



ANNUAL REPORT 2024





Land Acknowledgement

CATSA recognizes and affirms the sacred connection that Indigenous peoples have to the lands that all Canadians call home.

CATSA renews its commitment to improving relationships nation-to-nation and to growing its own understanding of Indigenous peoples and their cultures.

CATSA acknowledges the traditional, ancestral and unceded territory of all the First Nations, Métis, and Inuit that call this land home.

Doing so leads CATSA to recognize how the organization can contribute to the process of reconciliation.



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507

CATSA employees

89

designated airports
(81 active)

95.2%

of passengers waited less than 15 minutes to be screened

300

pre-board screening lines, including:

13 verified traveller lines

22 family and special needs lines

113

pre-board screening checkpoints

90.8%

of passengers experienced a positive screening experience

8,984

contracted screening officers

66.6M

passengers screened

CATSA AT A GLANCE



2023/2024 HIGHLIGHTS

CATSA strengthened security screening operations and enhanced the passenger experience while supporting the Government of Canada’s social, economic, and environmental priorities.

Reduced wait times and improved customer service

- **Improved wait time service levels:** In 2023/2024, 95.2% of passengers waited less than 15 minutes before being screened, surpassing the wait time service level for which CATSA was funded, i.e. 85% of passengers waiting less than 15 minutes (85/15).
- **New and improved Airport Screening Services Agreements:** New and improved contracts for security screening services commenced April 1, 2024. These contracts include new measures to improve the passenger experience, notably in the areas of official languages and accessibility, and strengthen oversight of security screening, including customer service. These multibillion dollar contracts were a significant undertaking which required considerable planning and support from all areas of the organization, and will ensure the highest level of security screening, while providing better service to travellers.

- **Verified Traveller Program:** This program was launched in May 2023, and allows vetted passengers to benefit from an expedited security screening service. By August 2023, Verified Traveller lines were implemented at domestic/international checkpoints at Canada's eight largest airports. In late November 2023, a trial began at Vancouver International Airport's Transborder checkpoint. According to preliminary results, more than 94% of verified travellers waited less than five minutes to be screened at Verified Traveller lines.
- **Computed tomography X-ray at pre-board screening:** Computed tomography (CT), which requires significant planning with the airport authorities, will enhance security effectiveness by improving detection capabilities and will enhance the passenger experience by reducing or even eliminating the requirement to divest items like large electronics, permitted liquids, aerosols and gels, subject to Transport Canada approval.

Introducing CT X-rays at Class 1 and Class 2 airports, including the replacement of single-view X-ray machines with multi-view versions at Class 3 airports, is the largest deployment of screening equipment in CATSA's history. Following the acquisition of the equipment in November 2023, CATSA installed two CT X-rays at its test facility in order to conduct additional technical reviews to inform training and procedures before introducing the screening equipment at airports.

Enhanced collaboration with aviation partners to facilitate the travellers' journey

- **Engaging partners:** CATSA engages with industry partners on solutions to improve the traveller experience, as well as to share timely information to facilitate a positive end-to-end journey for passengers. CATSA actively participates and collaborates in various forums with industry partners, including the Aviation Recovery Operations Committee led by Transport Canada and subcommittees on data sharing and increased accountability as well as in discussions on aviation security and accessibility.

Domestic and international partners have been engaged, including the United States Transportation Security Administration (TSA), to share best-practices in numerous areas with the focus on maintaining agile operations to respond to evolving responsibilities and threats. Additionally, members of CATSA's senior management participated in international engagements, including the Passenger Terminal Expo, with the aim of engaging with a broad spectrum of industry partners and gaining exposure to future industry innovations.

Furthermore, CATSA's Standard Operating Procedures, including the training program for screening officers, have been regularly updated to ensure CATSA stays ahead of the changing aviation environment.

An inclusive and respectful screening experience for all travellers

- **Gender-neutral algorithm:** The deployment of this new algorithm on all full body scanners, which was completed in March 2024, advances CATSA's efforts to deliver an inclusive screening experience to a diverse travelling public. Additionally, it results in less false alarms, requiring fewer passengers to be physically searched.
- **Improving accessibility for all travellers:** CATSA has implemented measures to improve accessibility for air travellers. In the new Airport Screening Services Agreements, CATSA introduced new bilingual facilitator positions that support passengers with disabilities and ensure all passengers can go through security checkpoints with respect and ease. The 2023/24 year has also been an important milestone in long-term efforts to enhance its consultation and communication efforts on accessibility. CATSA incorporated learnings from advocacy groups and the invaluable lived experience of persons with disabilities into new training for screening officers and supervisors.
- **Respectful screening experiences:** In 2023/24, CATSA consulted various organizations to improve the overall screening experience for passengers, including those with differing needs. As an example, Egale provided thoughtful insight on how to improve the screening experience for 2SLGBTQI individuals. Additionally, CATSA consulted with the World Sikh Organization to expand knowledge relating to the screening experience of passengers with articles of faith and religious headwear. In March 2024, 94% of passengers indicated they were served in the official language of their choice. As well, by December 31, 2023, over 95% of screening officers and 98% of screening contractor supervisors completed the Indigenous Cultural Awareness program.

Improving security screening through innovative solutions, including pilot projects

- **Hold baggage screening equipment lifecycle management:** To enable passengers' baggage to be screened more efficiently through increased screening capacity at airports, CATSA purchased additional hold baggage screening CT X-rays, where operationally required. CATSA also initiated the replacement of X-rays used for the screening of oversize checked baggage at Class 1 airports with CT X-rays to enhance security effectiveness.
- **Ongoing research and development:** CATSA continues to explore the application of advanced analytics techniques and artificial intelligence to enhance screening operations and training programs for frontline personnel. The organization is also supporting a future transition to a more automated approach to the passenger journey through the Air Travel Right-Touch Solution. This includes industry pilot projects and development of standards for digital identity verification and biometric screening.



CORPORATE PROFILE

Established on April 1, 2002, 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.

Mission

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

Vision

CATSA's vision is to be a recognized global leader in aviation security screening, achieved through:

Our service: We use innovative technology and an agile approach to maintain the highest level of security and provide the best possible passenger experience. We deliver value to Canadians with an optimal use of our resources.

Our people: We attract, cultivate and support a diverse and engaged workforce.

Our partnerships: We work collaboratively with our partners toward common goals and interests.



CORE RESPONSIBILITY AND MANDATED ACTIVITIES

Core Responsibility

As per the *Treasury Board of Canada Secretariat 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, Supplementary Estimates and Public Accounts. CATSA has one Core Responsibility, which is to deliver effective, efficient and consistent security at designated airports.

