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CATSA's Third Party Service Delivery Model



Canadian Air Transport
Security Authority

Administration canadienne
de la sûreté du transport aérien

Canada 



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DEFINITIONS

The following definitions refer to the three service delivery models referenced in this paper as authorized by the *Canadian Air Transport Security Authority Act (CATSA Act)*:

Screening Contractor Model

CATSA currently delivers screening services at airports by contracting with third-party service providers who specialize in the delivery of security and screening services. The service provider is responsible for recruitment and administrative and human resource management of the workforce while CATSA provides training, sets the performance requirements, and provides oversight and quality assessments of the screening operations. Regional and operations managers employed by CATSA oversee screening operations and liaise with service providers at airports.

Direct Employment Model

The direct employment model can also be viewed as the federalized model. Under this option CATSA would hire and manage its entire security workforce directly and not through 3rd party contracting.

Aerodrome Operator Model

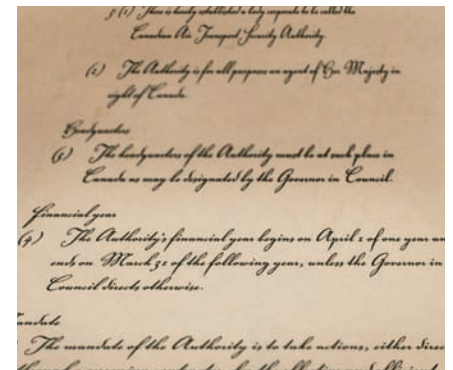
The CATSA Act provides for two service delivery scenarios under what can be characterized as the aerodrome operator model. CATSA can either authorize airports to hire screening officers directly as employees of the airport (aerodrome direct model), or allow airports to in turn subcontract with a service contractor (aerodrome subcontracting model).



EXECUTIVE SUMMARY

Sections 6 and 7 of the *CATSA Act* provide CATSA with three models for delivering screening: through a third-party service provider (screening contractor), hire its own employees (direct employment), or reach an agreement with airports to provide this service (aerodrome operator). As provided for under the *CATSA Act* and as directed by its Board, CATSA employs the screening contractor model to provide effective (both in terms of cost and security), efficient, and consistent screening of passengers and baggage at designated airports across Canada. While leveraging the expertise of private sector service providers in the security industry to supply a qualified screening officer workforce, CATSA is able to focus its resources on providing effective oversight, contract management, training, communication, and quality assurance functions to maximize the Government of Canada's financial investment and ensure the continued security and integrity of the screening process. Direct oversight of contracted resources – on a national basis – allows CATSA to be in constant contact with the front lines, which facilitates the efficient allocation of screening officers, awareness of and timely response to incidents, as well as comprehensive performance analysis and reporting.

Through its continuous improvement philosophy, CATSA has introduced a number of enhancements to third-party service delivery, having learned from the difficulties associated with being a “start-up” organization. The enhancements include: significantly revised contractual terms; improved financial and accounting processes; increased oversight and a focus on front-line communications; investments in technology and automation to analyze and optimize operations; incorporating best practices and lessons learned into existing security programs and business processes; and quality assurance initiatives—all to ensure that screening remains effective, efficient, and consistent.



The other models available to CATSA are the direct employment model and the aerodrome operator model. In the former, CATSA would have complete control of front-line service delivery, with less need for contract management and possibly lower attrition rates than is currently the case. Adopting this model would nonetheless impose higher costs as unions seek wage parity with other federal security employees, and CATSA would need a collective bargaining unit to negotiate agreements with unions.

The aerodrome operator model, in which airports could either hire screening officers directly or subcontract with screening contractors, would require CATSA to contract in turn with airport authorities. CATSA and the airport authorities would continue to work together on numerous aspects of aviation security, such as PBS, NPS, HBS, and airport policing, and together, these parties would need to develop and implement different accountability and performance structures than are currently in place for screening contractors.

In the near term, CATSA will add more front-line supervisory and management personnel to further improve the level of consistency, provide more control, enhance communication, and strengthen security. Going forward, CATSA will continue to leverage third-party service delivery and will seek commitments from the Government of Canada to secure:

- **long-term, sustainable funding to address operating budget pressures brought on by flat-lined appropriations and ever-increasing passenger volumes; and**
- **increased operational flexibility to better allocate resources based on specific threat indicators and a risk-management approach to security.**

1.0 BACKGROUND

Prior to the creation of CATSA, airlines were responsible for screening passengers and they contracted with service providers. For the first nine months following inception, CATSA reimbursed airlines for screening costs. Between December 31, 2002 and March 31, 2004, CATSA contracted with the same service providers using a modified version of the original airline contracts.

In the spring of 2003, the Board of Directors instructed senior management to analyze the service delivery model options available to CATSA for providing passenger screening services in airports across Canada. In June 2003, the Board of Directors decided to enhance the existing model; that is, to continue contracting with third-party service providers who specialize in the delivery of security and screening services, but with significantly revised contractual terms to increase performance requirements and accountability, to provide for more oversight, and to improve compensation for screening officers. The reasons for this choice included:

- **business continuity—the least disruptive option from a security and transition perspective;**
- **fairness – reasonable compensation for screening officers, compared to other security professionals; and**
- **cost—even while significantly increasing screening officer compensation, this model was shown to be the least expensive in terms of implementation and delivery (see Appendix A for example cost comparison information).**

An open competition was held in the fall of 2003, qualified service providers in the security field were selected, and new performance-based contracts for PBS, HBS and NPS services became effective on April 1, 2004. The duration of these contracts is three years (until March 31, 2007), with one, two-year option to renew. CATSA must inform service providers by September 2006 if it intends to renew.

