



Canadian Air Transport Security Authority (CATSA)

Summary of the
2018/19 – 2022/23 Corporate Plan
2018/19 – 2022/23 Operating Budget
2018/19 – 2022/23 Capital Budget



Disclosure: 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 June 10, 2019.

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

Table of Contents

1.0 Executive Summary	3
2.0 Overview	5
2.1 Mandate, Mission and Vision	5
2.2 CATSA's Core Responsibility	6
2.3 Legislative and Regulatory Framework	6
3.0 Operating Environment	6
3.1 CATSA Workforce.....	7
3.2 Environmental Scan.....	7
3.3 External Audits	11
4.0 Strategic Direction	12
4.1 Objectives and Activities	12
4.2 CATSA's Corporate Risk Profile	16
4.3 Expected Results and Performance Indicators.....	17
5.0 Financial Overview	18
5.1 Funding Overview	18
5.2 Financial Results and Financial Plan by Program Activity	21
5.3 Financial Results and Financial Plan for Operating Expenditures	24
5.4 Financial Results and Financial Plan for Capital Expenditures.....	30
5.5 Accounting and Financial Management Strategy.....	34
Annex A – Ministerial Direction	38
Annex B – Corporate Governance Structure	38
Annex C – Performance	40
Annex D – Chief Financial Officer Attestation	43
Annex E – Risks and Risk Responses	44
Annex F – Legislative and Policy Compliance	46
Annex G – Government Priorities and Direction	48
Annex H – Glossary	49

1.0 Executive Summary

The Canadian Air Transport Security Authority (CATSA) is an agent Crown corporation, funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. In accordance with the *Canadian Air Transport Security Authority Act (CATSA Act)*, CATSA is responsible for providing effective, efficient and consistent 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.

Supported by screening contractors and their screening officer workforce, CATSA's mandated operations are expected to screen over 70 million passengers and their belongings in 2018/19. By 2022/23, the number of screened passengers is expected to rise to 81.6 million.

CATSA continued to deliver on its aviation security mandate in 2017/18, while exceeding performance targets and strengthening relationships with stakeholders. While the organization experienced stability in terms of delivering on its mandate utilizing short-term supplemental funding, uncertainty remains in the absence of a sustainable and operationally effective long-term funding solution. A long-term solution would provide CATSA with predictable financial resources to carry out its mandate and maintain a wait time service level target where, on average, 85% of all passengers wait 15 minutes or less to be screened at all Class I airports on an annual basis (this will be referred to as WTSL of 85/15 throughout the Corporate Plan).

Over the planning period, and over and above the sustainable long-term funding issue, there are multiple strategic matters and major decisions that may impact CATSA's business. These areas of focus include:

- Governance model review and decision by the Government of Canada;
- Deployment of the CATSA Plus screening concept;
- Continuity of the enhanced non-passenger screening program; and
- Impact of Bill C-49 on CATSA's operations.

CATSA's strategic objectives and primary activities largely remain consistent with its 2017/18 Corporate Plan and continue to be in line with the organization's mandate. CATSA's key risks are those that have the greatest potential to impact the achievement of the corporation's objectives and outcomes.

Strategic Objective	Primary Activities	Key Risks
Service Excellence	<ul style="list-style-type: none"> • Security effectiveness • Operational efficiency • Optimized passenger experience <ul style="list-style-type: none"> - Customer service commitment - CATSA Plus • Enhanced non-passenger screening • Hold baggage screening recapitalization 	<ul style="list-style-type: none"> • Level of long-term funding to deliver core mandate • Organizational influence • Capacity to provide corporate support services • Stakeholder engagement • Detection capability • Employee recruitment and retention • Labour disruptions • Period of interim senior leadership
Healthy Workplace, Engaged Employees, and Proactive Leadership	<ul style="list-style-type: none"> • Work-life balance • Inclusive and diverse environment • Culture of recognition • Proactive, transformative leadership 	
Active Collaboration with Industry	<ul style="list-style-type: none"> • Partner/stakeholder activities and liaison 	
Financial Sustainability	<ul style="list-style-type: none"> • Cost recovery options • Sustainable long-term funding solution 	

2.0 Overview

2.1 Mandate, Mission and Vision

CATSA is responsible for providing effective, efficient and consistent 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 at designated airports across the country. CATSA's goal is to provide an effective, consistent and professional level of security screening in Canada.

CATSA's *mandate* consists of four areas of aviation security that comprise the organization's main activities and principal programs:

- **Pre-board screening (PBS):** the screening of passengers, their carry-on baggage and their belongings prior to their entry to the secure area of an air terminal building;
- **Hold baggage screening (HBS):** the screening of passengers' checked (or hold) baggage to prevent the boarding of prohibited items;
- **Non-passenger screening (NPS):** the random screening of non-passengers and their belongings, including vehicles, entering restricted areas of the aerodrome at the highest risk airports; and
- **Restricted Area Identity Card (RAIC):** the system which uses iris and fingerprint biometric identifiers to allow non-passengers access to the restricted areas of airports.

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

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

CATSA's *vision* is to be a recognized global leader in aviation security screening. We will achieve this vision through:

- **Our service:** We provide the best possible passenger experience and maintain the highest level of security while delivering value to Canadians with an optimal use of our resources;
- **Our people:** We are proactively engaged and committed to lead by example; and
- **Our partnerships:** We work in collaboration with our partners toward common goals and interests.

2.2 CATSA's Core Responsibility

As per the Treasury Board of Canada Policy on Results, Crown corporations are expected to comply with the requirement to identify Core Responsibilities in order to support the publication of the Main Estimates and the Public Accounts. As CATSA's mandate is very specific, the organization has one Core Responsibility.

Canadian Air Transport Security Authority	
Core Responsibility	Security Screening at Designated Airports
Description	The Canadian Air Transport Security Authority is mandated to deliver effective, efficient and consistent screening that is in the interest of the travelling public at designated airports, by way of Pre-Board Screening, Hold Baggage Screening, Non-Passenger Screening, and Restricted Area Identity Card programs.

2.3 Legislative and Regulatory Framework

Responsibility for civil aviation security in Canada is shared among several federal government departments and agencies, as well as air carriers and airport operators. CATSA, as the civil aviation security screening authority for Canada, is regulated by Transport Canada, Canada's designated national civil aviation security authority. CATSA is subject to domestic legislation and regulations in the way that it conducts business and screening, as demonstrated in Annex F.

3.0 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 interest¹. 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.

CATSA's operating environment is discussed with regard to the following key areas, to set the stage for its five-year plan:

- CATSA workforce;
- Environmental scan (strengths, weaknesses, opportunities and challenges);
- Performance measurement; and
- Key risks to the organization over the planning period.

¹ An overview of how the corporation's plans align with government priorities and direction can be found in Annex G.

3.1 CATSA Workforce

The following table summarizes CATSA's non-unionized workforce.

Function	Full Time Equivalents (FTEs)
Executive Management	5
Headquarters	298
Regional	146
Total CATSA workforce	444

CATSA's service delivery model is based on four regions: East, Central, Prairies and Pacific. In addition to the staff located at headquarters in Ottawa, the organization's regional service delivery teams are stationed at Class I airports in each administrative region, where they are responsible for the delivery of screening operations at the 89 designated airports across Canada.

In addition to the staff summarized above, CATSA is supported by third-party screening contractors and their screening officer workforce.

3.2 Environmental Scan

The main focus of CATSA's environmental scan exercise is to identify external and internal determinants that may have impacts, both positive and negative, on CATSA's objectives in order to inform the strategic planning process.

CATSA's Corporate Plan is influenced by the current environment:

Strengths	Weaknesses
<ul style="list-style-type: none"> Organizational adaptability to evolving security environment Managing wait times through innovation Highly qualified and dedicated employees Proven leadership in security screening 	<ul style="list-style-type: none"> Capacity to provide corporate support services
Opportunities	Challenges
<ul style="list-style-type: none"> Potential new governance model 	<ul style="list-style-type: none"> Absence of sustainable and operationally effective long-term funding International influence over the regulatory environment Continued protection of critical infrastructure from cyber threats

Strengths

Organizational adaptability to evolving security environment

In an ever-evolving security environment that often requires changes to regulations and procedures, CATSA is able to provide flexible and nationally consistent responses across the Canadian aviation system, despite the absence of sustainable long-term funding. CATSA achieves this by continuously keeping abreast of the latest threats through its partnerships with the domestic intelligence community and international partners.

CATSA's adaptability and ability to quickly respond was highlighted during the implementation of enhanced screening measures for large electronics, and the application of new restrictions on inorganic powders and granular materials with a volume of 350ml or more. Not only did these changes address the evolving security landscape, they were also introduced without significant impact on the travelling public.

Managing wait times through innovation

Much of CATSA's adaptability is related to the fact that it is a data-driven, evidence-based organization. Innovation in this field would not be possible without rigorous quantitative and qualitative analysis, and predictive analytics, a key organizational strength that has given CATSA credibility with Transport Canada and central agencies. More specifically, the organization has successfully been able to harness technology and system networking in order to create modeling tools that can accurately simulate wait times and predict potential impacts on service levels. Operational performance data collected through its Boarding Pass Security System (BPSS), for example, allows CATSA to produce accurate wait time forecasts in addition to providing the regions with real-time wait time information that can be used to adjust screening officer resources in order to address pressure points at the airport level.

CATSA also works in close collaboration with airline and airport authority partners to consistently make adjustments to security screening operations in conjunction with flight schedules, airport operating realities and unexpected circumstances wherever possible. This cooperation has contributed to CATSA's ability to maintain a WTSL of 85/15.

Highly qualified and dedicated employees

The hard work that goes into fulfilling CATSA's mandate would not be possible without focused, engaged and dedicated employees. Teams of highly qualified experts work together to ensure the delivery of screening services across Canada is effective, efficient, consistent and professional. The commitment to protecting the travelling public is something that all CATSA employees share; with 'success' measured daily as the prevention and deterrence of threats to the air transport system.

Proven leadership in security screening

CATSA has established itself as an innovative, effective and credible aviation security authority, providing advice and training to a number of federal departments and international partners on a variety of different programs. Through experience, CATSA has leveraged its relationships with industry partners in order to share information concerning matters of security, wait times, and current and future innovations.

CATSA's leadership position in security effectiveness is evidenced by other screening authorities coming to CATSA for information relating to our training and oversight programs as well as our innovative screening solutions.

CATSA's significant expertise in designing, developing and delivering a National Training and Certification Program has also garnered interest. At times, CATSA has been requested to provide support in improving

training programs. Some of the countries or international aviation organizations that CATSA has assisted in the past include Australia, England, Japan, New Zealand, Switzerland, the International Air Transport Association, and the International Civil Aviation Organization (ICAO).

CATSA is also an active participant in many international information sharing and collaboration initiatives such as Smart Security, the Innovation Task Force and the Transportation Security Authority Human Factors International Working Group. The members of these initiatives are at the forefront of security screening and leverage each other's experiences to continually improve and innovate. These forums also provide benchmarking opportunities such that performance can be assessed and compared against peers.

Weaknesses

Capacity to provide corporate support services

A consequence of unsustainable and unpredictable funding is the need to invest valuable time and effort into advocating for operationally effective long-term funding, only to have to do it again during the subsequent budget cycle. This results in tremendous stress on the organization's capacity, when it is already managing internal resources in a constrained environment. The current size of CATSA's workforce requires the organization to fully maximize its human resources capacity. Additionally, the unpredictability of supplemental funding has had an impact on staffing levels in specialized areas, leaving certain departments understaffed and heavily reliant on key subject matter experts.

Opportunities

Potential new governance model

In 2017/18, the Government of Canada launched a governance model review of CATSA in an effort to achieve a more sustainable and predictable funding model for the organization. Throughout 2017/18, CATSA worked closely with government and stakeholders – particularly Transport Canada and Finance Canada – to evaluate the various governance options being considered. As a decision has not yet been made, CATSA has not assumed any change in the development of its five-year plan contained in this Corporate Plan. CATSA continues to support this review.

Challenges

Absence of sustainable and operationally effective long-term funding

The biggest challenge that CATSA faces is the absence of sustainable and operationally effective long-term funding. The current fiscal framework does not allow CATSA to plan strategically and truly develop a long-term organizational plan. The organization is limited by the yearly supplemental funding that, too often, is confirmed and approved at the beginning of a given fiscal year.

Given the necessity of securing long-term funding in order to fulfill its mandate on the most basic of levels, it is consistently challenging for CATSA to demonstrate to Transport Canada and central agencies its forecasting capacity and costing accuracy, as well as the validity of its requests for program funding.

