



Canadian Air Transport Security Authority

Summary of the

2016/17 – 2020/21 Corporate Plan
2016/17 – 2020/21 Operating Budget
2016/17 – 2020/21 Capital Budget



April 11, 2017

V8.0

These documents are being submitted in accordance with section 125 of the Financial Administration Act (FAA) and summarize the Corporate Plan, Operating Budget, and the Capital Budget as approved on February 23, 2017.

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

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

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EXECUTIVE SUMMARY

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

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

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

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

This Corporate Plan is a comprehensive five-year outlook that identifies how CATSA will meet its obligations as described in legislation. Each year, CATSA reviews its past performance and results, analyzes its complex operating environment, and identifies key issues, opportunities and challenges that could impact the organization over the planning period.

In 2015/16, the OAG presented its final Special Examination report to CATSA, in which it concluded that CATSA provides reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. CATSA agreed with each of the OAG's seven recommendations and is on track to meeting them with an expected completion date of March 31, 2017. This is a significant accomplishment for CATSA since the last Special Examination in 2006.

As further detailed in chapter 2, the following key challenges have been identified over the planning period:

Growing Passenger Volumes and Increasing Wait Times

In 2010/11, CATSA screened approximately 47.7 million passengers at designated airports. By the end of 2016/17, CATSA is forecasted to screen 61.8 million passengers. By 2020/21, passenger volumes are expected to reach approximately 69.5 million. The hourly billing rates for screening also continue to rise. However, the funding provided in Budget 2010 did not allow CATSA to maintain the service level it achieved in previous years, despite significant screening efficiency improvements.

Due to the increases in passenger volumes and rising billing rates, in 2014/15, CATSA worked with Transport Canada (TC) on funding options to mitigate the impacts to wait times. Subsequently, CATSA received one-year additional funding of \$26.8M in 2015/16, and \$29M in 2016/17, to deliver an average wait time service level of approximately 85% of passengers screened within 15 minutes at Class I airports. Funding for 2016/17 also supports the implementation of One Stop Security and screening requirements associated with airport economic development plans.

Given its current reference levels and expected passenger growth and billing rate increases, CATSA's PBS Wait Time Impact Model is forecasting longer passenger wait times in 2017/18 reflecting CATSA's declining purchasing power starting in 2017/18.

CATSA will continue working with Transport Canada on mitigating these impacts.¹

Enhanced Non-Passenger Screening

Budget 2014 provided three-year funding for CATSA's enhanced NPS program to meet TC requirements. This funding envelope ends after 2016/17. CATSA continues to work with Transport Canada on a longer term funding strategy for 2017-18 and beyond.²

Screening Officer Professionalism

CATSA expects that screening officers maintain the trust and confidence of the travelling public by providing an excellent level of customer service from the beginning of the screening process to the end, treating all persons with care, courtesy and respect as part of a positive and secure air travel experience.

CATSA has maintained high passenger satisfaction rates, of 81% to 83%, and has a relatively small percentage of passenger complaints. In fact, as passenger volumes rose in 2015/16 over 2014/15, CATSA's complaints per 100,000 passengers declined.

Nonetheless, CATSA will continue to develop and promote customer service with the screening workforce. CATSA and its screening contractors will continue to educate its screening officers that customer service is reciprocal - displaying more professionalism will lead to a higher level of respect from passengers.

Cost Recovery

In October 2014, with TC's support, CATSA entered into a Supplemental Screening Trial Agreement with the Greater Toronto Airports Authority (GTAA) which allowed the GTAA to purchase additional screening services in the form of supplemental screening lines staffed with four screening officers using available, unfunded screening capacity. This agreement was set to expire on March 31, 2017. The GTAA is generally satisfied with the agreement to date and has expressed a desire to continue purchasing additional screening hours past March 31, 2017. CATSA has received TC's support and is extending the Agreement to March 31, 2018.

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

Relationship Management

In executing its mandate, CATSA works closely with key partners and stakeholders within the aviation industry, including 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

¹ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

² Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

nature of CATSA's operations and its day-to-day success in delivering its security screening services is contingent upon its relationship with partners and stakeholders.

Over the planning period, CATSA will continue to focus on maintaining excellent relationships with its partners and stakeholders, with a particular emphasis on airport authorities and screening contractors. In anticipation of passenger growth, airports take on terminal expansion projects as part of their business plans. Consequently, they make requests to CATSA for additional screening lanes to augment their capacity. One example of such is the Calgary Airport requesting additional screening lanes as part of its airport expansion project. The new International terminal at the YYC Calgary International Airport has allowed CATSA to showcase the best screening configuration to date as it provides the opportunity to design a screening checkpoint that integrates all successful pilots and trials into one location, without existing space constraints, with the deployment of CATSA Plus lanes.

Service Delivery Model

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

As CATSA's Airport Screening Services Agreements (ASSAs) were set to expire on March 31, 2017, CATSA explored available contracting options and refined its ASSA renewal strategy. Following an analysis of renewal options, and based on the operational success of the current service delivery model, ASSA contracts were renewed for a five-year term, starting on April 1, 2017.

CATSA STRATEGIC PLANNING FRAMEWORK

CATSA Mandate	In accordance with the <i>Canadian Air Transport Security Authority Act</i> (CATSA Act), CATSA is responsible for providing effective and efficient screening of persons who access aircraft or restricted areas, the property in their possession or control, and the belongings or baggage that they give to an air carrier for transport. CATSA's goal is to provide a professional, effective and consistent level of security screening across the country, in accordance with the standards set by TC.
Vision	<p>CATSA's vision is to excel in air transport security. We will achieve our vision through:</p> <ul style="list-style-type: none"> • Our service: We provide the best possible passenger experience and deliver value to Canadians with an optimal use of our resources; • Our people: We are engaged, committed and succeed through teamwork; and • Our partnerships: We work in collaboration with partners to generate mutual benefits and improvements.
Strategic Goals (2016/17-2020/21)	<p>Securing Funding Passenger-Centric Innovation Improving Customer Service Refreshing Technology Relationship Management</p>
Priority Activities (2016/17-2020/21)	<ul style="list-style-type: none"> ◆ Securing Funding <ul style="list-style-type: none"> ◆ Working with TC on operationally effective long-term funding options ◆ Enhanced Non-Passenger Screening ◆ Cost Recovery ◆ Passenger-Centric Innovation <ul style="list-style-type: none"> ◆ Security Screening Effectiveness ◆ Testing New Concepts ◆ Calgary Air Terminal Expansion ◆ Improving Customer Service <ul style="list-style-type: none"> ◆ Screening Officer Professionalism ◆ Transparency ◆ Broadening Screening Officer Knowledge ◆ Refreshing Technology <ul style="list-style-type: none"> ◆ HBS Recapitalization ◆ PBS Recapitalization ◆ Relationship management <ul style="list-style-type: none"> ◆ Airport Authorities ◆ Screening Contractors ◆ Post-Deficit Reduction Action Plan Adjustments
Monitoring	<ul style="list-style-type: none"> ◆ Performance metrics will be monitored through the Corporate Dashboard ◆ CATSA will prepare an annual review of initiatives and progress ◆ Non-sensitive information will be publicly reported in CATSA's Annual Report

1.0 CORPORATE PROFILE

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

CATSA is an agent Crown corporation, fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. Supported by screening contractors and their screening officer workforce, CATSA's mandated operations are expected to screen 61.8 million passengers and their belongings in 2016/17.

This Plan is a comprehensive five-year outlook that identifies how CATSA will meet its obligations as described in legislation. It has been updated from the 2015/16-2019/20 Corporate Plan to reflect changes in plans and priorities. The activities outlined in this document have been refined based on direction received by CATSA's senior management and Board of Directors. This 5-year plan is based on current conditions, which may evolve over time, given the complex operating and regulatory environment that CATSA works within. Accordingly, CATSA will adapt its strategy to the changing conditions.

1.1 MANDATE AND RESPONSIBILITIES

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

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

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

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

1.2 MISSION AND VISION

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

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

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

1.3 LEGISLATIVE AND REGULATORY FRAMEWORK

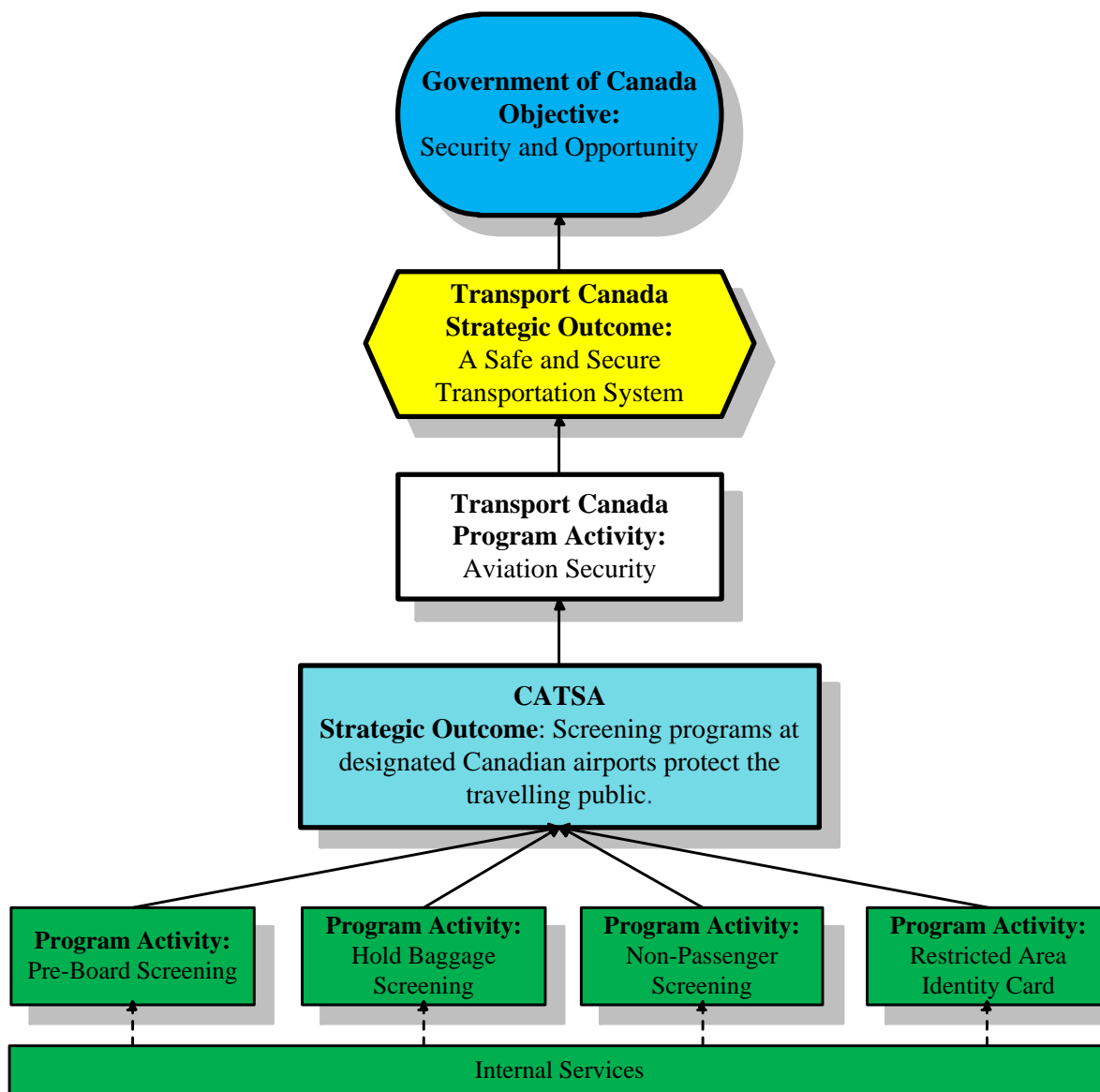
Responsibility for civil aviation security in Canada is shared among several federal government departments and agencies, as well as air carriers and airport operators. CATSA, as the civil aviation security screening authority for Canada, is regulated by TC; Canada's designated national civil aviation security authority.

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

- The CATSA Act;
- *The Financial Administration Act* (FAA), Part X;
- *The Aeronautics Act*;
- Canadian Aviation Security Regulations;
- Screening Security Measures; and
- Standard Operating Procedures (SOPs)

1.4 PROGRAM ACTIVITY ARCHITECTURE (PAA)

In accordance with the TBS Policy on Management, Resources and Results Structures, CATSA's PAA and Strategic Outcome are aligned with the Government of Canada's Objective of Security and Opportunity in addition to TC's Strategic Outcome of a "Safe and Secure Transportation System." CATSA's PAA is presented in the illustration below.³



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

³ Please note that CATSA refers to Internal Services as Corporate Services.

1.5 GOVERNANCE

Accountability Relationships

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

Board of Directors

The Board is composed of 11 members – one Chair and 10 Directors. There are four positions for industry nominees; two must be nominated by representatives of the airline industry and two must be nominated by representatives of airport operators. All Directors are independent of management. Lloyd McCoomb's four-year term as Chair of the Board expired on October 4, 2016. Since the expiration of Mr. McCoomb's term, Peter Wallis has been acting as Vice Chairperson.