2.0 CURRENT STATUS

CATSA contracts with 14 different service providers (see Appendix B) across Canada to provide the screening officer workforce. The scope of CATSA's operations includes 89 designated airports¹ (see Appendix C for airport traffic data) at which over 4,300 highly-trained screening officers screen more than 37 million passengers, approximately 900,000 airport workers, and nearly 60 million pieces of luggage each year.

Third-party contracting has proven to be a cost-effective means to provide a screening officer workforce.² Cost-effective does not mean less security. While continuing to operate within its government-approved reference levels, CATSA meets or exceeds its obligations under Transport Canada and international regulations. Through continued prudent financial management of public funds, over 90 cents of every dollar of CATSA's annual budget goes directly to front-line operations, and less than 9% of its allocations are spent on corporate services. In 2005, an independent review of CATSA's costs and financial assumptions deemed them to be reasonable and consistent with its mandate.³

2.1 Continuous Improvement

From the beginning, CATSA adopted a continuous improvement philosophy with the goal of becoming a world-class screening authority. To achieve this goal, CATSA recognized the importance of forging strong relationships with key domestic stakeholders—most notably service providers and airports, but also airlines, passengers, police, other government departments and agencies, and the general public—and with security organizations in other jurisdictions. These relationships are vital to CATSA's ability to maintain consistent, effective, and efficient service delivery and to respond to customer service needs.

To ensure the consistent delivery of PBS, HBS, and NPS services nationally, CATSA developed and continually assesses and improves its standard operating procedures. CATSA increased wages and benefits to improve the stability and

CATSA contracts with 14 different service providers across Canada to provide the screening officer workforce.

¹ See Appendix B. Airports are designated by Transport Canada for a variety of security reasons, some of which are not impacted by CATSA's operations. There are currently several airports that do not require CATSA screening services because there are currently no eligible commercial flights.

² Based on analysis provided to the Board of Directors in June 2003, CATSA's own internal financial assumptions and projections, and a comparison with the TSA's costs to provide a federalized screening workforce. It must be noted that CATSA's focus in its first five years has been on deploying mission-critical security systems and the Authority has not, as yet, entertained or undertaken pilot projects to assess the costs of the direct employment or aerodrome operator subcontracting models. The costs of the aerodrome direct model are assumed to be similar to CATSA's current contracting model.

³ In response to a Treasury Board requirement, CATSA commissioned Deloitte and Touche to conduct the review, the report for which is entitled *Final Report, Canadian Air Transport Security Authority Final Budget Review*, April 15, 2005.

employment conditions of the screening officer workforce. CATSA also provides all screening officers with the same training program, which more than doubled the amount of training given compared to pre-September 11, 2001 levels. The comprehensive national training program combines rigorous in-class and on-the-job courses. Beginning in 2004, CATSA introduced two leading-edge software programs into its training regime—X-Ray Tutor and Threat Image Projection System—to improve screening officer threat identification capabilities and increase alertness levels. Overall, CATSA invests more than \$5,000 to train each screening officer, which includes over one hundred hours of in-class and on-the-job training.

CATSA has also worked to give the screening process a common look-and-feel across the country: CATSA invests in uniforms, equips checkpoints with the same signage and fixtures, and rigorously attempts to uphold official languages legislation by making service available in both official languages. As of January 1, 2006, CATSA provides 100% hold bag screening in all designated airports across Canada, one full year ahead of the original planned date. And, to improve national communication and incident response capabilities, CATSA also put in place the Security Communications Centre (see section 3.0 for more details on improvements to third-party service delivery).

In terms of performance measurement and quality assurance, CATSA regularly monitors and measures the efficiency and effectiveness of its service delivery through wait time and passenger surveys, analyzing operational data using its Business Intelligence tool, and periodic assessments and evaluations. Performance measurement results are systematically studied and used to improve service delivery. As measured at Canada's eight largest airports (which handle approximately 85% of passengers—see Appendix C), CATSA consistently exceeds its service standard of limiting passenger wait times to eight minutes or less 90% of the time.⁴ The results of public opinion research conducted in March 2005 support the effectiveness of CATSA's pre-board

“The primary change is that screening operations are now managed by one organization nationally and I think that’s very important. I think this leads to uniformity of procedures.”

– *John Kaldewey*, President & CEO of Greater Toronto Airport Authority

“I think the creation of CATSA has added a number of things. Obviously, on the capital side there is immensely more technology and better machines to help the screening than we had in the past. But also, the improvements in training and standards and in procedures have significantly enhanced the security ability.”

– *Cliff Mackay*, President, Air Transport Association of Canada

⁴ Based on data from Queuing Time and Throughput Characterization Studies prepared by Intervistas in the summer of 2004 and 2005.

screening: over 90% of those surveyed said they were satisfied with the professionalism and process they experienced.⁵

In the near term, CATSA will work to optimize its operations by:

- exploring means to increase control over front-line operations, including deploying more direct supervisory personnel, particularly at higher risk Class 1 airports;
- conducting more quality assessments and evaluations, and continuing to monitor, evaluate, and manage costs and the scheduling of screening officer hours;
- continuing to seek authority from the Minister of Transport to conduct its own infiltration testing using any and all prohibited items; the ability of CATSA to adequately test its own system is a crucial element of a quality assurance program that is proactive and supports clear lines of accountability between CATSA's management team and the operational level;
- developing and implementing a valid and reliable pre-employment selection process for screening officers to identify competencies (e.g. ability to detect threat objects, interpret X-ray images), increase entry requirements, and strengthen the quality of the workforce
- implementing automated technology solutions, such as the Secure Identification and Time Tracking (SITT) program, new screening officer scheduling software, and a passenger counting system;
- enhancing communications with its existing service providers and applying the performance payment program;
- working with service providers to institute a 'whistleblower' policy; and
- continuing to strengthen the relationship with screening officers through the follow-up action plan from the "Sharing the Vision" tour.