Mandated Activities

CATSA delivers the mandate of security screening at designated airports across the country through a third-party screening contractor model. Playing a pivotal role in Canada's aviation system, CATSA is responsible for the delivery of the following four mandated activities:

Pre-board Screening (PBS)

The screening of all 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 all passengers' checked ("hold") baggage for prohibited items such as explosives, prior to being loaded onto an aircraft.

Non-passenger Screening (NPS)

The screening of non-passengers such as flight personnel, ground crew and service providers, and their belongings (including vehicles and their contents) entering restricted areas at the highest-risk airports.

Restricted Area Identity Card

The management of the system that uses iris and fingerprint biometric identifiers to allow authorized non-passengers access to the restricted areas of airports. The final authority that determines access to the restricted areas of an airport is the airport authority.

PASSENGER TESTIMONIAL

Montréal Trudeau International Airport

I went to the checkpoint to drop off my oversized bag and the team was great! It's nice to see a team that smiles and makes jokes to put people at ease.



Cost Recovery and Other Designated Airports

The *Transportation Modernization Act* introduced authorities allowing CATSA to provide supplemental screening services to both designated and non-designated airports, subject to the approval of the Minister of Transport, so long as the provision of these services remains cost neutral. Based on this authority, CATSA has previously provided additional screening services to airports through supplemental screening agreements and will continue to work with interested partners. In 2023/24, there were no arrangements in place for CATSA to provide services on a cost-recovery basis.

Cargo

In addition to its mandated activities, CATSA has an agreement with Transport Canada to screen cargo at small 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 personnel.

Legislative and Regulatory Framework

Responsibility for aviation security in Canada is shared among several Government of Canada departments and agencies, as well as airlines and airport authorities. CATSA, as the aviation security screening authority for Canada, is regulated by Transport Canada. CATSA operates in a regulated and integrated environment and is subject to both domestic legislation and international regulations including: the *CATSA Act*; the *Financial Administration Act (FAA), Part X*; the *Aeronautics Act*; the *Accessible Canada Act*, the *Official Languages Act*, and the *Canadian Aviation Security Regulations, 2012*.

As the regulator, Transport Canada is responsible for developing civil aviation security screening measures that govern the technologies and procedures that CATSA may use in carrying out its mandate. Technologies are informed by standards adopted by international partners including the United States TSA and the European Civil Aviation Conference. In addition, Transport Canada monitors changes introduced by international partners, such as the International Civil Aviation Organization, and assesses the impact of future regulations on Canada's aviation security system. This permits CATSA's operations to remain adaptable to the evolving aviation landscape.

Governance Model

In 2019, the Government of Canada enacted the *Security Screening Services Commercialization Act (SSSCA)*, which enabled the potential sale of CATSA to a new designated screening authority (DSA). Once incorporated, the DSA, made up of representatives from airlines and airports, initiated negotiations with Transport Canada. During the pandemic, the negotiations were suspended. In 2023/24, Transport Canada confirmed that negotiations had been formally terminated on this matter. Therefore, CATSA will remain a Crown corporation, reporting to Parliament through the Minister of Transport.

MESSAGE FROM THE

CHAIRPERSON



As I reflect on my first year as Chairperson of CATSA's Board of Directors, I am filled with immense pride to be part of an organization entrusted with such a significant mandate that contributes to the security of air travellers. It has been a year marked by collaborative efforts, meaningful strides and excellent outcomes. I look forward to continuing this important mission in the years ahead.

Based on invaluable lessons learned from the return to travel in summer 2022, the Board undertook a major shift towards future-focused initiatives, propelled by a commitment to guide CATSA towards excellence. This began in June 2023 when the Board and the CATSA management team embarked on a series of strategic planning discussions building on the future for CATSA. Over the course of the year, the Board reviewed and

enhanced our governance and oversight practices, listened and learned from partners in the aviation industry, and committed to delivering the best service to the diverse needs of the travelling public. Working together with CATSA's management team, the organization provided the highest level of security screening to air travellers while making significant progress in improving the passenger experience. Wait times for screening markedly improved, the new Verified Traveller Program was launched, technology was deployed to improve efficiency and advance more equitable screening for all passengers, and continuous close cooperation with our partners. Additionally, planning and investments made this year will further improve security screening and the passenger experience in the years to come.

The theme of this year’s annual report, “Enhancing the Passenger Journey” reflects CATSA’s commitment to continuous improvement on all fronts. With a steadfast focus on its security screening mission, CATSA has continued advancing its goal to provide excellent customer service. This has been done not only through innovation and investments in technology, but also its ongoing work on accessibility, reconciliation, and an unwavering commitment to inclusivity and respect for all travellers. Building on significant progress made over the past year, CATSA will pursue these priorities, while eliminating barriers and further enhancing the services provided to the travelling public. Key to these efforts is engaging with passengers – by listening to them and taking into account their diverse needs and experiences as travellers.

The successes of this year are a testament to the concerted efforts of the entire CATSA team and its partners, as well as the Government of Canada’s commitment to security screening services outlined in Budget 2023. On behalf of all Board members, I extend our thanks to CATSA’s senior management and staff, to Transport Canada officials, and to the

screening contractors and screening officers for their exceptional work and all that has been accomplished over the past year. I would also like to express sincere gratitude to our partners in the air travel industry. Your collaboration is instrumental as we accomplish our collective goals.

Finally, I would like to thank the members of the Board of Directors for their work and continued commitment to CATSA. It is an honour to work alongside you to ensure CATSA is meeting its important mandate and organizational objectives.

As we embark on the coming year, I look forward to a future marked by continuous improvements to the delivery of CATSA’s mandate, a strong commitment to Government of Canada priorities, and an unwavering focus on service excellence at all airports and for all passengers.



Thao Pham
Chairperson of the Board of Directors

MESSAGE FROM THE

PRESIDENT AND CHIEF EXECUTIVE OFFICER



Reflecting on my inaugural year as President and CEO of CATSA, I am genuinely impressed by the professionalism and resilience demonstrated throughout the organization, as well as the remarkable achievements attained. These accomplishments serve as a testament to the dedication and hard work of every individual, from our staff and Board of Directors to our valued partners and screening officers who, together, work to ensure the security of Canada's air transportation system.

In 2023/24, we witnessed the first full year of operational recovery since the onset of the pandemic. With the critical addition of 2,200 screening officers, CATSA successfully managed the surge in passenger volumes, having screened 66.6 million passengers. Our commitment to service excellence led to significant reductions in wait times at

Class 1 airports where on average, 95.2% of passengers waited less than 15 minutes to be screened. This surpassed the targeted goal of 85% and provides positive momentum as we work toward a goal of 95% in 2024/25.