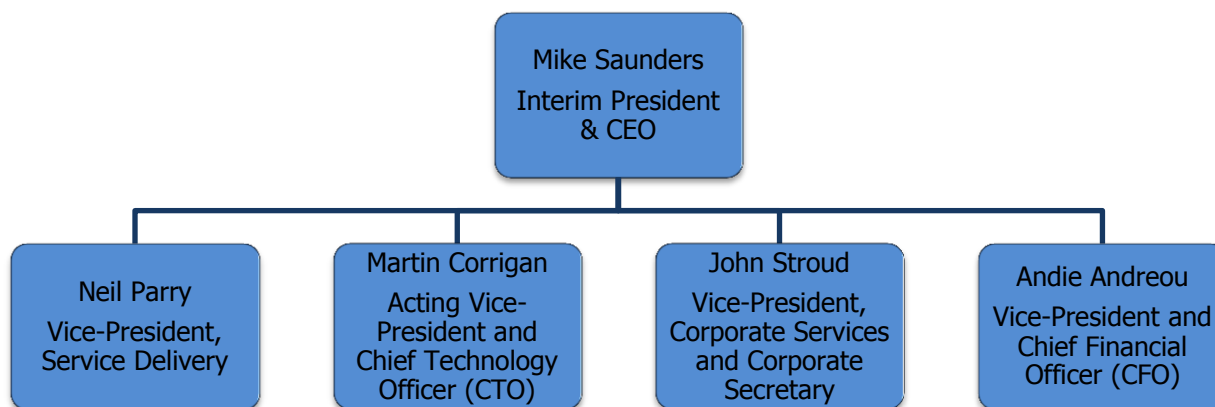
The Board of Directors has a number of ongoing responsibilities, including the following:

- Ensuring the fulfillment of the corporation's mandate.
- Establishing the corporation's strategic direction through its annual corporate plan, and for safeguarding the resources of the corporation by approving annual reports, capital and operating budgets, and major new project proposals.
- Drafting, amending or repealing corporate by-laws (*Financial Administration Act*, s.114);
- Approving CATSA's Corporate Plan for recommendation to the Minister;
- Monitoring corporate performance;
- Approving the President and CEO's objectives for the year and evaluating his/her Performance (CATSA Act s.17);
- Ensuring the principal risks of CATSA's business are identified and that appropriate Systems to manage these risks have been implemented; and
- Reviewing and approving management's succession plan for senior management.

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

CATSA's Senior Management Team

Angus Watt's term as President and Chief Executive Officer (CEO) expired on January 3, 2017. Currently, CATSA is led by the President and CEO, Mike Saunders, on an interim basis until a permanent appointment is made by the Government of Canada. Mike Saunders is supported by a Senior Management team, as shown below:



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

1.6 THIRD-PARTY SCREENING MODEL

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

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

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

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

The current Airport Screening Services Agreements (ASSAs) were up for renewal as of March 31, 2017. Following an analysis of renewal options, ASSA contracts were renewed for a five-year term, starting on April 1, 2017.

Further details on ASSA Renewal are discussed in Chapter 3.

1.7 CATSA PERSONNEL, ROLES AND RESPONSIBILITIES

In 2016/17, the organization employs approximately 439 indeterminate employees, including five executives – one CEO and four Vice-Presidents, all of whom are non-unionized. This is a reduction from 513 employees and six Vice-Presidents in 2012.

Of the current total, approximately 145 positions exist in the regions, and approximately 294 positions are located at its headquarters in the National Capital Region.

Compensation Strategy

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

Pension Plans

As announced in Budget 2013, the Government of Canada committed to aligning the pension plans of Crown corporations with key features of the *Public Service Superannuation Act (PSSA)*. In support of this commitment, CATSA reviewed the cost-sharing principles for its pension plan. CATSA closed its defined benefit plan to new members as of June 30, 2013.

Given the circumstances around the closing of its defined benefit plan, CATSA believes its approach to achieving equitable cost sharing is fair and reasonable. As a result, CATSA will continue to seek a deviation from the approved pension plan directive.

Alignment with TBS Policies

Travel and Hospitality

On July 16, 2015, Crown corporations were directed by the Governor in Council to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations. Crown corporations were also directed to report on the implementation of this directive in their next Corporate Plan.

In December 2015, the Board of Directors approved CATSA's updated *Travel, Hospitality, Conferences and Event Expenditures Policy*. CATSA considers itself to be in alignment with the Treasury Board standard. CATSA has also confirmed that its proactive disclosure of travel and hospitality expenses is aligned with the Treasury Board standard for expenditures incurred commencing January 1, 2016. Additionally, CATSA has published its updated *Travel, Hospitality, Conference and Expenditures Policy* on its website.

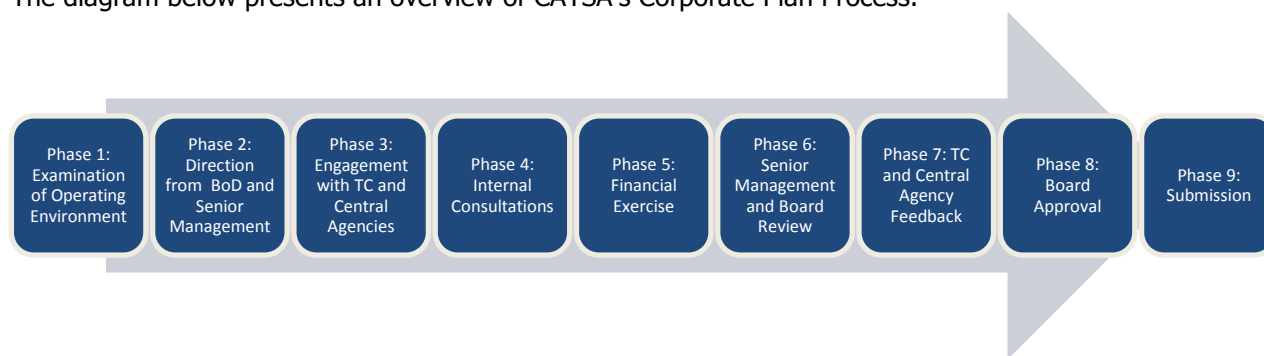
2.0 OPERATING ENVIRONMENT

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

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

2.1 CORPORATE PLANNING PROCESS

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



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

Next, CATSA meets with TC, the Treasury Board of Canada Secretariat, the Privy Council Office, and the Department of Finance to present the general strategy, and to collaborate on the approach and timelines. CATSA also seeks input from TC for direction on policy issues impacting its operations. During this same timeframe, CATSA conducts meetings with each Branch to seek input on how strategic initiatives will be conducted, and what success looks like. Internal discussions are held to identify strategic projects and performance indicators are established for each identified initiative as part of Branch Plans, which have been re-introduced to meet a 2015 OAG Special Examination recommendation.

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

CATSA's Senior Management Committee reviews the draft Corporate Plan before it is sent to the Board of Directors and TC for review. Following TCs review, a revised version of the draft Corporate Plan is provided to Central Agencies. Once the Central Agencies have had the opportunity to provide feedback, CATSA's Board of Directors approves the final Corporate Plan, and the organization then submits it to the

Minister of Transport so that it can be submitted for Treasury Board approval with a recommendation that it be approved by the Governor in Council.

2.2 PERFORMANCE MEASUREMENT

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

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

2.2.1 Pre-Board Screening Wait Time Service Level

CATSA's PBS Wait Time Service Level is the percentage of passengers who waited less than a specified number of minutes to be screened at Class I airports.

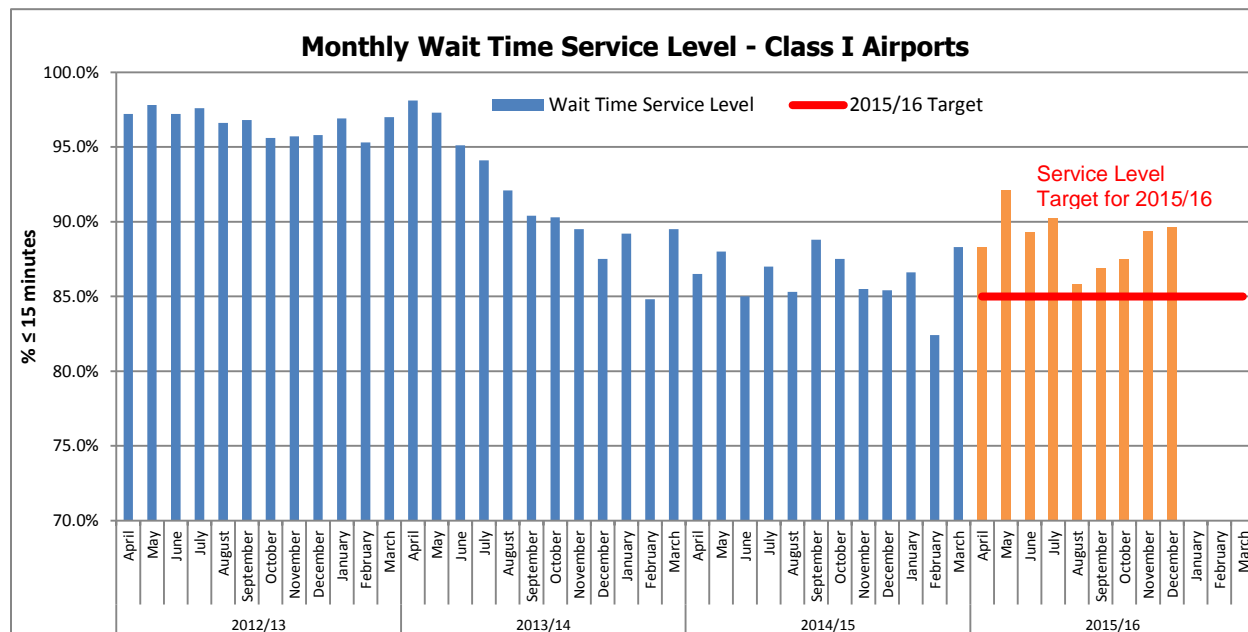
CATSA does not have a government mandated service level standard for passenger wait times. However, to ensure CATSA's resources are allocated in an efficient and consistent manner, wait time thresholds are used as a planning tool.⁴ In 2012/13, CATSA was able to screen 96% of passengers waiting 15 minutes or less.

CATSA's purchasing power for screening hours decreased in 2014/15 over its 2013/14 and 2012/13 levels due to increasing screening contractor billing rates. In other words, with the same amount of money, and even with no passenger growth (hypothetical scenario), CATSA will not be able to purchase the same number of hours year after year (i.e. declining purchasing power). Coupled with rising passenger volumes, this has resulted in passenger wait times increasing in 2014/15.

Passenger Wait Time	2013/14				2014/15				2015/16		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
% < 15 mins	96.8	92.3	89.1	87.9	86.5	86.9	86.2	85.9	89.9	87.6	88.8
% ≥ 15 mins	3.2	7.7	10.9	12.1	13.5	13.1	13.8	14.1	10.1	12.4	11.2
# ≥ 15 mins (Class I only)	0.34M	0.93M	1.15M	1.23M	1.45M	1.59M	1.88M	1.97M	1.17M	1.66M	1.28M

In 2015/16, CATSA received additional funding of \$26.8 million in order to ease pressures on wait times, and allow the organization to achieve a service level of approximately 85% of passengers screened in 15 minutes or less. The percentage of passengers waiting 15 minutes or less is shown in the graph below, with the 2015/16 wait times in orange:

⁴ CATSA uses wait time thresholds, which are represented as X% of passengers waiting Y minutes or less, where Y is in five minute increments, as a planning tool.



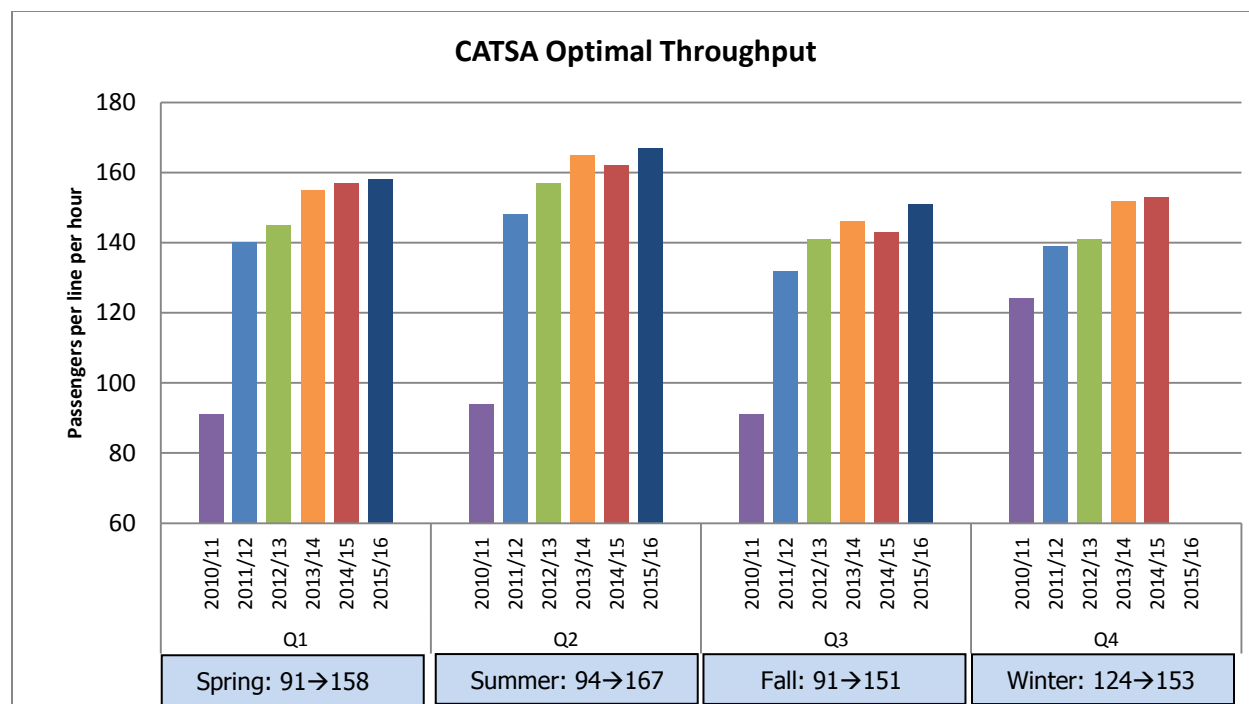
2.2.2 Security Effectiveness

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

2.2.3 Passenger Throughput

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

CATSA's optimal throughput levels (which represent CATSA's capability under optimal circumstances and are typically used for international benchmarking) have increased significantly since the 2010 CATSA Review. This can be witnessed in the throughput increase from Q3 to Q4 2010/11 below. Operational trials for the evaluation of new processes, technologies and tools were developed and introduced to enhance screening operations.