CATSA consistently exceeds its service standard of limiting passenger wait times to eight minutes or less 90% of the time.

⁵ CATSA commissioned EKOS to conduct the passenger survey.

3.0 ENHANCEMENTS TO THE CURRENT MODEL

Now in its fourth year of business, CATSA continues to progress towards 'steady state' operations. During this period, CATSA has implemented improvements to its third-party service delivery model in the following three key areas: contractual; oversight and communications; and quality assurance.

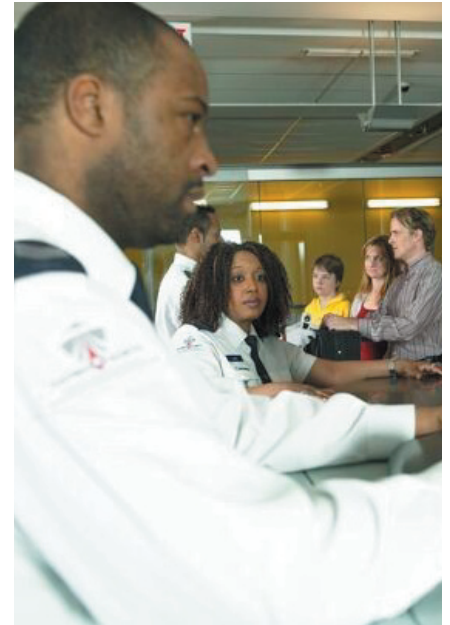
3.1 Contractual

CATSA foresees engaging in some form of contractual arrangement under any of the service delivery model options, whether CATSA or aerodrome operators contract with third-party service providers or CATSA negotiates a collective bargaining agreement with a union or unions under a direct employment model.

Operating costs under any service delivery model can be influenced by both local and macroeconomic forces. For example, screening costs are greatly impacted by passenger volumes (which have increased by more than 4% annually on average in the first five years of CATSA's existence) and airport expansions, as the Authority attempts to deploy more screening officers to maintain service levels.⁶ However, CATSA has limited financial flexibility with which to continue to address these operating budget pressures.

The following are some of the measures CATSA has implemented in its contracts and request-for-proposals process to provide for the optimal level of security and cost certainty (and ensure a quality workforce), given CATSA's current fixed reference levels and 100% Parliamentary appropriations-based funding:

Performance Payment Program: Payments to screening contractors are based on a formula that includes a fixed and a variable portion. The fixed portion covers the contractor's overhead costs and some markup, while the variable portion, broadly speaking, provides for an hourly rate per screening officer, per level. The current contracts also contain performance-based incentive bonuses,



⁶ Based on statistics from Transport Canada and Statistics Canada.

payable annually. Service providers can earn a percentage of the fixed-rate portion of the contract based on a quarterly assessment of their performance relative to the following three criteria:

Headquarter Management: Service provider senior management promptness, ability and willingness to collaborate with CATSA on various corporate issues (i.e. responding to high attrition and absenteeism rates, labour unrest, work site injury situations, etc.), cooperating in program and project implementations, participating at meetings, respecting contract terms, implementing innovative and/or cost effectiveness measures, developing recognition programs for employees, and other projects and issues of a corporate nature;

Local Level Management: ability and willingness of service provider management in airports to manage operations effectively, respond to particular problems raised by CATSA management, collaborate with CATSA on resolving local issues, and other projects and issues relevant to local activities; and

Statistical Performance: ability and professionalism of the screeners, which will be assessed through various measurement items such as following CATSA policies and standards, Transport Canada non-compliances, uniform control, attrition rate, absenteeism, infiltration test results, queuing and throughput survey results, and any other measure that can be derived from existing and future sources.

- **Competitive compensation:** Service providers need to attract and retain a competent, motivated workforce. Before CATSA was created, the screening workforce was characterized by low wages and benefits, minimal entry requirements and training, and high turnover rates. That is why, upon assuming responsibility for screening contracts, CATSA increased by 50%, and in some cases almost doubled, screening officer wages and benefits and significantly increased the amount of training. Further, the current contracts contain reasonable annual increases of 3.5% on the hourly rate portion, which approximate the rate of

Although we have substantial resources to provide security, these resources are not unlimited. Therefore, as a nation, we must make tough choices about how to invest finite human and financial capital to attain the optimal state of preparedness. To do this we will focus preparedness on objective measures of risk and performance.

- Secretary Michael Chertoff, U.S.
Department of Homeland Security

inflation and the wage increases won by unions representing public employees. Improved wage and benefit levels have in turn contributed to low attrition rates. The attrition rate of the screening officer workforce under the current service delivery model was originally estimated to be up to 15%; as of September 2005, the attrition rate at Class 1 airports (measured quarterly) was approximately 5%. CATSA takes pride in having a highly-trained and motivated screening workforce. CATSA has and will continue to work closely with its service providers to further reduce attrition rates and maintain a stable workforce.

- ***Development of a Service Provider Accreditation program:*** The objective of the Accreditation Program is to create a supplier base of accredited contractors. Suppliers that meet CATSA's requirements will be accredited for a defined period. This will allow CATSA to choose from a pool of accredited providers based on specific business needs and requirements and thus simplify the request-for-proposals process and be authorized to enter into contracts on an emergency basis. The accreditation process will use a number of different tools to evaluate and determine the suitability of a potential contractor.