Enhancing the passenger experience has been a key focus for our organization and one of my personal priorities. Over the past year, CATSA undertook several initiatives dedicated to advancing customer service while improving security effectiveness. One notable accomplishment was the successful launch of the Verified Traveller Program at domestic and international checkpoints across Canada's eight major airports. The next phase of the program involves expanding its reach to Transborder checkpoints, and a trial to explore this option took place in late 2023. Additionally, CATSA made significant

investments in CT X-ray screening technology, which will be rolled out over the next five years to checkpoints across the country. This state-of-the-art technology aims to modernize our screening procedures and revolutionize the screening experience, with the initial rollout scheduled to commence mid year 2024. Improving the passenger journey will continue to be an organizational objective for the coming years, and I look forward to sharing more on this priority in future.

However, our efforts did not stop there. CATSA piloted and deployed a new gender-neutral detection algorithm for our full-body scanners nationwide, advancing our efforts to deliver inclusive and equitable screening for all passengers. Progress was also made on the commitments outlined in CATSA's three-year Accessibility Plan and on the recommendations from the Audit of Accessible Transportation for Persons with Disabilities by the Office of the Auditor General. Collaborating closely with aviation partners, CATSA endeavours to create a barrier-free security screening experience that is inclusive and respectful, characterized by kindness and professionalism – all values that are close to my heart.

Another significant development from the past year is the extensive organizational efforts dedicated to procuring and preparing for new Airport Screening Services Agreements, along with the transition to a new maintenance service provider for our screening equipment. These contracts incorporate critical measures that reinforce our commitment to enhancing operational efficiency and elevating service excellence, promising significant positive impacts going forward.

To ensure our organization remains well positioned for the future, we initiated a strategic planning initiative to chart a clear path forward. Additionally, over the past year, a comprehensive workforce planning exercise was conducted, leading to the implementation of an enhanced succession management program focused on ensuring continuity of CATSA's greatest asset: its workforce. The addition of eighty-four full-time equivalent positions was approved to help relieve operational pressures. With CATSA's lean structure over the past decade, these additions will bolster our capacity to meet the evolving demands of our industry.

This first full year as CEO has shown me that CATSA is full of potential, with a dedicated workforce and leaders who are committed to excellence in all that they do. I would like to extend my heartfelt thanks to our Board of Directors, Senior Management Committee, our hardworking CATSA employees, the frontline screening workforce, screening contractors, and our valued partners in the aviation industry.

Your unwavering support and collaboration have been instrumental in our successes this past year. Looking forward, I am confident that CATSA is well-equipped and ready to achieve further success. We will leverage our strong foundation to always ensure the highest levels of security and an enhanced passenger experience. Leading such a talented and dedicated team is an honour, and I look forward to our continued success in the year ahead.



Nada Semaan
President and Chief Executive Officer



CATSA'S OPERATING ENVIRONMENT

Passenger Traffic and Screening Operations

Supported by nearly 9,000 screening officers, employed through service agreements with third-party screening contractors, CATSA screened 66.6 million passengers in 2023/24, reflecting a 16.6% increase from the 57.1 million passengers screened in 2022/23, and 2% below pre-pandemic passenger traffic. In the coming years, it is anticipated that screened passenger traffic will further increase to an estimated 73.1 million in 2024/25, and 78.8 million in 2025/26.

Airport Screening Services Agreements

Procurement planning for the new Airport Screening Services Agreements began in 2021/22 in order to have new contracts awarded in November 2023. These new contracts are for a five-year term, and can be renewed for two additional five-year periods, at CATSA's discretion. Prior to soliciting bids for new contracts, CATSA identified areas for improvement and incorporated

lessons learned from the pandemic, including introducing new measures to advance Government of Canada priorities in the areas of official languages, accessibility, and diversity and inclusion. This multibillion dollar procurement was a significant undertaking which required considerable planning and support from all areas of the organization. CATSA took all steps to ensure transparency, openness, fairness and value for money, including using the services of a third-party process monitor to provide independent assurance that the procurement process to select the successful bidders followed the procedure described in the request for proposals. The process monitor did not identify any deviations from the pre-established process for the Airport Screening Services Agreements procurement.

The following table indicates the screening contractors in each region.

Region	Effective April 1, 2024
Pacific	Paladin Airport Security Services Ltd.
Prairies	Paladin Airport Security Services Ltd.
Central	GardaWorld Security Screening Inc.
East	GardaWorld Security Screening Inc.

CATSA established a Transition Steering Committee to facilitate the seamless implementation of the new service agreements. Across the organization, both at headquarters and in the regions, employees worked diligently on transition plans to ensure there was a seamless shift from one contractor to another in each region. These multifaceted transition plans targeted operational readiness, staff orientation, implementation of new systems, and execution, in addition to stabilization plans that extended well beyond the April 1, 2024 service commencement date. Furthermore, CATSA had a comprehensive communication strategy to facilitate the transition.