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

Gains in efficiencies through process improvements and regulatory changes have allowed CATSA to substantially increase the number of passengers processed per hour. CATSA continues to strive to improve every aspect of its operations, where feasible.

2.2.4 Efficiency

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

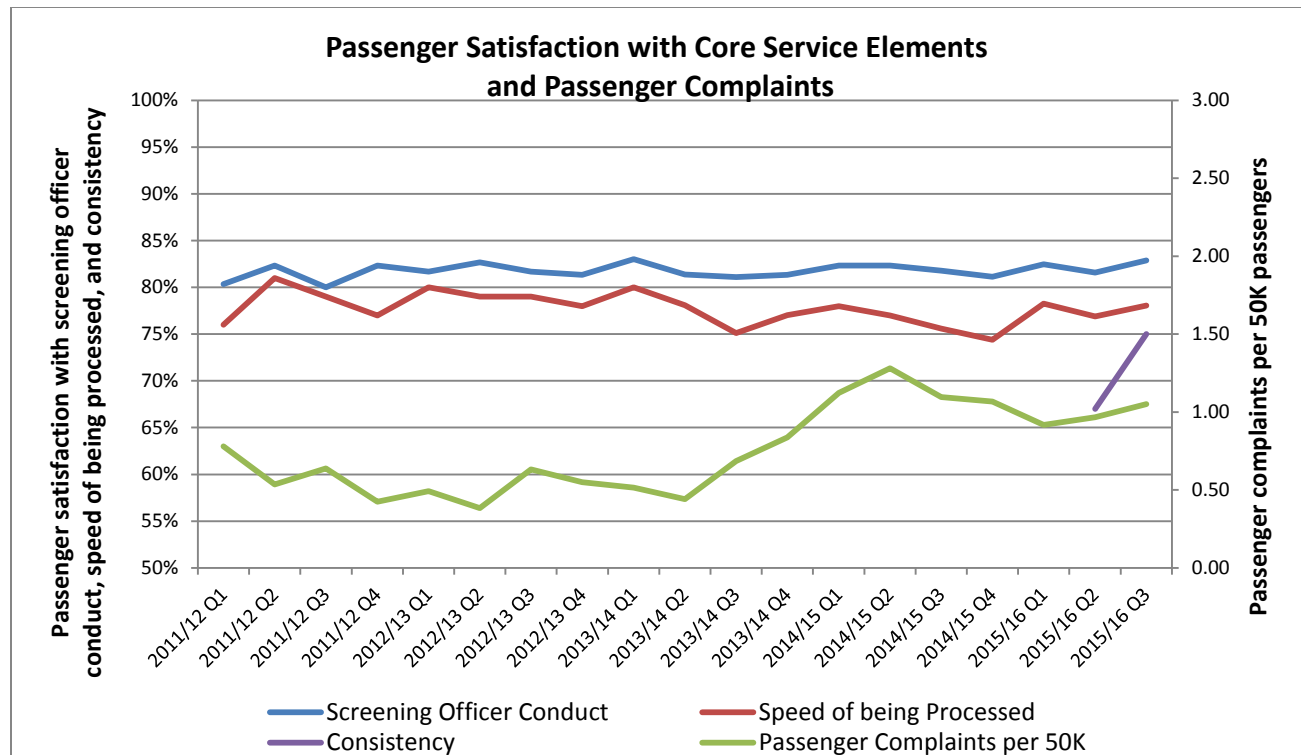
Overall, CATSA has observed a decrease in Screening Contractor Payments per passenger, since 2011/12.

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

2.2.5 Passenger Feedback

CATSA is committed to improving the customer experience at screening checkpoints and continues to emphasize that excellence in security can be enhanced by passenger facilitation. CATSA regularly collects feedback from passengers using on-site random intercept surveys at Class I airports.

CATSA has been able to maintain a relatively steady passenger satisfaction level since 2011, as demonstrated in the chart on the next page.



As noted above, passenger satisfaction with screening officer conduct has been relatively steady since 2011. Passenger satisfaction with the speed of being processed decreased and passenger complaints increased throughout 2013/14 as passenger wait times increased due to CATSA's declining purchasing power. Once CATSA received supplemental funding for 2014/15, passenger satisfaction and complaints per 50,000 passengers subsequently leveled off. This leveling off may also be somewhat attributed to passengers becoming accustomed to slightly longer wait times than what CATSA had delivered in 2012/13 and prior years.

Overall, the number of complaints CATSA receives is relatively small. Even after significant increases in the number of passengers screened (57.7M passengers in 2014/15 compared to 47.7M passengers in 2010/11), complaints are trending at approximately 1 per 50,000 passengers.

CATSA takes passenger complaints very seriously. In order to further reduce passenger complaints, CATSA tracks the nature of complaints and issues policy and procedure clarifications to screening officers when the organization notices reoccurring situations. Complaints regarding screening officer conduct are addressed through a formal performance management process where specific events and incidents, including unprofessional conduct are discussed and individual remediation measures are put in place. Compared to 2014/15, 2015/16 saw fewer overall complaints as wait times went down.

Passenger satisfaction and screening officer conduct continue to be areas of focus over the planning period, and further details can be seen in chapter 3.

2.3 ENVIRONMENTAL SCAN

An important element of the planning cycling is an analysis of CATSA's external economic, business and security environment. The main focus of the external environmental scan exercise was to identify external determinants that may have an impact, both positive and negative, on CATSA's objectives and to prioritize these items in order to inform the strategic planning process.

CATSA's Corporate Plan is influenced by the current environment and the period of uncertainty the Corporation faces:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good stakeholder relationships • Innovation capacity • Office of the Auditor General (OAG) Special Examination Results 	<ul style="list-style-type: none"> • Flat reference levels combined with increased operating costs
Opportunities	Challenges
<ul style="list-style-type: none"> • HBS Recapitalization • Development of PBS Wait Time Options 	<ul style="list-style-type: none"> • Increasing passenger wait times • Cost recovery • Uncertainties in planning for NPS beyond April 1, 2017 • Weak Canadian dollar • One Stop Security (OSS) • Airport Economic Development Plans
Known Unknowns	
<p>The <i>Canada Transportation Act</i> Review was tabled in Parliament on February 25, 2016. CATSA has reviewed the recommendations and findings contained in the Report with regards to Airport Security Screening: Governance and Performance. CATSA is working closely with Transport Canada to address these recommendations.</p>	

Strengths

2.3.1 Stakeholder Relationships

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

CATSA recognizes that its relationships with these partners are critical to the overall performance and success of the aviation industry and in the day-to-day success in delivering its mandate. In addition, the organization's governing legislation (the CATSA Act) requires screening to be effective, efficient,

consistent and in the public interest. As a result, in overseeing its operations, CATSA is committed to maintaining collaborative working and strategic relationships with industry partners by:

- working to staff its PBS checkpoints to mirror passenger volumes to the extent possible within available resources;
- sharing information, including operational data, with all major airports;
- enhancing emergency protocols and contingency plans; and
- engaging on enhanced NPS.

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

The most notable aspect of CATSA's relationships with stakeholders is how it collaborates with screening contractors and airport authorities to ensure the most effective use of available resources. CATSA uses Boarding Pass Security System (BPSS) data, as well as historical passenger volumes and peak times, combined with throughput capabilities to collaboratively plan screening hours with the screening contractors and airport authorities. Tools and procedures are routinely reviewed, adjusted, and documented, with an overall outcome of optimized screening contractor scheduling.

2.3.2 Innovation Capacity

While security is CATSA's top priority, the organization continuously invests in trials in an effort to identify ways to improve the organization's screening effectiveness, efficiency, and passenger experience. CATSA has adopted a strategic approach to innovation, relying on proven products that have been successfully trialed, can be certified, and perform in a live environment, while obtaining value for money.

In 2015/16, CATSA has implemented or is in the process of implementing the following initiatives:

Manual Split Lanes

In 2014/15, a trial was conducted at the Toronto Pearson International Airport that installed manual split lanes on screening lines to improve security through enhanced care and control by physically separating items requiring search, as well as ease passenger flow at the checkpoint. Checkpoints where the trial was conducted saw increases in peak volume throughput, improved processing times, and exceeded passenger satisfaction targets. The changes employed in this trial have been found to reduce the congestion of the main screening line and have allowed CATSA to conduct multiple searches in the separate area, allowing for better care and control, while passengers who do not require additional search were able to leave the checkpoint efficiently. The trial was deemed a success and CATSA has proceeded with national deployment.

By the end of 2014/15, CATSA has implemented Manual Split Lanes at checkpoints and lanes with adequate space at all Class I airports as well as Fort McMurray, Victoria, Saskatoon and Quebec City. Remaining deployments, at smaller checkpoints, are expected to be completed by the end of 2016/17.

Harmonized Trusted Traveller (HTT) Expansion

Following last year's introduction of the HTT concept at the five busiest Transborder checkpoints, CATSA intends to implement the expanded Trusted Traveller categories to thirteen Domestic/International checkpoints. From a customer perspective, this will help standardize the experience of Trusted Travellers in Canada, regardless of destination.

X-Ray Time Limits

CATSA trialed X-ray time limits in 2014/15 with a goal of addressing part of the bottleneck at the X-ray within the PBS process. The concept provides X-ray operators with a time limit for analyzing an image. If a decision to clear the item cannot be taken within the time limit, the item is sent to a bag search officer for further analysis. This is primarily intended to reduce instances of excessive image analysis time which has been shown to negatively impact flow through the X-ray. This concept only functions on screening lanes equipped with a Manual Split Lane as it provides additional space at the back to take items out of the primary stream and allow cleared bags to flow. This way, bags requiring additional search are taken off the primary lane, and passenger flow is facilitated.

CATSA tested various time limits to determine the optimal level which permits improved flow through the lane while not overloading the search area. The trial, which ended in February 2015, indicated that there is value in establishing a time limit for X-ray image analysis during peak hours. Results were analyzed and CATSA decided to proceed with national implementation of this concept.

In addition, CATSA has trialed or is in the process of trialing the following initiatives in 2015/16 and beyond:

Parallel Divestiture

Parallel divestiture is a concept currently in use in several European airports. With this trial, the current divest areas on screening lines were modified to create stations allowing multiple passengers to divest concurrently. The design of this concept required that the screening lane has a manual split lane and sufficient repack space to allow for bins to flow out of the X-ray continuously. This trial went live September 2015 at the Toronto Pearson International Airport. Three lanes were set up with each having four parallel divest stations and manual bin return systems.

Queue Management System (QMS)

The Queue Management System (QMS) trial was conducted at the Edmonton International Airport and strived to enhance PBS efficiency without negatively impacting security effectiveness or customer service. It builds upon previous CATSA projects to bring together multiple concepts into a system which can be measured and assessed.

QMS involves the installation of tracking sensors and eGates at PBS to automate: the collection of wait time data, boarding pass validation, access to screening lanes and load balancing between screening lanes at a checkpoint. Passengers self-scan their boarding pass at one of many eGates which validates the boarding pass and selects a screening lane for the passenger.

The trial demonstrated a high level of acceptance from passengers (96% positive or neutral) and demonstrated strong potential of automating functions. Leveraging lessons learned from the trial, CATSA released RFPs for purchase of eGates and tracking sensors which will be further assessed in 2016/17.

Full Body Scanner as Primary Screening

CATSA is conducting a trial at the Toronto City Centre Airport using the full body scanner (FBS) as the primary screening tool in lieu of the Walk Through Metal Detector (WTMD). The objective of this trial is to determine the impact of this change on passenger flow and security effectiveness. The trial started in August 2015 and ended in January 2016. CATSA will work with TC to examine the possibility of greater use of FBS at primary at select airports. Before this concept is contemplated as a permanent solution with larger deployment across the system, consideration should be given to the fact that such a conversion would require CATSA to substantially change its concept of operations and incur significant capital investments to procure new units.

Checkpoint Convergence

As CATSA strives to integrate new concepts and optimize each checkpoint, it faces unique challenges with each airport. CATSA is planning a new initiative to achieve national checkpoint convergence based on the CATSA Plus model which will be modularized and scalable based on the unique conditions of each checkpoint.

Many of these initiatives have been successful; other trials will continue to undergo further testing to refine operational procedures. Overall, the majority of CATSA's trials are leading to process improvements and are being considered for national implementation, where feasible. Over the planning period, trials will continue to be identified and implemented where possible. If trials are deemed successful, there is potential to incorporate them into CATSA's operations.

2.3.3 Office of the Auditor General (OAG) Special Examination Results

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

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

CATSA agrees with each of the OAG's seven recommendations and is on track to meeting them with an expected completion date of March 31, 2017. Responding to the Special Examination recommendations helped inform the preparation of this Corporate Plan. In particular, CATSA updated its business planning process with an emphasis on prioritizing projects and conducting branch planning.

Weaknesses

2.3.4 Flat Reference Levels Combined with Increased Operating Costs

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

For 2015/16, CATSA received incremental operating funding for PBS with a target service level of 85% of passengers screened in 15 minutes or less. This funding has allowed the organization to achieve a service level where approximately 89% of passengers are screened in 15 minutes or less. CATSA achieved a level of service higher than its target of 85% of passengers screened in 15 minutes or less as a result of the reallocation of screening officers from NPS to PBS. As part of the enhanced NPS program, additional screening officers were hired in preparation for the implementation of the full program in 2016/17. In order to maintain their qualifications, these new screening officers were deployed at PBS checkpoints, pending the completion of the permanent vehicle screening facilities, thus enabling CATSA to use these resources more efficiently to address key operational requirements. For more information, please see Chapter 4.