Finally, CATSA also provides service providers with liability protection by purchasing war risk insurance coverage, which financially covers service providers in the event of an act of terrorism.

3.2 Oversight and Communication

One of the perceived weaknesses of third-party service delivery as compared to the direct employment model is the lack of direct management of and communication with screening officers. The following are some of the measures CATSA has taken to improve oversight and communication:

- More CATSA staff were deployed in the field to improve oversight and help streamline operations. As of January 2006, CATSA has 27 regional

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and operations managers based in Class 1 airports across Canada. Regional staff are complemented by operations, equipment, contract administration, invoice processing, and quality assurance personnel at headquarters in Ottawa.

- CATSA created the Security Communications Centre (SCC), which became operational in 2004. The SCC is the main point of contact between CATSA and PBS screening points, regional/operations managers, service providers, and airports. The SCC functions primarily as a security “call centre”, providing centralized information flow for incident reporting and response, PBS and HBS equipment failures and repair schedules, and contract administration issues. The SCC allows CATSA to manage its screening services on a national basis even though screening providers operate regionally, thus ensuring that overall accountability rests with CATSA. The national reach and real-time communication technologies of the SCC allow CATSA to distribute actionable intelligence directly to the front-lines and track and respond to multiple incidents. The SCC’s coordination role has improved communications between headquarters and the regions and, as a result, enhanced the effectiveness of CATSA’s delivery of screening services.
- Through 2004 and 2005, CATSA deployed closed-circuit television (CCTV) cameras at PBS checkpoints at all Class 1 and 2 airports to help protect the integrity and security of the screening process, and to provide support to screening officers at PBS checkpoints in the event of an incident. CCTV cameras enhance communications and allow CATSA to react more quickly and effectively to incidents when they occur.
- Feedback to service providers was enhanced through quarterly, rather than annual, performance assessments.
- In September 2005, CATSA’s President and CEO and Executive Vice President and COO undertook the “Sharing CATSA’s Vision” tour,



which involved making presentations to and taking questions from screening officers at major airports across the country. CATSA has developed a follow-up action plan to address some of the issues and concerns raised by screening officers (see attached document, “Sharing CATSA’s Vision: Executive Summary”). Following the tour, CATSA implemented a Continuous Consultation Program to engage screening officers to find solutions to the operational challenges they identified.

3.3 Quality Assurance

To help ensure a high level of consistency and efficiency in its operations, CATSA has undertaken a number of measures in addition to the communication initiatives discussed above, to continually monitor, evaluate, report on, and improve the performance of its third-party contracted screening officer workforce, including the following:

- CATSA conducts wait time and public opinion surveys during busy travel periods to monitor the efficiency and effectiveness of its screening operations. Public opinion surveys were conducted in March of 2004 and 2005 and passenger wait time and throughput characterization studies were conducted in the summer of 2004 and 2005.
- In December 2004, CATSA assembled an internal task force whose mandate was to assess current operations against existing standards and provide recommendations to improve operating procedures. The assessments took place at Class 1 airports. The work of the task force also included consulting with aviation industry stakeholders, including airport authorities, air carriers, and service providers. The task force reported its findings in January 2005 and made innovative recommendations to reduce costs and improve efficiency without compromising security. Recommendations included installing tables for divesting and re-packing; pursuing further risk-based regulatory changes with Transport Canada; modifying pre-board screening checkpoint lane and equipment configurations (where possible) to increase passenger

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throughput; and working with service providers to improve the scheduling of screening officers.

- In the second quarter of 2005, CATSA began conducting quality assessments to ensure that screening performance meets certain standards for consistency, effectiveness, and efficiency. The first assessments were performed on PBS operations at Class 1 and 2 airports and covered criteria such as physical appearance and layout, customer approach, screening performance, and coordination and communication. Results of the assessments were shared with service providers who committed to developing and implementing action plans to address issues raised in the assessments.
- In the first quarter of 2006, CATSA implemented infiltration testing of its hold bag screening systems and is working to introduce infiltration testing for pre-board screening.

4.0 CHALLENGES ENCOUNTERED

Over the course of the last four years, CATSA has encountered and managed several challenges resulting from the third-party service delivery model:

- **“Single employer” issue:** CATSA’s operations could be significantly affected in the event that the corporation is declared a “single employer” pursuant to s.35 of the Canada Labour Code. Similarly to the direct employment model, a “single employer” declaration means that CATSA would be drawn into employer-employee relationships bringing about additional overhead costs associated with such relationships along with higher operating costs as unions would likely seek wage and benefit parity with other federal government employees. In 2004, an application was filed with the Canada Industrial Relations Board (CIRB) by a union representing screening officers. If the CIRB upheld the union’s claim, CATSA expected that other unions might follow suit. The



“single employer” application was eventually withdrawn as part of a settlement between the unions and service providers. While the total economic impact of such a decision is not known, single employer status could diminish the flexibility granted by Parliament as to how CATSA delivers screening. CATSA will continue to monitor this situation and, if necessary, work with Transport Canada to investigate legislative and other options to preserve the current contractor relationship and maintain third-party service delivery.