International influence over the regulatory environment

The environment in which CATSA operates is strictly regulated, and there are a variety of external pressures that impact the organization's operational flexibility. CATSA is greatly affected by regulatory changes made by international partners, such as the United States and the European Union, in terms of the level of security screening provided and the equipment used. CATSA's regulatory environment is

largely influenced by the TSA in the United States, and as a member of the ICAO, Canada has an obligation to comply with ICAO aviation security standards. When changes are sought by other jurisdictions or ICAO, Transport Canada endeavours to accommodate such changes, while striving to minimize any impacts on passengers and industry.

Protection of critical infrastructure from cyber threats

In accordance with Canada's Cyber Security Strategy, CATSA must remain aware of potential vulnerabilities as the organization continues to network its screening equipment and systems. Recent hacks on the government network reflect a growing need for the protection of critical infrastructure against cyber threats. The increasing push towards connectivity presents its own set of challenges and CATSA is prepared. From an IT perspective, in the event of a shutdown, CATSA can still operate with reduced efficiency. However, it is important that as more information is brought onto the network, and the Internet of Things continues to expand, all efforts are made to continue to secure the system and its data from cyber attacks.

3.3 External Audits

In 2015/16, the Office of the Auditor General (OAG) presented its Special Examination report, 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 all but one have been successfully implemented.

During the OAG Special Examination, CATSA identified to the OAG that its Learning Management System (LMS) was nearing the end of its life cycle and the organization was in the midst of planning the replacement. The CATSA LMS is a web-based system used to schedule, track, deliver and report on screening officer training and certification. Work on the development and implementation of the new system began in January 2016, and is now in the final stages, with the final data migration and system launch planned for the second half of 2018/19.

In 2015/16, the Office of the Commissioner of Official Languages (OCOL) conducted an audit to determine to what extent CATSA is fulfilling its language obligations to the travelling public. In its preliminary audit report, OCOL presented fifteen recommendations. Since the audit, CATSA has worked with OCOL to advance the delivery of bilingual services to the travelling public. To date, thirteen of the fifteen action plans have been completed, while the remaining two are expected to be addressed by the fall of 2018/19.

The former Interim Commissioner has commended CATSA's commitment to meeting language obligations to the travelling public.

4.0 Strategic Direction

4.1 Objectives and Activities

CATSA's main strategic priorities for 2018/19 to 2022/23 are the following:

- Service excellence;
- Healthy workplace, engaged employees and proactive leadership;
- Active collaboration with industry; and
- Financial sustainability.

Service Excellence

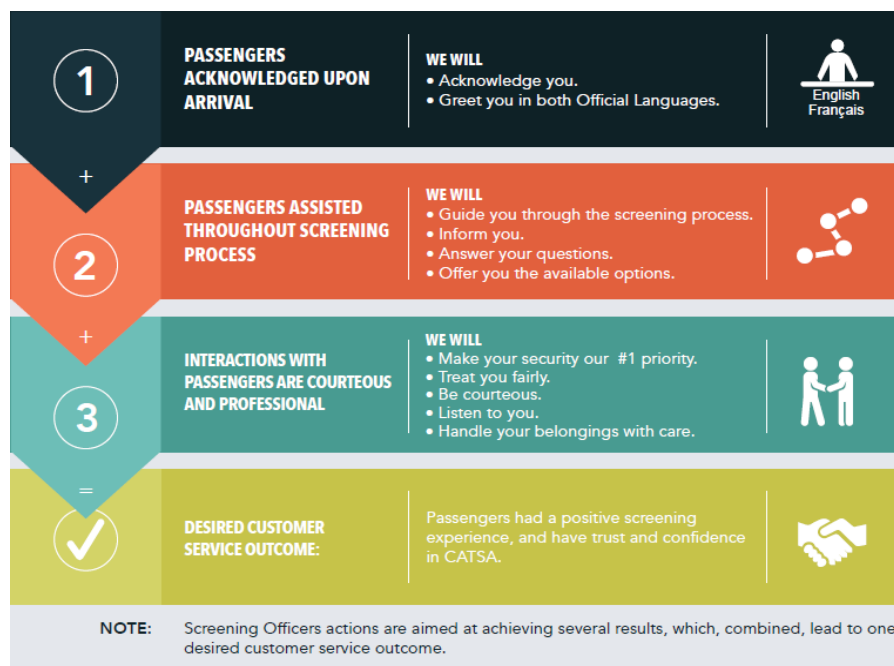
Security Effectiveness

Security is CATSA's top priority and the success of the organization's ongoing commitment to the effectiveness of its screening operations is measured through security effectiveness and security screening compliance performance metrics. This includes 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 content, further details cannot be included in a public document.

Optimized Passenger Experience

Customer Service Commitment

In 2017/18, CATSA established the Customer Service Commitment to Passengers framework, targeting both screening officers and passengers, that focuses on achieving one outcome: for passengers to feel that they have had a positive screening experience and have greater trust and confidence in CATSA.



Going forward, the Customer Service Commitment to Passengers will continue to frame CATSA's efforts to achieve excellence in service delivery and serve as a baseline for communications with stakeholders and the travelling public. The success of the Commitment continues to be measured through CATSA's ongoing public opinion research, the results of which are shared with CATSA's Board of Directors, senior management and third party screening contractors.

Screening officer professionalism

Screening officers are provided with the knowledge and skills needed to perform screening functions with an emphasis on customer focused security. Training on professional conduct forms a mandatory component of the training program for all screening personnel. As part of the recurrent learning program, screening officers receive training specifically designed to focus on customer service, reinforcing the view that air travellers are 'customers' who expect and deserve a screening experience that is effective, efficient and hassle-free.

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

CATSA Plus

The CATSA Plus initiative is an opportunity to transform the passenger experience through tangible checkpoint innovations and investments in high-performance screening equipment that will not only enhance customer service but also improve screening effectiveness. CATSA Plus fully embraces SMART² security concepts, with parallel divest stations, motorized rollers, radio frequency identification bin tracking and remote screening, and brings Canada on par with the most innovative airports in the world in improving overall screening and passenger flow through checkpoints. CATSA Plus provides a better foundation upon which to build in the future.

The deployment of the CATSA Plus screening concept presents a unique opportunity for CATSA and airport authorities to collaborate on the mutual goal of enhancing the customer experience. In collaboration with CATSA, airport authorities will need to make, in most cases, significant changes to their existing checkpoints or even create new checkpoints, to accommodate the CATSA Plus lines as they are much longer and wider than standard screening lines.

CATSA has deployed CATSA Plus lines at select checkpoints at Montreal-Trudeau International Airport, Toronto Pearson International Airport, Calgary International Airport and Vancouver International Airport. The utilization of CATSA Plus lines at those checkpoints has resulted in an increase in the available screening capacity of those checkpoints.

CATSA has limited existing funding to carry out deployments at select checkpoints in 2018/19 and beyond. CATSA will deploy a limited number of additional lines based on available funds within its capital reference levels.

² SMART Security is a joint initiative between the International Air Transport Association (IATA) and Airports Council International (ACI) with a vision in which passengers proceed through security checkpoints with minimal inconvenience, security resources are allocated based on risk, and airport facilities are optimized, thus contributing to an improved journey from curb to airside.

Enhanced NPS

CATSA received one-year additional funding from Budget 2018, which allowed the organization to continue delivering the Enhanced NPS program for 2018/19. However, absent additional funding to maintain operations that meet the enhanced ICAO standards for fiscal year 2019/20 and beyond, CATSA may need to reallocate funds from PBS to NPS. This would degrade PBS wait time service levels. CATSA will continue to support Transport Canada in developing a long-term funding solution.

HBS Recapitalization Program

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. As part of this process, CATSA will continue its 10-year HBS Recapitalization Program through the deployment of computed tomography (CT) X-ray technology while maintaining equivalency with key international partners. The HBS Recapitalization Program introduces efficiencies and eliminates the need to re-screen checked baggage arriving from Canada to the United States, thereby streamlining the process for passengers connecting through a United States hub. The Program encompasses 32 airports and is comprised of 46 projects. Initial deployments focused on Canadian airports with United States pre-clearance facilities in order to support the joint Canada-United States *Beyond the Border* declaration.

Healthy Workplace, Engaged Employees and Proactive Leadership

The implementation of CATSA's strategic initiatives is largely dependent on cultivating an engaged workforce and optimizing the organization's ability to recruit and retain talent with compensation and benefits that are in line with the relevant market median. Recent CATSA culture surveys, conducted in December 2015 and February 2018, proved valuable for understanding the perspectives of CATSA employees on the organization's corporate culture. Three employee working groups were established following the 2015 culture survey, and as a result, CATSA amended existing policies in 2017 to introduce more flexibility in the administration and implementation of leave benefits, and to offer employees greater access to developmental opportunities.

The 2018 CATSA Culture Survey provided a strong indication that the organization is on the right track. CATSA will continue its work on increasing trust and confidence among employees, senior management and its Human Resources directorate, providing greater support to front-line managers and promoting a respectful workplace.

Ongoing efforts will focus on enhancing existing human resources strategies in the areas of performance management and short and long-term retention initiatives.

Active Collaboration with Industry

CATSA operates in a highly integrated environment, with several entities assigned to specific security responsibilities, including other government organizations, airport authorities, air carriers and law enforcement agencies. Activities, such as the scheduling of flights, passenger check-in, screening of passengers and their baggage, loading of checked baggage and boarding of aircraft must operate seamlessly to ensure optimal movement of people and goods.

This integration requires a high degree of communication and coordination between CATSA and its partners, not only to ensure the effective and efficient screening of passengers and their belongings, but also aid their continuous movement through the system as delays at one airport can have ripple effects across the system. CATSA recognizes that strong relationships with partners are critical to the overall positive performance of aviation security activities and to the day-to-day success of delivering its mandate. Therefore, CATSA is committed to continue strengthening and building collaborative

relationships with industry partners. This is exemplified by the continued deployment of CATSA Plus lines at airports across the country.

CATSA also leverages its relationships with the international community, proactively sharing information and discussing plans for future innovations. As a result, CATSA continued to enhance its reputation among key stakeholders. For example, CATSA participated in a variety of conferences over the course of 2017/18, including the Global Aviation Security Symposium and the Airports Council International – North America conference. This involvement allowed CATSA to continue expanding its understanding of aviation security, passenger facilitation, and the ever-changing world of technology.

Financial Sustainability

Cost Recovery

In May 2018, Bill C-49, the *Transportation Modernization Act*, received Royal Assent. Bill C-49 contains changes to the *CATSA Act* that formalize policy authority for cost recovery initiatives for designated airports that seek expedited passenger screening, and cost recovery for non-designated airports. These services are based on a cost-neutral methodology.

In collaboration with Transport Canada, CATSA has undertaken cost recovery activities on a trial basis. In October 2014, the organization entered into a Supplemental Screening Trial Agreement with the Greater Toronto Airports Authority (GTAA), which allowed the GTAA to purchase additional screening capacity in the form of supplemental screening lines.

Following CATSA's receipt of Transport Canada's support to extend the Agreement, CATSA and the GTAA entered into an extension to March 31, 2019.

In addition, consistent with the intent of Bill C-49, the Vancouver International Airport Authority (YVRAA) purchased supplemental PBS screening hours between June 26, 2017 and June 30, 2018 in order to reduce the wait time impact of anticipated higher passenger volumes for 2017/18.

As airports demonstrate an interest in purchasing supplemental services on a cost recovery basis, CATSA will continue to engage with interested partners to discuss the options available.

Sustainable Long-Term Funding Solution

The development and implementation of a sustainable long-term funding solution continues to be a priority for CATSA. The organization has received one-year supplemental funding to maintain operations and current wait time service levels over several previous planning cycles; however this does not provide the predictability and responsiveness necessary to plan adequately for future years. A sustainable long-term and operationally effective funding solution would allow CATSA to make strategic planning decisions in relation to the delivery of its core mandate.

In order to evaluate the impact of various funding options on PBS wait time service levels, CATSA developed an enhanced Wait Time Impact Model (WTIM) in 2013/14. During its development, the WTIM was shared with and validated by Transport Canada, and central agencies were consulted.

Budget 2018 provided CATSA with one-year supplemental funding for 2018/19 totaling \$240.6M to allow CATSA to strive for a WTSL of 85/15. The funding also allows CATSA to maintain its Enhanced NPS program for the fiscal year. Absent additional funding, it is forecasted that on average, approximately 5% of all passengers would wait 15 minutes or less to be screened at Class I airports on an annual basis, starting in 2019/20.