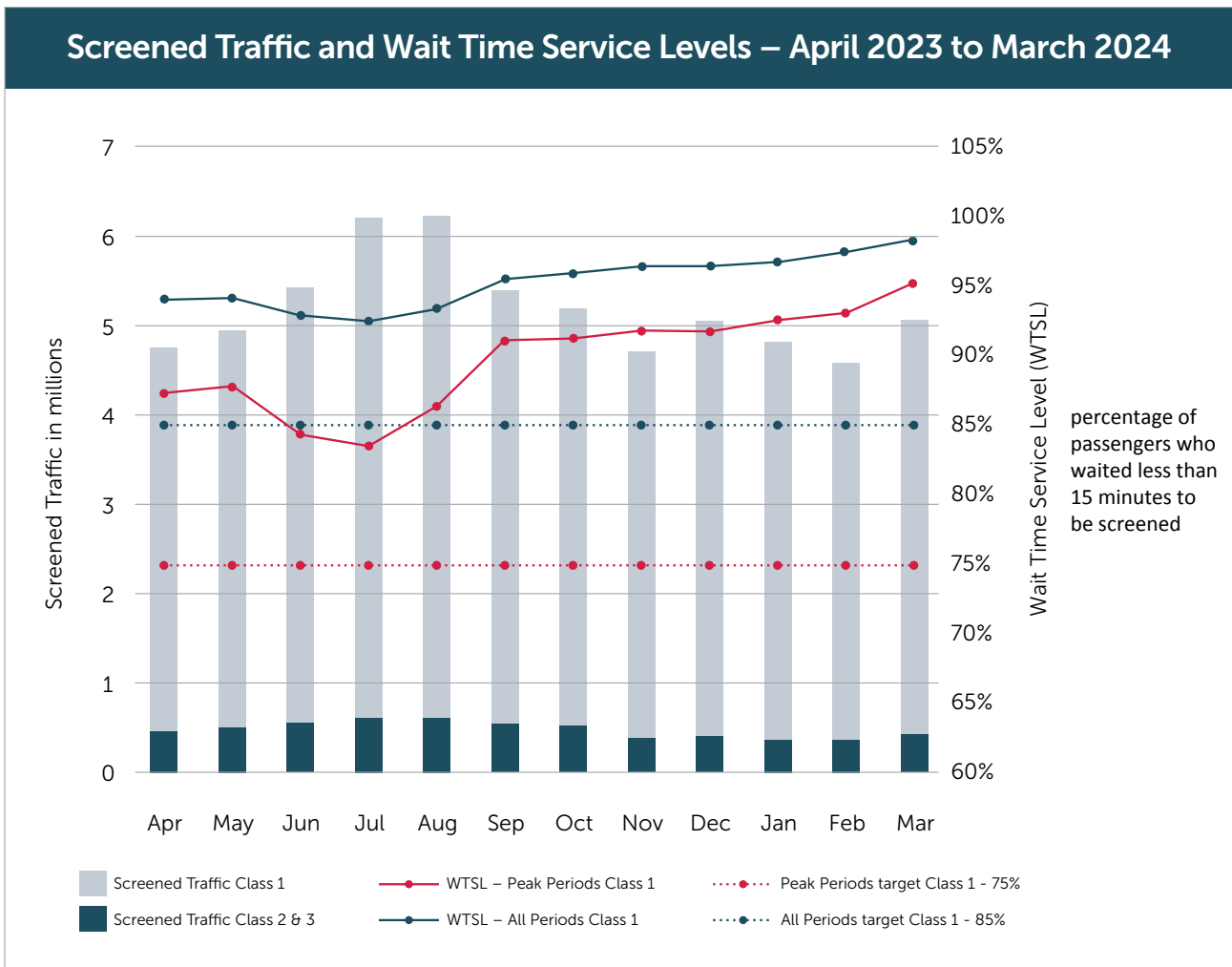


Pre-board Screening Wait Time Service Levels

Ensuring the highest level of security and the best possible passenger experience is CATSA’s top priority. As such, in 2023, CATSA initiated a plan to improve its wait time service level target to 95% of passengers waiting less than 15 minutes to be screened at Class 1 airports on an annual basis (95/15). CATSA has been working with the Government of Canada and industry to address factors that may impact the achievement of the enhanced wait time service level target, including labour market conditions, airline flight schedules, accurate and timely forecast information, optimal checkpoint space, and staffing levels.

In 2023/24, CATSA was funded for a wait time service level target where, on average, 85% of passengers wait less than 15 minutes to be screened at Canada’s eight largest airports (85/15) as well as funding to improve the wait time service level to 95/15 beginning in 2024/25. CATSA delivered a wait time service level of 95.2% in 2023/24, well ahead of the planned timeline.

The following graph shows 2023/24 screened passenger traffic and wait time service levels (all periods and at peak periods):



Note: Peak periods are times when checkpoints experience high traffic volumes; these periods can differ between checkpoints and within the same checkpoint over time, given changes to variables such as flight schedules. The methodology for peak periods includes identifying periods per day in which traffic volumes are above average.

Pre-board Screening

CATSA uses a variety of technologies at pre-board screening checkpoints that are replaced in accordance with CATSA's lifecycle management practices and are driven by innovation. More specifically, the multi-year screening technology capital plan is guided by three main drivers: enhance screening effectiveness; improve the passenger experience; and the lifecycle management of older equipment.

Computed Tomography X-ray at Pre-board Screening

A key initiative of the screening technology capital plan is the replacement of pre-board screening X-ray technology with computed tomography CT X-rays at Class 1 and Class 2 airports, and the replacement of single-view X-ray machines with multi-view versions at Class 3 airports. As the largest deployment of new screening equipment in CATSA's history, introducing CT X-ray provides an opportunity to enhance security effectiveness by improving detection capabilities, while also significantly enhancing the passenger experience by reducing or even eliminating the requirement to divest items like large electronics, permitted liquids, aerosols and gels, subject to Transport Canada approval. Following the CT X-ray trial that took place in 2022 at the Ottawa International Airport, CATSA conducted a procurement process for over 200 units which was finalized in November 2023. Further technical reviews are being conducted to inform training and standard operating procedures in order to deploy the first PBS CT X-ray equipment to select Class 1 airports in 2024/25.

Full Body Scanner Lifecycle Management

CATSA has continued its multi-year full body scanner deployment project, which entails replacing the older fleet of full body scanner units with a newer version that has a smaller footprint, with a focus on deploying new units to Class 2 airports that do not have such equipment, and deploying additional units at Class 1 and 2 airports to enhance capacity. The smaller footprint will provide CATSA with flexibility to fit more units at security screening checkpoints with space constraints. As well, CATSA upgraded all of its full body scanner units with a new gender-neutral detection algorithm by the end of March 2024. This change results in a better passenger experience and more efficient screening.



CATSA Plus

CATSA Plus transforms the customer experience through tangible innovations to the screening process, while enhancing security effectiveness, including substantial improvements in X-ray processing capabilities, less touchpoints between screening officers and passengers through self-service features, and remote screening resulting in minimal interactions with travellers that do not generate an alarm during the screening process.

There are now eighty-four CATSA Plus lines deployed across the seventeen largest airports in Canada; resulting in more than 60.9% of the travelling public being screened using CATSA Plus technology in 2023/24. CATSA has been working continues to work with airport authorities to identify opportunities to deploy additional CATSA Plus lines.

With the deployment of new CT X-rays at pre-board screening checkpoints, CATSA has been developing short and medium length CATSA Plus lines. These modified lines will be instrumental at airports with more limited physical space. These modified CATSA Plus lines will provide the means for individuals travelling from smaller airports to receive an improved travel experience.

Verified Traveller Program

In May 2023, the Minister of Transport announced the creation of the new Verified Traveller program. This program enhances the traveller experience by providing dedicated screening lines for travellers that have undergone extensive background checks and carry special photo identification cards. This includes NEXUS, Global Entry, air crews, airport employees with Restricted Area Identity Card access, military members and reservists, and police officers.

At select security checkpoints, eligible travellers can keep permitted liquids, aerosols, gels and large electronics inside their carry-ons, reducing their divesting and repacking time.