- ***Replacement of service providers:*** CATSA was forced to replace service providers in British Columbia, and at Montreal’s Pierre Elliott Trudeau, Calgary International, and Edmonton International airports for failing to fulfill their contractual obligations and for security reasons. While the replacement process was disruptive and costly, CATSA acquired valuable lessons learned from the experience in the areas of procurement and contract management, which will help with future contract drafting and negotiations. Through its decisive actions, CATSA demonstrated to the remaining and prospective service providers the importance of CATSA’s screening operations and the consequences of not meeting contractual obligations. While it is assumed this situation would not arise under a direct employment model, the flexibility associated with third-party contracting allowed CATSA to quickly deal with the situation.
- ***Market-driven service provider costs:*** Payments to service providers are CATSA’s main operating expense, and screening officer compensation would remain the principal operating expense under any model. While the new performance-based contracts were designed to improve efficiency and help control costs, baseline screening costs are market-driven due to the competitive bidding process for hiring service providers and the need for service providers to increase wages in line with market norms. Recent wage increases averaging 3.5% have been negotiated by the unions representing screening officers. As mentioned previously, to meet a key element of CATSA’s mandate to

improve screening quality and consistency, service providers must be able to attract and retain qualified, well-trained personnel by offering competitive compensation and benefits. Thus, CATSA cannot ignore the sustainability pressure on its operating budget associated with labour market demands and must account for wage and benefit increases when negotiating the next service provider contracts.

- ***Invoicing control:*** Since assuming screening contracts from the airlines in 2002 and instituting new contracts in April 2004, CATSA has implemented more rigorous financial and accounting controls, particularly in the area of invoice processing, to simplify and strengthen business practices.
- ***Screening consistency:*** To help ensure the consistent delivery of screening services, regional and operations managers provide on-site oversight and CATSA conducts periodic quality assessments. Through these oversight functions, CATSA has encountered consistency issues in screening delivery and service provider management practices, as well as variable working conditions for screeners. CATSA works proactively with service providers to manage and resolve these issues as they occur. However, given the number of airports in Canada, the distances between them, the financial constraints associated with providing sufficient oversight at all airports, and use of threat/risk assessments to determine resource allocation, ensuring screening consistency will remain a challenge for this or any service delivery model.

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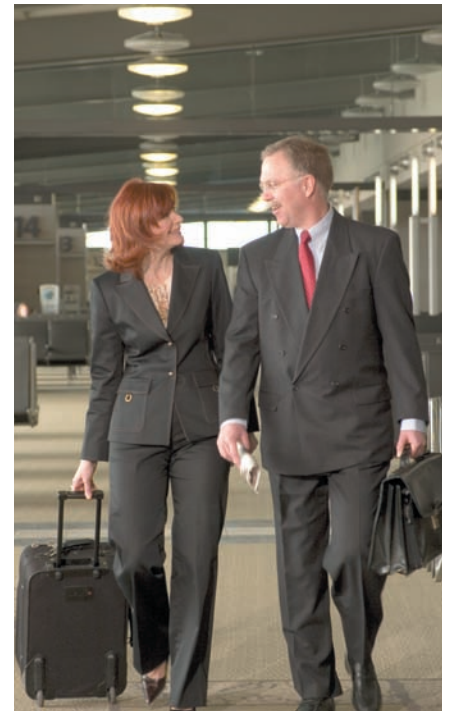
5.0 THE DIRECT EMPLOYMENT AND AERODROME OPERATOR MODELS

The CATSA Act provides two other options for the delivery of screening services: direct employment of screening officers by CATSA; or delivery of the program through airport authorities. These models are described below.

5.1 Direct Employment Model

Section 6 of the *CATSA Act* enables CATSA to deliver screening through the direct employment of screeners (direct employment model). The potential benefits of this model include CATSA having complete control over front-line service delivery, direct communication with screening officers, a perhaps more stable and mobile workforce with anticipated lower attrition rates, fewer contract management functions, and the elimination of invoice processing for screening officer hours. However, it is expected that employee costs would dramatically rise as unions representing screening officers would likely seek wage/benefit parity with other federal employees performing similar security functions (see Appendix A); CATSA's oversight and management in the field would significantly increase; head office overhead costs would rise as, for example, human resources support would have to increase significantly to support almost 5000 employees (CATSA's current FTE count is 228); and CATSA would require a collective bargaining unit to negotiate agreements with unions representing screening officers. Preliminary analysis suggests at least a 40-50% increase in total operating budget requirements, which would not be financially viable or sustainable given the Government of Canada's current funding commitments. There would also likely be disruptions and transition costs associated with adopting this model, which could be offset over time by the savings associated with a more stable workforce (e.g. lower costs due to reduced training needs for new employees and fewer uniform replacements).

By way of comparison, the TSA's experience with a direct employment or 'federalized' model has not demonstrated increased effectiveness or efficiency



when compared to third-party contracting and has proven to be a costly model to maintain. In fact, the first four years of the TSA's existence have been characterized by funding and budgetary pressures, which have resulted in continuous cut-backs to the number of screeners from a high of more than 55,000 FTEs to the current cap of 45,000 FTEs; numerous reports by the Department of Homeland Security's Inspector General describe financial mismanagement. For example, in a December 2005 report, the Inspector General noted that the TSA incurred initial screening officer recruitment costs that were more than seven times higher than the original estimates: \$741 million versus \$104 million . Under CATSA's current model, screening officer recruitment is the responsibility of service providers; however, under a direct employment model, CATSA would become responsible for, and assume the costs of, recruitment.

The results of the TSA's pilot project with third-party delivery at five airports showed a slight increase in screener performance at one of the airports, but airports were unable to more efficiently allocate resources or realize significant cost savings . To date, all five airports that participated in the pilot have applied (or are applying) to continue in what the TSA is calling the "Screening Partnership Program"; however, only one other small airport—Sioux Falls, South Dakota—has applied to switch to privatized screeners. Under the Program, screening officers continue to be directly supervised by the TSA and not by the airports. According to the Reason Foundation (a U.S. think tank), other airports have been reluctant to apply because of the lack of any role in the management of the screeners and concerns about liability protection (e.g. war risk insurance), which together limit the financial benefits and potential efficiency gains of participating in the program .