In addition, the expiration of NPS funding on April 1, 2019 could potentially impact PBS wait time service levels. As the Enhanced NPS program is an ICAO standard that Canada is required to meet, CATSA may have to reallocate funds from PBS to NPS in order to meet the standard.

Moving forward, should CATSA be directed to maintain a WTSL of 85/15, and deliver the Enhanced NPS program, the funding shortfall for 2019/20 will be \$266.6M.

Based on CATSA's current reference levels and as a result of rising screening contractor billing rates, there will be a demonstrated downward trend in the number of PBS screening hours CATSA will be able to purchase during the planning period. As per CATSA's PBS WTIM, it is expected that a WTSL of 85/15 cannot be maintained, and longer passenger wait times are foreseeable for fiscal year 2019/20 and beyond.

The potential impact of such a severe service level decline on Canada's aviation industry would be significant. Given the interconnectivity of the aviation system, any delays at hub airports like Toronto's Pearson International Airport could greatly affect other airports and potentially disrupt the system. In particular, wait times of 40 minutes or more may result in missed or delayed flights. As the frequency of higher wait times becomes more prevalent, the scheduling efficiency of the aviation system may be weakened, resulting in increased negative perceptions of security screening by industry and the general public. Negative economic implications for air carriers, airport authorities and other stakeholders in the aviation system could also be experienced.

Transport Canada and CATSA continue to work together to advocate for a sustainable, long-term and operationally effective funding solution.

4.2 CATSA's Corporate Risk Profile

As a key member of the Canadian civil aviation security system, CATSA is exposed to a variety of risks that may impact the organization's ability to fulfill its mandate. Specific responses to aviation security threats and risks are mandated by Transport Canada and implemented by CATSA. In addition to intelligence-related threat information overseen by Transport Canada and risk responses, CATSA 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 the risks that could impede the organization's ability to reach its strategic objectives.

These risks include:

- Level of long-term funding to deliver core mandate;
- Organizational influence;
- Capacity to provide corporate support services;
- Stakeholder engagement;
- Detection capability;
- Employee recruitment and retention;
- Labour disruptions; and
- Period of interim senior leadership.

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 2017/18 CRP was used to inform this Corporate Plan. More information on key risks can be found in Annex E.

4.3 Expected Results and Performance Indicators

CATSA is a data-driven organization. In order to effectively fulfill its mandate, the organization collects and monitors a variety of data, utilizing the results to adjust operations accordingly. CATSA relies heavily on this information to guide and inform continuous improvement, striving to be a world-leader in aviation security.

As an example, CATSA is able to collect data from the BPSS to accurately predict passenger wait times. The BPSS allows screening officers to scan boarding passes to analyze and validate information at the beginning and at the end of the queue. The information collected by the BPSS provides details on how long passengers waited in line to be screened. CATSA is able to use this information to adjust resources, and also shares relevant data with airport authorities and air carriers.

For more information on CATSA's performance, please see Annex C.

5.0 Financial Overview

CATSA 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 financial results and budget for 2017/18, and its financial plan for the five-year period.

5.1 Funding Overview

Budget 2018

Through Budget 2018, CATSA received supplemental one-year funding of \$240.6M (\$236.2M operating and \$4.4M capital) for 2018/19. This funding consists of \$116.6M to target, on average, a WTSL of 85/15 and to support U.S. pre-clearance at two Class II airports, and \$124.0M to continue to deliver the Enhanced NPS program.

2018/19 at a Glance

CATSA's budget for 2018/19 is in the amount of \$857.9M, which consists of \$707.7M for operating and \$150.2M for capital.

The operating budget has been developed based on CATSA's reference level, which includes the supplemental operating funding of \$236.2M received through Budget 2018, in addition to incremental funding of \$0.1M received from the Government of Canada to support the G7 summit held in June 2018. The majority of the operating budget consists of payments to third party contractors to perform screening services, which represents over 80% of the total operating budget for 2018/19. The remaining budget provides for the maintenance of CATSA's Explosives Detection Systems (EDS) and non-EDS capital assets, as well as for screening-related disbursements and support services essential to the delivery of CATSA's mandate.

The capital budget has been developed based on CATSA's reference level, which includes the supplemental capital funding of \$4.4M received through Budget 2018, the majority of which is designated to support PBS operations, and the U.S. pre-clearance checkpoints at the Toronto City Centre and Quebec City airports. CATSA's capital budget provides for the ongoing life-cycle management of its HBS system at airports across Canada, which represents 72% of the total capital budget for 2018/19, and for the deployment of CATSA Plus lines at select Class I airports. In addition, the capital budget provides for the ongoing life-cycle management of other EDS and non-EDS assets, and software and hardware updates to support CATSA's corporate systems.

CATSA's Funding Profile

Table 1 summarizes CATSA's financial results for 2016/17 and 2017/18, and its funding profile for the period 2018/19 to 2022/23.

TABLE 1 Financial Plan <i>(in millions of dollars)</i>	Actual 2016/17	Actual 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Five Year Total 2018/19 - 2022/23
Operating Expenditures	\$ 616	\$ 646	\$ 708	\$ 467	\$ 467	\$ 467	\$ 467	\$ 2,576
Capital Expenditures	108	76	150	108	96	101	100	555
Total	\$ 724	\$ 722	\$ 858	\$ 575	\$ 563	\$ 568	\$ 567	\$ 3,131

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

Operating

CATSA's operating reference level for fiscal year 2018/19 takes into account the supplemental funding of \$236.2M which will allow CATSA to target a WTSL of 85/15, support U.S. pre-clearance and continue to deliver the Enhanced NPS program, and the additional funding of \$0.1M to support the G7 summit.

For fiscal year 2019/20 and beyond, the organization's operating reference levels revert back to its A-Base funding, established through Budget 2010 and subsequently reduced to reflect the outcome of successive mandatory operational and organizational reviews. This level of funding is not operationally effective as it does not accommodate screening contractor billing rate increases nor passenger growth which have been compounding over time. Furthermore, as CATSA's A-Base funding was established in 2010 prior to ICAO's announcement of strengthened NPS standards, CATSA's NPS funding beyond 2018/19 reverts back to levels prior to the delivery of Enhanced NPS.

CATSA continues to support Transport Canada in the development of an operationally effective long-term funding strategy for PBS and NPS.

Effective April 01, 2019, a new accounting standard, International Financial Reporting Standards (IFRS) 16 *Leases* will require CATSA to recognize a right of use asset and lease liability for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Based upon guidance provided by TBS, this change will impact CATSA's budget as the affected lease payments will be re-classified from operating to capital effective April 01, 2019, and funded through the capital budget. The financial plan reflects this re-classification which is estimated at approximately \$4M per annum.

Capital

CATSA's capital plan over the five-year period has been developed based on its reference levels and takes into account the supplemental one-year funding of \$4.4M for 2018/19 received through Budget 2018 to support PBS operations, U.S. pre-clearance, and the Enhanced NPS program.

CATSA's capital plan supports various corporate priorities including the multi-year life-cycle management of its HBS system at airports across Canada. Through Budget 2011, CATSA received incremental funding in order to support the conversion of its five-level HBS system to a three-level system with CT technology at airports across Canada based on a 10-year deployment schedule. This HBS initiative involves managing large multi-year HBS integration projects with airports across Canada which is 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.

In 2017/18, CATSA identified capital spending of \$39.5M to be re-profiled from 2017/18 to fiscal year 2018/19. The majority of the re-profile is attributable to delays in capital spending in support of the HBS initiative resulting from revised airport project plans. The capital re-profile is discussed in further detail in Section 5.4.

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 with a focus on the life-cycle management of the HBS system in consideration of airport project plans, the deployment of CATSA Plus lines, and the life-cycle management plan for the X-ray equipment.

In March 2018, CATSA received approval from the Government of Canada for its early re-profile submission of \$3.5M from 2017/18 to fiscal year 2018/19. CATSA is working with Transport Canada to obtain approval for the remaining capital re-profile of \$36.0M, and for the annual spending profile changes.

In the fall of 2018, CATSA submitted an additional capital re-profile request of \$11.8M from 2018/19 to 2019/20, of which the majority is associated with the HBS initiative. This capital re-profile is not reflected in the organization's Financial Plan.

Future Challenges

As previously stated, the biggest challenge that CATSA faces is the absence of sustainable long-term funding which would allow the organization to be more strategic and responsive in a very dynamic environment. Although CATSA received an increase in its A-Base alongside five-year supplemental funding through Budget 2010, annual operating expenditures have increased significantly since then, despite the implementation of operational efficiencies and new technologies. These cost increases have been largely associated with the delivery of screening services due to the introduction of changes in the regulatory environment, combined with inflationary pressures and passenger growth. Nevertheless, CATSA's A-Base funding has remained static, with CATSA receiving one-year supplemental funding since 2015 to address short-term needs, and incremental funding for the last two consecutive years to continue to deliver the Enhanced NPS program following the end of its three-year funding envelope.

CATSA continues to support Transport Canada in the development of a long-term funding strategy to address funding pressures and deliver the Enhanced NPS program.

5.2 Financial Results for 2017/18 and the 2018/19 – 2022/23 Financial Plan by Program Activity

Overview

Table 2 summarizes the financial results for 2016/17, the financial results and budget for 2017/18, as well as the 2018/19 – 2022/23 operating and capital plan by program activity.

TABLE 2 Financial Plan by Program <i>(in thousands of dollars)</i>	Actual 2016/17	Actual 2017/18	Revised Budget (Note) 2017/18	Budget 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Five Year Total 2018/19 - 2022/23
Operating Expenditures										
PBS	\$ 349,938	\$ 381,546	\$ 356,152	\$ 356,152	\$ 416,292	\$ 291,207	\$ 288,676	\$ 283,981	\$ 279,623	\$ 1,559,779
HBS	105,600	107,225	111,975	111,975	114,154	114,727	116,723	120,550	125,003	591,157
NPS	127,872	130,195	151,892	151,892	144,899	18,836	18,823	19,372	19,354	221,284
RAIC	2,425	2,097	2,667	2,667	2,022	3,829	3,324	3,412	3,482	16,069
Corporate services	36,890	39,789	41,535	41,535	42,065	38,530	39,583	39,814	39,967	199,959
Subtotal	\$ 622,725	\$ 660,852	\$ 664,221	\$ 664,221	\$ 719,432	\$ 467,129	\$ 467,129	\$ 467,129	\$ 467,429	\$ 2,588,248
Revenue and other income	(6,800)	(14,545)	(16,692)	(16,692)	(11,736)	-	-	-	-	(11,736)
Total	\$ 615,925	\$ 646,307	\$ 647,529	\$ 647,529	\$ 707,696	\$ 467,129	\$ 467,129	\$ 467,129	\$ 467,429	\$ 2,576,512
Capital Expenditures										
PBS	\$ 18,366	\$ 22,964	\$ 22,799	\$ 23,561	\$ 21,688	\$ 8,442	\$ 32,752	\$ 62,158	\$ 71,519	\$ 196,559
HBS	82,101	50,062	49,459	86,005	118,968	91,856	56,921	26,980	25,435	320,160
NPS	2,855	2,411	1,989	3,477	1,833	88	88	8,472	86	10,567
RAIC	603	94	511	511	3,520	3,872	2,749	125	127	10,393
Corporate services	3,896	912	1,142	1,857	4,162	3,641	3,088	2,965	2,889	16,745
Subtotal	\$ 107,821	\$ 76,443	\$ 75,900	\$ 115,411	\$ 150,171	\$ 107,899	\$ 95,598	\$ 100,700	\$ 100,056	\$ 554,424
Proceeds of disposal and vendor credits	(12)	(851)	-	-	-	-	-	-	-	-
Total	\$ 107,809	\$ 75,592	\$ 75,900	\$ 115,411	\$ 150,171	\$ 107,899	\$ 95,598	\$ 100,700	\$ 100,056	\$ 554,424
Total Expenditures	\$ 723,734	\$ 721,899	\$ 723,429	\$ 762,940	\$ 857,867	\$ 575,028	\$ 562,727	\$ 567,829	\$ 567,485	\$ 3,130,936

Note : The Budget has been adjusted to reflect the capital re-profile of \$39.5M from 2017/18 to 2018/19.