While TC and CATSA continue to develop an operationally effective long-term funding strategy, Budget 2016 provided CATSA with \$29M in additional funding to maintain a service level of approximately 85%

of passengers screened in 15 minutes or less in 2016/17, as well as to support the implementation of One Stop Security and screening requirements associated with airport economic development plans.⁵

Recognizing that, beyond 2016/17, there is no government set service level; CATSA will operate within its approved reference levels and will continue to meet its security mandate. However, as discussed in section 2.3.7, passenger numbers continue to increase while CATSA's purchasing power decreases. In the absence of additional funding past 2016/17, passengers will continue to wait longer to be screened. CATSA continues to work with Transport Canada on a longer term funding strategy for 2017-18 and beyond.⁶

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

Opportunities

2.3.5 Hold Baggage Screening Recapitalization

In Budget 2011, CATSA was allocated capital funding to begin a ten-year HBS life-cycle management program through the deployment of Computed Tomography (CT) technology while maintaining equivalency with key international partners. The HBS Recapitalization program ensures that CATSA migrates from a five level screening process to a three level process while introducing efficiencies and eliminates the need to re-screen checked baggage arriving from Canada, thereby streamlining the process for passengers connecting through a U.S. hub. Initial deployments focused on Canadian airports with U.S. pre-clearance facilities in order to support the joint Canada-U.S. *Beyond the Border* declaration.

Further details on the HBS Recapitalization program over the planning period can be seen in section 3.4.1.

2.3.6 Pre-Board Screening Wait Time Options

Over 2015/16, CATSA was able to deliver pre-board screening with 89% of passengers screened in 15 minutes or less at Class I airports. While TC and CATSA continue to develop an operationally effective long-term funding strategy, Budget 2016 provided CATSA with \$29M in additional funding to maintain a service level of approximately 85% of passengers screened in 15 minutes or less in 2016/17, as well as to support the implementation of One Stop Security and screening requirements associated with airport economic development plans.⁷

After 2016/17, as outlined in the next section, CATSA expects to see increasing funding pressures and associated impacts on service levels over the planning period. In support of policy discussions with TC regarding these issues, CATSA has performed a wait time analysis using its Wait Time Impact Model.

CATSA and TC will continue working together to analyze and present PBS wait time options to alleviate long-term funding pressures, as discussed in section 3.1.⁸

⁵ The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

⁶ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

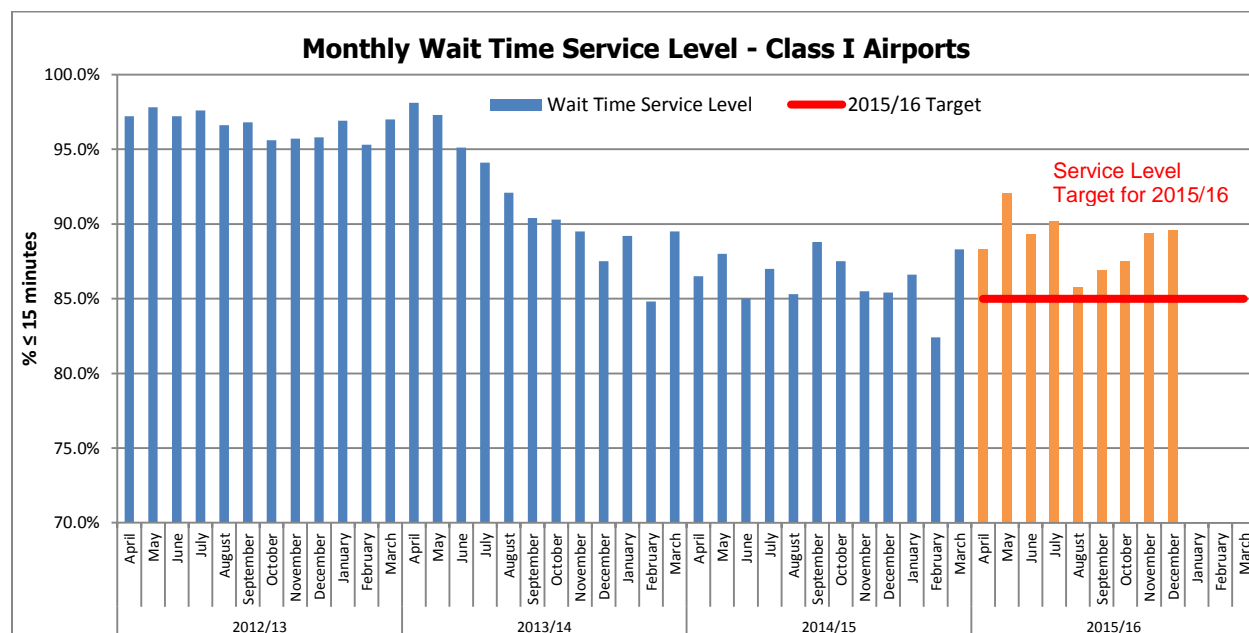
⁷ The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

⁸ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

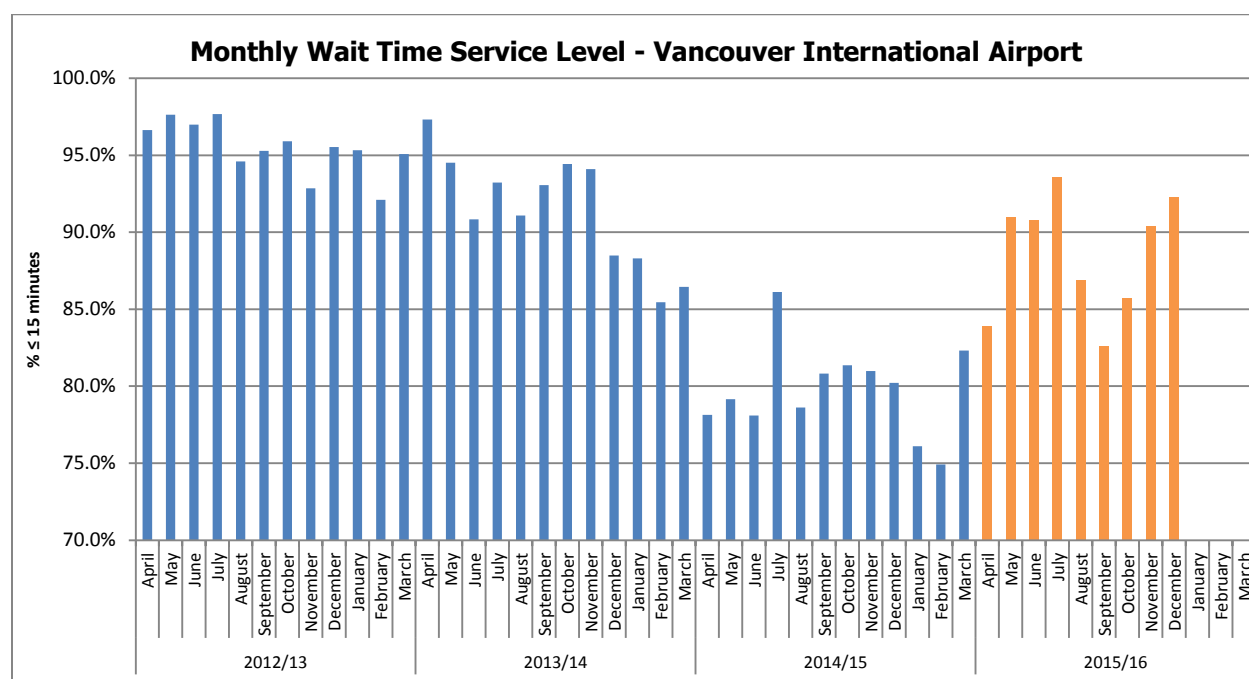
Challenges

2.3.7 Increasing national Pre-Board Screening Wait Times

CATSA has exceeded its service level target for 2015/16. The following analysis illustrates the impact on CATSA's wait time service level at a national level. The data presented below is collected by CATSA's BPSS.



This is also true at the Vancouver International Airport, which has seen significant growth in its traffic:



Short of a long-term funding solution, this service level cannot be maintained. Increasing PBS wait times are forecasted after 2016/17 due to three major factors: relatively fixed reference levels, increasing passenger volumes and increases in screening contractor billing rates. The former is discussed in Section 2.3.4 and the latter two are described below:

Passenger Volumes

The most recent forecasts show that over the planning period, enplaned passenger volumes will rise in each of the next four years, with most of the growth occurring at Class I airports.

National Traffic Growth Forecast ⁹							
	2015	2016	2017	2018	2019	2020	2021
Enplaned Traffic Growth at Designated Airports (year-over-year)	3.4%	2.6%	3.1%	2.4%	2.6%	2.6%	2.5%

Source: SNC Lavalin, February 2015

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

Traffic growth by Class I airport (year-over-year)									
	YEG	YHZ	YOW	YUL	YVR	YWG	YYC	YYZ	Total Class I
2015	-0.3%	4.2%	1.9%	2.7%	4.5%	1.1%	1.4%	5.1%	3.4%
2016	1.7%	0.5%	2.5%	2.2%	2.5%	0.3%	2.7%	3.2%	2.5%
2017	2.7%	2.7%	2.8%	2.8%	2.7%	1.7%	3.7%	3.4%	3.1%
2018	2.2%	2.1%	1.2%	2.1%	1.7%	1.0%	2.8%	2.3%	2.1%
2019	2.3%	2.6%	1.9%	2.2%	1.9%	1.2%	2.8%	2.5%	2.3%
2020	2.3%	2.6%	2.3%	2.2%	1.8%	1.2%	2.8%	2.4%	2.3%
2021	2.2%	2.5%	2.3%	2.2%	1.8%	1.2%	2.7%	2.9%	2.5%

Source: SNC Lavalin, February 2015

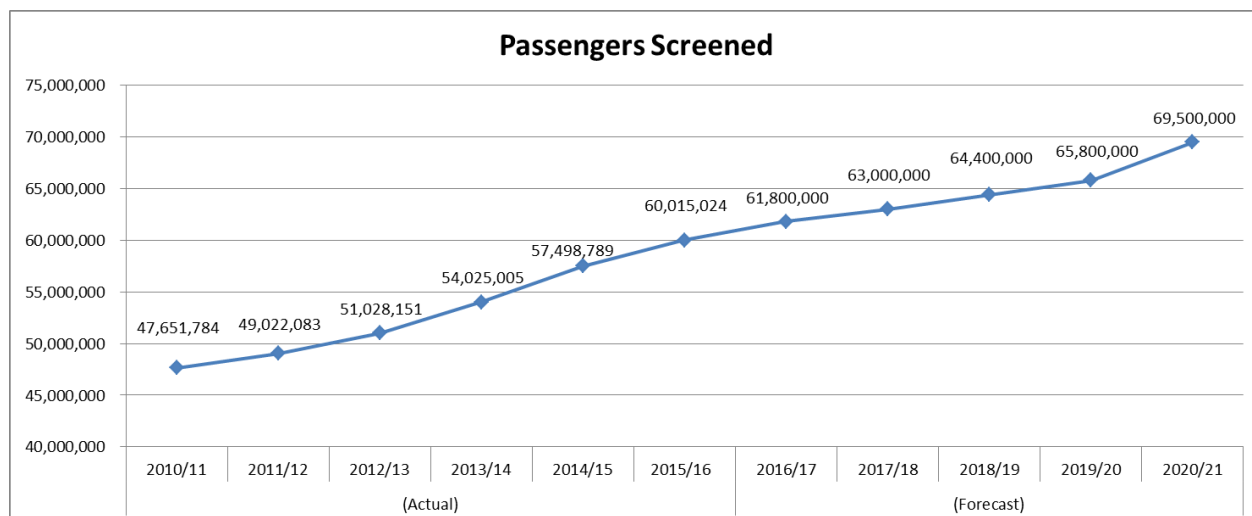
The increase in enplaned passenger volumes, however, differs from the increase in passenger volumes that require screening ("screened passenger volumes"), which has a more direct impact on CATSA's operations. In 2010/11, CATSA screened approximately 47.7 million passengers at designated airports. This figure grew to 57.5 million passengers in 2014/15. By the end of 2015/16, CATSA screened 60 million passengers.

As of Q3 2015/16, CATSA has continued to see screened traffic grow:

- On a national level, screened traffic grew by 2.5%.
- At the Toronto International Airport (YYZ), screened traffic increased by 6.5%.

By 2020/21, passenger volumes are expected to reach approximately 69.5 million.

⁹ Forecasts in previous years, until 2013, were done by TC and have been discontinued. Since 2015, CATSA has engaged a firm to provide passenger forecasts.



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

Screening Contractors' Billing Rates

Over the planning period, the billing rates that CATSA pays for each hour of screening are expected to go up. This is primarily driven by screening officer wage increases, which are a product of the collective bargaining process, in which CATSA does not participate, between the screening contractors and the labour union representing the screening officer workforce.

This rate was subject to review during the ASSA renewal process, which - as discussed further in section 3.5.2 - aimed to achieve balanced cost reductions.

2.3.8 Cost Recovery

CATSA is supporting TC's exploration of possibilities for providing screening services at select airports on a cost recovery basis.

After receiving confirmation from TC that it supports a pilot project to recover costs from the GTAA for enhanced screening services at the Toronto Pearson International Airport, CATSA has been conducting a trial whereby the GTAA is able to purchase additional screening capacity from CATSA on a cost recovery basis until March 31, 2017. The GTAA has expressed a desire to continue purchasing additional screening hours. CATSA has received TC's support and extended the Agreement to March 31, 2018. CATSA is supporting TC in evaluating this short-term activity to inform future policy options with respect to cost-recovery.

