the announcement in Budget 2010, CATSA underwent a review in 2010/11 of its spending, efficiency and structure to ensure that the organization is fulfilling its mandate effectively. This review, known as the CATSA Review 2010 (for more information, see section 3.5), identified a number of efficiencies and savings,² including the re-engineering of PBS checkpoints and improvements and streamlining of PBS processes.

In Budget 2011, the Government of Canada indicated its intention to reallocate the savings identified in the CATSA Review 2010 to other priorities in aviation security and consequently, CATSA's reference levels have been adjusted accordingly. While CATSA did receive capital funding in Budget 2011 that will allow the organization to start fully addressing the required life-cycle management of its HBS system, CATSA's new operating funding profile still does not account for inflation and growth in passenger volumes.

Over the planning period, passenger traffic is forecasted to grow in each of the five years. The lack of growth in PBS lanes and inflationary pressures could continue to put a strain on CATSA's PBS capacity and trigger longer wait times, particularly at those major airports already experiencing pent-up demand.

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

3.2 Service Delivery

*Industry
Considerations*

In executing its mandate, CATSA works closely with its regulator, Transport Canada, its screening contractors, other government organizations, law enforcement authorities and the aviation industry.

Within the aviation industry, key partners and stakeholders include airport authorities, air carriers, industry associations, various elements of travel and tourism industries, and international security partners such as the U.S. and the European Union. The very nature of CATSA's operations and its day-to-day success in delivering its security screening services is contingent upon its relationships with partners and stakeholders.

With its partners and stakeholders, CATSA is committed to contributing to the best air travel experience possible for those passing through Canada's designated airports.

² To review the savings identified through the CATSA Review 2010, please refer to the table in Section 5.1 "CATSA Funding".

Customer-Focused Security

CATSA works closely with its screening contractors and stakeholders to contribute to the air travel experience. As air carriers increasingly rely on the use of technology (e.g., self check-ins, the use of electronic boarding passes), CATSA's screening checkpoints are becoming the first point of contact for the travelling public. Accordingly, CATSA will continue to balance customer service with security by focusing on improving passenger facilitation through the screening process.

Privacy is of paramount importance at CATSA. For any new program or technology CATSA always seeks to balance the needs of an approach and its effectiveness, with the extent to which privacy could be impacted, and whether or not there are other ways to meet the same needs using less intrusive methods.

Service Delivery Model

CATSA's service delivery model of using third-party screening contractors to provide a Screening Officer workforce is unique to the aviation security industry.³ The use of third-party screening contractors was initially chosen due to, among other things, cost considerations and the existing contracts between airlines and the contractors.

Upon CATSA's creation in 2002, an RFP for screening services was issued. Due to the timing of the process and the need for CATSA to expedite its operations, the organization relied on the expertise of many incumbent screening contractors. In the years that followed, CATSA's funding levels were uncertain and the organization has not been able to initiate a competitive process since 2003/04. In turn, CATSA has had to work within the existing contracts to achieve improvements to its screening operations. Without a competitive process, CATSA has had a limited opportunity to optimize its third-party service delivery model.

Nearly ten years later, CATSA has grown and matured as an organization. With the lessons of these years in mind, CATSA launched a new national RFP for airport screening services in January of 2011. The ASSA RFP is discussed further in Chapter 4.

Airport Expansions

Airport expansions often occur in the form of facility expansions, and typically results from an airport's need to accommodate current and projected increases in required capacity and passenger forecasts.

Parliamentary appropriations announced in Budget 2010 did not provide funding to accommodate growth in CATSA's PBS operations. Nonetheless, the organization tries to accommodate required growth with CATSA's limited existing resources, where possible. It continues to consult with airport authorities on their plans and to align ongoing operational projects and technological upgrades.

Aging Equipment

CATSA's HBS system currently deploys single-view X-ray technology at the majority of designated airports. This equipment is now reaching the end of its life-cycle and is no longer manufactured.

At the same time, CATSA's international partners, such as the U.S. and the European Union, are already or will be requiring the use of new, more advanced CT-equivalent technology, which can provide highly detailed images along with high throughput, for their HBS systems. In addition, CT technology demonstrates higher capability for detecting emerging threats that current X-ray technology may not detect.

As announced in Budget 2011, CATSA was allocated additional capital funding that will enable it to lay the foundation for HBS life-cycle management through the deployment of CT technology while maintaining equivalency with key international partners.

In addition, this HBS deployment plan will allow CATSA to maintain equivalency with the European Union as the latter begins to phase out all non-CT technology and solely relies on CT technology for HBS by 2018.

³ 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).

3.3 Economic Environment

*Economic
Significance
of the
Canadian Air
Transportation
Industry*

The Canadian economy relies heavily on the air transportation industry and the aviation sector represents a significant element of the total economy.

In 2009, over 71 million passengers travelled commercially by air in Canada, with traffic almost evenly divided between domestic (44%) and international (56%). There were some 3,500 domestic flights daily, 1,100 transborder flights between Canada and the U.S., with an additional 300 flights to other international destinations. Airports generate \$2.8 billion in direct revenue and while airport authorities employ 3,400 people, air carriers account for an additional \$17 billion in annual revenue and employ 41,675 people. Furthermore, air cargo shipments amount to over \$94 billion annually, much of it carried on passenger aircraft.⁴

An attack or serious threat to civil aviation would affect not only the aviation sector but thousands of Canadian businesses that rely on the aviation transportation system for international trade.

*Passenger
Forecasts*

Transport Canada statistics show that, in the last five years, the number of air travellers in Canada has increased by nearly 12.7%. In 2010, passenger traffic increased by 3.5% over 2009. Over the planning period, passenger traffic is forecasted to grow in each of the five years.⁵

3.4 Threat and Risk Environment

*Evolving
Threats*

As reported in the Summary of the 2010/11 Corporate Plan, domestic and international intelligence suggests civil aviation remains a favoured target of terrorist attacks and that Canada continues to be on active terrorist target lists.

The seriousness of threats to Canada's civil aviation system is such that CATSA has in the past and may in the future be required to respond instantly to unplanned events and sudden regulatory amendments.

*CATSA's
Corporate
Risk Profile*

As a key member of the Canadian aviation system, CATSA is exposed to a variety of risks that could impair the organization's ability to fulfill its mandate. Responses to specific risks and threats identified by intelligence agencies are mandated by Transport Canada and implemented by CATSA, as they relate to aviation security screening.