The TSA's 'public-private' Screening Partnership Program was intended to benefit airports by increasing decentralization and local empowerment . In practice however, the program is highly 'centralized', as the TSA selects and hires the contractor that it determines to be the best fit for an individual airport,

The TSA's experience with a direct employment or 'federalized' model has not demonstrated increased effectiveness or efficiency when compared to third-party contracting and has proven to be a costly model to maintain.

as well as manages the contractor's work at the airport. Under this program airport authorities are also able to apply to be private screening contractors (subject to criteria) and are permitted to utilize personnel to perform non-screening duties. Airports have the option of applying for this program or retaining the security services of the federalized workforce. Under either model the TSA's federal security directors retain full security responsibility at airports.

5.2 Aerodrome Operator Model

Section 7 of the *CATSA Act* provides the authority and criteria for CATSA to enter into agreements with aerodrome operators to deliver screening:

7. (1) The Authority may authorize the operator of an aerodrome designated by the regulations to deliver screening on its behalf at that aerodrome, either directly or through a screening contractor, subject to any terms and conditions that the Authority may establish.

(2) The Authority may not authorize the operator to deliver screening unless it is satisfied that the operator can meet the terms and conditions established by the Authority and deliver screening efficiently and effectively, having regard to the following factors:

(a) the cost and service advantages;

(b) the operator's capability to deliver screening; and

(c) how screening, if done by the operator, would be integrated with other security functions at the aerodrome.

(3) The Authority may, in the terms and conditions of an authorization, agree to make payments to the authorized aerodrome operator to compensate them for the reasonable costs incurred by them in delivering screening.

The aerodrome model provides CATSA with two options: CATSA can authorize airports to hire screening officers directly as employees of the airport (aerodrome direct model), or allow airports to subcontract with a service provider to provide

a screening officer workforce (aerodrome subcontracting model). Under either scenario, CATSA would enter into an agreement with an individual airport to provide on-site PBS, HBS, and NPS screening—similar in nature to the contracts CATSA currently employs with its private sector, third-party service providers. CATSA would use the same Standard Operating Procedures (SOPs), expect the same performance, and manage the airports in the same manner as it currently does with third-party contractors. Using this approach, airports could integrate their screening operations with other on-site security functions to realize staffing efficiencies, as long as the standards established by CATSA for screening services (including employment criteria, training, certification, etc.) are maintained.

Under the current model, CATSA in most cases chooses service providers on a regional, rather than on an airport basis, and provides its own oversight resources; under either of the aerodrome model options, CATSA would still need to approve an airport's proposal to provide screening. From a management perspective, under the current model CATSA works in close cooperation with service providers on scheduling screening officers to realize staffing efficiencies in order to optimize operations and maximize the Government of Canada's investment. Under the aerodrome model options, airports would manage the workforce directly or indirectly; CATSA might assume direct oversight or supervisory responsibilities and would set financial terms. It should be noted that CATSA already works in close partnership with airports on all aspects of pre-board, hold bag and non-passenger screening, the restricted area identification card, and the airport policing contribution program. This partnership has been crucial to the successful implementation of CATSA's mandated activities.

While airports are responsible for many functions, including processing passengers, facilitating flight schedules, developing business lines and maximizing commerce (e.g., retail opportunities for travelers), they must also adhere to safety and security regulations. From a security perspective, airports

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“CATSA personnel play a huge part in making sure that, not only are the passengers safe on the airplane but their experience in going through security is quick, safe and efficient and very, very seamless.”

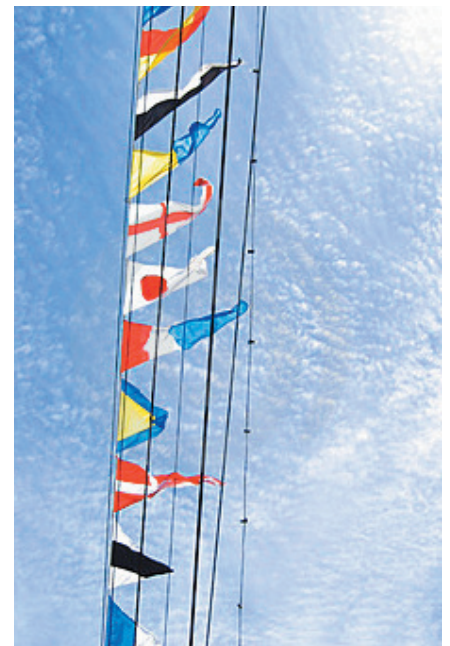
– Jim Facette, President and CEO of the Canadian Airports Council

are responsible for functions such as access control, perimeter patrols, fencing, disposal of unidentified items and bombs, police contracting, building and parking garage security, and are required to develop a security plan under the *Aerodrome Security Measures*. Thus, both airports and CATSA have a vested interest in, and responsibility for, certain aspects of aviation security, many of which are linked and require mutual cooperation and combined efforts to operate. To ensure CATSA could maintain effective oversight of and communication with the frontlines, and an efficient allocation of resources based on risk, a more complex agreement would likely be required under the aerodrome subcontracting option, than what CATSA currently has in place with its third-party service providers. As with all other aspects of air transportation security, CATSA and the airports would continue to work closely under either aerodrome operator model option.