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

in Canada. CATSA continues to work with TC in creating a feasible solution for implementing cost recovery at these airports.

2.3.9 Enhanced Non-Passenger Screening

Budget 2014 provided three-year funding for CATSA's enhanced NPS program to meet TC requirements. This funding envelope ends after 2016/17. CATSA continues to work with Transport Canada on a longer term funding strategy for 2017-18 and beyond.¹⁰

2.3.10 Weak Canadian Dollar

The weak Canadian dollar has a negative impact on CATSA's capital budgets. The depreciation of the Canadian dollar has increased the costs of equipment purchased in U.S. dollars. Fluctuations in the exchange rate add another layer of uncertainty in planning CATSA's long-term capital projects. The exchange rate impacts are further discussed in chapter 4.

2.3.11 One Stop Security

Most international passengers that connect at hub airports are screened twice: initially at the point of departure and again before boarding a connecting flight. One Stop Security is the concept of screening passengers for prohibited items once at the beginning of their journey only.

Budget 2016 provided additional funding to CATSA to support this initiative to allow for an expedited customs process for international transfer passengers.

2.3.12 Airport Economic Development Plans

In addition to One Stop Security, airport business models are changing in that airports are placing an increased focus on customer service in an attempt to create global travel hubs and entice passengers to use their facilities.

Budget 2016 provided funding to support airport economic development plans.

¹⁰ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

2.4 RISK FRAMEWORK

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

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

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

For information on CATSA's approach to risk management including the roles of the Board of Directors and the Senior Management Committee, please refer to Part 6 of the Management's Discussion and Analysis session contained in [CATSA's 2016 Annual Report](#). To view how CATSA's Corporate Governance structure works with the Risk Management Program, please refer to the [Board of Directors Committee Terms of Reference](#).

2.4.1 CATSA's Corporate Risk Profile

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

CATSA's key risks are presented in its annual Corporate Risk Profile (CRP), which is a snapshot of those risks that could impede the organization's ability to reach its strategic objectives. Management and the Board of Directors pay closest attention to those risks related to the effectiveness of screening, as security is CATSA's top priority. The risk information contained in CATSA's 2015/16 CRP was used to inform the 2016/17 Corporate Plan.

2.4.2 Overview of Key Risks

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

Level of service delivery

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

Budget 2016 provided CATSA with additional funding to maintain a service level of approximately 85% of passengers screened in 15 minutes or less in 2016/17, as well as to support the implementation of One Stop Security and screening requirements associated with airport economic development plans.

TC has been engaged in identifying operationally effective long-term funding solutions to address this risk for 2017/18 and beyond, as discussed in section 3.1.

Detection Capability

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

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

Employee Engagement

There is a risk that CATSA's ability to recruit new talent and retain its key talent and corporate memory may be impacted by a degradation in employee engagement.

To mitigate this risk, CATSA has realigned work with reduced resources to continue to meet its security mandate and undertaken staffing actions in order to backfill vacant positions. CATSA will also undertake action plans to respond to findings from the employee engagement survey, promote enrollment in professional development training, and refresh CATSA's talent management assessments.

Illegal Labour Disruptions

CATSA outsources its services to screening contractors, who rely on a unionized screening officer workforce to deliver screening services. CATSA monitors for signs of potential labour unrest – particularly illegal labour action – that may occur at airports as a result of union activity. Collective Bargaining Agreements (CBAs) are negotiated between Screening Contractors and unions. Illegal labour unrest remains a risk for the organization.

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

3.0 STRATEGIC DIRECTION

CATSA's main strategic priorities for 2016/17 to 2020/21 are the following:

- Securing Funding
- Passenger-Centric Innovation
- Improving Customer Service
- Refreshing Technology
- Relationship Management

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

3.1 SECURING FUNDING

A key objective for the planning period will be to work closely with TC on operationally effective long-term funding options for the NPS program and PBS service levels.

3.1.1 Working with Transport Canada on operationally effective long-term funding options

Operating funding pressures continue to be a challenge for CATSA in the longer term.

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

In April 2015, the Government of Canada approved one-year funding of \$26.8 million. This has allowed CATSA to deliver a service level of approximately 89% of passengers screened in 15 minutes or less on average at Class I airports.

While TC and CATSA continue to develop an operationally effective long-term funding strategy, Budget 2016 provided CATSA with \$29M in additional funding to maintain a service level of approximately 85% of passengers screened in 15 minutes or less in 2016/17, as well as to support the implementation of One Stop Security and screening requirements associated with airport economic development plans.¹¹ This supplemental funding is for 2016/17 and after this fiscal year, CATSA's PBS budget will revert to Budget 2010 levels.

CATSA continues to work with TC on an operationally effective long-term funding strategy for 2017/18 and beyond.¹²

¹¹ The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

¹² Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

3.1.2 Enhanced Non-Passenger Screening

In 2015/16, CATSA continued to implement an enhanced NPS program in accordance with TC requirements, including screening of non-passengers and vehicles that have access to the wider commercial apron of an airport.

Budget 2014 provided three-year funding for CATSA's enhanced NPS program to TC requirements. This funding envelope ends after 2016/17. CATSA continues to work with Transport Canada on a longer term funding strategy for 2017-18 and beyond.¹³

3.1.3 Cost Recovery Initiatives

CATSA is also supporting TC's analysis to explore the possibilities of providing screening services at select airports on a cost recovery basis. As an example, after receiving confirmation from TC that it supports a pilot to recover costs from the GTAA for enhanced screening services at the Toronto Pearson International Airport, CATSA has been conducting a trial where GTAA was able to purchase additional capacity from CATSA on a cost recovery basis until March 31, 2017. The GTAA has expressed a desire to continue purchasing additional screening hours. CATSA has received TC's support and will work with the GTAA on the extension of the Agreement to March 31, 2018. CATSA will support TC in evaluating this short-term activity to inform future policy options with respect to cost recovery.

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

¹³ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

3.2 PASSENGER-CENTRIC INNOVATION

CATSA's mandate is the delivery of effective screening that processes passengers as efficiently as possible. Key areas of focus will be security screening effectiveness and innovation.

3.2.1 Security screening effectiveness

As security is CATSA's top priority, the organization regularly invests in initiatives to achieve continuous and sustained performance improvements. The success of CATSA's ongoing commitment of improving the effectiveness of its screening operations is measured through security effectiveness and security screening compliance performance metrics. Given the sensitivity of this content, further details cannot be included in a public document.

3.2.2 Innovation

CATSA's success has been built in large part on a culture of innovation and continuous improvement, assessing and testing new technologies and processes, and conducting trials at airports. CATSA is now in a position to leverage the successful results of recent passenger-centric equipment and process change pilot projects and trials and bring them to the forefront of its operations in the form of the CATSA Plus concept.

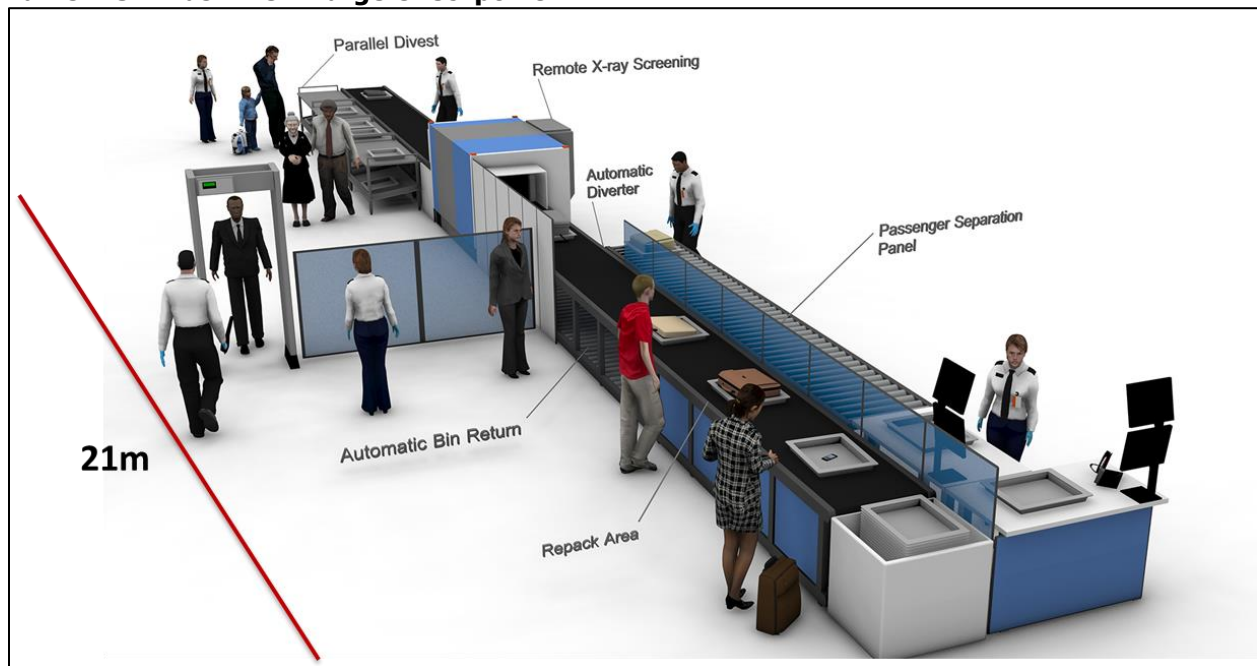
At its core, the CATSA Plus screening concept involves replacing standard screening lines with higher-performance ones. CATSA Plus comprises a collection of modular features that can be assembled into "Full" and "Tailored" packages adaptable to different airport environments, depending on checkpoint size, space and passenger volumes. The goal of CATSA Plus is to transform the customer experience through tangible innovations to the screening process, while increasing passenger flow and maintaining and eventually enhancing security effectiveness.

For large checkpoints with adequate space, the benefits include:

- Substantial improvement in X-ray processing capabilities through centralized image processing and automated conveyors.
- Self-service features and minimal interactions with screening officers for passengers that do not generate an alarm during the screening process.
- Provide more time to divest for those who need it, while providing a bypass for those who do not, through parallel divesting.
- Increased security effectiveness with bin tracking and separation of items requiring search.
- Better utilization of resources through automation.
- Enhanced customer service through partnerships with airports on checkpoint aesthetics and queue design enhancements.

The pictures below provide an overview of the components and features of a single full CATSA Plus line that could be installed at a large volume checkpoint and a view of multiple CATSA Plus lines deployed at large volume checkpoints.

Full CATSA Plus Line – Large Checkpoint



Full CATSA Plus Configuration – Large Checkpoint



For medium and small checkpoints, the solution focuses on passenger experience improvements such as split lanes, bin returns, and parallel divest. CATSA will work collaboratively with individual airports to determine which features are best suited to their environment.

Calgary Air Terminal Expansion

As further detailed in section 3.5.1, the new International terminal at the YYC Calgary International Airport, which opened in October 2016, will provide the first opportunity to demonstrate the full CATSA Plus concept in a brand new checkpoint, integrating all successful pilots and trials at one location with a large, spacious checkpoint. The new initiative not only allows CATSA to showcase its successful trials, but also presents an occasion for CATSA to work collaboratively with the airport authority on a long-term project that facilitates passenger travel through the airport.

CATSA's current capital reference levels will allow CATSA to start the deployment of CATSA Plus at select airports based on space availability.

3.3 IMPROVING CUSTOMER SERVICE

All of CATSA's endeavours must meet the highest standards of professionalism and integrity. The organization must ensure that its structure, processes, and practices not only support the delivery of effective and efficient screening services, but are also worthy of public trust and confidence.

3.3.1 Screening Officer Professionalism

CATSA expects that screening officers maintain the trust and confidence of the travelling public by providing an excellent level of customer service from the beginning of the screening process to the end, treating all persons with care, courtesy and respect as part of a positive and secure air travel experience.

To this end, as part of the National Training and Certification Program (NTCP), screening officer recruits are provided with the knowledge and skills needed to perform screening functions with an emphasis on customer focused security. They are offered training on professional conduct, including key points such as communication, customer service, teamwork, professional appearance, professional work habits and professional attitude. As part of the recurrent learning program, screening officers are provided with training sessions specifically designed to focus on customer service that teach screening officers to view air travellers as 'customers' who expect and deserve a screening experience that is effective, efficient and hassle-free. By providing the passenger's perspective, these training sessions aim to teach screening officers that excellent security screening is not only about detecting threat items but also helping passengers to get through the screening process quickly and without hassle.

Moreover, CATSA's Standard Operating Procedures include standards of professional conduct for screening officers to exhibit when dealing with travellers. Professional conduct includes appearance as well as behaviours and actions and the standards apply when officers are on-duty, as well as off-duty but wearing the CATSA uniform (such as on their way to work, or on break in public). These standards reflect CATSA's vision for quality security screening with a committed, professional and engaged workforce.

Data shows that passengers are, in general, fairly pleased with their screening experience. CATSA will continue to develop and promote customer service with the screening workforce. CATSA and its screening contractors will continue to educate its screening officers that customer service is reciprocal - displaying more professionalism will lead to a higher level of respect from passengers.

In 2015/16, CATSA undertook an Internal Audit (Ernst & Young LLP) Evaluation on Customer Service to assess the consistency and effectiveness of customer service, as delivered by third party screening contractors, across Canada's Class I airports. Based on audit observations, screening contractors deliver customer service largely in line with CATSA's and passengers' customer service expectations, and passengers surveyed expressed sentiments largely consistent with those found in CATSA's quarterly customer satisfaction surveys. Opportunities to improve the effectiveness and consistency of service delivery have been identified.

CATSA is committed to customer service and in responding to the recent Customer Service Evaluation, and will be developing a more formal customer service strategy and evaluating the inclusion of additional customer service metrics in order to address the Audit's recommendations.