In order to mitigate the impact of these risks, CATSA undertakes risk assessments pertaining to its operational and corporate strategies. The organization's key risks are collectively presented each fiscal year in its Corporate Risk Profile (CRP). CATSA's CRP is a point in time capture of 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.

*Risk Mitigation
and Control*

Evolving threats necessitate not only that CATSA identifies risks through its CRP, but as part of its risk management practices, CATSA requires appropriate risk response strategies to manage its risks, including mitigating and controlling all high risks as defined by the organizational risk tolerance. By outlining and advancing such controls, CATSA actively works to minimize potential threats and vulnerabilities in its screening operations and processes.

4 2009 figures are the latest industry figures available from Transport Canada.

5 Figures are the latest industry figures available from Transport Canada.

3.5 External Reports and Reviews

*International
Civil Aviation
Organization
Standards and
International
Partners*

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.

As a key member within the international civil aviation industry, regulatory changes by major security partners, such as the U.S. and the European Union, can often have an impact on CATSA. Any changes to screening procedures as a result of regulatory requirements on other countries could have a significant impact on CATSA from an operational perspective.

*Air India
Report*

On December 7, 2010, the Government released the Air India Inquiry Action Plan, the Government's response to the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182. This plan is a roadmap for the Government's ongoing action to ensure the safety and security of all Canadians.

*CATSA
Review 2010*

As announced by the Minister of State (Transport) on February 25, 2010, CATSA underwent a review in 2010 of its spending, efficiency and structure to ensure that the organization is fulfilling its mandate effectively. This review included public and stakeholder participation and examined CATSA's governance model, in addition to related aviation security issues.

The CATSA Review 2010 and its impact on CATSA's strategic direction over the planning period are discussed further in Chapter 4.

*2011 Office
of the Auditor
General
Special
Examination*

While a Special Examination is not expected to take place in 2011, the organization is expecting to undergo its second Special Examination by the Office of the Auditor General (OAG) during the planning period. Required under the FAA, CATSA's first Special Examination was completed in 2006.

4. Strategic Direction

4.1 CATSA's 2011/12-2015/16 Strategy Overview

Introduction

With the content of the first three chapters of this Summary in mind, CATSA developed its five-year strategic plan, with the focus being on continuing to ensure that core programs are delivered in alignment with CATSA's mandate and legislative outcomes.

Impact of Operating Funding on Service Levels

As stated in Section 3.1, CATSA's operating funding levels have been adjusted as a result of the reallocation of savings identified in CATSA Review 2010.

In line with the Government of Canada's directive, addressing Budget 2010 cost containment measures in Crown Corporations' Corporate Plans and in order to partially address the funding pressures associated with growth in passenger volume and inflation, CATSA has applied cuts to its expenditures lines. These cuts were examined and applied with a focus on employee costs, equipment related expenditures and other corporate services costs, such as professional services and travel costs.

The efficiencies generated through Strategic Review 2009 and CATSA Review 2010 will allow CATSA to reduce the number of screening hours needed to carry out its operations. These efficiencies along with the financial flexibility granted to CATSA will help the organization partially manage its funding pressures associated with passenger growth and inflation which have been increasing since 2009. These are pressures that will continue to challenge CATSA's core screening operations.

Over the planning period, passenger traffic is forecasted to grow in each of the five years. The lack of growth in PBS lanes and inflationary pressures could put a strain on CATSA's PBS capacity.

As CATSA moves forward with its strategy to maintain its operations under revised funding levels in a way that will minimize longer wait times in the face of inflation and growth in passenger volumes, the organization remains highly committed to working with industry stakeholders to ensure communication and collaboration and excellent customer service.

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

Airport Screening Services Agreements Request for Proposals

In 2011/12, CATSA will transition to new long-term screening contracts, which 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.

With a newly defined contractual relationship related to service delivery expectations and management capabilities, CATSA will be better able to hold future screening contractors accountable. Through performance measures that are aligned with its Performance Measurement Framework, CATSA will ensure screening contractors are directly contributing to its ability to meet expected results.

Strategic Review 2009

As a result of Strategic Review 2009, CATSA identified efficiencies and improvements in its service delivery model, operations and training delivery. Beginning in 2011/12, CATSA will begin to implement cost savings in a number of areas.

As announced by the Minister of State (Transport) on June 14, 2010, the organization underwent a review in 2010 of its spending, efficiency and structure to ensure that CATSA is fulfilling its mandate effectively.

This review included public and stakeholder participation and examined CATSA's governance model, in addition to related aviation security issues.

For CATSA, specific elements of the review included developing ideas for improvement in the following areas:

- streaming of passengers at PBS checkpoints and modification of the PBS process to realize a 30% increase on average in passenger throughput per PBS checkpoint at major airports;
- investing in new generation HBS screening equipment to maintain international equivalency and continue to efficiently process checked baggage; and
- transforming the Screening Officer workforce culture to focus more on passenger facilitation – providing effective security by helping passengers to comply with screening requirements – rather than focusing solely on intercepting prohibited items without providing consistently good customer service.

The Review recommendations also include proposed changes to Transport Canada's regulatory framework, such as a review of the Prohibited Items List, that are designed to grant greater regulatory flexibility and allow CATSA to focus more on risk and outcome-based security screening.

Following the Minister's announcement on February 3, 2011 of the CATSA Review 2010 results, CATSA is working in consultation with Transport Canada to implement the findings. These measures, coupled with changes made to the regulatory framework are leading to an increase in average passenger throughput per PBS checkpoint. The implementation of the Review's recommendations will continue over the planning period, in consultation with Transport Canada.

4.2 Pre-Board Screening (PBS)

Planning Summary

For its PBS operations, CATSA's planning activities are guided by the evolving regulatory environment and the screening standards set by Transport Canada; the subsequent impact on Screening Officer training; the introduction of new technologies for PBS checkpoints; planning for contingency operations; and, the ongoing improvement of its operational procedures and processes.

Planning Highlights

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

- implementing operational efficiencies in its PBS processes in order to improve throughput and to focus on a more effective and efficient use of screening resources;
- continuing to introduce the concept of passenger facilitation at the screening checkpoint, including those associated with CATSA's ongoing passenger campaign;
- increasing throughput while maintaining security including further implementation of the Trusted Traveller/NEXUS program;
- implementing a new maintenance contract for PBS equipment;
- the more effective use of Screening Officers during off-peak times through training opportunities; and
- investing in new and proven technologies and maintaining PBS technological compatibility with international partners.