2017/18 Financial Results

Net operating expenditures for 2017/18 of \$646.3M were \$1.2M lower than the Corporate Plan budget of \$647.5M. The variance is attributable to lower operating expenditures of \$3.3M, partially offset by lower revenue of \$2.1M generated from the delivery of fewer supplemental screening services to support the GTAA and YVRAA trial agreements. In addition, operating expenditures by program activity varied from budget. These variances are mainly attributable to a reallocation of the screening hours budget across the programs to allow CATSA to deliver its mandate in the most efficient and effective manner.

Capital expenditures for 2017/18 of \$75.6M were \$39.8M lower than the Corporate Plan budget of \$115.4M. The variance is mainly due to lower HBS spending of \$35.9M, of which the majority is associated with delays on HBS integration projects resulting from revised airport project plans which are beyond CATSA's control. In addition, the variance is due to lower NPS and Corporate Services spending (\$1.1M and \$0.9M, respectively) mainly resulting from project delays. Given the above delays and in order to align with revised project plans, capital budget of \$39.5M has been identified for re-profile to 2018/19.

A variance analysis of the operating and capital expenditures compared to the Corporate Plan Budget is presented in sections 5.3 and 5.4, respectively.

2018/19 – 2022/23 Financial Plan

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

Pre-Board Screening (PBS)

Operating and capital expenditures for PBS operations account for 56% of CATSA's five-year financial plan.

As stated earlier, CATSA received supplemental one-year funding in the amount of \$116.6M which will allow CATSA to target a WTSL of 85/15 and support U.S. pre-clearance at two Class II airports in 2018/19. The funding also provides for the increase in screening hours required to support the new enhanced security measures, introduced on July 19, 2017, for the screening of electronic devices to meet TSA requirements for U.S. bound flights. CATSA continues to support Transport Canada in the development of an operationally effective long-term funding strategy for PBS.

Furthering the industry's desire for improved wait times, the Greater Toronto Airports Authority (GTAA), with Transport Canada's support, entered into a trial agreement with CATSA in 2014 to purchase supplemental PBS screening hours on a cost recovery basis in order to mitigate wait time pressures. Based on the airport's desire to continue purchasing additional screening hours, the Supplemental Screening Trial Agreement has been extended annually, and is currently set to expire March 31, 2019. Revenue generated from the purchase of supplemental screening hours by the GTAA was in the amount of \$10.6M for 2017/18, with revenue of \$10.5M forecasted for 2018/19. Similar to the GTAA Agreement, CATSA entered into a Supplemental Screening Trial Agreement with the Vancouver International Airport Authority (YVRAA), effective June 26, 2017 for a 9-month term, expiring March 31, 2018. Recently, the Agreement was renewed to June 30, 2018, with no further extension beyond that date. Revenue generated from the YVRAA trial was in the amount of \$3.3M for 2017/18, with forecasted revenue of \$1.2M for 2018/19. The revenue projections and associated costs for these agreements are reflected in CATSA's Financial Plan.

In May 2018, Bill C-49, the *Transportation Modernization Act* received Royal Assent, allowing designated airports to enter into longer term cost recovery agreements with CATSA for the purchase of supplemental screening services, and airports that do not have access to screening services from CATSA to obtain them on a cost recovery basis. CATSA has engaged with a number of interested airports since Bill C-49's initial announcement in July 2015. Discussions remain in preliminary stages.

CATSA continues to strive for success through continuous innovation, adaptation and a commitment to customer service excellence. CATSA Plus is an example of all three of these pillars coming together to form a unique concept to improve the customer experience while enhancing security effectiveness. As at July 2018, the organization has deployed 49 CATSA Plus lines at Canada's four busiest airports, of which 41 were deployed to March 31, 2018. Over the planning period, CATSA will deploy a limited number of additional lines based on available funds within its capital reference levels.

In addition to the deployment of the CATSA Plus screening concept, the capital plan for PBS focuses on the ongoing life-cycle management of CATSA's 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 while maintaining international equivalency.

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

Hold Baggage Screening (HBS)

Operating and capital expenditures for HBS operations account for 29% of CATSA's five-year financial plan.

The operating plan for HBS provides for the purchase of screening hours required to support the operations over the planning period. The plan also accommodates the ongoing maintenance and support of CATSA's HBS equipment and systems.

CATSA's capital plan continues to focus on the life-cycle management of its HBS system which represents 50% of the total EDS capital spending over the five-year period. With all new HBS Transborder systems completed as at fiscal year 2016/17, CATSA shifted its focus towards the life-cycle management of Domestic and International HBS systems. Given the complexity of this initiative, ongoing changes to the HBS capital plan can be anticipated as airport projects may shift from one year to another based on factors beyond CATSA's control.

Non-Passenger Screening (NPS)

Operating and capital expenditures for NPS operations account for 7% of CATSA's five-year financial plan.

In 2014, CATSA received incremental three-year funding for the period 2014/15 to 2016/17 from the Government of Canada to deliver the Enhanced NPS program to meet Transport Canada's requirements and maintain alignment to ICAO standards. The program consisted of providing increased NPS coverage at the air terminal building access points and achieving 100% CATSA presence for screening of non-passengers and vehicles accessing the commercial apron of an airport at Canada's highest risk airports. As part of the program, airports were responsible for the construction and financing of permanent vehicle structures to support the full solution.

Over the past two years, the Government of Canada has provided CATSA with supplemental one-year funding to continue to deliver the Enhanced NPS program. In particular, CATSA has received funding in the amount of \$124.0M for 2018/19 through Budget 2018. Starting in 2019/20, CATSA's funding levels for NPS revert back to levels prior to the delivery of Enhanced NPS. CATSA continues to support Transport Canada in the development of an operationally effective long-term funding strategy for NPS for fiscal year 2019/20 and beyond.

In July 2017, a two-year exemption was introduced that relieves CATSA from the regulatory requirement to screen non-passengers who access U.S. bound aircrafts at airports where an Enhanced NPS program is in place. CATSA anticipates that this exemption will become permanent.

The capital plan for NPS provides for the purchase and deployment of equipment and systems in 2018/19 to support the Enhanced NPS program. The plan also provides for the life-cycle management of NPS capital assets that are reaching the end of their useful lives.

Restricted Area Identity Card (RAIC)

Operating and capital expenditures for RAIC operations account for less than 1% of CATSA's five-year financial plan. Planned expenditures reflect RAIC card purchases and ongoing operational requirements to support CATSA's biometric verification hardware and system infrastructure.

The capital plan for RAIC accommodates the replacement of the RAIC enrollment system and biometric platform with advanced technology to improve efficiency through greater automation and better end-user tools. The RAIC system is deployed at the 32 highest risk airports in Canada.

Corporate Services

Operating and capital expenditures for Corporate Services account for 7% of CATSA's five-year financial 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 consists primarily of investments in CATSA's network infrastructure and corporate management systems, and lease payments effective fiscal year 2019/20.

Revenue and Other Income

Revenue and Other Income consist of revenue projections from the purchase of supplemental screening hours by the GTAA and the YVRAA for the term of their respective trial agreement. These agreements are consistent with the intent of Bill C-49, the *Transportation Modernization Act*, which received Royal Assent in May 2018, and establishes a permanent framework for cost recovery arrangements.

5.3 Financial Results for 2017/18 and the 2018/19 – 2022/23 Financial Plan for Operating Expenditures

Overview

Table 3 summarizes the financial results for 2016/17, the financial results and budget for 2017/18, as well as the 2018/19 – 2022/23 operating plan by major expenditure category.

	Actual 2016/17	Actual 2017/18	Budget 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Five Year Total 2018/19 - 2022/23
Operating Expenditures									
Screening Services and Other Related Costs	\$ 506,075	\$ 543,099	\$ 544,178	\$ 596,704	\$ 349,730	\$ 347,842	\$ 344,023	\$ 340,581	\$ 1,978,880
Payments to screening contractors	497,269	534,553	536,841	587,829	344,161	342,188	338,413	334,956	1,947,547
Uniforms and other screening-related costs	6,516	6,200	4,443	6,161	3,289	3,344	3,196	3,211	19,201
Trace and consumables	2,290	2,346	2,894	2,714	2,280	2,310	2,414	2,414	12,132
Equipment Operating and Maintenance	\$ 40,815	\$ 39,398	\$ 40,378	\$ 39,573	\$ 39,371	\$ 39,172	\$ 41,528	\$ 43,736	\$ 203,380
Equipment maintenance and spare parts	38,381	38,342	38,153	37,799	36,878	37,487	39,422	40,905	192,491
Training and certification	1,428	412	1,263	1,474	1,493	664	1,065	1,790	6,486
RAIC cards	1,006	644	962	300	1,000	1,021	1,041	1,041	4,403
Program Support and Corporate Services	\$ 75,835	\$ 78,355	\$ 79,665	\$ 83,155	\$ 78,028	\$ 80,115	\$ 81,578	\$ 83,112	\$ 405,988
Employee costs	54,315	54,258	54,643	57,612	58,081	59,987	62,318	64,133	302,131
Professional services and other business-related costs	5,717	6,599	7,210	7,332	7,196	7,059	6,235	6,235	34,057
Office and computer expenses	5,346	5,121	5,621	6,294	5,412	5,633	5,522	5,349	28,210
Communications and public awareness	919	1,370	1,223	1,037	1,000	1,000	1,000	1,000	5,037
Other costs ¹	9,538	11,007	10,968	10,880	6,339	6,436	6,503	6,395	36,553
Subtotal	\$ 622,725	\$ 660,852	\$ 664,221	\$ 719,432	\$ 467,129	\$ 467,129	\$ 467,129	\$ 467,429	\$ 2,588,248
Revenue and other income	(6,800)	(14,545)	(16,692)	(11,736)	-	-	-	-	(11,736)
Total Operating Expenditures	\$ 615,925	\$ 646,307	\$ 647,529	\$ 707,696	\$ 467,129	\$ 467,129	\$ 467,129	\$ 467,429	\$ 2,576,512

¹ Other costs consist of Insurance, Rent and facilities, and Network and telephony.

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

The following section provides a variance analysis of the financial results compared to budget for 2017/18, and a discussion of the 2018/19 – 2022/23 operating plan for each major expenditure category.

5.3.1 Screening Services and Other Related Costs

2017/18 Variance Analysis

Screening Services and Other Related Costs were \$1.1M lower than budget. The variance is due to lower spending for Payments to Screening Contractors of \$2.3M and Trace and Consumables of \$0.5M, partially offset by higher Uniforms and Other Screening-Related Costs of \$1.7M.

The variance of \$2.3M for Payments to Screening Contractors is mainly due to fewer supplemental screening hours purchased than planned to support the GTAA and YVRAA trial agreements. This decrease was offset by a corresponding reduction in revenue generated from these services.

During the fiscal year, CATSA redirected \$19.9M of the NPS screening hour budget to PBS, resulting in a net neutral budget impact. This was largely due to delays in the completion of the construction of permanent vehicle facilities at certain airports. Despite these delays, CATSA continues to achieve 100% vehicle screening presence by conducting screening using temporary structures, which has led to the use of fewer available screening lines. The lower NPS spending was also due to the exemption that came into effect in July 2017, relieving CATSA from the requirement to screen non-passengers who access U.S. bound aircrafts at airports where an Enhanced NPS program is in place.

The reallocation of budget to PBS, mainly from NPS and from a lower overall payout associated with the screening contractor performance program, enabled CATSA to purchase additional screening hours to manage increased operational requirements stemming primarily from the full impact of boutique connecting checkpoints, the new terminal building at a Class I airport, and other operational changes at various airports. In addition, higher than anticipated passenger growth and the introduction of enhanced security measures for screening electronic devices put additional strain on the PBS budget during the year.

Uniforms and Other Screening-Related Costs were \$1.7M higher than budgeted mainly due to uniform purchases to replenish inventory levels, and the purchase of additional screening-related items to support the new enhanced security measures for screening electronic devices.

Trace and Consumables were \$0.5M lower than budgeted due to fewer purchases than planned to replenish inventory.

2018/19 – 2022/23 Financial Plan

Payments to Screening Contractors

Screening Hours

The five-year budget for Payments to Screening Contractors has been developed based on CATSA's operating reference levels. The 2018/19 budget includes the supplemental operating funding, of which the majority is allocated to the screening hour budget.

Starting in 2019/20, CATSA reverts back to its A-Base funding, resulting in a 36% decrease in the number of screening hours budgeted for PBS from 2018/19 levels. Screening hours continue to decrease over the planning period mainly due to a reduced purchasing power resulting from screening contractor billing rate increases. Recognizing that there is no long-term government set service level, CATSA will continue to operate within its approved reference levels and will continue to meet its security mandate. Nevertheless,

compounded with traffic growth, passengers will wait longer to be screened absent of a long-term, operationally effective funding solution.