3.3.2 Transparency

Signage is used to help direct passengers and airport employees to checkpoints. The aim is to prepare customers so that they move through the screening process as quickly and pleasantly as possible, with a goal of ensuring consistent signage across all 89 airports under CATSA's responsibility.

CATSA already promotes transparency through displaying wait times on its website and mobile app in real-time for Class I airports. The organization will continue to promote transparency with the travelling public by also installing wait time displays at the largest checkpoints across the country.

3.3.3 Broadening Screening Officer Knowledge

CATSA recognizes the critical role customer service plays in monitoring and maintaining a secure checkpoint. CATSA's National Training and Certification Program and Recurrent Learning Program training libraries embed the passenger experience and customer service expectations into the security screening procedural content, thereby integrating a set of customer service guidelines with screening techniques to develop comprehensive security screening skills adapted to each screening function.

In addition, CATSA will implement the OAG recommendations related to improving screening officer communications as part of its plans to broadened screening officer knowledge. CATSA will continue to monitor service excellence performance targets and contract compliance at Class I airports for continued improvements to customer service metrics.

3.4 REFRESHING TECHNOLOGY

CATSA's front-line operations are highly dependent on effective screening technologies. On a long-term basis, CATSA will need to ensure that technology adapts to evolving threats, while maintaining international compatibility. CATSA will continue its 10-year HBS Recapitalization program, begin planning for PBS Recapitalization, and continue delivering an effective, efficient, and reliable biometric credential management system. CATSA will also update its existing lifecycle plans for IT infrastructure.

3.4.1 Hold Baggage Screening Recapitalization

This program is designed to ensure that CATSA's equipment remains compatible with international partners and employs the best industry practices and standards to deliver a secure experience for air travellers. Initial deployments focused on Canadian airports with U.S. pre-clearance facilities in order to support the joint Canada-U.S. *Beyond the Border* declaration.

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

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

3.4.2 Pre-Board Screening Recapitalization

Over the planning period, CATSA will start exploring new options for PBS. As technologies continue to mature, CATSA will endeavour to position itself to align with the TSA and be ready to move forward when technologies are proven.

In addition, the CATSA Plus concept will serve as a focus for the various elements of a new PBS checkpoint, which will be modularized and scalable to meet unique requirements at each checkpoint.

3.5 RELATIONSHIP MANAGEMENT

In executing its mandate, CATSA works closely with its regulator, TC, its screening contractors, other government organizations, law enforcement agencies 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 relationship with partners and stakeholders.

The environment in which CATSA operates is highly integrated and this integration requires a high degree of communication and coordination between CATSA and its security partners to not only ensure the effective and efficient screening of passengers and baggage, but to ensure the continuous movement of the system. Delays at one airport can have ripple effects across the entire system.

Over the planning period, CATSA will continue to focus on maintaining constructive relationships with its partners and stakeholders, with a particular emphasis on airport authorities, screening contractors, and CATSA employees.

3.5.1 Airport Authorities

As discussed in section 2.3.1 CATSA feels it has solid relationships with the airports, and accommodates them in their expansion plans and projects to the extent possible. In anticipation of passenger growth, airports take on terminal expansion projects as part of their business plans. Consequently, they make requests to CATSA for additional screening lanes to augment their capacity.

CATSA Plus at YYC Calgary International Airport and Beyond

One example of such is the Calgary Airport requesting additional screening lanes as part of its airport expansion project. The new International terminal at the YYC Calgary International Airport has allowed CATSA to showcase the best screening configuration to date as it provides the opportunity to design a screening checkpoint that integrates all successful pilots and trials into one location, without existing space constraints, with the deployment of CATSA Plus lanes.

The deployment of the CATSA Plus screening concept presents a unique opportunity for CATSA and airport authorities to collaborate on a mutual goal of enhancing the passenger experience. CATSA has designed the CATSA Plus screening concept to be flexible, modular and scalable such that it can be tailored, to the extent possible, to the unique requirements of each checkpoint. CATSA's current capital reference levels will allow CATSA to start the deployment of CATSA Plus at select airports based on space availability.

Over the planning period, while operating within its existing, approved capital funding envelope, CATSA will continue to make in-year adjustments to its capital funding allocations in order to accommodate airport expansion plans (such as the case with Calgary) as required and when possible. CATSA could exercise its discretion on such adjustments when the total cost of addressing growth requirements is for amounts that are small in relation to CATSA's entire capital budget.

3.5.2 Screening Contractors

The current Airport Screening Services Agreements (ASSAs) expired on March 31, 2017. CATSA explored available contracting options and refined its ASSA renewal strategy.

This matter was finalized at the June 2016 Board of Directors meeting and following an analysis of renewal options, ASSA contracts were renewed for a five-year term, starting on April 1, 2017.

Success will be measured through engaged screening officers, the customer satisfaction index, maintenance of throughput levels, and effective and efficient screening officer recruitment, training, and retention.

To continue fostering an effective relationship with the screening contractors, CATSA will also continue holding regular meetings with each contractor.

3.5.3 Employee Engagement

In fall 2015, CATSA conducted an organization-wide culture survey to collect feedback from employees. CATSA will focus efforts over the planning period through creating a more positive work environment, additional leadership training, employee exchanges, professional development, and team building events.

4.0 FINANCIAL ANALYSIS

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

This chapter presents an overview of the organization's funding, as well as CATSA's forecasted financial results and budget for 2015/16, and its financial plan for the five-year period.

4.1 FUNDING OVERVIEW

2016/17 at a Glance

CATSA's budget for 2016/17 is in the amount of \$770.9M which consists of \$617.4M for operating and \$153.5M for capital.

The operating budget will allow CATSA to conduct screening of passengers and their belongings at the designated airports while delivering an average service level of approximately 85% of passengers screened in 15 minutes or less at Class I airports. The budget also provides for the continued delivery of enhanced screening of non-passengers to meet TC's requirements for NPS. Payments to CATSA's third party contractors to perform screening services represent the largest expenditure at approximately 79% of the total operating budget. The remaining budget provides for the maintenance of CATSA's Explosives Detection Systems (EDS) equipment deployed at designated airports across Canada as well as screening-related disbursements and support services essential to the delivery of CATSA's mandate.

The capital budget will enable CATSA to continue the life-cycle management of its HBS system with advanced technology at airports across Canada which account for approximately 76% of the total capital budget. The deployment schedule for this multi-year initiative was accelerated for Transborder HBS systems at Class I airports in support of the Canada-U.S. declaration *Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*. In 2016/17, CATSA will have fully achieved the Beyond the Border compliance and will continue the life-cycle management of Domestic and International HBS systems at Canada's largest airports. In addition, the capital budget supports the enhanced NPS program as well as provides for the deployment of new screening concepts and advanced technology as CATSA strives to optimize the PBS checkpoints.

CATSA's Funding Profile

Table 1 summarizes CATSA's financial results for 2014/15, its forecasted financial results for 2015/16 and its funding profile for the period of 2016/17 to 2020/21.

TABLE 1 Financial Plan (in millions of dollars)	Actual 2014/15	Forecast 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Five Year Total 2016/17 - 2020/21
Operating Expenditures	\$ 544	\$ 555	\$ 617	\$ 471	\$ 471	\$ 471	\$ 471	\$ 2,501
Capital Expenditures	77	99	154	102	88	132	62	538
Total	\$ 621	\$ 654	\$ 771	\$ 573	\$ 559	\$ 603	\$ 533	\$ 3,039

Totals may not reconcile to Table 2 due to rounding

The following section provides an overview of CATSA's funding profile over the five-year planning period.

Operating

CATSA's 2016/17 operating reference level reflects incremental funding of \$113.3M¹⁴ received from the Government of Canada for enhanced NPS in order to meet TC's requirements. As the incremental funding ends March 31, 2017, CATSA will continue to work with TC on a long-term funding solution for NPS.¹⁵

Furthermore, Budget 2016 provided CATSA with \$29.0M in additional funding to maintain a service level of approximately 85% of passengers screened in 15 minutes or less in 2016/17¹⁶, as well as to support the implementation of One Stop Security and the screening requirements associated with airport economic development plans.

For 2017/18 and beyond, CATSA's operating reference levels reflect the organization's ongoing A-Base funding established through Budget 2010, which was subsequently reduced to reflect the outcome of successive mandatory operational and organizational reviews. Although Budget 2010 provided CATSA with long-term funding, these levels did not accommodate screening contractor billing rate increases nor passenger growth, and are therefore not operationally effective. As a consequence, CATSA will continue to experience pressures at its front-line operations as screening hours purchased decrease over time due to a reduced purchasing power. Compounded by rising passenger volume, as of 2017/18, not only will fewer passengers be screened in 15 minutes or less, the percentage of those waiting more than 45 minutes will also increase exponentially. CATSA is working with TC to address its long-term funding requirements for fiscal year 2017/18 and beyond.¹⁷

Capital

In 2015/16, CATSA identified capital spending of \$65.1M to be re-profiled to fiscal years 2016/17 and 2017/18. The majority of the re-profile is attributable to delays in capital spending for HBS integration projects in response to changes in airport project plans. CATSA is currently undertaking a 10-year life-cycle management plan for its HBS system which involves managing large multi-year HBS integration projects with airports across Canada. These projects are complex in nature due to the intricacies of the designs and the coordination with multiple vendors. Furthermore, the integration of the HBS system may be part of a larger airport capital project. As a result of these complexities, CATSA's project timelines and cost estimates often change for reasons which are largely outside of its control. The capital re-profile is discussed in further detail in Section 4.4.

In addition, CATSA revised its capital plan during the development of this Corporate Plan. This involved aligning the plan with the organization's strategic direction and corporate priorities, as well as in consideration of airport project plans for the life-cycle management of the HBS system. This has resulted in changes to the capital spending profile over the planning period.

In March 2016, CATSA received approval from the Government of Canada for its early re-profile submission of \$23.6M. CATSA will work with TC to obtain approval from the Government of Canada for the remaining re-profile of \$41.5M and the changes to the capital spending profile stated above.

¹⁴ Budget 2014 provided three-year funding for the period 2014/15 to 2016/17 for CATSA's enhanced NPS program to meet TC's requirements. For 2016/17, the net incremental funding received is \$113.3M consisting of \$117.0M for operating, of which \$3.7M is funded from CATSA's existing capital reference level.

¹⁵ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

¹⁶ The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

¹⁷ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

4.2 FINANCIAL RESULTS FOR 2015/16 AND THE 2016/17 - 2020/21 FINANCIAL PLAN BY PROGRAM ACTIVITY

Overview

Table 2 summarizes CATSA's financial results for 2014/15, its forecasted financial results and budget for 2015/16, and its 2016/17 – 2020/21 operating and capital plan by program activity.

	Actual 2014/15	Forecast 2015/16	Budget 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Five Year Total 2016/17 - 2020/21
Operating Expenditures									
PBS	\$ 314,548	\$ 324,895	\$ 319,042	\$ 333,711	\$ 304,767	\$ 301,976	\$ 300,164	\$ 297,970	\$ 1,538,588
HBS	104,742	104,087	99,498	104,365	104,061	105,984	107,507	108,566	530,483
NPS	73,303	87,095	101,451	135,819	18,819	18,968	19,085	19,245	211,936
RAIC	2,566	2,538	1,600	2,400	2,447	2,507	2,564	2,624	12,542
Corporate Services	49,122	39,200	36,217	41,148	41,335	41,994	42,109	43,024	209,610
Subtotal	\$ 544,281	\$ 557,815	\$ 557,808	\$ 617,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,503,159
Other Sources of Operating Funding (Net of Other Expenses)	(447)	(3,082)	-	-	-	-	-	-	-
Total	\$ 543,834	\$ 554,733	\$ 557,808	\$ 617,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,503,159
Capital Expenditures									
PBS	\$ 4,525	\$ 4,491	\$ 10,085	\$ 20,984	\$ 19,999	\$ 14,543	\$ 28,414	\$ 50,422	\$ 134,362
HBS	62,109	83,930	136,654	123,298	78,512	68,074	95,381	7,803	373,068
NPS	6,763	7,046	15,518	5,463	815	-	3,910	3,275	13,463
RAIC	1,442	601	587	30	30	2,270	2,946	30	5,306
Corporate Services	2,013	2,848	2,068	3,670	2,384	3,343	1,011	731	11,139
Subtotal	\$ 76,852	\$ 98,916	\$ 164,912	\$ 153,445	\$ 101,740	\$ 88,230	\$ 131,662	\$ 62,261	\$ 537,338
Proceeds of Disposal	(52)	(44)	-	-	-	-	-	-	-
Total	\$ 76,800	\$ 98,872	\$ 164,912	\$ 153,445	\$ 101,740	\$ 88,230	\$ 131,662	\$ 62,261	\$ 537,338
Total Expenditures	\$ 620,634	\$ 653,605	\$ 722,720	\$ 770,888	\$ 573,169	\$ 559,659	\$ 603,091	\$ 533,690	\$ 3,040,497

2015/16 Financial Results

Forecasted operating expenditures for 2015/16 are \$3.1M lower than budget. The variance reflects lower than budgeted support costs as well as unused budget of \$0.8M earmarked for the 2015 Pan Am and Parapan Am Games which has been returned to the Government of Canada.

In addition, forecasted operating expenditures by program activity vary from budget. The variances are mainly attributable to a reallocation of screening hours budgeted across the PBS, HBS, and NPS programs to allow CATSA to deliver its mandate in the most efficient and effective manner. A variance analysis of the forecasted operating results compared to budget is presented in section 4.3.

Forecasted capital expenditures for 2015/16 are \$66.0M lower than budget. As stated earlier, capital spending of \$65.1M has been identified for re-profile to future years mainly due to delays in capital spending associated with HBS integration projects. The remaining lapsed funds of \$0.9M are attributable to underspending across various capital projects.