CATSA will conduct a trial in 2011/12 at the Toronto Lester B. Pearson International Airport to share live screening checkpoint wait times with passengers via the CATSA website and mobile website. Following the trial, CATSA intends to expand the use of this feature. As CATSA continues to operate and enhance this system, it will continue to pursue the sharing of this information in order to increase the overall level of security and efficiency in the airport community, and improve the level of customer service and satisfaction at airports.

4.3 Hold-Baggage Screening (HBS)

Planning Summary

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

Planning Highlights

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

- continuing to deploy and operate HBS equipment at designated airports;
- implementing the operational efficiencies in its HBS processes, as identified in the CATSA Review 2010, in order to focus on a more effective and efficient use of screening resources;
- implementing a new maintenance contract for its HBS equipment;
- maintaining current equipment;
- testing and evaluation of new equipment and technologies;
- re-capitalization of equipment;
- ongoing development of contingency operations;
- accommodating airport expansions, where funding permits; and
- ongoing performance measuring and monitoring.

As announced in Budget 2011, CATSA was allocated additional capital funding that will enable it to lay the foundation for HBS life-cycle management through the deployment of CT technology while maintaining equivalency with key international partners.

4.4 Non-Passenger Screening (NPS)

Planning Summary

This mandated activity consists of the random screening of non-passengers accessing restricted areas of an ATB. NPS minimizes the risk of non-passengers bringing prohibited items through to restricted areas, resulting in a more secure environment for the travelling public and non-passengers working in the ATB.

Planning Highlights

Over the planning period, CATSA will continue to maintain random screening of non-passengers at required regulatory levels. CATSA will also continue to re-deploy Screening Officers from PBS to NPS during non-peak periods, where possible.

4.5 Restricted Area Identity Card (RAIC)

Planning Summary

Having completed the life-cycle replacement of the system infrastructure, verified the security credential databases and fully developed and deployed the Renewed RAIC Application (RRA), CATSA's RAIC activities continue to focus on the replacement of existing identity verification equipment and enhancement to credential management software applications.

The RRA provides a more efficient, robust and scalable software and database system for Airport Authorities and Transport Canada to deliver restricted area credential management and access at 29 major airports across Canada.

Planning Highlights

Over the planning period, CATSA will continue to maintain the existing biometric RAIC program. In light of possible future expansion of NPS, CATSA will also continue to evaluate novel applications of biometric reader units that can be deployed in a variety of operational environments.

4.6 New Initiatives

Air Cargo Security Screening

CATSA will work with Transport Canada to implement a new air cargo security screening program. The intent of this program is to screen limited amounts of cargo during off-peak periods and will involve using existing technology and operating resources. The program will be implemented at select airports beginning in 2011/12.

4.7 Transformation

Transformation

November 2011 will mark a significant undertaking by CATSA, positioning the organization for the future with new ASSAs. At this time, as CATSA changes its expectations of screening contractors, there is recognition that there must be corresponding changes in CATSA's corporate culture. This includes becoming a better client, shifting focus from headquarters to the regions, and to outcome-based performance measurement.

5. Financial Analysis

5.1 Introduction

CATSA Funding Summary

Budget 2001 announced the creation of CATSA and the allocation of \$1.9B over five years to fund its mandated activities. It was assumed that CATSA's reference levels would be sustainable at \$290.0M as no further capital acquisitions were thought to be necessary. However, this amount fell well below CATSA's annual requirements for the provision of mandatory passenger and baggage screening services at designated airports across Canada. In addition, having no capital budget in its ongoing reference levels meant that CATSA was unable to make multi-year investments. Since 2006/07, additional appropriations beyond the annual ongoing reference level have brought CATSA's total funding in closer alignment with operational requirements in order to accommodate increased passenger growth and to address evolving threats (\$151.4M in 2006, \$186.4M in 2007, \$183.2M in 2008, \$355.8M in 2009).

In Budget 2010, CATSA received \$1.5B (in accrual) over five years and its ongoing annual reference levels starting in 2015/16 were re-adjusted to \$605.7M (\$59.0M in capital and \$546.7M in operating, in cash, after adjusting for Strategic Review 2009 savings).

The following is a summary of CATSA's total parliamentary appropriations used for operating and capital expenditures for the period 2002/03 to 2010/11:

Parliamentary Appropriations Used <i>(in millions of dollars)</i>	Total 2002/03 - 2008/09	2009/10	2010/11	Total
Operating	\$ 2,078	\$ 472	\$ 512	\$ 3,062
Capital	740	116	55	911
Total	\$ 2,818	\$ 588	\$ 567	\$ 3,973

In Budget 2011, the Government of Canada allocated additional funding of \$21.3M in accrual (\$18.4M in capital and \$2.9M in operating) over five years and increased CATSA's ongoing annual reference levels by \$33M in cash (\$31.0M in capital and \$2.0M in operating) to allow CATSA to start addressing the life-cycle management of its HBS systems through the deployment of CT technology. Furthermore, the Government also announced through Budget 2011 that the savings identified through the CATSA Review 2010 will be reallocated to other aviation security priorities.

Operating:

While the long-term funding was a significant change from the past several years, the operating funding level set as a result of Budget 2010 does not accommodate for increased operating costs due to growth in passenger volumes or for costs of inflation. Consequently, as outlined in its Summary of the 2010/11 Corporate Plan, CATSA indicated that it would only be able to maintain service capacity at 2009/10 levels for 2010/11 and 2011/12. CATSA further noted that reduced operating funds in 2013/14 and 2014/15 would lead to a significant reduction in the number of screening hours. Compounded by projected passenger growth and inflation, this would have a considerable impact on passenger wait times.

To manage the funding profile issue, CATSA was granted the flexibility to utilize funding from the 2015/16 appropriations for earlier years of the planning period and reallocate within the planning period. CATSA also received approval to re-profile a total of \$35.8M from 2009/10 and 2010/11 into the operating budget for the planning period.

In line with the announcement in Budget 2010, CATSA underwent a review in 2010/11 (CATSA Review 2010) of its spending, efficiency and structure to ensure that the organization is fulfilling its mandate effectively. This review included public and stakeholder participation and examined CATSA's governance model, in addition to related aviation security issues.

As part of the CATSA Review 2010, the organization was able to identify a number of efficiencies, including the re-engineering of PBS checkpoints and improvements and streamlining of PBS processes, without compromising effectiveness. These efficiencies are now leading to an increase in passenger throughput of 30%.