6.0 INTERNATIONAL PERSPECTIVE

There are many screening delivery models in operation in countries around the world. Some, like the one in operation at Ben-Gurion in Israel are unique, while others are essentially a variation of one of the three models presented in this paper.

Israel's security model involves layers of coordinated intelligence, response and screening delivery. At Ben-Gurion, for example, air transportation security is undertaken by government personnel who question incoming passengers after visa checks, while pre-board and hold baggage screening equipment is operated by personnel contracted by the airport authority. In the United States, as noted previously, the TSA appears to want to move away from the federalized model by offering airport authorities the option to go with private screening contractors (albeit most airport authorities do not appear to be opting for this approach). In Germany, the principles for airport security checks of passengers and baggage are developed within the Federal Ministry of the Interior and enforced by



the German Federal Border Police. The Border Police monitor and measure the performance of screeners but do not manage them as screening personnel are employed by contracting companies. The United Kingdom (U.K.) model involves public regulation and oversight with private delivery of screening at airports. Interestingly, U.K. pre-board screeners are employees of the airport authorities and hold-baggage screening is performed by the air carriers.

Ultimately, in most of these countries, as with Canada, responsibility for aviation security is shared among a number of organizations. This state of affairs creates potential challenges in terms of coordination, information sharing and collaboration among these organizations, at the airport level or nationally. With its national mandate and partnerships, CATSA could play a role in improving coordination in Canada's aviation security system.

7.0 CONCLUSIONS AND RECOMMENDATIONS

In order to maximize the full potential of the third-party service delivery model, CATSA will continue to press for increased financial and operational flexibility in order to better manage its overall operations. CATSA is seeking financial flexibility by approaching the Government of Canada with a plan to secure long-term, sustainable funding in order to maintain service levels in the face of increasing passenger volumes and a fixed operating budget. CATSA is also working closely with Transport Canada to realize operational flexibility through the development of a risk-based, Security Management System-approach to regulations.

As CATSA approaches the end of its initial five-year mandate and looks to the future, the Authority plans to continue leveraging third-party service delivery. In creating CATSA, the Government of Canada decided to make certain aspects of air transportation security a federal responsibility and to centralize accountability. Through its screening contractor workforce, CATSA has responded to the mandate it was given by providing effective (both in terms of delivery and cost), efficient, and consistent screening services that give sound security while balancing customer service and stakeholder needs. CATSA's screening efforts have also garnered recognition and respect from industry and government stakeholders and from domestic and international security partners. CATSA will continue to explore ways to add value to air transportation security in Canada and to improve its third-party service delivery.

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APPENDIX A

COMPARISON BETWEEN WAGE RATES OF U.S. AND CANADA FEDERAL SECURITY EMPLOYEES AND CONTRACTED CATSA SCREENING OFFICERS

The TSA's screening officer workforce consists of federal employees who are prohibited by legislation from forming a union and who do not have the right to strike. Canada Border Services Agency customs officers are federal public servants who are represented by a union and do have the right to strike (Note: entry requirements for customs officers are higher than for screening officers). CATSA screening officers are employed by third-party service providers, are represented by unions, and can take strike action.

As shown in Figure 1, CATSA's third-party service delivery model is the most cost-effective model when compared to directly employing screening officers. The TSA's hourly wage for its directly employed screeners is almost 25% higher than CATSA's. CATSA's own internal financial analysis suggests that directly employing screening officers would result in approximately a 40-50% increase in current operating costs (assume new baseline hourly compensation—wages and benefits—figure of more than \$25/hour), plus overhead costs associated with, for example, increased human resource department needs to support a workforce numbering in the thousands, not hundreds.

Figure 1: Comparison between wage rates of U.S. and Canada federal security employees and contracted CATSA screening officers

		Hourly wage comparison (based on 2080 hrs/year or 40 hr work week)						
		2006	2007	2008	2009	2010	2011	2012
TSA⁽¹⁾								
Security Screener Hourly Wage (\$US)		\$14.18	\$14.46	\$14.75	\$15.04	\$15.35	\$15.65	\$15.97
Security Screener Hourly Wage (\$CDN*)		\$16.02	\$16.34	\$16.67	\$17.00	\$17.34	\$17.69	\$18.04
* exchange rate 1.13 as of March 3, 2006								
% annual increase			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
CBSA⁽²⁾								
Customs Officer Hourly Wage		\$24.86	\$25.61	\$26.38	\$27.17	\$27.98	\$28.82	\$29.69
% annual increase			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
CATSA⁽³⁾								
Screening Officer Hourly Wage		\$12.86	\$13.48	\$13.96	\$14.46	\$14.98	\$15.51	\$16.06
% annual increase			4.9%	3.6%	3.6%	3.6%	3.5%	3.5%

(1) Source: TSA recruitment website. Hourly rate derived from median salary.

(2) Source: CBSA Web site, TB Web site. Customs officers start at PM-3 salary level.

(3) Source: Service provider contracts

NOTE: Annual increase assumptions for 2008 and beyond based on previous contracts and rate of inflation.

APPENDIX B

CATSA SCREENING SERVICE PROVIDERS

The following table provides a breakdown of the 89 designated airports and the CATSA service providers that provide the screening officer workforce.

NOTE: Airports marked with an asterisk (*) denote those that do not require CATSA screening services because there are currently no eligible commercial flights.