2016/17 – 2020/21 Financial Plan

CATSA's operating plan was developed based on its approved reference levels which reflect the incremental funding for enhanced NPS and PBS in 2016/17. The plan for fiscal year 2017/18 and beyond reflects CATSA's A-Base funding which remains constant over the four years to deliver its mandated activities.

CATSA's capital plan continues to focus on the life-cycle management of its HBS system at airports across Canada. The capital plan also accommodates investments in PBS as the organization strives to integrate new concepts and optimize PBS checkpoints. Furthermore, the plan supports the enhanced NPS program, RAIC, and CATSA's network infrastructure and corporate management systems.

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

Pre-Board Screening

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

While TC and CATSA continue to develop an operationally effective long-term funding strategy, Budget 2016 provided CATSA with \$29.0M in additional funding to maintain a service level of approximately 85% of passengers screened in 15 minutes or less in 2016/17¹⁸, as well as to support the implementation of One Stop Security and the screening requirements associated with airport economic development plans.

CATSA's operating reference levels for fiscal year 2017/18 and beyond do not accommodate screening contractor billing rate increases nor passenger growth. CATSA is working with TC on an operationally effective long-term funding strategy.¹⁹

In October 2014, CATSA entered into an agreement with the GTAA to allow the Airport Authority to purchase supplemental PBS screening hours from CATSA on a cost recovery basis. The Supplemental Screening Trial Agreement has subsequently been renewed on an annual basis and is currently set to expire on March 31, 2018.

In July 2015, the Government of Canada announced new regulations that make it possible for airports that do not have access to screening services from CATSA to obtain them on a cost recovery basis. CATSA is working in close collaboration with TC to develop a cost recovery mechanism.

CATSA continues to look for opportunities to improve passenger facilitation and gain further efficiencies at the PBS checkpoints through innovation. In 2014/15, CATSA launched the Queue Management System (QMS) trial at the Edmonton airport. This initiative consisted of the installation of tracking sensors and eGates at the PBS checkpoints to automate the collection of wait time data, boarding pass validation, access to screening lanes and load balancing between screening lanes at a checkpoint. Based on the successful outcome of this trial, CATSA's capital plan has provided for a national deployment of the QMS at Class I airports over the planning period.

Furthermore, CATSA works closely with the airport authorities to address their capacity requirements given continued passenger growth. In 2014/15, the Calgary Airport Authority made a request to CATSA for additional PBS screening lanes in support of its airport expansion project. CATSA worked with the Airport Authority to install the additional lanes in 2016/17 in advance of the go-live of the new terminal. The new terminal, which opened in October 2016, provides CATSA with the opportunity to design a screening checkpoint that integrates new and innovative screening concepts.

The capital plan for PBS also accommodates the ongoing life-cycle management of its EDS equipment over the five-year period. This will include exploring new technologies as part of the life-cycle management plan with the objective of enhancing PBS efficiency and effectiveness.

¹⁸ The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

¹⁹ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

Lastly, the capital plan supports the deployment of Liquid Explosive Detection Systems (LEDS) technology at Canada's largest airports.

Hold Baggage Screening

Expenditures for HBS operations account for 21.2% of CATSA's five-year operating plan.

The operating plan for HBS provides for the purchase of screening hours to meet CATSA's baseline operational requirements over the five-year period. The plan also accommodates the ongoing maintenance and support of CATSA's HBS equipment. In 2015/16, CATSA terminated its Funding Agreements for the Maintenance Contribution and Support Services at Class I airports. This will generate annual costs savings of \$10.3M starting in 2016/17.

CATSA's capital plan continues to focus on the life-cycle management of its HBS system which represents 70.0% of the total EDS capital spending over the five-year period.

With the majority of new HBS Transborder systems in place, CATSA will shift its focus to the deployment of the Domestic and International HBS systems at Canada's largest airports. Given the complexity of this initiative, ongoing changes to the HBS capital plan can be anticipated as airport projects may shift from one year to another based on factors beyond CATSA's control.

Non-Passenger Screening

Expenditures for NPS operations account for 8.5% of CATSA's five-year operating plan.

In 2014, the Government of Canada provided incremental funding in the amount of \$282.4M to CATSA over the three-year period 2014/15 to 2016/17 to deliver the enhanced NPS program to meet TC's requirements. CATSA has achieved its overall objectives to date, and works closely with TC and stakeholders in the delivery of the enhanced NPS program.

The operating plan for 2016/17 will remain focused on the ongoing implementation of the enhanced NPS program. Accordingly, CATSA will continue to provide increased NPS coverage at the air terminal building access points at Canada's highest risk airports. In addition, CATSA will increase its presence for screening of non-passengers and vehicles accessing the commercial apron of an airport. As the airports are responsible for the construction and financing of permanent vehicle structures, the plan has been developed in consideration of the airports' readiness to support the full solution.

In fiscal year 2017/18 and beyond, CATSA's funding levels for NPS revert back to levels prior to the delivery of enhanced NPS, pending a long-term funding solution.²⁰

The capital plan for NPS accommodates the purchase and deployment of EDS and non-EDS equipment and systems at the permanent vehicle structures in 2016/17. The capital plan also provides for the replacement of existing NPS equipment that is reaching the end of its useful life.

Restricted Area Identity Card

Expenditures for RAIC operations account for 0.5% of CATSA's five-year operating plan. The planned expenditures reflect ongoing operational requirements to support CATSA's biometric verification hardware and system infrastructure.

²⁰ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

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

Corporate Services

Expenditures for Corporate Services account for 8.3% of CATSA's five-year operating plan and consist of expenditures associated with support services and systems critical to the efficient and effective delivery of CATSA's core mandate.

Capital spending for Corporate Services represents 2.1% of the total five-year plan, and consists primarily of investments in CATSA's network infrastructure and corporate management systems.

4.3 FINANCIAL RESULTS FOR 2015/16 AND THE 2016/17 - 2020/21 FINANCIAL PLAN FOR OPERATING EXPENDITURES

Overview

Table 3 summarizes CATSA's financial results for 2014/15, its forecasted financial results and budget for 2015/16, and its 2016/17 – 2020/21 operating plan by major expenditure category.

	Actual 2014/15	Forecast 2015/16	Budget 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Five Year Total 2016/17 - 2020/21
Operating Expenditures									
SCREENING SERVICES AND OTHER RELATED COSTS	\$ 403,909	\$ 442,678	\$ 439,834	\$ 496,527	\$ 352,261	\$ 350,510	\$ 348,223	\$ 346,413	\$ 1,893,934
Payments to Screening Contractors	397,195	435,247	432,853	487,410	346,685	344,995	342,666	340,863	1,862,619
Uniforms and Other Screening-Related Costs	3,906	5,116	4,783	5,948	3,461	3,319	3,276	3,240	19,244
Trace and Consumables	2,808	2,315	2,198	3,169	2,115	2,196	2,281	2,310	12,071
EQUIPMENT OPERATING AND MAINTENANCE	\$ 48,620	\$ 40,778	\$ 39,604	\$ 39,993	\$ 38,200	\$ 38,146	\$ 39,438	\$ 39,495	\$ 195,272
Equipment Maintenance and Spare Parts	45,961	39,141	39,014	37,657	36,718	36,332	36,563	36,319	183,589
Training and Certification	1,206	603	289	1,393	520	833	1,875	2,155	6,776
RAIC Cards	1,453	1,034	301	943	962	981	1,000	1,021	4,907
PROGRAM SUPPORT AND CORPORATE SERVICES	\$ 91,752	\$ 74,359	\$ 78,370	\$ 80,923	\$ 80,968	\$ 82,773	\$ 83,768	\$ 85,521	\$ 413,953
Employee Costs	70,847	52,055	54,976	56,701	57,523	59,679	61,074	62,393	297,370
Professional Services and Other Business-Related Costs	4,394	5,323	6,918	6,557	6,175	5,650	5,650	5,650	29,682
Office and Computer Expenses	5,350	4,834	4,971	5,268	5,197	5,780	5,204	5,346	26,795
Communications and Public Awareness	1,180	889	975	953	1,010	1,011	1,018	1,066	5,058
Other Costs ¹	9,981	11,258	10,530	11,444	11,063	10,653	10,822	11,066	55,048
Subtotal	\$ 544,281	\$ 557,815	\$ 557,808	\$ 617,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,503,159
Other Sources of Operating Funding (Net of Other Expenses)	(447)	(3,082)	-	-	-	-	-	-	-
Total Operating Expenditures	\$ 543,834	\$ 554,733	\$ 557,808	\$ 617,443	\$ 471,429	\$ 471,429	\$ 471,429	\$ 471,429	\$ 2,503,159

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

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

The following section provides a variance analysis of the forecasted financial results compared to budget for 2015/16, and a discussion of the 2016/17 – 2020/21 operating plan for each expenditure category.

4.3.1 Screening Services and Other Related Costs

Summary

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

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

Payments to Screening Contractors

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

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

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

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

Uniforms and Other Screening-Related Costs

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

Trace and Consumables

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

2015/16 Variance Analysis

Screening Services and Other Related Costs are forecasted \$2.8M higher than budget. The variance is mainly attributable to an increase in Payments to Screening Contractors resulting from the purchase of supplemental screening hours by the GTAA as part of the trial.

As stated in Section 4.2, CATSA reallocated screening hours budgeted across the programs to allow CATSA to deliver its mandate in the most efficient and effective manner.

During the fiscal year, CATSA ramped up the screening officer workforce in preparation for the full NPS vehicle screening program in 2016/17. In order to maintain their qualifications, these new screening officers were deployed at PBS checkpoints, pending the completion of the permanent vehicle screening facilities, thus enabling CATSA to use these resources more efficiently to address key operational requirements. Furthermore, the costs incurred to support the overall enhanced NPS program were lower than planned, mainly due to changes in the operational requirements to support the program and in the hiring ramp up for the NPS vehicle program. This enabled CATSA to reallocate budget to HBS to manage increased operational requirements.

The changes above have enabled CATSA to exceed targeted wait time service levels,²¹ as well as provide for the additional transition costs associated with the life-cycle management of its new HBS system. Furthermore, this will allow CATSA to deliver the full NPS vehicle screening program in 2016/17.

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Payments to Screening Contractors

The five-year budget for Payments to Screening Contractors has been developed in consideration of CATSA's operating reference levels.

While TC and CATSA continue to develop an operationally effective long-term funding strategy, Budget 2016 provided CATSA with \$29.0M in additional funding to maintain a service level of approximately 85%

²¹ Budget 2015 provided CATSA with \$26.8M for 2015/16 to achieve a service level of approximately 85% of passengers screened in 15 minutes or less. CATSA exceeded this target and screened 89% of passengers in 15 minutes or less in the same fiscal year.

of passengers screened in 15 minutes or less in 2016/17²², as well as to support the implementation of One Stop Security and the screening requirements associated with airport economic development plans. As stated earlier, CATSA's operating reference levels for PBS for 2017/18 and beyond are not operationally effective. CATSA is working with TC to address its long-term funding requirements.²³

Planned expenditures for HBS provide for the purchase of screening hours to meet CATSA's baseline operational requirements over the five-year period.

The budget for NPS screening hours takes into account the incremental funding received from the Government of Canada to deliver enhanced NPS, which ends March 31, 2017. The NPS budget for fiscal year 2017/18 and beyond reverts back to levels prior to the delivery of enhanced NPS, pending a long-term funding solution.²⁴

Uniforms and Other Screening-Related Costs

Planned expenditures reflect CATSA's screening officer uniform requirements over the five-year period. This takes into account the purchase of uniforms for the additional screening officer workforce hired to support the vehicle screening program. The plan also accommodates the purchase of screening-related items to enhance operational efficiencies and to maintain a common look-and-feel at PBS checkpoints.

Trace and Consumables

The planned expenditures for Trace and Consumables reflect CATSA's operational requirements, which include the additional requirements to support the enhanced NPS program in 2016/17.

4.3.2 Equipment Operating and Maintenance

Summary

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

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

Equipment Maintenance and Spare Parts

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

Training and Certification

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

²² The actual service level may range from 82% to 88%. Should a higher than 3.5% passenger growth materialize in 2016/17, CATSA's ability to deliver the desired level of service would be impacted.

²³ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

²⁴ Note that subsequent to the approval of CATSA's 2016/17 Corporate Plan, Federal Budget 2017 was announced. CATSA is working with Transport Canada to determine the impact on the corporation.

Restricted Access Identity Cards

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

2015/16 Variance Analysis

Expenditures for 2015/16 are forecasted \$1.2M higher than budget. The variance is due to higher costs across the various expense types as outlined below.

RAIC Cards are forecasted \$0.7M higher than budget. The increase reflects the purchase of additional RAIC cards to replenish CATSA's inventory.

Training and Certification costs are forecasted \$0.3M higher than budget. The increase reflects additional training requirements resulting from the installation of a new EDS platform at certain airports.

Equipment Maintenance and Spare Parts costs forecasted for the fiscal year are slightly higher than budget. This is mainly due to the purchase of additional EDS spare parts inventory, and higher conveyor maintenance costs due to unforeseen delays in the termination of the Funding Agreements for the Maintenance Contribution and Support Services at Class I airports. The increase in spending is partially offset by lower maintenance costs to support certain EDS equipment and other equipment-related activities.

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Equipment Maintenance and Spare Parts

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

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

Finally, the budget reflects annual savings of \$10.3M as a result of the termination of the Funding Agreements for the Maintenance Contribution and Support Services at Class I airports on October 1, 2015.

Training and Certification

Planned expenditures reflect the training requirements for new EDS technology deployed at airports across Canada. This includes training for the new CT equipment deployed as part of the HBS capital life-cycle management plan, as well as for other EDS equipment including X-ray.

Restricted Access Identity Cards

Planned expenditures for RAIC reflect the purchase of cards to meet annual operational requirements over the planning period.