This Review identified savings beyond what was identified in Strategic Review 2009.⁶ The CATSA Review 2010 savings are outlined in the table below:

(Figures are in thousands)	2011/12	2012/13	2013/14	2014/15	2015/16 and ongoing
CATSA Review 2010	\$ 7,891	\$ 25,611	\$ 25,818	\$ 26,002	\$ 26,002

In Budget 2011, it was announced that the Government intends to reallocate these savings to other priorities in aviation security and consequently, CATSA's reference levels have been adjusted accordingly. Inflation and growth in passenger volumes are not accounted for in CATSA's operating funding profile.

In support of CATSA's front-line operations and in line with the Government of Canada's directive, Budget 2010 cost containment measures in Crown Corporations' Corporate Plans, the organization has applied cuts to its expenditure lines. These cuts were examined and applied with a focus on corporate services costs including employee costs, professional services, travel, and office and computer expenses. While employee costs are projected to increase over the planning period due to inflation, Strategic Review 2009 and CATSA Review 2010 will allow CATSA to reduce its full-time equivalent headcount from 538 to 513. It is important to note, however, that over the planning period the cuts to these expenses may create pressure on CATSA's operations.

The efficiencies generated through Strategic Review 2009 and CATSA Review 2010 will allow CATSA to reduce the number of screening hours needed to carry out its operations. These efficiencies along with the financial flexibility granted to CATSA will help the organization partially manage its funding pressures associated with passenger growth and inflation which have been compounding since 2009. These are pressures that will continue to challenge CATSA's core screening operations, and as they continue to compound over time, it will be difficult to meet the increased volume of passengers to be screened without experiencing increased wait times.

Over the planning period, passenger traffic is forecasted to grow in each of the five years. The lack of growth in PBS lanes and inflationary pressures could continue to put a strain on CATSA's PBS capacity.

⁶ The Strategic Review savings will take effect in 2011/12.

*Overview of
the 5-year
Financial Plan*

Capital:

Budgets 2009 and 2010 have allowed CATSA to replace all PBS X-Ray single-view equipment at all major airports with multi-view technology as part of its life-cycle management plan and to maintain equipment compatibility with international partners for PBS. In addition, CATSA deployed Full Body Scanners in order to increase screening requirements resulting from the new U.S. Security Measures in response to the events of December 25, 2009.

As announced in Budget 2011, CATSA was allocated additional capital funding that will enable it to lay the foundation for HBS life-cycle management through the deployment of CT technology while maintaining equivalency with key international partners.

The increase in the ongoing capital funding levels will allow CATSA to continue to deploy the new HBS system at the remaining airports beyond the planning period.

Table 1 summarizes CATSA's operating and capital financial plan for the five-year planning period covering 2011/12 to 2015/16, and the 2009/10 and 2010/11 financial results.

TABLE 1 – Financial Plan <i>(in millions of dollars)</i>	2009/10 Actual	2010/11 Actual	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	2015/16 Planned	Five Year Total 2011/12 - 2015/16
Operating Expenditures	\$ 475	\$ 511	\$ 519	\$ 490	\$ 478	\$ 485	\$ 494	\$ 503	\$ 2,450
Capital Expenditures	116	55	59	33	100	118	96	83	430
Interest Revenue, Foreign Exchange Gain/ Loss and Net Change in Inventory/ Prepays	(3)	1	-	(4)	(2)	(2)	(2)	(2)	(12)
Total	\$ 588	\$ 567	\$ 578	\$ 519	\$ 576	\$ 601	\$ 588	\$ 584	\$ 2,868

*International
Financial
Reporting
Framework*

In December 2009, the Public Sector Accounting Board released an amendment to the “Introduction to Public Sector Accounting Standards” which clarifies the source of Generally Accepted Accounting Principles (GAAP) for government organizations like CATSA. Classified as an Other Government Organization, CATSA was required to assess whether International Financial Reporting Standards (IFRS) are the most appropriate basis of accounting for the organization or whether the Public Sector Accounting Handbook should be adopted. Management concluded that IFRS is the most appropriate basis of accounting.

During the 2010/11 fiscal year, CATSA continued the implementation phase of the project. The IFRS Standards came into effect on April 1, 2011 and CATSA will prepare its first annual set of IFRS financial statements for the year ending March 31, 2012.

*Quarterly
Financial
Reporting*

Effective April 1, 2011, the FAA requires that all departments and parent Crown corporations prepare and make public a financial report on a quarterly basis.

Crown corporations are required to prepare quarterly financial reports within 60 days of the first three quarter-ends of each fiscal year. The quarterly financial reports will include:

- a narrative discussion outlining the quarterly financial results (quarter vs. quarter, year-to-date vs. year-to-date and actual to Corporate Plan), risks and significant changes in relation to operations, personnel and programs; and
- financial statements for the fiscal quarter and the period from the start of the fiscal year to the end of that fiscal quarter, including comparative information for the preceding fiscal year.

5.2 - 2010/11 Fiscal Year and the 2011/12–2015/16 Financial Plan

5.2.1 Operating Expenditures

Table 2 summarizes the financial results for 2009/10 and 2010/11, and the 2011/12-2015/16 operating plan by major expenditure category.

TABLE 2 – Operating Plan by Major Expenditure Category <i>(in thousands of dollars)</i>	2009/10 Actual	2010/11 Actual	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	2015/16 Planned	Five Year Total 2011/12 - 2015/16
Operating Expenditures									
SCREENING SERVICES AND OTHER RELATED COSTS									
Payments to Screening Contractors	\$ 336,261	\$ 365,441	\$ 361,076	\$ 344,746	\$ 331,674	\$ 335,388	\$ 339,118	\$ 342,823	\$ 1,693,749
Uniforms & Other Related Costs	5,584	6,456	7,041	6,452	5,561	5,672	5,786	5,901	29,372
Trace & Consumables	2,487	2,405	1,000	2,702	2,795	2,851	2,908	2,966	14,222
EQUIPMENT OPERATING AND MAINTENANCE									
Equipment Maintenance	\$ 38,129	\$ 37,765	\$ 46,760	\$ 42,564	\$ 43,383	\$ 44,117	\$ 45,283	\$ 47,791	\$ 223,138
Spare Parts & Warehousing	2,822	576	3,755	2,836	2,853	2,870	2,887	2,905	14,351
Training & Certification	1,550	2,395	1,270	909	1,000	1,500	1,752	1,787	6,948
RESTRICTED AREA IDENTITY CARDS (RAIC)									
Cards & Enrollment Costs	\$ 951	\$ 797	\$ -	\$ 952	\$ 910	\$ 910	\$ 910	\$ 910	\$ 4,592
Equipment & Application Maintenance	240	935	838	1,328	1,350	1,373	1,397	1,428	6,876
DIRECT ADMINISTRATIVE COSTS AND CORPORATE SERVICES									
Employee Costs	\$ 53,707	\$ 62,858	\$ 65,040	\$ 57,535	\$ 59,330	\$ 61,268	\$ 63,297	\$ 65,425	\$ 306,855
Professional Services and Other Business Related Costs	12,853	10,070	8,873	8,313	7,150	7,200	7,200	7,300	37,163
Office and Computer Expenses	5,456	6,670	6,082	6,008	5,900	5,900	5,900	5,900	29,608
Communications and Public Awareness	3,776	1,728	1,800	1,744	1,800	1,800	1,800	1,800	8,944
Other Administrative Costs ¹	11,531	12,643	15,219	14,120	14,506	14,798	15,516	15,582	74,522
Subtotal	\$ 475,347	\$ 510,739	\$ 518,754	\$ 490,209	\$ 478,212	\$ 485,647	\$ 493,754	\$ 502,518	\$ 2,450,340
Interest Revenue, Foreign Exchange Gain/Loss, and Net Change in Inventory and prepaids	(3,044)	1,510	-	(3,952)	(2,000)	(2,000)	(2,000)	(2,000)	(11,952)
Total Operating Expenditures	\$ 472,303	\$ 512,249	\$ 518,754	\$ 486,257	\$ 476,212	\$ 483,647	\$ 491,754	\$ 500,518	\$ 2,438,388