Service Provider	Airport(s) and Province/Territory
Aeroguard Inc.	Class 1
Aeroguard Company Ltd.	Ottawa Macdonald-Cartier Int'l (ON)
Aeroguard Eastern Ltd.	Winnipeg Int'l (MB)
	Vancouver Int'l (BC)
	Class 2
	London Int'l (ON)
	Regina (SK)
	Saskatoon - John G. Diefenbaker (SK)
	Sudbury (ON)
	Thunder Bay Int'l (ON)
	Whitehorse (YT)
	Windsor (ON)
	Yellowknife (NT)

Service Provider	Airport(s) and Province/Territory
Aeroguard Inc.	Class Other
Aeroguard Company Ltd.	Brandon Municipal (MB)
Aeroguard Eastern Ltd.	Grande Prairie (AB)
	Hamilton - John C. Munro (ON)
	Kitchener/Waterloo (ON)
	Lethbridge County (AB)
	Medicine Hat Municipal (AB)
	North Bay (ON)
	Prince Albert (SK)
	Red Deer Regional (AB)
	Sarnia - Chris Hatfield (ON)
	Sault Ste. Marie (ON)
	Thompson Municipal (MB)
	Timmins (ON)
Garda of Canada	Class 1
	Calgary Int'l (AB)
	Edmonton Int'l (AB)
	Mirabel* (QC)
	Pierre Elliott Trudeau Int'l – Montreal (QC)
	Toronto Lester B. Pearson Int'l - T1, T2, T3 (ON)
	Class 2
	Kelowna (BC)
	Prince George (BC)
	Toronto City Center (ON)
	Victoria Int'l (BC)

Service Provider	Airport(s) and Province/Territory
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Garda of Canada	Class Other
	Campbell River (BC)
	Castlegar (BC)
	Comox (BC)
	Cranbrook (BC)
	Dawson Creek (BC)
	Fort McMurray Municipal (AB)
	Fort St. John (BC)
	Toronto Buttonville* (ON)
	Kamloops (BC)
	Nanaimo (BC)
	Penticton (BC)
	Prince Rupert (BC)
	Quesnel (BC)
	Rivière-Rouge - Mont Tremblant (QC)
	Roberval (QC)
	Sandspit (BC)
Smithers (BC)	
Terrace (BC)	
Williams Lake (BC)	

Shanahan's Investigation and Security Ltd.	Class 1
	Halifax Int'l (NS)

Class 2
Charlottetown (PE)
Fredericton (NB)
Gander Int'l (NL)
Moncton Int'l (NB)
Saint John (NB)
St. John's Int'l (NL)

Service Provider	Airport(s) and Province/Territory
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Shanahan's Investigation and Security Ltd.

Class Other
 Bathurst Regional (NB)
 Charlo* (NB)
 Deer Lake Regional (NL)
 Goose Bay (NL)
 St. Leonard* (NB)
 Stephenville (NL)
 Sydney Municipal (NS)
 Wabush (NL)
 Yarmouth* (NS)

Sécurité Kolossal Inc.

Class 2
 Québec - Jean Lesage Int'l (QC)

Class Other
 Baie-Comeau (QC)
 Gaspé (QC)
 Îles de la Madeleine (QC)
 Mont-Joli (QC)
 Rouyn-Noranda (QC)
 Sept-Îles (QC)
 Val d'Or (QC)

Corps canadien des commissaires

Class Other
 Alma (QC)
 Bagotville (QC)

British Columbia Corps of Commissioners

Class Other
 Abbotsford (BC)

Service Provider	Airport(s) and Province/Territory
Central Aviation Security Ltd.	Class Other Kingston (ON)
Twilite Security Ltd.	Class 2 Iqaluit (NU)
The City of Lloydminster	Class Other Lloydminster (AB)
Provincial Airlines Ltd.	Class Other Lourdes-de-Blanc-Sablon (QC) Churchill Falls (NL) St. Anthony (NL)
Air Creebec Inc.	Class Other Chibougamau-Chapais (QC)
Air Inuit Ltd.	Class Other Kuujjuaraapik (QC) Kuujjuaq (QC) La Grande Rivière (QC)

APPENDIX C

CANADIAN AIRPORT PASSENGER TRAFFIC DATA

Passenger Traffic Terminology

Enplaned and Deplaned Passengers

Passenger traffic in the air transportation industry is typically measured as the number of enplaned and deplaned passengers (i.e. passengers boarding and disembarking from an airplane) within a specified time period. The number of enplaned and deplaned passengers per month at Canada's "Top 30" airports is currently provided to CATSA via Transport Canada (see table on following page).

Screened Passengers

Screened passengers are those that go through the pre-board screening process at an airport. The relationship between the number of enplaned passengers and the number of screened passengers is not one-to-one. The number of enplaned passengers includes connecting passengers who typically do not go through the screening process at the connecting airport. Therefore, there can be a significant difference between these two numbers. In general terms, the number of screened passengers is a subset of the total number of enplaned passengers, which represents approximately half of the total number of enplaned and deplaned passengers.

In 2004, CATSA screened approximately 37 million passengers. The following table provides a breakdown by airport class (all figures have been rounded).

Class	Airport	# screened PAX (in millions)	% Total
Class 1	Toronto – Pearson Int'l (YYZ)	11.1	30%
	Vancouver Int'l (YVR)	6	16.3%
	Montreal – Pierre Elliott Trudeau Int'l (YUL)	4.3	11.6%
	Calgary Int'l (YYC)	3.7	10%
	Edmonton Int'l (YEG)	1.7	4.5%
	Ottawa - Macdonald-Cartier Int'l (YOW)	1.5	4%
	Winnipeg Int'l (YWG)	1.3	3.5%
	Halifax Int'l (YHZ)	1.3	3.5%
	Sub-total	30.9	84%
Class 2		4.3	11.5%
Class Other		1.7	4.5%
	Total	36.9	100%