4.3.3 Program Support and Corporate Services

Summary

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

Program Support and Corporate Services are categorized as follows:

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

2015/16 Variance Analysis

Program Support and Corporate Services costs are forecasted \$4.0M lower than budget. The variance is mainly due to lower employee costs resulting from a higher than anticipated vacancy rate, and lower than projected severance costs associated with the workforce reductions. The variance is also attributable to lower spending associated with the 2015 Pan Am and Parapan Am Games, as no travel costs were incurred to support the event, and reduced professional services requirements to support CATSA's corporate activities.

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Employee Costs

The Employee Costs budget provides for salaries and benefits for 439 approved FTE positions, which is a reduction in CATSA's workforce from fiscal year 2011/12 of 513 FTEs. The budget has been adjusted for an estimated annual vacancy rate, and accommodates an employee performance pay component and annual salary increases for cost of living.

The budget also provides for projected statutory pension plan solvency deficit payments for CATSA's Registered Pension Plan for a total amount of \$18.4M over the five-year planning period which is based on actuarial estimates as at September 30, 2015. The actuarial valuation as of December 31, 2014 showed a solvency deficit in the amount of \$36.8M and was followed by a solvency deficit payment of \$17.5M issued in March of 2015. The funding payments included in this five-year plan assume no significant changes to market interest rates and asset returns that are not significantly lower than anticipated.

Professional Services and Other Business-Related Costs

Planned expenditures for professional services focus on specialized technical skills that are not available within the organization. This includes external expertise to support corporate activities in the areas of IT, internal audit, legal, tax, complex accounting matters and pension. The plan also provides for professional services to support advanced data analytics and modeling as CATSA explores new screening concepts for PBS.

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

Office and Computer Expenses

Planned expenditures for Office and Computer Expenses reflect ongoing requirements to support CATSA's operations and corporate infrastructure, and accommodate annual increases for software and hardware renewal contracts. Planned expenditures over the five-year period are relatively constant with a slight increase in 2018/19 to accommodate the life-cycle management of CATSA's computer hardware and X-ray Tutor workstations.

Communications and Public Awareness

Planned expenditures are relatively constant over the five-year period. This program serves to inform passengers on what to expect at the PBS checkpoint and how to better prepare for screening. CATSA will continue to use its existing website and a limited social media presence to inform passengers.

Other Costs

The planned expenditures provide for Rent and Facilities which mainly consist of lease costs for corporate headquarters, the testing facility and the regions. Beginning in late 2017/18, CATSA will benefit from a favourable renewal rate for corporate headquarters.

The plan also provides for CATSA's portfolio of insurance as well as Network and Telephony costs to support CATSA's network infrastructure across Canada. This includes the additional bandwidth requirements in 2016/17 to support the enhanced NPS program.

4.3.4 Revenue and Other Income/Expenses

Summary

Revenue and Other Income/Expenses are comprised as follows:

- Interest revenue earned on cash deposits;
- Foreign exchange gains/losses resulting from the periodic translation and settlement of U.S. dollar capital and operating expenditures incurred during the fiscal year; and
- Other revenue, including the recovery of costs for supplemental PBS screening hours from the GTAA trial.

2015/16 Variance Analysis

Revenue and Other Income/Expenses are forecasted in the amount of \$3.1M. This mainly consists of revenue generated from the purchase of supplemental screening hours by the GTAA and interest revenue earned on cash deposits, partially offset by foreign exchange losses resulting from a weakening Canadian dollar.

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Given that interest revenue and foreign exchange gains/losses are unpredictable in nature, and that the scope of the cost recovery initiatives were uncertain at the time of developing this Corporate Plan, they are not considered in the planning period.

4.4 FINANCIAL RESULTS FOR 2015/16 AND THE 2016/17 - 2020/21 FINANCIAL PLAN FOR CAPITAL EXPENDITURES

Overview

Table 4 summarizes CATSA's 2014/15 financial results, its forecasted financial results and budget for 2015/16, and its 2016/17 – 2020/21 capital plan by major expenditure category.

TABLE 4 Capital Plan by Major Expenditure Category <i>(in thousands of dollars)</i>	Actual 2014/15	Forecast 2015/16	Budget 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Five Year Total 2016/17 - 2020/21
Capital Expenditures									
EDS CAPITAL									
PBS	\$ 2,036	\$ 3,171	\$ 8,994	\$ 18,602	\$ 14,987	\$ 11,485	\$ 25,106	\$ 45,754	\$ 115,934
HBS	61,893	83,829	136,654	123,298	78,512	68,074	95,381	7,803	373,068
NPS	5,654	2,551	7,038	3,911	-	-	3,910	3,275	11,096
Total EDS Capital	\$ 69,583	\$ 89,551	\$ 152,686	\$ 145,811	\$ 93,499	\$ 79,559	\$ 124,397	\$ 56,832	\$ 500,098
NON-EDS CAPITAL									
PBS	\$ 2,489	\$ 1,320	\$ 1,091	\$ 2,382	\$ 5,012	\$ 3,058	\$ 3,308	\$ 4,668	\$ 18,428
HBS	216	101	-	-	-	-	-	-	-
NPS	1,109	4,495	8,480	1,552	815	-	-	-	2,367
RAIC	1,442	601	587	30	30	2,270	2,946	30	5,306
Corporate Services	2,013	2,848	2,068	3,670	2,384	3,343	1,011	731	11,139
Total Non-EDS Capital	\$ 7,269	\$ 9,365	\$ 12,226	\$ 7,634	\$ 8,241	\$ 8,671	\$ 7,265	\$ 5,429	\$ 37,240
Proceeds of Disposal	(52)	(44)	-	-	-	-	-	-	-
Total Capital Expenditures	\$ 76,800	\$ 98,872	\$ 164,912	\$ 153,445	\$ 101,740	\$ 88,230	\$ 131,662	\$ 62,261	\$ 537,338

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

EDS capital expenditures consist of the acquisition of Explosives Detection Systems equipment for PBS, HBS and NPS as well as the associated costs for installation and integration.

Non-EDS capital expenditures consist of equipment and systems essential to the delivery of CATSA's mandated programs as well as in support of CATSA's network infrastructure and corporate management practices.

The following section provides a variance analysis of the forecasted financial results compared to budget for 2015/16, and a discussion of the 2016/17 – 2020/21 financial plan for EDS and non-EDS capital.

4.4.1 Explosives Detection Systems Capital

Summary

CATSA's EDS capital plan is developed based on the following key considerations:

- Keeping up-to-date with advances in technology to maintain compatibility with international partners;
- Replacing equipment that is reaching the end of its useful life;
- Supporting new security regulations and operational trials; and
- Addressing airport capacity requirements.

CATSA is developing a hedging strategy to help reduce its foreign currency exposure as a significant amount of EDS capital equipment is expected to be purchased from US vendors over the planning period.

2015/16 Variance Analysis

CATSA identified capital funds in the amount of \$65.1M to be re-profiled from fiscal year 2015/16 to future years. The capital re-profile is comprised of \$63.9M for EDS and \$1.2M for non-EDS.

The capital re-profile for EDS consists of the following projects:

- HBS integration projects (\$55.3M) – the purchase of equipment and integration work have been postponed to align with revised airport project plans;
- Enhanced NPS (\$5.0M) – the purchase of EDS equipment to support the enhanced NPS program has been postponed to 2016/17 due to airport delays in the construction of NPS vehicle permanent structures; and
- LEDS at PBS (\$3.6M) - deployment of LEDS technology at PBS checkpoints is pending direction from TC on the screening requirements and the results of trials undertaken by CATSA's international partners.

After taking into consideration the capital re-profile, expenditures for EDS are forecasted to be \$0.8M higher than budgeted for 2015/16. This is mainly due to the initiation of an HBS integration project earlier than planned based on the revised airport project plan, partially offset by lower spending for other EDS projects.

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The EDS capital plan represents over 90% of CATSA's capital budget over the planning period.

Pre-Board Screening

CATSA's capital plan provides for the life-cycle management of its existing PBS screening equipment which will be reaching the end of its useful life. More specifically, the plan focuses on the life-cycle management of the X-ray equipment and Full Body Scanners deployed at major airports across Canada which will begin in 2019/20. The plan also supports the life-cycle management of other EDS equipment including Walk-Through Metal Detectors and Explosive Trace Detection equipment. As part of the life-cycle management plan, CATSA will explore options for new technologies with the aim of optimizing the PBS checkpoints as well as to ensure alignment with the TSA.

As discussed in Section 4.2, CATSA's capital plan provides for the installation of additional PBS lanes in support of Calgary's airport expansion project. The airport's new terminal provides an opportunity for CATSA to design a screening checkpoint that integrates recent innovative screening concepts, without existing space constraints. CATSA's capital plan supports the deployment of the CATSA Plus model at select airports across Canada which will be modularized and scalable based on the unique conditions of each checkpoint.

Lastly, the capital plan accommodates the deployment of new LEDS technology at PBS checkpoints. This will allow CATSA to maintain PBS equivalency with its international partners.

Hold Baggage Screening

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

In 2011, CATSA initiated the life-cycle management of its HBS system at airports across Canada which consisted of the conversion of the five-level system to three levels with new CT technology. The deployment plan was developed based on a 10-year schedule in consideration of the estimated useful lives of the existing HBS system and equipment. In addition, the deployment schedule for HBS

Transborder systems at Class I airports was accelerated in support of the Canada-U.S. declaration *Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*. Accordingly, Canada committed to replacing its HBS equipment at all pre-clearance airports with technology certified by the TSA which would eliminate the need for re-screening connecting baggage originating from Canadian airports with US pre-clearance facilities. In 2016/17, CATSA will have fully achieved the Beyond the Border compliance and will continue the life-cycle management of Domestic and International HBS systems at Canada's largest airports.

Over the course of the five-year planning period, CATSA is projecting to spend a total amount of \$350M for the life-cycle management of its HBS system, which represents approximately 70% of the overall EDS capital budget envelope.

CATSA's HBS capital plan also provides for the ongoing life-cycle management of Trace and X-ray equipment for oversize baggage as well as for project engineering support and testing of new technology solutions.

Non-Passenger Screening

The capital plan accommodates the purchase and deployment of EDS equipment at the NPS vehicle permanent structures in 2016/17 as part of the enhanced NPS program. As discussed in Section 4.2, the airports are responsible for financing and building the permanent structures in support of the full NPS vehicle solution.

The plan also accommodates the life-cycle management of CATSA's existing EDS equipment at NPS access points in the Air Terminal Buildings based on the estimated useful life of the equipment.

4.4.2 Non-EDS Capital

Summary

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

- Useful life of CATSA's existing non-EDS equipment and systems at corporate headquarters and in the regions;
- Operational trials conducted at the airports; and
- New technologies to enhance CATSA's network infrastructure and corporate management systems.

2015/16 Variance Analysis

The capital re-profile for non-EDS of \$1.2M is mainly due to delays in the installation of the system infrastructure for the NPS vehicle screening program pending the construction of the airport vehicle permanent structures.

After taking into consideration the capital re-profile, capital expenditures for non-EDS capital are forecasted \$1.7M lower than budget. The decrease is mainly due to lower overall costs for network and system infrastructure associated with the enhanced NPS program.

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

In particular, the plan accommodates the installation of the system infrastructure for the NPS vehicle screening program. It also provides for national deployment of the QMS at major airports across Canada over the five-year planning period following the successful trial in Edmonton.

Additional non-EDS capital projects include the ongoing life-cycle management of CATSA's systems and tools essential to the delivery of CATSA's mandate. These include CATSA's network infrastructure, RAIC, Boarding Pass Security System (BPSS), Learning Management System (LMS) and X-ray Tutor.

4.4.3 Disposal of Capital Assets

Overview

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

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

Glossary

Airport Authority	An operator of an airport listed in the Airport Transfer (Miscellaneous Matters) Act
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
CCTV	Closed-Circuit Television System
Class I Airports	Refers to the airports listed under Schedule 1 of the Canadian Aviation Security Regulation, 2012. These airports have an annual passenger traffic in excess of 1 million people, or have a high threat/risk potential.
Class II Airports	Refers to the airports listed under Schedule 2 of the Canadian Aviation Security Regulation, 2012. These airports have one or more of the following characteristics: <ul style="list-style-type: none"> • annual passenger traffic in excess of 200,000 people; • has a medium threat/risk potential; • is the primary airport of provincial/territorial capital; or • is a transit stop for international flights bound for Class I or II airports
Class III Airports	Refers to the airports listed under Schedule 3 of the Canadian Aviation Security Regulation, 2012 (CASR). These airports have scheduled commercial operations, but with a lower traffic volume and lower level of risk than the other classes of airports.
CRP	Corporate Risk Profile
CT	Computed Tomography
Designated Airports	The 89 airports at which CATSA is responsible for the provision of screening services according to regulations
EDS	Explosives Detection Systems: manual or automated systems used primarily to check for explosives in carry-on and checked baggage
FBS	Full Body Scanner
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
HTT	Harmonized Trusted Traveller
NPS	Non-Passenger Screening: the screening of selected non-passengers accessing restricted areas of airports. Subject to certain exceptions, everyone who has access to restricted/sterile areas in airports is subject to screening.
NTCP	National Training and Certification Program
PAA	Program Alignment Architecture: an inventory of all the activities undertaken by a department or agency. The activities are depicted in their logical relationship to each other and to the Strategic Outcome(s) to which they contribute.
PBS	Pre-Board Screening: the screening of passengers, their belongings and carry-on baggage
QMS	Queue Management System
RAIC	Restricted Area Identity Card: an identification card issued to all employees authorized to enter the restricted areas of Class I and II airports
Screening Contractor	A company that has entered into a contract with CATSA for the provision of PBS, HBS and other screening services
SOPs	Standard Operating Procedures
TBS	Treasury Board of Canada Secretariat
WTMD	Walk-Through Metal Detector