¹ Other Administrative costs consist of insurance, Rent and Facilities, and Network and Telephony.

In fall 2010, CATSA received approval to re-profile funds in the amount of \$35.8M to the operating budget for the planning period, in order to alleviate the operating funding shortfalls. The re-profiled funds consist of lapsed funding of \$27.7M from 2009/10, and a surplus in operating funds in 2010/11 of \$8.1M as a result of training and certification costs that were budgeted in the event of a new vendor being awarded the new maintenance service provider contract. It was later determined that these additional costs would be absorbed by the winning vendor.

In addition, CATSA lapsed \$6.5M in operating funds in 2010/11. The lapsed funds are primarily a result of lower than anticipated spending for Equipment Operating and Maintenance (see section 5.2.3 for more details), partly offset by higher than expected Screening Services and Other Related Costs (see section 5.2.2 for more details). CATSA is currently working with Transport Canada to initiate the appropriate procedures to seek approval to re-profile this amount.

5.2.2 Screening Services and Other Related Costs

Payments to Screening Contractors

Overview

Payments to Screening Contractors consist primarily of Screening Officer salaries and benefits, and a fixed and variable component paid to the screening contractors to cover overhead costs and performance pay. Under the existing screening contractor model, the key cost drivers impacting Payments to Screening Contractors are screening hours and billing rates. In addition, screening hours purchased can also impact fixed fees and account management fees paid to the screening contractors.

Screening hours are typically driven by passenger growth and additional staffing levels related to airport expansions. In addition, security incidents such as the event of December 25, 2009 and other evolving threats can result in new security requirements that often contribute to increases in screening hours.

Historically, billing rates have been driven by the cost of labour (wages) as determined through the collective bargaining agreements between screening contractors and labour unions, as well as other fixed fees as negotiated between CATSA and screening contractors.

2010/11 Variance Analysis

Payments to Screening Contractors for the fiscal year 2010/11 were higher than planned. This was mainly due to:

- an increase in the average hourly billing rate resulting from a number of re-negotiated collective bargaining agreements between the unions representing Screening Officers and the screening contractors engaged by CATSA for certain airports; and
- an increase in account management and fixed fees paid to the screening contractors to cover overhead and administrative costs. CATSA re-negotiated these fees in good faith to re-align to an increase in screening activity resulting from passenger growth and the additional screening requirements imposed by Transport Canada in response to the failed terrorist attacks on December 25, 2009 and October 29, 2010.

The additional costs described above were partially offset by lower than anticipated screening hours purchased due to (i) staffing shortages at certain major airports as a result of competitive labour markets; and (ii) a reduction in NPS activity compared to plan.

These events resulted in a surplus of screening hours compared to plan which was subsequently leveraged through the reallocation of hours to other airports in order to minimize the negative impact on passenger wait times resulting from passenger growth. CATSA was also able to realize additional efficiencies by scheduling resources more effectively at PBS checkpoints.

*2011/12-
2015/16
Financial Plan*

CATSA's budget for the purchase of screening hours as a result of Budget 2010 did not accommodate for growth in passenger volumes or for the costs of inflation. In addition, CATSA was faced with a five-year accrual profile that did not reflect its cash flow requirements for Payments to Screening Contractors.

In seeking adjustments to its funding profile, CATSA was granted the flexibility to utilize funding from the 2015/16 appropriations for earlier years of the planning period. CATSA also received approval to allocate re-profiled funds from 2009/10 and 2010/11 to later years of the planning period and reallocate within the planning period. These reallocations were designed to provide CATSA with greater flexibility to manage the funding pressures.

The efficiencies identified in Strategic Review 2009 and CATSA Review 2010 will generate savings which will translate into reductions in Payments to Screening Contractors.

The new long-term screening contracts to be signed in 2011/12 are CATSA's best opportunity to generate further efficiencies in Payments to Screening Contractors. However, the amount of savings that will be achieved can only be accurately determined after the new billing rates have been set, which in turn will not occur until the second half of 2011/12.

Both the financial flexibility granted to CATSA and the efficiencies mentioned above will help the organization partially manage its funding pressures due to passenger growth and inflation. Based on the current billing model which is expected to change subsequent to the signing of the new long-term screening contracts,⁷ billing rates are expected to increase approximately 3.5% per year over the next five years due to projected inflationary pressures. Compounded by the fact that expected increases in passenger traffic remain unfunded during the planning period, CATSA may be faced with a fiscal scenario that may lead to reductions in screening hours and closures of screening lanes which in turn may trigger longer wait times.

Uniforms and Other Related Costs

*2010/11
Variance
Analysis*

Uniforms and Other Related Costs planned for the fiscal year 2010/11 included a budget of \$1.5M for Consumables.

After considering the reallocation of \$1.5M to the Trace and Consumables budget, Uniforms and Other Related Costs were higher than planned. This is due to higher than anticipated costs related to the purchase of roller tables to increase screening efficiency at PBS checkpoints, and private search stalls to facilitate enhanced screening measures.