By August 2023, Verified Traveller lines were implemented at domestic/international checkpoints at Canada's eight largest airports. In late November 2023, a trial began at Vancouver International Airport's Transborder checkpoint.

Preliminary wait time service level results taken between Q2 – Q4 2023/24 illustrate significantly improved wait times for Verified Traveller lines. Specifically, over 94% of verified travellers waited less than five minutes to be screened, while nearly 69% of passengers using regular screening at the same airports waited five minutes or less to be screened. While it is still early in the implementation of the program, CATSA is encouraged by these results and will monitor the ongoing progress of this new program in collaboration with Transport Canada and airport authorities.



PASSENGER TESTIMONIAL

Toronto Pearson International Airport

"Verified Traveller" in the domestic line at Terminal 3 this morning was great!



Non-passenger Screening

In January 2024, Transport Canada confirmed its future requirements for the non-passenger screening program, which will result in the implementation of new screening standards by January 2025. Additionally, CATSA has been exploring the use of artificial intelligence to supplement its oversight activities at non-passenger screening vehicle checkpoints given their distance from the terminal building. At Calgary International Airport, CATSA has tested an in-house prototype that can detect screening anomalies, which will allow the performance officers to enhance and target their oversight. Further research will be undertaken to assess how the prototype can augment the organization's oversight posture across all mandated screening programs.

Restricted Area Identity Card Program

CATSA's Restricted Area Identity Card program allows airport authorities to maintain control of the restricted areas of airports. This system employs biometric scanners to identify those authorized to enter restricted areas. In 2023/24, the Restricted Area Identity Card Mobile Biometric Reader project was completed, which replaced the older biometric readers with new dual biometric devices (fingerprint or iris). The new device provides greater functionality to verify the identity of non-passengers in a wider range of operating environments, consistent with the expansion of Restricted Area Identity Card requirements outside of the airport terminals.

Investing in CATSA Employees

CATSA prioritizes continuous improvement in its human resources practices and programs, and embarked on a workforce planning exercise to identify and prioritize resource requirements. This exercise allowed CATSA to address capacity concerns and resource needs, as well as meet the expectations of the Government of Canada, industry partners and passengers. There were also enhancements to employee benefits, including coverage for mental health services. Additionally, CATSA initiated a new succession management program to reduce the risk of extended vacancies in critical positions and to improve recruitment and retention. Furthermore, CATSA reconfigured its workspace at its headquarters, accommodating the evolving needs of a hybrid workforce with redesigned workstations and multiple new collaboration areas within a 33% reduced leased space.



CONTRIBUTING TO GOVERNMENT OF CANADA PRIORITIES

Culture of Diversity, Equity and Inclusion

CATSA promotes a culture of diversity, equity, and inclusion in its security screening operations, screening officers and its own workforce. The organization has been undertaking a variety of initiatives to improve and promote these values. As well, CATSA prioritizes efforts to ensure that screening technologies and procedures respect Canada's diverse population, to the extent that the regulatory framework will allow. It is integral that all passengers are screened in an inclusive and respectful manner, which includes seeking input on screening processes from a broad array of partners.

Inclusiveness and diversity are the core values that underpin CATSA's work toward greater employment equity. A critical element of its human resources' strategy is to foster inclusive and respectful behaviours throughout the workplace by ensuring that policies and practices are in place to meet the needs of employees. One such forum is CATSA's Diversity and Inclusion Network (DIN). The DIN regularly engages with employees, highlighting various cultural and religious events, supports identification of potential barriers to employment equity, provides employees with career management sessions and toolkits, and provides a variety of diversity and inclusion initiatives and training sessions.

Contributing to an accessible air travel experience

The *Accessible Canada Act* came into force in 2019. Subsequently, the Canadian Transportation Agency (CTA) published regulations that uphold higher standards for accessibility in the transportation sector. CATSA has been engaging the CTA to ensure compliance and working with aviation partners to enhance the end-to-end journey for persons with disabilities. CATSA continues to complete the initiatives outlined in its three-year Accessibility Plan, as well as the action plans resulting from the Audit of Accessible Transportation for Persons with Disabilities conducted by the Office of the Auditor General.

In December 2023, CATSA published its annual Accessibility Plan Progress Report, which provided an update to Canadians on action plan items including:

- The introduction of a new bilingual facilitator role at Canada's largest airports to assist passengers that may require additional assistance; and
- Incorporating feedback from advocacy groups and persons with disabilities into accessibility screening training modules.

As well, the organization initiated a consultation and feedback process for the progress report, providing advocacy organizations, screening officers and CATSA employees an opportunity to provide input into the accessible future of CATSA and its operations. The organization is committed to ensuring that ongoing engagement with the accessibility community remains a priority.

To that end, CATSA has prioritized participating in forums that explore the end-to-end journey for persons with disabilities including providing support to the Université Laval's research on accessible travel. CATSA maintains a working group to measure progress on accessibility action items and federal regulatory requirements, which complements the organization's efforts towards identifying, limiting and removing inherent barriers for passengers, non-passengers, screening officers and CATSA personnel with disabilities.

Furthermore, in January 2024, CATSA's President and Chief Executive Officer and Vice-President, Corporate Affairs and Chief Financial Officer met with the Government of Canada's Chief Accessibility Officer (CAO) to discuss the commitment to improving the accessibility of its security screening services for persons with disabilities and those who may require additional assistance. In addition, CATSA management and the CAO discussed initiatives that would enhance accessibility for passengers and employees alike.

PASSENGER TESTIMONIAL

Calgary International Airport

I just wanted to let you know how nice your employees are at the Calgary airport. I am sure they don't hear it enough.

They were friendly, professional and kind. Great with my family. They were awesome. Thank you.



Indigenous Relations and Reconciliation

Following several years of engagement with Indigenous Elders and in collaboration with Indigenous contractors, CATSA launched an Indigenous Cultural Awareness learning program that provides context for screening Indigenous peoples and their belongings, and instruction on respectful and sensitive practices.

CATSA undertook this initiative within the larger context of reconciliation, responding to the Truth and Reconciliation Commission's Call to Action 57, which calls upon the Government of Canada to educate public servants on the history and experiences of Indigenous peoples. By December 31, 2023, over 95% of screening officers and 98% of screening contractor supervisors completed the e-modules, which represents over 7500 employees of screening contractors. In addition, 94% of CATSA employees, as well as senior management and the Board of Directors, completed the in-person learning. This learning program informed changes to CATSA's screening procedures for sacred and spiritual items, and resulted in increased Indigenous cultural awareness for screening officers, supervisors and CATSA personnel.



