NACC
National Airlines Council of Canada

BACKGROUNDER:

The Canadian Air Transport Security Authority (CATSA)

The Canadian Air Transport Security Authority (CATSA) was established as a federal crown corporation on April 1, 2002, as part of the Government of Canada's response to the events of September 11, 2001. Until then passenger security screening operations had been largely the responsibility of the airlines with Transport Canada playing a supporting role, notably with respect to capital expenditures in screening equipment. In the wake of the government-wide cost-cutting of the mid-90s, Transport Canada completely vacated that function (except for regulatory oversight) in 1997 with the creation of a non-profit, non-share capital corporation, the Air Transport Security Corporation.

Funding

Although CATSA was created in the wake of the tragic events of September 11 and amid global demands for heightened airport and air travel security, the Government of Canada introduced a user pay system, the Air Travellers' Security Charge (ATSC), to fund the new agency.

The ATSC was introduced as part of the legislation creating CATSA, and air carriers are required by law to collect it from their customers at the time of purchase and remit to the Canada Revenue Agency. Funds collected in this manner from air travellers flow into the Government of Canada's general revenues. CATSA is funded through discretionary federal appropriations and reports to Parliament through the Minister of Transport.

While it was notionally intended to fund the operation of the new security screening body, between 2010 and 2016, the ATSC has generated a windfall for the Government of Canada of $547.5 million[1].

Since 2015, the Government of Canada has had to provide an annual top-up to CATSA's operating budget to mitigate deteriorating passenger wait times and to support expanded non-passenger screening responsibilities. This has been ad-hoc funding and has not resulted in year-over-year increases of CATSA's A-base funding. Moreover, CATSA's funding profile through 2020/21 shows that the Government of Canada has booked annual A-base operating allocations of $471 million[2], a 23 percent reduction from **actual** 2016/2017 levels[3].

Even though budget allocations to CATSA have consistently fallen short of the revenue generated by the ATSC, it is important to note the evolution of trend lines in ATSC revenues and CATSA spending beginning 2015 as this may help explain the government's interest in the privatization of CATSA.

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[1] This is based on the difference between total ATSC revenues and total federal CATSA appropriations. It does not include any incremental spending on ancillary services such as the Sky Marshall service, which the Government of Canada ostensibly funds through ATSC revenues, but which have not been broken out in public accounts.

[2] Canadian Air Transport Authority, Summary of the 2016/17 – 2020/21 Corporate Plan and Operating and Capital Budgets, p. 39.

[3] 2016/17 is the last year for which total actual CATSA spending figures are available in the Main Estimates. The 2016/17 actuals Include $471.4 million in A-base expenditures and an additional $142.3 million in supplementary funding. Figures from Main Estimates, 2016-17 and 2017-18.

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	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Air Travellers Security Charge (ATSC) Revenues [i]	**600.0**	**631.0**	**636.0**	**662.0**	**696.0**	**721.0**	**768.0**
CATSA's budgeted allotment [ii]	243.6	582.7	576.4	598.3	591.6	678.4	624.0
Additional funding [iii]	351.5				84.6	33.3	142.3
Total Funding [iv]	595.1	582.7	576.4	598.3	676.2	711.7	766.3
Appropriations Used [v]	**573.1**	**515.0**	**513.4**	**559.1**	**623.9**	**656.7**	**725.3**
Windfall to government from ATSC:	**26.9**	**116**	**122.6**	**102.9**	**72.1**	**64.3**	**42.7**