*2011/12-
2015/16
Financial Plan*

The budget for Uniforms and Other Related Costs for 2011/12 is comparable to 2010/11 levels and accommodates the purchase of screening related items to enhance operational efficiencies at the PBS checkpoints. The budget for the remaining fiscal years reflects CATSA's ongoing requirements.

Trace and Consumables

*2010/11
Variance
Analysis*

After considering the reallocation of budget of \$1.5M from Uniforms and Other Related Costs, Trace and Consumables costs for the fiscal year 2010/11 were comparable to plan.

*2011/12-
2015/16
Financial Plan*

Planned expenditures for Trace and Consumables take into account CATSA's requirements for screening activity and are budgeted to remain constant over the planning period.

7 The impact of the new screening contracts on the billing rates is currently unknown.

5.2.3 Equipment Operating and Maintenance

Equipment Maintenance

<i>2010/11 Variance Analysis</i>	<p>Expenditures for the fiscal year 2010/11 were lower than planned mainly due to:</p> <ul style="list-style-type: none">• an allowance of \$2.1M budgeted for additional costs in the event that a new vendor was awarded the new maintenance service provider contract, that was not required, as the incumbent vendor was awarded the contract;• the impact of favourable foreign exchange rates on equipment maintenance services from U.S. vendors; and• delays in the deployment of EDS equipment planned for the fiscal year.
<i>2011/12- 2015/16 Financial Plan</i>	<p>Expenditures for equipment maintenance are planned to increase as a result of the maintenance costs for EDS equipment deployed in 2010/11, the deployment of technologically advanced PBS and HBS equipment over the planning period, and an annual inflationary rate increase. Planned expenditures also take into account additional maintenance required for the deployment of BPSS at the largest Canadian airports and the additional operating costs to support the deployment of the new HBS systems funded through Budget 2011.</p>

Spare Parts and Warehousing

<i>2010/11 Variance Analysis</i>	<p>Spare Parts and Warehousing costs for the fiscal year 2010/11 were lower than planned due to lower spare parts usage throughout the fiscal year resulting from the deployment of newer equipment currently under warranty, and a period-end valuation adjustment of spare parts inventory.</p>
<i>2011/12- 2015/16 Financial Plan</i>	<p>The budget for Spare Parts and Warehousing costs aligns with the deployment of new equipment and is budgeted to remain constant over the planning period.</p>

Training and Certification

<i>2010/11 Variance Analysis</i>	<p>Training and Certification costs planned for the fiscal year 2010/11 included an allowance of \$8.1M budgeted for additional training and certification costs in the event that a new vendor was awarded the new maintenance service provider contract. Subsequent to the development of the RFP, and in consideration of the terms and conditions included in the RFP, it was determined that these additional costs would be absorbed by the winning vendor. Consequently, the funds were re-profiled to the operating budget over the planning period in order to alleviate the funding pressures associated with growth in traffic volume and inflation.</p> <p>After considering this re-profile, Training and Certification costs were higher than planned. This is mainly attributable to training delivered in 2010/11 for new PBS equipment technology deployed late in the prior fiscal year, and additional training required to ensure compliance of the maintenance service provider technicians.</p>
<i>2011/12- 2015/16 Financial Plan</i>	<p>The budget for Training and Certification costs take into consideration the training requirements associated with the deployment of EDS equipment planned over the next 5 years.</p>

5.2.4 RAIC

<i>2010/11 Variance Analysis</i>	<p>RAIC Equipment and Application Maintenance expenditures for the fiscal year 2010/11 were comparable to plan.</p> <p>RAIC Cards and Enrollment Costs represent the consumption of existing RAIC inventory cards for the fiscal year.</p>
<i>2011/12- 2015/16 Financial Plan</i>	<p>Planned expenditures include the maintenance of existing biometric validation equipment within the ATBs of major airports, and the anticipated replenishment and usage of RAIC cards. The costs are expected to remain comparable to 2010/11 levels over the planning period.</p>

5.2.5 Direct Administrative Costs and Corporate Services

Employee Costs

<i>2010/11 Variance Analysis</i>	<p>Employee Costs for the fiscal year 2010/11 were lower than planned. Employee salaries and benefits were lower than planned due to longer than anticipated time required to staff vacant positions. The savings were partially offset by additional pension plan solvency deficit payments.</p>
<i>2011/12- 2015/16 Financial Plan</i>	<p>While employee costs are projected to increase over the planning period due to inflation, CATSA will be reducing its FTE headcount to 513 from 538. The reduction of 25 FTEs is the result of planned efficiencies identified as part of Strategic Review 2009 (7 FTEs) and CATSA Review 2010 (18 FTEs).</p> <p>Employee costs also include estimated annual statutory pension plan solvency deficit payments.</p>

Professional Services and Other Business Related Costs

<i>2010/11 Variance Analysis</i>	<p>Professional Services and Other Business Related Costs for the fiscal year 2010/11 were higher than planned. This is mainly attributable to higher than budgeted costs for specialized skills for which internal resources did not exist. Professional services were incurred to support CATSA operations and include the development of:</p> <ul style="list-style-type: none">• the ASSAs RFP which will bring efficiency and effectiveness benefits by focusing on performance based outcomes;• computer based training (E-learning) with the objective of realizing efficiencies as part of Strategic Review 2009;• performance based measurement reporting; and• training and evaluation of the PBO pilot program. <p>The above increase was partially offset by lower travel costs.</p>
<i>2011/12- 2015/16 Financial Plan</i>	<p>The budget for Professional Services and Other Business Related Costs has been reduced from 2010/11 levels over the planning period, in accordance with the Government of Canada's directive, addressing Budget 2010 cost containment measures in Crown Corporations' Corporate Plans.</p>

Office and Computer Expenses

<i>2010/11 Variance Analysis</i>	<p>Office and Computer Expenses were higher than planned. The increase in spending is mainly attributable to non-capital upgrades and technology enhancements to strengthen the corporate IT infrastructure.</p>
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<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>The budget for Office and Computer Expenses has been reduced over the planning period, in accordance with the Government of Canada's directive, addressing Budget 2010 cost containment measures in Crown Corporations' Corporate Plans.</p>
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Communications and Public Awareness

<p>2010/11 <i>Variance Analysis</i></p>	<p>Expenditures for Communications and Public Awareness for the fiscal year 2010/11 were comparable to plan.</p>
<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>The budget for Communications and Public Awareness expenditures is comparable to 2010/11 levels and will remain constant over the planning period.</p>