Supporting Diversity and Inclusion through Gender-based Analysis Plus

CATSA incorporates GBA Plus principles into its decision-making processes, employment and recruitment practices, and operational screening procedures. Progress on CATSA's efforts towards creating a barrier-free, inclusive, and sensitive environment will be measured against its GBA Plus Action Plan. All senior management and directors completed mandatory training to better understand the key concepts of GBA Plus, and this training was made available to all employees. In addition, CATSA formalized a process to ensure all major projects are reviewed from a GBA Plus perspective.

Climate-related Disclosures

In support of the Government of Canada's objectives outlined in Budget 2021, CATSA has been preparing for the 2024/25 adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) standards. In line with CATSA's TCFD adoption roadmap, the organization completed a Climate Scenario Analysis that built upon the results of the previous fiscal year's Climate-risk and Opportunity Assessment. By layering select risks and opportunities onto climate change scenarios and future time horizons, CATSA was well positioned to develop a preliminary climate strategy and targets focussed on emission reductions. CATSA's inaugural TCFD compliant disclosures will be included within the 2025 Annual Report.

United Nations Sustainable Development Goals (UN SDG)

In September 2015, Canada adopted the 2030 Agenda for Sustainable Development at the United Nations General Assembly. CATSA has a number of initiatives that align with the UN SDGs, including its Gender-based Analysis Plus (GBA Plus) Action Plan and Accessibility Plan, and the implementation of the Task Force on Climate-related Financial Disclosures. As well, CATSA has undertaken a mapping exercise of existing initiatives to the UN SDG targets.

Official Languages and *Official Languages Act* Requirements

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 towards continuous improvement, CATSA surveys passengers on a quarterly basis to verify if they were served in their preferred language. By March 2024, 94% of respondents indicated they were served in the official language of their choice.

To ensure a collaborative approach, CATSA's Official Languages Champion chairs the Advisory Committee on Official Languages, comprised of employees representing all branches and regions, with the goal of providing representative advice and support to the organization's official languages secretariat.

To guide compliance with its official languages obligations and its commitment to development on matters related to official languages, CATSA maintains an Official Languages Action Plan, most recently updated in late 2022/23 to reflect the current landscape. Furthermore, through the new Airport Screening Services Agreements, CATSA will be increasing its monitoring capabilities of the screening contractors' delivery of security screening operations in both official languages as per the requirements. The new bilingual facilitator positions will provide customer service to those passengers requiring additional facilitation through checkpoints, including providing support in French and English.

Openness and Transparency

CATSA aims to incorporate the legislative obligations under the *Privacy Act* and the ten principles of the Canadian Standards Association Model Code into every program and activity that it develops. 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. Moreover, CATSA remains committed to a high standard of openness and transparency, further complying with obligations under the *Access to Information Act*, the *Privacy Act*, and related Treasury Board of Canada directives. Additionally, CATSA discloses its wait times and traffic volumes, publishes critical bulletins, and posts information materials online.

In 2023/24, CATSA further enhanced its data sharing. In collaboration with Statistics Canada, CATSA launched a monthly issue of the "Screened passenger traffic at Canadian airports" in November 2023; these monthly reports use CATSA data to generate analysis of trends and changes in aviation, providing Canadians with accessible information. Also, CATSA conducts quarterly surveys and hosts a website with mechanisms for enquiries and feedback. CATSA holds annual public meetings and its corporate plan summaries and annual reports are tabled in Parliament and published on its website.

PASSENGER TESTIMONIAL

Billy Bishop Toronto City International Airport

Highlight the successes that you encounter. I received impeccable service in French this morning at Toronto's Billy Bishop Airport.





SUPPORTING OUR PARTNERS AND ENHANCING STAKEHOLDER RELATIONS

Security is a shared responsibility in Canada’s aviation industry. CATSA works with airlines, airport authorities, and its third-party screening contractors, with particular focus on improving the traveller journey. As well, the organization engages with a number of Government of Canada departments and agencies, most notably its regulator Transport Canada, the Canadian Transportation Agency, the Canada Border Services Agency, the Royal Canadian Mounted Police, and the Canadian Security Intelligence Service.

CATSA engages with several international partners to share trial results, lessons learned, and best practices to support continuous improvement. These partners include, but are not limited to: the United States Transportation Security Administration; the International Civil Aviation Organization; the European Civil Aviation Conference; other foreign airport screening agencies; and the International Air Transport Association. Engaging domestic and international partners has provided another opportunity for CATSA to better understand and adapt to the dynamic nature of the aviation ecosystem. This enhanced understanding of the ongoing changes is further reflected in the regular updates to CATSA’s Standard Operating Procedures, including the training program for screening officers.

To further strengthen engagement with the Government of Canada, meetings have regularly occurred between CATSA senior management and Transport Canada senior officials to discuss key topics pertaining to regulatory and operational matters. With regards to supporting the aviation industry, CATSA made concerted efforts to strengthen engagement with partners throughout the year. CATSA’s senior management contributed to a multitude of industry and

Transport Canada-led efforts to support the aviation industry, including the Aviation Recovery Operations Committee. Throughout 2023/24, CATSA officials engaged airport authorities on the procurement, planning and implementation of new screening equipment, including: the introduction of CT X-rays at pre-board screening; the ongoing full body scanner lifecycle management; the ongoing deployment of the UV-C sanitization system for enhanced cleaning of bins and the successful deployment of the gender-neutral algorithm for full body scanners.

Impact of International Standards on CATSA Operations

In 2020, the International Civil Aviation Organization adopted an amended screening standard for non-passengers. CATSA conducted trials of 100% non-passenger screening procedures in collaboration with Transport Canada to assess feasibility, effectiveness, and other operational considerations. The findings from the trial were shared with Transport Canada to inform policy decisions. By January 2025, CATSA will implement changes to non-passenger screening in accordance with amendments to Transport Canada’s non-passenger screening regulations.

Ongoing Harmonization with Key International Partners

As part of the *Beyond the Border Action Plan*, Canada and the United States signed a Memorandum of Understanding to achieve harmonized screening procedures at airports with United States Customs and Border Protection Preclearance. Advancing harmonization will ensure that both countries’ security screening operations provide a comparable level of security. Beyond ongoing efforts to harmonize screening practices with the United States, CATSA supports federal efforts to strengthen the security effectiveness and ensure a positive passenger experience.

One such federal initiative is the Air Travel Right-Touch Solution. Throughout 2023/24, CATSA participated in Transport Canada-led meetings with multiple industry partners to develop a plan for proof of concept trials using facial recognition at Vancouver International Airport and Toronto-Pearson International Airport.