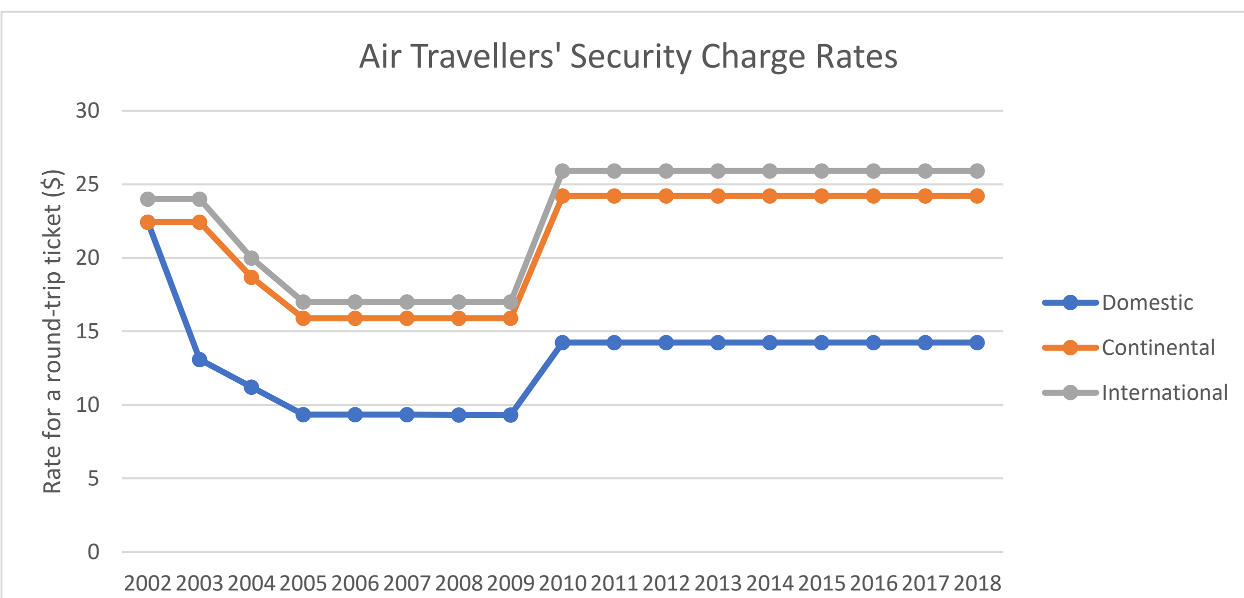
*all figures in millions of dollars

External Shocks

Some have drawn direct parallels between the successful privatization of air traffic control services with the creation of NAV CANADA in the mid-90s, and plans to privatize CATSA, however while the mandates of both organizations relate directly to aviation safety, they differ from each another with respect to their susceptibility to external shocks.

Real and potential security threats, along with state expectations in this area can cause the imposition of new screening requirements which can cause operational headaches and additional costs, or even of new technologies requiring significant capital investments.

CATSA itself was created in response to such an event. Moreover, while ATSC fees were lowered after the initial start-up investments were made, a security event in December 2009 – the so called "underwear bomber" -- prompted an increase in user fees in 2010, where they have remained.



Service Standards

As mentioned earlier, each of the past three federal budgets have provided CATSA with supplementary one-year funding to address wait times and meet an internal target average wait time service level (WTSL) of 85 percent of passengers waiting to be screened in 15 minutes or less (85/15).

This is a national, annual target that applies only to Canada's eight largest airports. CATSA endeavours to staff all available lines during peak periods but despite this, a WTSL of 85/15 at most airports during peak periods is not feasible with existing equipment and staffing levels. As a result, passengers travelling at peak periods can experience much longer wait times.

During peak periods, only about 75 percent of passengers experience an average wait of less than 15 minutes. CATSA Q2 2017/18 WTSL data shows that in some airports fewer that 70 percent of passengers travelling at peak periods were being screened in 15 minutes or less.

The National Airlines Council (NACC) and its partner, the Canadian Airports Council (CAC), have advocated for more stringent service standards, coupled with the appropriate incremental increase in CATSA's A-base funding[4].

CATSA has estimated that meeting an average WTSL of 90/10 would require an increase of approximately $40 million per year above funding required for an 85/15 WTSL.

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[i] Public Accounts of Canada, Volume I, Table 3.2

[ii] Main Estimates

[iii] Supplementary Estimates

[iv] Public Accounts of Canada, Volume II, Transport Section, Budgetary details by allotment. Total funding includes frozen allotments as well as reprofiled funds from previous years.

[v] Public Accounts of Canada, Volume II, Table 5, Source and disposition of budgetary authorities by ministry

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[4] NACC and the CAC have called for: 1) 95 percent of originating passengers to be screened in 10 minutes or less (95/10); 2) 95 percent of connecting passengers in 6 minutes (95/6); and 3) no passenger waiting more than 20 minutes.