Other Administrative Costs

Rent and Facilities

<p>2010/11 <i>Variance Analysis</i></p>	<p>Rent and Facilities expenditures were lower than planned, mainly due to lower than anticipated fit-up costs for CATSA headquarters and the regional offices.</p>
<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>Planned expenditures reflect annual increases in lease costs. The budget also takes into consideration costs for maintenance of leased space and non-capital betterments.</p>

Insurance

<p>2010/11 <i>Variance Analysis</i></p>	<p>Insurance Costs for the fiscal year 2010/11 were comparable to plan.</p>
<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>Planned expenditures for the next five years reflect an annual average increase of 2% to allow for market fluctuations within the insurance industry.</p>

Network and Telephony

<p>2010/11 <i>Variance Analysis</i></p>	<p>Network and Telephony expenditures for the fiscal year 2010/11 were lower than planned. The savings are attributable to lower than anticipated growth in bandwidth requirements as a result of delays in the construction of network links at the airports.</p>
<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>Planned expenditures for the fiscal year 2011/12 accommodate for additional links which will increase bandwidth requirements for the Data Centre, which was established to improve CATSA's performance measurement management practices. The expenditures will remain constant over the five-year planning period.</p>

Other Items

<p>2010/11 <i>Variance Analysis</i></p>	<p>Other Items reported in the fiscal year 2010/11 consist primarily of changes in inventory for spare parts, uniforms and RAIC cards.</p>
<p>2011/12- 2015/16 <i>Financial Plan</i></p>	<p>Other Items planned for the five-year period include changes in spare parts, uniforms and RAIC cards inventory. No allowances for interest revenue and foreign exchange gains and losses have been made over the planning period, as they are unpredictable in nature.</p>

5.3 Capital Expenditures

Table 3 summarizes the capital financial results for 2009/10 and 2010/11, and the 2011/12-2015/16 capital plan by major expenditure category.

TABLE 3 – Capital Plan by Major Expenditure Category (in thousands of dollars)	2009/10 Actual	2010/11 Actual	2010/11 Budget	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	2015/16 Planned	Five Year Total 2011/12 - 2015/16
Capital Expenditures									
SCREENING OPERATIONS									
EDS Capital									
PBS equipment & installation ¹	\$ 62,004	\$ 22,697	\$ 29,398	\$ 4,756	\$ 14,430	\$ 13,728	\$ 6,625	\$ -	\$ 39,539
HBS equipment & installation	26,031	16,096	15,633	21,329	79,269	99,138	80,363	78,643	358,742
Total EDS Capital	\$ 88,035	\$ 38,793	\$ 45,031	\$ 26,085	\$ 93,699	\$ 112,866	\$ 86,988	\$ 78,643	\$ 398,281
NPS and RAIC									
NPS	\$ 4,491	\$ 2,642	\$ 2,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RAIC	3,357	939	500	296	500	500	500	500	2,296
Total NPS and RAIC	\$ 7,848	\$ 3,581	\$ 3,300	\$ 296	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,296
Total Capital for Screening Operations	\$ 95,883	\$ 42,374	\$ 48,331	\$ 26,381	\$ 94,199	\$ 113,366	\$ 87,488	\$ 79,143	\$ 400,577
NON-EDS CAPITAL	20,034	12,560	10,562	6,586	5,987	4,215	8,760	3,975	29,523
Total Capital Expenditures	\$ 115,917	\$ 54,934	\$ 58,893	\$ 32,967	\$ 100,186	\$ 117,581	\$ 96,248	\$ 83,118	\$ 430,100

¹ The 2009/10 and 2010/11 financial results for PBS equipment & installation are net of proceeds of disposition of \$694 and \$1,047, respectively.

CATSA's capital plan is comprised of EDS, NPS and RAIC, and non-EDS capital.

The 2010/11 budget excludes capital funds of \$9.3M which have been approved for re-profile into the planning period.

In addition, CATSA lapsed \$4.0M in capital funds in 2010/11. CATSA is currently working with Transport Canada to initiate the appropriate procedures to seek approval to re-profile this amount.

5.3.1 EDS Capital

Overview

EDS capital is the largest expenditure in CATSA's capital plan and consists of screening equipment required for PBS and HBS. A significant portion of the costs for HBS capital is related to installation and integration costs.

The acquisition, deployment and integration of EDS equipment represents 93% of CATSA's capital budget over the planning period.

*2010/11
Variance
Analysis*

EDS capital expenditures for the fiscal year 2010/11 were lower than planned mainly due to the postponement of certain airport integration projects. The delays were primarily due to a pending decision related to the life-cycle management of HBS equipment. Also contributing to lower capital spending for EDS were delays in airport expansion projects for select smaller airports. As a result, \$7.3M of EDS capital projects were re-profiled into the planning period.

After considering the re-profile of EDS projects, EDS capital expenditures in fiscal year 2010/11 were lower than planned. This is mainly due to lower PBS capital expenditures as follows:

- realized savings from favourable vendor pricing for PBS X-Ray multi-view equipment and Full Body Scanner units resulting from supplier contract negotiations;
- reduced costs for the split PBS lanes project following a reassessment of the airport requirements and space limitations; and
- proceeds generated on the sale of PBS single-view units. As part of the capital replacement plan, CATSA made arrangements with a major supplier for trade-in allowances for the used PBS equipment.

Spending for HBS equipment was comparable to plan. Lower costs resulting from fewer X-ray units deployed due to changes in airport requirements, were offset by the costs related to the initiation of the HBS conveyor system upgrade at the Montreal airport and the HBS transborder integration at the Edmonton airport, which were originally planned to start in 2011/12.

*2011/12-
2015/16
Financial Plan*

Over the next five years, the key driving factor in CATSA's EDS capital plan will be the life-cycle management of CATSA's HBS equipment, specifically related to the deployment of CT technology for the HBS system.

In addition to the capital funding allocated through Budget 2011, CATSA was given the authority to draw on its future years' capital appropriations in order to accelerate its HBS deployment at major airports.

As a result, CATSA's capital reference level has been increased by \$27.3M (in accrual) for the five-year period (or \$125.8M in cash) and this will allow CATSA to initiate the required life-cycle management of its HBS system. The increase in the ongoing reference levels for capital from \$59M to \$90M starting in 2016/17 will allow CATSA to continue to deploy the three-level HBS system at the remaining airports by fiscal year 2020/21, to be fully compatible with its international partners.