In addition, starting in 2019/20, the screening hour budget for NPS reverts back to levels prior to the delivery of Enhanced NPS, with a corresponding 88% decrease in the annual screening hour budget compared to 2018/19 levels.

The budget for HBS provides for the purchase of baseline screening hour requirements to support the operations over the planning period. Due to limitations with CATSA's A-Base funding for 2019/20 and beyond, this budget was developed in consideration of ensuring that CATSA's mandated activities are delivered prior to budgeting for a wait time service level.

Billing Rates

The budget for Payments to Screening Contractors was developed based on the screening contractor billing rates set forth under the terms of CATSA's Airport Screening Services Agreements (ASSAs), which include annual billing rate increases. As the ASSAs are set to expire March 31, 2022, the billing rates used for 2022/23 are based on the assumption that the new rates will be comparable to the terms of the existing contract.

Performance Pay

The screening contractor performance pay budgeted over the five-year planning period is based on a predetermined percentage of the total Payments to Screening Contractors budget, as per the terms of the ASSAs, as well as in consideration of the screening contractors' past performance. The decrease in the performance pay starting in fiscal year 2019/20 is driven by the reduction in the screening hour budgets for PBS and NPS, as discussed above.

Screening Officer Training & Travel

Planned expenditures for Training & Travel provide for the training and certification of CATSA's screening officer workforce to support CATSA's mandated activities. The increase in planned expenditures in 2018/19 compared to 2017/18 corresponds with the increase in screening hours and screening contractor billing rates, coupled with additional travel requirements to certify new screening officers at several large Class II airports. The decrease in 2019/20 reflects reduced training requirements to support a smaller screening officer workforce, based on a reduction in the screening hour budgets for NPS and PBS.

Uniforms and Other Screening-Related Costs

Planned expenditures reflect CATSA's screening officer uniform requirements over the five-year period. The plan also accommodates the purchase of screening-related items to enhance operational efficiencies, maintain a common look-and-feel at PBS checkpoints and support the deployment of CATSA Plus. The decrease in planned expenditures in 2019/20 reflects reduced uniform requirements to support a smaller screening officer workforce, given the reduction in the screening hour budgets for NPS and PBS.

Trace and Consumables

Planned expenditures reflect CATSA's operational requirements for trace and consumables to conduct screening at the designated airports, and accommodate annual increases as per the terms of the vendor contracts. The increase in planned expenditures in 2018/19 compared to 2017/18 mainly reflects a higher projected consumption of trace and consumables to support the Enhanced NPS program, passenger growth and supplier price increases in 2018/19. The decrease in planned expenditures in 2019/20 reflects reduced NPS screening activities effective April 1, 2019.

5.3.2 Equipment Operating and Maintenance

2017/18 Variance Analysis

Expenditures for 2017/18 were \$1.0M lower than budget. The variance is mainly due to lower Training and Certification costs of \$0.9M as training for the equipment maintenance service provider was deferred due to revised deployment plans for HBS CT at certain airports, and Trace Detection equipment. In addition, the costs to support the PBS and HBS programs varied from plan as additional spare parts were required to support PBS platforms which were coming off warranty, offset by lower maintenance costs for HBS due to the removal of legacy equipment at certain airports earlier than planned, with new technology under warranty.

2018/19 – 2022/23 Financial Plan

Equipment Maintenance and Spare Parts

Planned expenditures for Equipment Maintenance and Spare Parts take into consideration the costs to support CATSA's existing EDS equipment and systems, as well as new EDS deployments planned over the five-year period. The budget also accommodates annual contractual increases, as per the terms of CATSA's equipment maintenance contracts, as well as an estimated USD exchange rate of 1.25 in combination with its hedging contracts for planned purchases denominated in U.S. dollars. Refer to Section 5.5.3 for further details on CATSA's Hedging Strategy. The budget also considers costs associated with the ongoing support of non-EDS capital equipment and systems, including CCTV, RAIC and BPSS.

Planned expenditures for CT decrease in the first two years of the plan as early generation CT equipment is replaced with more advanced technology, covered under standard warranty terms. The planned expenditures increase in the latter years of the plan as legacy X-Ray equipment is replaced with new CT technology over the planning period as part of the life-cycle management of CATSA's HBS system, and as equipment warranties expire. In addition, the budget for maintenance of CATSA Plus lines increases over the planning period to support the deployment of additional lines and the expiry of warranty coverage over time. Lastly, the budget for the Restricted Area Identity Card program increases due to higher projected costs to support the new RAIC platform planned to be implemented in fiscal year 2019/20.

Training and Certification

Planned expenditures provide for the training of CATSA's equipment maintenance service provider on new EDS technology deployed at airports across Canada. The training requirements are mainly driven by the deployment of the new CT equipment as part of the HBS and PBS capital life-cycle management plans. Planned expenditures also provide for training requirements in support of the ongoing life-cycle management of Explosives Trace Detection equipment and other EDS deployments.

Restricted Access Identity Cards

The 2018/19 budget for RAIC card purchases takes into account CATSA's inventory levels as at March 31, 2018 to meet operational requirements for the year. Planned expenditures for 2019/20 and beyond represent CATSA's annual RAIC Card requirements based on historical card usage.

5.3.3 Program Support and Corporate Services

2017/18 Variance Analysis

Program Support and Corporate Services costs were \$1.3M lower than budget. The variance is due to lower spending across various expenses as follows:

- Employee Costs of \$0.4M, mainly due to lower costs associated with fewer staffed positions than anticipated as a number of vacant positions were filled internally therefore creating downstream vacancies, partially offset by higher performance pay and severance costs;
- Office and Computer Expenses of \$0.5M, mainly due to lower support and maintenance costs for CATSA's hardware and software platforms; and
- Travel and Other Business-Related Costs of \$0.4M, largely due to reduced travel requirements as regional employees were used extensively to support capital testing and deployments.

2018/19 – 2022/23 Financial Plan

Employee Costs

The Employee Costs budget provides for salaries and benefits for CATSA's workforce and is adjusted for an annual vacancy rate. The budget also accommodates the employee performance pay program and annual salary structure adjustments based on market trends that are appropriate for CATSA, and competitive and fair for employees.

The increase of five FTE positions in 2018/19, from 439 to 444, is funded through Budget 2018 and addresses increased operational requirements to support the organization in delivering the wait time service level target. These positions are being filled on an interim basis with fixed term staff pending a long-term funding solution.

The budget also provides for projected statutory pension plan solvency deficit payments for CATSA's Registered Pension Plan for a total amount of \$2.0M over the five-year planning period, based on actuarial estimates developed in the fall of 2017. The payment profile reflects CATSA's expected use of the credit for excess contributions as at March 31, 2018, in early years of the plan. CATSA continues to monitor the impact of interest rates on the solvency deficit and to explore the feasibility of pursuing a special reduction clause (Ministerial Letter of Credit) to assist in minimizing such payments in the future. The payments planned over the five years assume no significant changes to market interest rates, and asset returns that are not significantly lower than anticipated.

Office and Computer Expenses

Planned expenditures represent ongoing requirements to support CATSA's operations and corporate infrastructure, and accommodate annual increases for software and hardware renewal contracts. The costs increase in 2018/19 compared to the prior year mainly due to higher spending associated with a number of corporate initiatives including HQ and regional renovations, operational trials, and the life-cycle management of non-capitalized items. As the majority of the increase is one-time in nature, spending returns to normal levels in 2019/20 and beyond.

Professional Services

Planned expenditures are focused on specialized technical skills that are not available within the organization. These include external expertise to support corporate activities in the areas of IT, internal audit, legal, tax, complex accounting matters and pension. The budget decreases slightly over the planning period in order to work within CATSA's constrained operating reference levels.

Travel and Other Business-Related Costs

Planned expenditures provide for travel requirements to support the screening operations within the regions, the capital deployment plan, and other corporate activities and initiatives. CATSA will continue to look for opportunities to utilize its internal resources in the regions to support capital deployments and other initiatives in order to generate savings as realized in 2017/18.

Communications and Public Awareness

Planned expenditures provide for the delivery of CATSA's proactive outreach program which serves to inform passengers on what to expect at the PBS checkpoint and how to better prepare for screening. CATSA continues to use its existing website and a limited social media presence to inform passengers. The decrease in planned expenditures for 2018/19 compared to the prior fiscal year is due to the completion in 2017/18 of the CATSA website redesign. CATSA's annual planned expenditures are constant over the five-year period.

Other Costs

Planned expenditures for Rent and Facilities for fiscal year 2018/19 consists of lease costs for corporate headquarters, the testing facility and regional offices which have reflected annual increases as per the term of the leases. Starting April 1, 2019, annual lease payments of approximately \$4M have been re-classified from the operating budget (primarily from Rent and Facilities) to the non-EDS capital budget to comply with TBS' guidance related to the new accounting standard, IFRS 16 *Leases*. Accordingly, the Rent and Facilities budget for 2019/20 and beyond consists primarily of the operating component of CATSA's leases (i.e. operating costs), and non-capital costs related to facility maintenance and repairs.

Planned expenditures for Network and Telephony consist of costs to support CATSA's network infrastructure. The decrease starting in 2019/20 reflects a reduction in network links for the NPS program as funding reverts back to levels prior to the delivery of Enhanced NPS, absent of incremental funding. Beginning in 2022/23, the cost of network links purchased from CATSA's vendor decreases due to favourable pricing as per the terms of the contract.

The budget also provides for CATSA's portfolio of insurance which is comprised of property and casualty insurance. Since April 1, 2013, CATSA has received an indemnity for War Risk insurance coverage from the Government of Canada. Effective April 1, 2018, CATSA was successful in securing the renewal of the indemnity from the Government of Canada for a three-year term, set to expire March 31, 2020. The budget is based on the assumption that the indemnity will be renewed for the remainder of the planning period.

5.3.4 Revenue and Other Income

2017/18 Variance Analysis

Revenue and Other Income were \$2.1M lower than budget. The variance is mainly due to fewer supplemental screening hours purchased than planned to support the GTAA and YVRAA trial agreements. Other Income earned for the year consisted of net interest income of \$0.4M and lease revenue of \$0.3M from the sub-lease at CATSA HQ which expired in December 2017.

2018/19 – 2022/23 Financial Plan

The Supplemental Screening Trial Agreement with the GTAA was extended to March 31, 2019 based on the airport's desire to continue purchasing additional screening hours to mitigate wait time pressures. Accordingly, the budget for 2018/19 includes projected revenue of \$10.5M based on the estimated number of screening hours planned to be purchased by the GTAA. In addition, the YVRAA agreement was extended for a 3-month term to June 30, 2018, and is projected to generate revenue of \$1.2M in 2018/19. The revenue and associated costs beyond the agreements' expiry dates of March 31, 2019 and June 30, 2018 respectively are not projected.

The plan does not reflect the impact from the potential delivery of screening at other designated airports, as discussions with interested airports remain in preliminary stages only.

In addition, given that interest revenue and foreign exchange gains/losses are unpredictable in nature, they are not considered over the planning period.

5.4 Financial Results for 2017/18 and the 2018/19 – 2022/23 Financial Plan for Capital Expenditures

Overview

Table 4 summarizes the financial results for 2016/17, the financial results and budget for 2017/18, as well as the 2018/19 – 2022/23 capital plan by major expenditure category.