Completed in early 2024, Transport Canada’s International Benchmarking exercise researched ways in which security screening at Canadian airports are comparable to other jurisdictions, with a view to improve the movement of passengers through screening checkpoints. Transport Canada collaborated with London Heathrow International Airport and the Amsterdam Airport Schiphol in order to share performance metrics. The results from the exercise indicated that CATSA is highly efficient, given the physical space within which it operates.

PASSENGER TESTIMONIAL

Charlottetown Airport

We had a good experience for check in and security at the Prince Edward Island airport! Everyone was very friendly and helpful, the whole process was smooth.





RISK PROFILE

Risk management is embedded into strategic decision-making and resource allocation within CATSA, thereby allowing the organization to make informed decisions at the corporate and operational levels. CATSA recognizes the principle of risk-reward, and manages its risks knowing that:

- The complete elimination of risk is not possible;
- Risk aversion is not the same as risk management; and
- Acceptance of risk can lead to positive outcomes for the organization.

CATSA's overall risk attitude can be described as conservative and flexible.

Conservative

The organization generally focuses effort more heavily on the active management of medium, medium-high, and high risk, and the acceptance of low risk.

Flexible

CATSA's environment is highly dynamic, and influenced by two key partners, namely Transport Canada and the Government of Canada more broadly. From a risk management perspective, the unique nature of CATSA's environment requires flexibility and discretion in the application of risk attitude.

CATSA actively evaluates, manages and mitigates the following risks.

Mandated Services Risk

Detection capabilities and maintaining care and control of screening checkpoints

Due to the evolving nature of the aviation security threat environment, there is a risk that CATSA may not have the technology, threat and risk information, processes or human factor capability to detect all high risk threat items or new and emerging threats, and prevent screening circumventions at screening checkpoints. This may result in substantial consequences to the public and the aviation system. CATSA is continuously adapting its risk mitigation strategies and efforts, as a means to address the evolving aviation security risks and their potential impacts to mandated operations.

Capacity Risk

Adequacy of government funding

There is a risk that CATSA's funding envelope may be insufficient due to cost increases, new requirements and/or government cost cutting initiatives.

CATSA staff capacity

There is a risk that CATSA's current staff capacity, in certain areas, may be inadequate to sustain workloads and to support a healthy work environment resulting in employee dissatisfaction and a decrease in corporate performance over time.

Service Delivery Through Third Parties Risk

Legal and illegal labour disruption

Given CATSA's third party service provider model, there is a risk that CATSA may have limited influence to prevent a legal labour disruption event, or to maintain service levels during an illegal labour disruption event initiated by the unionized screening officer workforce. Labour disruptions may result in longer wait times, increased complaints and harm to CATSA's reputation.

Dependence on outsourced screening services, equipment maintenance services or major suppliers

As a result of a contractor no longer being able or willing to provide the agreed upon contracted services or goods, there is a risk that CATSA's dependence on outsourced screening services, equipment maintenance services, or major suppliers may result in negative service delivery impacts.

Stakeholder Relations Risk

Reputational risk

There is a risk that CATSA may encounter events that it is not able to effectively manage, which may cause damage to its reputation with passengers and/or its partners, resulting in loss of public trust in CATSA and/or confidence in air transportation security.

Human Resources Risk

Employee recruitment and retention

Due to labour market conditions for talent or due to CATSA's overall corporate human resources strategies, there is a risk that CATSA may experience challenges in recruiting and/or retaining key and/or specialized talent resulting in a potential loss of corporate memory and/or a decrease in overall corporate performance.

IT Risk

Cyber attacks on IT infrastructure

Due to the evolving nature of the cyber threat environment, there is a risk that cyber threats and/or attacks may negatively impact CATSA's IT infrastructure and/or compromise organizationally sensitive or secret information resulting in a loss of public confidence and potential damage to CATSA's reputation.





CORPORATE PERFORMANCE

Table 1: Results for the Implementation of CATSA's Mandate

The following table identifies key performance indicators (KPIs), which correspond to the organization's performance in the management of its mandated operations. These KPIs are reported to the Senior Management Committee and the Board of Directors on a quarterly basis for oversight and management of the CATSA's performance.

Effectiveness

Given the sensitivity of this performance category and its associated results, this data cannot be included in a public document.

Efficiency

Performance measure	Target	2021/22	2022/23	2023/24	Comments
Wait Time Service Level (WTSL) (All Periods)	85.0%	91.6%	88.6%	95.2%	In 2023/24, 95.2% of passengers waited less than 15 minutes to be screened, which is notably above the annual target of 85%.
	Passengers Screened	25.1M	57.1M	66.6M	

Definition: WTSL is the percentage of passengers who waited less than 15 minutes to be screened at Class 1 airports, on an annual basis.

Consistency					
Performance measure	Target	2021/22	2022/23	2023/24	Comments
Security Screening Procedures	96.0%	94.8%	95.1%	95.1%	Overall, CATSA's result remained steady. The organization works with screening contractors to maintain a high level of performance.

Definition: The evaluation by performance officers of screening officer performance according to Standard Operating Procedures and regulations related to Canada's eight busiest airports.

In the Public Interest					
Performance measure	Target	2021/22	2022/23	2023/24	Comments
Overall Experience	85.0%	89.4%	85.9%	90.8%	CATSA concluded 2023/24 with an overall experience rating of 90.8%, which is well above the target of 85%.

Definition: Overall experience is the measure of passenger perception with their overall screening experience, based on passenger intercept surveys conducted at Class 1 airports.

Table 2: Results for CATSA's Corporate Objectives

The following table identifies CATSA's key performance indicators and key statistics, which correspond to the organization's performance in the pursuit of its main corporate objectives.

A. SERVICE EXCELLENCE					
Performance measure	Comments				
Effectiveness	Given the sensitivity of this performance category and its associated results, this data cannot be included in a public document.				
Screening Efficiency	See Table 1 - Efficiency				
Passenger Experience	See Table 1 – In the Public Interest				
Performance measure	Target	2023/24	Comments		
Availability of Screening Equipment	99.63%	99.65%	Screening equipment availability exceeded the target in 2023/24.		
<i>Definition: The percentage availability for all major screening technology platforms at Class 1 airports calculated as the overall average of: average by platform, by month of [(Available time – Unscheduled outages) / Available time].</i>					
National Screening Officer Attrition Rate	N/A	25.8%	The national attrition rate decreased by 20.6% since 2022/23. Attrition is highest among part-time screening officers and new recruits. The attrition rate for full-time screening officers was 12.7%.		
<i>The percentage of screening officers who have departed for the following reasons: resignations, death, or termination.</i>					
National Training and Certification Program Success Rate	90%	89.6%	Although slightly below target, the national training and certification success rate was the highest it has been in two years.		
<i>The success rate of screening officer candidates on the Screening Officer Foundations (SOF), and Computed Tomography (CT) courses.</i>					

Performance measure	Target	2023/24	Comments
Screening officer hiring targets	N/A	On track to meet targets	At March 31, 2024, CATSA exceeded its total targeted headcounts for Class 1 airports, and was on track to meet the summer 2024 staffing targets at airports across the country.