Below is the capital plan for the period 2011/12 - 2015/16:

TABLE 4 – EDS Capital Plan (Figures are in thousands)	2011/12 Planned	2012/13 Planned	2013/14 Planned	2014/15 Planned	2015/16 Planned	5-Year Total 2011/12 -2015/16
PBS CAPITAL EXPENDITURES						
Capital Replacement/Upgrades	\$ 1,883	\$ 7,688	\$ 11,547	\$ 4,518	\$ -	\$ 25,636
Systems Re-engineering and Optimization	2,000	1,435	-	-	-	3,435
Performance Measuring and Monitoring	673	139	-	-	-	812
New Standards	200	5,168	2,181	2,107	-	9,656
Total PBS Capital Expenditures	\$ 4,756	\$ 14,430	\$ 13,728	\$ 6,625	\$ -	\$ 39,539
HBS CAPITAL EXPENDITURES						
Capital Replacement/Upgrades	\$ 7,483	\$ 43,990	\$ 65,345	\$ 45,434	\$ 65,188	\$ 227,440
Required Capacity	13,289	31,955	29,475	30,716	12,931	118,366
Systems Re-engineering and Optimization	393	300	300	300	300	1,593
Performance Measuring and Monitoring	164	308	479	538	224	1,713
New Standards	-	2,716	3,539	3,375	-	9,630
Total HBS Capital Expenditures	\$ 21,329	\$ 79,269	\$ 99,138	\$ 80,363	\$ 78,643	\$ 358,742
TOTAL EDS CAPITAL EXPENDITURES	\$ 26,085	\$ 93,699	\$ 112,866	\$ 86,988	\$ 78,643	\$ 398,281

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

Capital Replacement/Upgrades:

Capital Replacement is 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 the screening equipment.

The capital plan over the five-year period includes the initiation of a three-level HBS system with CT technology. It also accommodates the continued life-cycle management of PBS equipment from single-view to multi-view X-Ray, and the upgrade of trace equipment technology.

System Re-engineering and Optimization:

The capital plan over the five-year period includes ongoing investment in CATSA's testing facility located in Ottawa and the ongoing deployment of split PBS lanes to facilitate increased passenger throughput.

Performance Measuring and Monitoring:

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

New Standards:

From 2012/13 to 2014/15, CATSA will continue to deploy liquids, aerosols and gels equipment and undertake the deployment of shoe scanners at PBS checkpoints.

5.3.2 NPS and RAIC

*2010/11
Variance
Analysis*

NPS capital expenditures for the fiscal year 2010/11 were comparable to plan. Capital expenditures included the completion of the construction of a vehicle search checkpoint at Vancouver International Airport.

RAIC capital expenditures were higher than planned due to additional costs associated with the RAIC Renewal Application incurred as a result of the change in the solution provider.

*2011/12-
2015/16
Financial Plan*

Table 5 summarizes NPS and RAIC capital expenditures planned for the period covering 2011/12 to 2015/16.

The capital plan involves the ongoing enhancement and upgrade of the existing RAIC systems including the RAIC application. The budget resources will allow CATSA to maintain the existing biometric, restricted area identification system.

TABLE 5 – NPS and RAIC Capital Plan <i>(Figures are in thousands)</i>	Plan 2011/12	Plan 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	5-Year Total 2011/12 - 2015/16
NPS and RAIC CAPITAL EXPENDITURES						
NPS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RAIC	296	500	500	500	500	2,296
TOTAL NPS AND RAIC CAPITAL EXPENDITURES	\$ 296	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,296

5.3.3 Non-EDS Capital

2010/11 Variance Analysis

Non-EDS capital expenditures for the fiscal year 2010/11 were higher than planned after considering the re-profile of Non-EDS projects of \$2.0M to 2011/12. The increase in spending was mainly attributable to:

- the deployment of BPSS at three additional major airports which were originally planned for 2011/12, for a total deployment at seven major airports in 2010/11; and
- higher than anticipated costs for the purchase of hardware and software to strengthen the IT infrastructure in support of new corporate initiatives.

The increase in spending was partially offset by lower costs for Closed Circuit Television (CCTV) due to a reassessment of airport requirements.

The re-profile of Non-EDS projects consists primarily of the Corporate Management System (CMS).

2011/12- 2015/16 Financial Plan

The plan for Non-EDS Capital addresses some of CATSA's operational and security enhancement requirements directed to improving efficiencies.

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

Current operational requirements include costs aimed at enhancing the efficiency and effectiveness of CATSA's CMS, the improvement of leased space in regions, and capital fit-ups at CATSA headquarters to accommodate the current staffing level.

5.3.4 Capital Replacement Upgrade

Disposal of Capital Assets

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. An asset retirement obligation has been recorded to address these costs.

Proceeds from disposals are not expected to be material. Accordingly, such amounts have not been included in the Summary of Corporate Plan tables, but will be used at a future date in a manner consistent with CATSA's mandated activities. Disposal proceeds will be fully accounted for in accordance with IFRS.

GLOSSARY

Airport Authority	An operator of an airport listed in the <i>Airport Transfer (Miscellaneous Matters) Act</i>
ASSAs	Airport Screening Services Agreements
ATB	Air Terminal Building
BPSS	Boarding Pass Security System: a stand-alone technology that scans boarding passes to validate the information embedded in the bar code
Canada's 8 busiest airports	In alphabetical order: Calgary, Edmonton, Halifax (Stanfield International), Montréal (Pierre Elliott Trudeau International), Ottawa (Macdonald-Cartier International), Toronto (Lester B. Pearson International), Vancouver and Winnipeg (James Armstrong Richardson International)
Canada's 28 major airports	Includes the "busiest airports" above, as well as (in alphabetical order): 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
CCTV	Closed-Circuit Television System
CIDC	Call and Incident Data Collection system
CMS	Corporate Management System: A program focused on operational and administrative improvements by enhancing CATSA's existing Enterprise Resource Planning solution resulting in streamlined processes and expanded system functionality across multiple business units within CATSA
CRP	Corporate Risk Profile
CT	Computed Tomography
ICAO	International Civil Aviation Organization
IFRS	International Financial Reporting Standards
MOU	Memorandum of Understanding
MRRS	Treasury Board Secretariat's <i>Policy on Management, Resources and Results Structures</i>
NPS	Non-Passenger Screening: the screening of selected non-passengers accessing restricted areas of airports. Non-passengers include flight crews, refuellers, caterers, aircraft groomers, maintenance and construction personnel, baggage handlers, and concession staff
OAG	Office of the Auditor General
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 major airports
RFP	Request for Proposals
RRA	Renewed RAIC Application
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 of 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
TBS	Treasury Board Secretariat