TABLE 4 Capital Plan by Major Expenditure Category <i>(in thousands of dollars)</i>	Actual 2016/17	Actual 2017/18	Revised Budget (Note) 2017/18	Budget 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Five Year Total 2018/19 - 2022/23
Capital Expenditures										
EDS CAPITAL										
PBS	\$ 16,805	\$ 21,813	\$ 20,998	\$ 21,410	\$ 19,460	\$ 6,045	\$ 26,699	\$ 59,721	\$ 69,339	\$ 181,264
HBS	82,089	50,025	49,359	85,905	118,868	91,225	56,270	26,356	24,844	317,563
NPS	1,653	1,685	1,685	2,464	1,058	-	-	8,377	-	9,435
Total EDS Capital	\$ 100,547	\$ 73,523	\$ 72,042	\$ 109,779	\$ 139,386	\$ 97,270	\$ 82,969	\$ 94,454	\$ 94,183	\$ 508,262
NON-EDS CAPITAL										
PBS	\$ 1,561	\$ 1,151	\$ 1,801	\$ 2,151	\$ 2,228	\$ 2,397	\$ 6,053	\$ 2,437	\$ 2,180	\$ 15,295
HBS	12	37	100	100	100	631	651	624	591	2,597
NPS	1,202	726	304	1,013	775	88	88	95	86	1,132
RAIC	603	94	511	511	3,520	3,872	2,749	125	127	10,393
Corporate services	3,896	912	1,142	1,857	4,162	3,641	3,088	2,965	2,889	16,745
Total Non-EDS Capital	\$ 7,274	\$ 2,920	\$ 3,858	\$ 5,632	\$ 10,785	\$ 10,629	\$ 12,629	\$ 6,246	\$ 5,873	\$ 46,162
Proceeds of disposal and vendor credits	(12)	(851)	-	-	-	-	-	-	-	-
Total Capital Expenditures	\$ 107,809	\$ 75,592	\$ 75,900	\$ 115,411	\$ 150,171	\$ 107,899	\$ 95,598	\$ 100,700	\$ 100,056	\$ 554,424

Note : The Budget has been adjusted to reflect the capital re-profile of \$39.5M from 2017/18 to 2018/19.

5.4.1 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.

2017/18 Variance Analysis

During the 2017/18 fiscal year, capital funds in the amount of \$39.5M were identified for re-profile from 2017/18 to 2018/19, and are comprised of \$37.7M for EDS and \$1.8M for non-EDS.

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

- HBS integration projects (\$32.8M) – the postponed purchase of equipment and integration work to align with revised airport project plans; and
- Other EDS projects (\$4.9M) – delays in various projects including the purchase and deployment of CT Oversize equipment to 2018/19 to align with revised HBS integration project schedules for certain airports, and EDS equipment for some NPS vehicle screening facilities pending further direction on screening requirements.

After taking into consideration the capital re-profile, EDS capital expenditures were \$1.5M higher than budget for 2017/18. As a result of vendor credits, under-spending on non-EDS projects and fewer EDS equipment purchases to meet airport requirements, CATSA was able to purchase additional Explosives Trace Detection equipment, advance the purchase of CATSA Plus lines and address revised spending profiles on Class I HBS airport integration projects.

2018/19 – 2022/23 Financial Plan

The EDS capital plan represents approximately 92% of CATSA's capital budget over the planning period.

Pre-Board Screening (PBS)

CATSA's capital plan provides for the life-cycle management of its existing PBS screening equipment deployed at airports across Canada which is reaching the end of its useful life. More specifically, CATSA will make significant capital investments in the multi-year life-cycle management of its X-ray equipment with the deployment of CT technology beginning in 2020/21 with a focus on Canada's major airports. In addition, the plan provides for the life-cycle management of other EDS equipment including Full Body Scanners, Walk-Through Metal Detectors and Explosives 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 ensuring alignment with its international partners.

Furthermore, CATSA has deployed 49 CATSA Plus screening lines across Canada's four busiest airports as at July 2018, of which 41 were deployed to March 31, 2018. CATSA's current capital reference levels will allow the organization to continue to deploy a limited number of CATSA Plus lines in the coming years.

The capital plan also provides for the deployment of screening equipment to support the U.S. Pre-clearance checkpoints at the Toronto City Centre and Quebec City airports, funded through Budget 2018.

Lastly, the capital plan accommodates the deployment of new LEADS technology at PBS checkpoints in the later years of the plan.

Hold Baggage Screening (HBS)

CATSA's EDS capital plan continues to focus on the life-cycle management of its HBS systems. This multi-year undertaking commenced in 2011 and consists of the conversion of the five-level HBS system to three levels with new CT technology at airports across Canada. 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. CATSA completed the life-cycle management of all Transborder HBS systems in 2016/17 to meet *Beyond the Border* commitments and the plan provides for the life-cycle management of remaining HBS systems. These consist of Domestic and International HBS systems at major airports and HBS systems at smaller airports. The plan also accommodates the deployment of additional CT equipment at select large Class I airports to support anticipated growth.

Over the course of the five-year planning period, CATSA is projecting to spend a total amount of \$252.8M to complete the project, which represents approximately 50% of the overall EDS capital budget envelope.

CATSA's HBS capital plan also provides for the life-cycle management of X-ray equipment for oversize baggage with CT technology to support the new HBS system at select airports, engineering expertise to support HBS integration projects, and costs associated with the testing and deployment of new technology solutions.

Lastly, the capital plan provides for the deployment of CT equipment for the screening of oversize checked baggage to support the U.S. Pre-clearance checkpoints at the Toronto City Centre and Quebec City airports, funded through Budget 2018.

Non-Passenger Screening (NPS)

As discussed in Section 5.2, the airports were responsible for financing and building permanent facilities by the April 1, 2016 deadline, in support of the full NPS Vehicle solution. However, certain airports have experienced delays in completing the construction of their respective permanent vehicle screening facilities. CATSA continues to work with the airport authorities to ensure a smooth transition as permanent facilities are completed.

The plan provides for the purchase and deployment of Walk-Through Metal Detectors at the permanent vehicle screening facilities, and the conversion of two existing NPS terminal checkpoints from secondary to primary search in 2018/19 to support the Enhanced NPS program.

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

5.4.2 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.

2017/18 Variance Analysis

During the 2017/18 fiscal year, non-EDS capital funds of \$1.8M were identified for re-profile to 2018/19. The capital re-profile consists mainly of the following projects:

- Traffic Management System (\$0.7M) - postponed installation of the system in support of NPS Vehicle screening due to delays in the completion of the necessary physical infrastructure to accommodate the system at certain airports; and
- Other non-EDS projects (\$1.1M) – delays in various projects including upgrade of CATSA's customer relationship management tool, and the purchase and installation of a new video wall in the Security Operations Centre.

After taking into consideration the capital re-profile, capital expenditures for non-EDS were \$0.9M lower than the Corporate Plan budget. The variance is associated with various capital projects including the deferred purchase of network equipment and licenses to 2018/19 and a reduction in scope for CATSA's Secure Identification and Time Tracking platform upgrade given the replacement of the system is anticipated in 2020/21.

2018/19 – 2022/23 Financial Plan

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

More specifically, the plan accommodates the life-cycle management of the full RAIC system. This consists of the replacement of the RAIC enrollment system and biometric platform with advanced technology in order to gain more efficiency through greater automation and better end-user tools.

The plan also provides for 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 and corporate systems, as well as equipment and systems in support of screening operations including the Secure Identification and Time Tracking platform in 2020/21, CCTV cameras and BPSS handhelds and podiums.

As discussed in Section 5.1, CATSA has re-classified the affected lease payments resulting from the new accounting standard, IFRS 16 *Leases*, from operating to capital, based upon TBS' guidance. Starting April 1, 2019, annual payments of approximately \$4M have been re-classified from the operating budget to the non-EDS capital budget, and allocated across CATSA's mandated programs and Corporate Services.

5.5 Accounting and Financial Management Strategy

Overview

This section provides an overview of new and future accounting standards. The pro-forma Financial Statements for the period 2018/19 to 2022/23 have been developed based on CATSA's 2017/18 Financial Statements and CATSA's Financial Plan for operating and capital expenditures outlined in this chapter. CATSA's pro-forma Statement of Financial Position and Statement of Comprehensive Income (Loss) are reported in Section 5.5.4.

5.5.1 New Accounting Standards

CATSA's financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada (AcSB).

New accounting standards

(i) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts* and a number of other revenue-related interpretations. The standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. This standard is effective April 1, 2018 for CATSA. There will be no impact to financial performance, total comprehensive income (loss), or accumulated deficit upon adoption. However, expanded note disclosure will be required relating specifically to the use of estimates and judgements.

(ii) IFRS 9 *Financial Instruments*

IFRS 9 was issued in July 2014 and is considered the final version, replacing earlier versions of IFRS 9, and completes the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a logical model for classification and measurement of financial assets and financial liabilities, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. This standard is effective April 1, 2018 for CATSA. There will be no impact on financial performance, total comprehensive income (loss), or accumulated deficit upon adoption. However, expanded note disclosure will be required relating specifically to the expected credit loss model.

Future accounting standards

(iii) IFRS 16 *Leases*

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. This standard will become effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted in the period when IFRS 15 is adopted. IFRS 16 is expected to have a significant impact on CATSA's financial statements. As a result, CATSA will seek appropriate ministerial approval for lease transactions exceeding the lesser of five percent of total assets or \$10M, as and when required, in accordance with the proposed amendment to paragraph 10(b) of the *Crown Corporation General Regulations, 1995*.

5.5.2 Disposal of Capital Assets

Overview

CATSA manages its assets, including asset disposal, as part of a life-cycle management regime or as part of new technology requirements. 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 the notes to the Financial Statements, CATSA discloses contingent liabilities associated with the removal of EDS equipment from airports across Canada, some of which contains hazardous materials, as well as the restoration of facilities contractually required under lease agreements.

In 2009, CATSA purchased 10 Portable Screening Units (PSUs) in order to deliver screening services at remote locations in support of the 2010 Vancouver Olympic and Paralympic Winter Games. Following the conclusion of the winter games, the PSUs were stored pending future screening requirements. Recently, the majority of the units were deployed at NPS Vehicle checkpoints, at the highest risk airports, to facilitate implementation of an interim vehicle screening solution pending construction of permanent vehicle facilities. As the permanent facilities become operational, these units are no longer required by CATSA. In fiscal year 2017/18, CATSA sold two PSUs. CATSA will continue to sell these units, as they come out of service, in compliance with applicable legislation and regulations regarding surplus Crown assets. Should the auction process not generate a sale, or the PSUs are deemed not to be in a condition to sell, CATSA will dismantle the PSUs and recycle all available material, according to CATSA's *Disposal of Surplus Materiel Policy*.

Disposals, as well as proceeds from disposals, during the planning period are not expected to be material. Accordingly, such amounts have not been included in the planning period and will be accounted for in accordance with IFRS.

5.5.3 Hedging Foreign Exchange Risk

In 2016/17, CATSA developed a hedging strategy to reduce its foreign currency exposure, as a significant amount of EDS capital equipment was expected to be purchased in U.S. dollars over the planning period. The hedging strategy also encompasses operating expenditures (i.e. equipment maintenance) for contracts denominated in U.S. dollars.

In early 2018, CATSA entered into hedging contracts in the amount of \$25.8M USD for planned purchases denominated in U.S. dollars. CATSA continues to monitor its future commitments and will enter into new hedging contracts as appropriate as per its approved hedging strategy.

5.5.4 Pro-forma Financial Statements

Statement of Financial Position

TABLE 5 Statement of Financial Position (in thousands of dollars)	Actual 2016/17	Actual 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23
Assets							
Current Assets							
Cash	\$ 36,267	\$ 9,929	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Trade and other receivables	96,739	136,506	122,608	80,651	78,890	79,584	79,516
Inventories	15,729	16,401	15,106	13,300	10,591	7,685	6,626
Prepaid expenses	2,996	3,133	3,199	3,271	3,345	3,421	3,499
Derivative financial instruments	274	360	-	-	-	-	-
	152,005	166,329	150,913	107,222	102,826	100,690	99,641
Non-current Assets							
Property and equipment and intangible assets							
EDS	388,835	406,492	482,700	504,827	508,506	518,658	521,472
Non-EDS	20,524	18,611	23,424	22,071	22,329	16,543	11,380
	409,359	425,103	506,124	526,898	530,835	535,201	532,852
Right-of-use assets	-	-	-	22,454	18,491	14,565	11,027
Employee benefits	19,042	5,030	1,680	1,676	1,672	1,668	1,664
Derivative financial instruments	57	24	-	-	-	-	-
	\$ 580,463	\$ 596,486	\$ 658,717	\$ 658,250	\$ 653,824	\$ 652,124	\$ 645,184
Liabilities & Equity							
Current Liabilities							
Trade and other payables	\$ 132,071	\$ 142,217	\$ 124,222	\$ 81,503	\$ 83,794	\$ 88,604	\$ 89,467
Lease obligations	-	-	-	3,857	3,906	3,601	2,548
Deferred government funding related to operating expenses	18,725	19,534	18,305	16,571	13,936	11,106	10,125
	150,796	161,751	142,527	101,931	101,636	103,311	102,140
Non-current Liabilities							
Construction holdbacks	935	4,338	8,506	9,255	5,196	1,045	-
Deferred lease incentives	688	442	347	252	157	62	-
Lease obligations	-	-	-	19,523	15,617	12,016	9,468
Deferred government funding related to capital expenditures	408,959	424,026	505,195	526,130	530,222	534,771	532,658
Employee benefits	24,292	28,402	33,333	41,738	49,545	56,601	64,405
	434,874	457,208	547,381	596,898	600,737	604,495	606,531
Equity	(5,207)	(22,473)	(31,191)	(40,579)	(48,549)	(55,682)	(63,487)
	\$ 580,463	\$ 596,486	\$ 658,717	\$ 658,250	\$ 653,824	\$ 652,124	\$ 645,184

Statement of Comprehensive Income (Loss)

TABLE 6

Statement of Comprehensive Income (Loss)
(in thousands of dollars)

	Actual 2016/17	Actual 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23
Total Operating Expenses	681,699	725,028	797,997	563,965	568,804	572,884	578,099
Other Expenses (Income)							
Impairment of property and equipment	1,934	-	-	-	-	-	-
Write-off of property and equipment and intangible assets	1,271	1,097	-	-	-	-	-
Loss on disposal of property and equipment	657	518	-	-	-	-	-
Foreign exchange loss	551	479	-	-	-	-	-
Net (gain) loss on fair value of derivative financial instruments	(331)	(53)	384	-	-	-	-
Finance costs on lease obligations	-	-	-	512	436	359	285
	4,082	2,041	384	512	436	359	285
Revenue							
Supplemental screening services	6,825	13,924	11,736	-	-	-	-
Other Income	530	1,489	-	-	-	-	-
Total Revenue	7,355	15,413	11,736	-	-	-	-
Financial performance before government funding	678,426	711,656	786,645	564,477	569,240	573,243	578,384
Government Funding							
Parliamentary appropriations for operating expenses (IFRS)	616,371	645,498	708,925	468,863	469,764	469,959	468,410
Parliamentary appropriations for lease obligations	-	-	-	4,287	4,293	4,265	3,886
Amortization of deferred government funding related to capital expenditures	56,786	60,525	69,002	82,677	87,213	91,886	98,283
	673,157	706,023	777,927	555,827	561,270	566,110	570,579
Financial Performance	(5,269)	(5,633)	(8,718)	(8,650)	(7,970)	(7,133)	(7,805)
Other Comprehensive Income (Loss)	21,528	(11,633)	-	-	-	-	-
Total Comprehensive Income (Loss) for the Year	\$ 16,259	\$ (17,266)	\$ (8,718)	\$ (8,650)	\$ (7,970)	\$ (7,133)	\$ (7,805)

Annex A – Ministerial Direction

CATSA is presently operating in accordance with the guidance expressed by the Prime Minister of Canada to the Minister of Transport in the Ministerial Mandate Letter issued on November 12, 2015. The text of that letter can be found [here](#).

Annex B – Corporate Governance Structure

Accountability Relationships

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

Board of Directors

CATSA is accountable to Parliament through the Minister of Transport and is governed by an 11-member Board of Directors appointed by the Governor in Council. Two of the directors are nominated by the airline industry and two from the airport industry. All directors are independent of CATSA management.

The Board has responsibility for the overall stewardship of CATSA. It has a duty to protect the long-term interests of the corporation, safeguard CATSA's assets and to practice due diligence in its decision-making. The Board's key functions and responsibilities are to provide strategic direction, financial oversight, corporate oversight and good governance.

As per the *CATSA Act*, each director holds office for a term of not more than five years. The Governor in Council may renew the term of office of any director for a maximum of one further term of not more than five years. As each member nears the end of his or her term, CATSA will work with Transport Canada to ensure that any anticipated vacancies are filled.

Board Committees

The *Audit Committee* assists the Board in fulfilling its oversight responsibilities with respect to financial reporting, performance management, continuous disclosure practices, risk management, internal controls, the audit process and other oversight responsibilities.

The *Governance, Human Resources and Pension Committee* (GHRP) assists the Board in fulfilling its oversight responsibilities with respect to governance issues including areas such as human resources and compensation, management succession plans, oversight of policies and processes relating to employee business conduct and ethical behaviour, recommendations and evaluation of annual objectives for the President and CEO, oversight responsibilities with respect to the management and administration of the employee pension plan(s) and any other matter assigned to it by the Board.

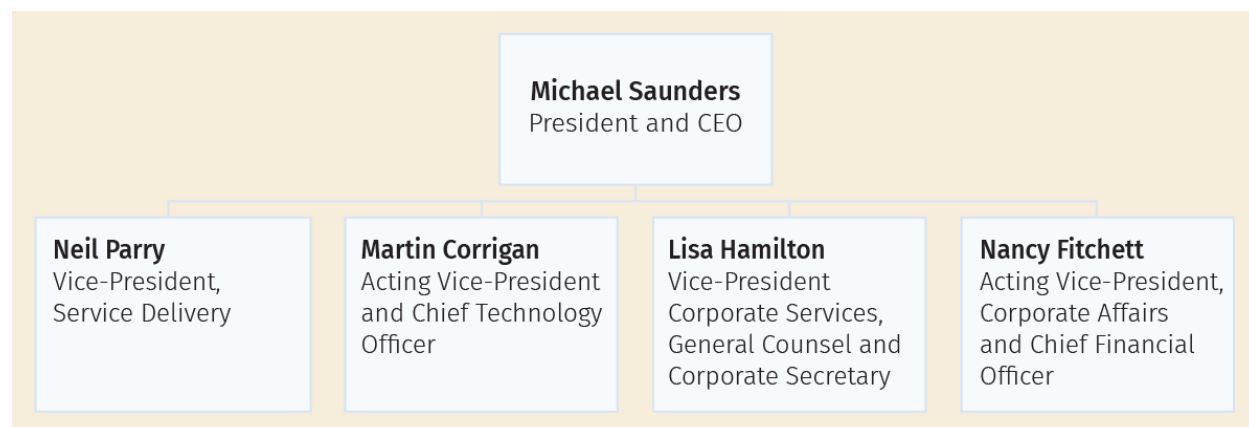
The *Strategy Committee* assists the Board in fulfilling its oversight responsibilities of matters relating to or affecting CATSA's strategic direction in accordance with its legislated mandate and provides oversight and advice to Management in the development and implementation of all strategic initiatives.

As of June 30, 2018, CATSA's Board of Directors included:

Current	Appointment Date	Mandate Expiry Date	Board Committee Membership
Marguerite Nadeau, Chairperson	2017/09/13	2022/09/13	Ex-officio member of all Board committees
Paul Benoit	2014/03/06	2017/03/06	N/A
Jean-Philippe Brunet	2018/02/21	2022/02/21	GHRP Committee Strategy Committee
Melissa Coulson	<i>Original:</i> 2014/01/30 <i>Reappointment:</i> 2018/02/21	2020/02/21	GHRP Committee Audit Committee
Sharon Duggan	2018/02/21	2022/02/21	GHRP Committee Audit Committee
Patricia Kennedy	<i>Original:</i> 2015/03/26 <i>Reappointment:</i> 2018-06-25	2021/06/24	Audit Committee Strategy Committee
Gilles Lalonde	2018/02/21	2022/02/21	Audit Committee Strategy Committee
Taleeb Noormohamed	2018/02/21	2022/02/21	GHRP Committee Audit Committee
William Restall	<i>Original:</i> 2014/09/29 <i>Reappointment:</i> 2018/06/14	2021/06/14	GHRP Committee Strategy Committee
Allan Rowe	<i>Original:</i> 2012/05/03 <i>Reappointment:</i> 2018/03/13	2021/03/12	Audit Committee Strategy Committee
Raf Souccar	2015/06/18	2018/06/18	GHRP Committee Strategy Committee
Diane Trenn	2018/06/14	2021/06/14	Not yet assigned

CATSA's Senior Management Team

As of March 31, 2018, CATSA is led by the President and CEO, Michael Saunders, on an interim basis until April 1, 2019 or until a permanent appointment is made by the Government of Canada. Michael Saunders is supported by a senior management team, as shown below:



Annex C – Performance

This section presents an analysis of key performance indicators monitored internally to ensure the operational health of the organization. Management and the Board of Directors pay particular attention to measures of effectiveness, as security is CATSA’s top priority.

Pre-Board Screening Wait Time Service Level

CATSA’s PBS Wait Time Service Level is the percentage of passengers who wait a specified number of minutes or less to be screened at Class I airports, on average, on an annual basis.

Consistent with the last three federal budgets and, absent a long-term funding solution, Budget 2018 provided CATSA with one-year supplemental funding. This funding of \$240.6M will allow CATSA to strive for a WTSL of 85/15 in 2018/19.

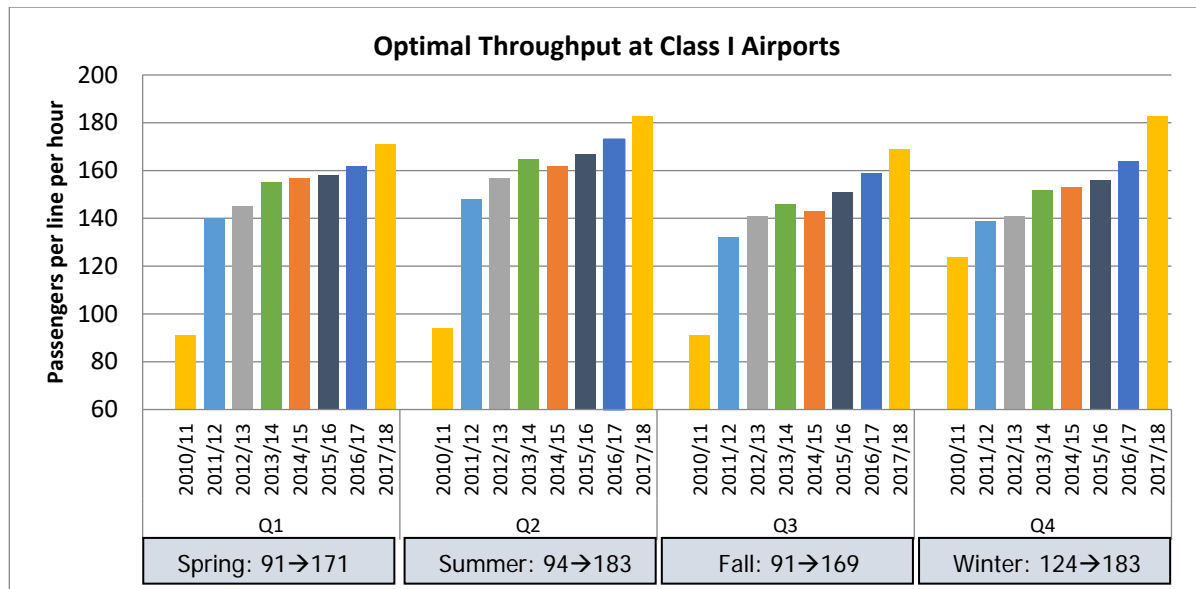
Security Effectiveness

Security effectiveness measures CATSA’s security screening system performance. It assesses the ability of screening officers to identify and prevent threat items from entering the sterile area, and also captures the effect of additional CATSA security layers. Given the sensitivity of this performance category, its associated results cannot be included in a public document.

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.

CATSA’s optimal throughput levels (which represent the organization’s capability under optimal circumstances and are typically used for international benchmarking) have increased significantly since the 2010 CATSA Review. Operational trials for the evaluation of new processes, technologies and tools were developed and introduced to enhance screening operations and throughput.



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. On the contrary, throughput is typically lower during the cooler months due to the differences in the number of carry-on items and passengers wearing bulkier clothing.

Gains in efficiency through process improvements and regulatory changes have allowed CATSA to substantially increase the number of passengers processed per hour over the last few years. Additionally, the CATSA Plus lines deployed since 2017 have contributed to the increase in CATSA's screening capacity, as a CATSA Plus screening line operates with a higher number of screening officers and can screen more passengers per hour than a standard screening line. This increase is clearly reflected in the figures in the previous graph. The deployment of additional CATSA Plus lines, which were designed to improve passenger flow through checkpoints, and also enhance the customer experience and security effectiveness. This concept has presented promising results in increasing throughput. Future gains in this area will likely be possible as additional CATSA Plus lines become operational.

Passenger Feedback

CATSA is committed to enhancing the customer experience at screening checkpoints and continues to emphasize that excellence in security can be further improved 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 2012, as demonstrated in the following graph.



The number of passenger complaints increased throughout 2013/14 as passenger wait times increased as a result of CATSA's declining purchasing power at that time. Once CATSA received supplemental funding, passenger satisfaction and complaints per 50,000 passengers subsequently levelled-off. That being said, passenger complaints increased significantly during 2017/18, specifically relating to wait times, random selection for physical search and screening procedures.

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.

CATSA began tracking screening consistency in Q2 2015/16 and, although CATSA only has a few years of data, consistency ratings have remained between 73-79%.

Annex D – Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of The Canadian Air Transport Security Authority (CATSA), accountable to the Board of Directors of CATSA through the Chief Executive Officer, I have reviewed the 2018/19 – 2022/23 Corporate Plan and budgets, and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan, with the following observations: Recognizing that there is no government mandated service level, CATSA will operate within its approved reference levels as identified in its 2018/19 – 2022/23 Corporate Plan and will continue to meet its security mandate with the following caveats.

Without additional PBS funding for fiscal year 2019/20 and beyond, CATSA's funding level is insufficient. Service levels will deteriorate significantly starting in 2019/20.

Without additional NPS funding for fiscal year 2019/20 and beyond, CATSA cannot continue to maintain compliance with the enhanced ICAO standards unless it reallocates funds from PBS to NPS. This would further degrade PBS service levels and result in a dire scenario that has the potential to cause significant disruptions to the air transport industry.

5. The corporate plan and budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place, except as described in #4 above.
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of CATSA.

In my opinion, the 2018/19 – 2022/23 Corporate Plan and budgets are sufficient overall to support decision-making. They have substantial financial issues for 2019/20 and beyond.



Nancy Fitchett, CPA, CA
A/Vice-President, Corporate Affairs and Chief Financial Officer
The Canadian Air Transport Security Authority

2019-07-17

Date

Annex E – Risks and Risk Responses

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.

Overview of Key Risks

Level of long-term funding to deliver core mandate

Recognizing that CATSA has received one-year supplemental funding every fiscal year since 2015/16, the organization faces a variety of external pressures such as increased screening contractor billing rates and rising passenger volumes. Despite these challenges, CATSA has consistently maintained a WTSL of 85/15. Should supplementary funding above current reference levels cease, CATSA will be unable to continue delivering the service level that passengers and industry have come to expect.

Organizational influence

A collaborative relationship with Transport Canada and central agencies is critical for the successful management of corporate planning processes, and to CATSA's long-term strategic success. Over the last several years, the organization has had limited participation in and influence over ongoing matters, including the consideration of options for Memoranda to Cabinet and the ensuing drafting process. As such, CATSA may face challenges in implementing future government decisions.

Since CATSA has been unsuccessful in securing long-term funding over the past several corporate planning cycles, ongoing funding issues need to be addressed.

CATSA remains engaged and involved at every opportunity in finding a permanent solution to the ongoing long-term funding challenge in collaboration with Transport Canada and central agencies.

Capacity to provide corporate support services

While CATSA's streamlined corporate structure has made the organization leaner, there is a risk that the current corporate structure, with limited depth of resources, may be inadequate to support the delivery of CATSA's core mandate including the provision of corporate support services. The organization may face challenges in effectively managing staff attrition, absenteeism or leaves of absence.

Stakeholder engagement

Stakeholders have raised questions publicly about CATSA's operations on a variety of issues. There is a risk that CATSA's reputation may be damaged with its stakeholders due to allegations made in media reports and on social media channels of a perceived inconsistency in screening, longer wait-times, an unengaged screening officer workforce, the public's confusion over CATSA's mandate, or a negative perception of CATSA's efficiency. Additionally, certain airport stakeholders have publicly expressed frustration with CATSA regarding the limited implementation, thus far, of the CATSA Plus program and the lack of adequate long-term funding.

CATSA continues to monitor ongoing stakeholder reactions to these various issues. On an ongoing basis, risk mitigation is done through the Client Satisfaction Complaints and Inquiries Management Program, media relations, the Screening Contractor Service Excellence Program, and the Strategic Relationship Management Program. In addition, it is mitigated through the introduction of trials and projects, information sharing of BPSS wait time data with air carriers and airport authorities, and ongoing training of screening officers.

Detection capability

CATSA's screening activities include detecting and intercepting all forms of prohibited items. CATSA continually monitors its ability to detect these prohibited items and its effectiveness in doing so to ensure that threat items are not introduced into the restricted or sterile areas of an airport. As no system is 100% effective, 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.

CATSA has a number of controls in place to reduce the likelihood of realizing this risk. In addition, the organization closely monitors its screening effectiveness performance.

Employee recruitment and retention

There are risks that CATSA's corporate strategies may impede the organization's ability to recruit and retain talent and to maintain a healthy workplace.

To mitigate these risks, CATSA has developed and implemented action plans to respond to results of the 2015 employee engagement survey. The organization also conducted another biennial survey in 2017/18. CATSA promotes enrolment in professional development training, and has refreshed the organization's talent management assessments. In addition, the organization plans to conduct a review of the Human Resources Performance Program in 2018/19.

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, and has a variety of plans and procedures in place to respond to labour unrest.

Continued vigilance will be an ongoing priority for the organization. Should such a situation arise over the course of the planning period, CATSA will work closely with its screening contractors, Transport Canada and the industry to minimize the impact to the travelling public.

Period of interim senior leadership

The current appointment of the Chief Executive Officer (CEO) has been extended by the Government of Canada until April 2019, or until a new chief executive officer is appointed. The Government of Canada-led process to appoint a new CEO is underway.

It may be more challenging for the organization to pursue longer-term strategies and objectives during this period of interim senior leadership. While CATSA does have some operational momentum and its existing initiatives will continue to be implemented, the organization will be facing a period of corporate uncertainty at the strategic level.

Annex F – Legislative and Policy Compliance

Official Languages Act

Under Part IV of the *Official Languages Act*, CATSA is required to provide screening services to the travelling public in both official languages at airports with one million or more passengers, and at airports where there is a significant demand for services in the minority language.

In an effort to continuously improve, CATSA surveys passengers across the country on a quarterly basis to verify if they were served in their preferred language. Survey results, along with compliance measurement reports and complaints, are analyzed and used to improve front-line performance.

CATSA's performance against the requirement to provide bilingual service at all bilingual designated airports improved slightly in 2017/18, with a national average compliance rate of 95.6%, compared to 95.1% in 2016/17.

CATSA remains committed to promoting a bilingual work environment. CATSA employees across the country were reminded that promoting an inclusive bilingual culture in the workplace is a team effort.

Access to Information Act and the Privacy Act

CATSA is subject to the *Access to Information Act* and the *Privacy Act* and strives to meet both the spirit and the legal requirements of these two *Acts*.

CATSA strives to incorporate the legislative obligations under the *Privacy Act* and the 10 principles of the Canadian Standards Association Model Code into every program and activity that it develops.

During fiscal year 2017/18, Access to Information and Privacy training was delivered to employees through 15 training sessions. Ad hoc training on a variety of subjects was also provided as needed to individuals throughout the organization.

Travel and Hospitality Directive

As part of CATSA's commitment to open and accountable governance, CATSA confirms that its Travel, Hospitality, Conferences and Event Expenditures Policy is in compliance with directive PC 2015-1114 pursuant to Section 89 of the *Financial Administration Act* (FAA), which requires CATSA's policies, guidelines and practices to be aligned with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. This policy is available on CATSA's website.

CATSA reports travel and hospitality expenses through proactive disclosure. This disclosure is aligned with the Treasury Board standard for expenditures incurred commencing January 1, 2016.

Pension Plan Reforms

In December 2014, CATSA was issued a directive (PC 2014-1382) pursuant to section 89 of the FAA to align with Budget 2013 direction on public sector pension reform. The pension reform included a provision for adjusting the employer/employee current service cost-sharing ratio to 50:50 by December 31, 2017.

In July 2015, CATSA received notification that an exemption was available to pension plans that could demonstrate either unfairness to pension plan members, or recruitment and retention challenges, as a result of implementing the pension reform. Following this notification, CATSA began working with its external pension actuary to draft a business case for an exemption on the basis that the pension reform would be unfair to plan members. It is CATSA's view that its business case demonstrates that closing of the defined benefit pension plan in 2013 would result in an unfair cost-sharing burden on employees, and that the cost-sharing ratio should be calculated as if the plan were open to new members.

CATSA submitted the final version of its business case to Transport Canada in May 2017, with the understanding that it would be approved by the December 31, 2017 deadline. In December 2017, Transport Canada advised that the business case would not be approved by the deadline due to processing delays. Transport Canada continues to work with Treasury Board of Canada Secretariat to obtain the necessary approvals. It is unknown at this time when it will be received.

As of January 1, 2018, CATSA aligned its employee contribution rates with the objectives identified in the business case that is pending approval. If approved for exemption, CATSA will continue to report the status of pension plans through the corporate plan.

Other Legislation and Regulations

Legislation and Regulations	Application to CATSA
<i>The Financial Administration Act (FAA), Part X</i>	<ul style="list-style-type: none"> Provides the control and accountability framework for parent Crown corporations and their subsidiaries.
<i>The Aeronautics Act</i>	<ul style="list-style-type: none"> Defines all aspects of the Canadian aeronautics system. Outlines the authority for creating security regulations and the power of the Minister to create security measures. Authorizes the designation of the screening officer. States that no person will board an aircraft unless submitted to a search of their person and their belongings.
<i>CATSA Act</i>	<ul style="list-style-type: none"> Establishes the role of CATSA to conduct the screening of passengers, non-passengers, and their belongings that access aircraft or restricted areas at airports listed in the <i>CATSA Aerodrome Designation Regulations</i>. Specifies CATSA's role in ensuring consistent delivery of service across the country and acting in the interest of the general and travelling public.
<i>Canadian Aviation Security Regulations, 2012</i>	<ul style="list-style-type: none"> Requirements of general application to CATSA, aerodrome operators, air carriers and the general public. Defines aspects such as: the screening of persons, goods, things and vehicles; the control of access to restricted areas; and the response to threats against aircraft or a flight. Sets out the designation standards for screening officers.
<i>Screening Security Measures</i>	<ul style="list-style-type: none"> Confidential requirements related to CATSA's mandated programs and activities (PBS, HBS, NPS and RAIC).

The legislation and regulatory framework is the foundation that CATSA uses to develop its SOPs and training program to guide screening officers in the performance of their duties.

Annex G – Government Priorities and Direction

Keeping Canadians Safe

Consistent with the Government of Canada's commitment to keep Canadians safe, CATSA protects the travelling Canadian public by securing critical elements of the air transportation system, as assigned by the Government of Canada. CATSA takes its mandate very seriously, continuously striving to provide leadership in security screening while adapting to the evolving security environment.

Diversity and Employment Equity

CATSA produces and submits an annual report on its fulfillment of the *Employment Equity Act* and the *Canadian Multiculturalism Act*. To guide CATSA in the identification and elimination of barriers to equal employment and to continue to foster an inclusive and diverse culture, the Diversity and Inclusion Network has been created and a three-year employment equity plan has been developed. CATSA will be finalizing an inclusion and diversity framework in 2018/19.

Indigenous Relationships

CATSA is engaging with Indigenous Elders to look at enhancing and improving our procedures with respect to screening of sacred and spiritual items. These engagements will enable CATSA to better understand the unique needs of Indigenous travellers. The first round of engagements in this multi-year initiative occurred in March 2018.

Annex H – Glossary

ASSAs	Airport Screening Services Agreements
BPSS	Boarding Pass Security System: a stand-alone technology that scans boarding passes to validate the information embedded in the bar code
CCTV	Closed-circuit television
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
EDS	Explosives Detection Systems: manual or automated systems used primarily to check for explosives in carry-on and checked baggage
GTA	Greater Toronto Airports Authority
HBS	Hold Baggage Screening: the screening of checked baggage using EDS equipment
ICAO	International Civil Aviation Organization
IFRS	International Financial Reporting Standards
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.
OAG	Office of the Auditor General
OCOL	Office of the Commissioner of Official Languages
PBS	Pre-Board Screening: the screening of passengers, their belongings and carry-on baggage
RAIC	Restricted Area Identity Card: an identification card issued to all employees authorized to enter the restricted areas of Class I and II airports
SOPs	Standard Operating Procedures
TIPS	Threat Image Projection System
WTIM	Wait Time Impact Model
WTSL	Wait Time Service Level
WTSL of 85/15	A wait time service level target where, on average, 85% of all passengers wait 15 minutes or less to be screened at all Class I airports on an annual basis
YVRAA	Vancouver International Airport Authority