Screening officer hiring targets vary by region and by airport authority. Through collaboration with Transport Canada, screening contractors, and airport authorities, CATSA will establish adequate screening officer staffing levels that can achieve the wait time service level targets.

B. DIVERSE AND ENGAGED WORKFORCE

Inclusive and Diverse Environment

Performance measure	Target	2023/24	Comments
Turnover distribution by designated groups	Women: 45.8%	Women: 37.5%	This performance measure monitors whether members of designated groups left CATSA at rates disproportionate to their overall workforce representation at the start of each fiscal year. CATSA strives to maintain and increase representation of these demographic groups. In 2023/24, CATSA has largely achieved its targets for retaining employees in all designated groups, with the exception of visible minorities. Within the visible minorities group, an increase of one additional voluntary departure is reflected.
	Persons with disabilities: 1.8%	Persons with disabilities: 0.0%	
	Indigenous peoples: 2.0%	Indigenous peoples: 0.0%	
	Members of visible minorities: 21.7%	Members of visible minorities: 25.0%	

Definition: The distribution of members of a designated group (women, Indigenous peoples, members of visible minorities, and persons with disabilities) among indeterminate and fixed term employees who left voluntarily, excluding students.

Workforce demographics	Women: 48.2%	Women: 44.4%	In 2023/24, CATSA experienced an increase in workforce representation in three out of the four designated groups; there was a 0.6% decrease among women. In 2024/25, CATSA will further its efforts to further reduce the underrepresentation of the applicable designated groups. CATSA's Employment Equity Plan details strategies for awareness and to promote and retain employees of designated groups. Data is collected on a voluntary basis from CATSA employees.
	Persons with disabilities: 9.1%	Persons with disabilities: 3.4%	
	Indigenous peoples: 4.0%	Indigenous peoples: 2.6%	
	Members of visible minorities: 21.3%	Members of visible minorities: 24.4%	

Definition: Representation rates of a designated group (women, Indigenous peoples, members of visible minorities, and persons with disabilities) among indeterminate and fixed term employees, with the exclusion of employees on long-term disability and students.

Effective use of both Official Languages in CATSA workplaces	75.0%	66.4%	This metric remained consistent with 2022/23, with a slight decline of 0.1%. In 2022/23, CATSA relaunched its second language training program with phased improvements that are ongoing in the areas of training enrollment and testing. An overall review of the Official Languages Program, including training, will be finalized in 2024/25.
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Definition: The percentage of fixed-term and indeterminate employees that meet the language requirements in positions designated as bilingual.

Employee Engagement and Support

Performance measure	Target	2023/24	Comments
Employee Satisfaction	Stable or upward trend	87%	Almost 9 in 10 (87%) employees who completed the touchpoint survey in July 2023 indicated they are satisfied with their job, consistent with the previous survey results. <i>Definition: Through employee surveys, CATSA employees have the opportunity to provide comments and feedback, share ideas and ask questions of senior management.</i>
Absenteeism	12 days/employee	9.5%	The absenteeism rate has remained stable since 2022/23. <i>Definition: Average number of work days missed due to illness by indeterminate employees during the year. Illness includes days taken on short-term disability but does not include long-term disability.</i>
Annual Attrition Rate	8.0%	4.9%	In light of the current labour market, CATSA's attrition rate has improved from the 7.9% seen in 2022/23. <i>Definition: The percentage of indeterminate and fixed-term employees who left the organization voluntarily.</i>

Transformative Leadership

Performance measure	Target	Comments
Active support of creative approaches to continuous improvement, innovation and collaboration	N/A	<ul style="list-style-type: none"> In May 2023, CATSA launched the Verified Traveller (VT) Program. By August 2023, CATSA had deployed VT at eight airports with the benefit of reducing divesting time, thereby facilitating a more streamlined screening experience for eligible travellers. Developing short and medium length CATSA Plus lines; these modified lines will support airports with more limited physical space, and will provide the means for individuals travelling from smaller airports to receive an improved travel experience. CATSA issued a Request for Information (RFI) from vendors that provide solutions that could gather wait time data with sensor technology. In 2024/25, CATSA will explore the potential use of sensor technologies. Deployment of the new UV-C sanitization system for enhanced cleaning of bins for CATSA Plus lines began in fall 2023. Deployments will continue into 2024/25. Other examples are provided throughout the report.



C. EFFECTIVE PARTNERSHIPS

Industry and Government Collaboration

<i>Performance measure</i>	<i>Target</i>	<i>Comments</i>
Establishment and maintenance of relationships between CATSA, industry, and the Government of Canada, to advance common interests	N/A	<ul style="list-style-type: none"> As part of the new Airport Screening Services Agreements, the new bilingual facilitator positions will improve accessibility by facilitating passengers, who may require additional assistance, throughout the pre-board screening process. The new agreements also contain improved oversight to ensure expected performance of contractors, including new requirements to strengthen the passenger experience. In addition to numerous other engagements, CATSA participated in the April 2023 Canada-U.S. Passenger Journey Roundtable / Future Borders Coalition working session, which focused on building consistency in the passenger experience. CATSA strives to find opportunities to harmonize screening practices with its international partners, including accessibility measures to support a positive end-to-end journey. Among many engagements with industry partners, CATSA has actively contributed to the monthly Aviation Recovery Operations Committee on data sharing and increased accountability. In November 2023, Statistics Canada launched the monthly issue of the “Screened passenger traffic at Canadian airports”; these monthly reports use CATSA data to generate analysis of trends and changes in aviation. Other examples are provided throughout the report.

Community Relations

Prioritize information, outreach, collaboration and cooperation in order to improve the delivery of a positive traveller experience	N/A	<ul style="list-style-type: none"> By December 31, 2023, over 95% of screening officers and 98% of screening contractor supervisors completed CATSA's new Indigenous Cultural Awareness Learning Program, which represents over 7500 employees of screening contractors. In addition, 94% of CATSA employees, as well as senior management and the Board of Directors, completed the in person learning. In 2023/24, CATSA engaged disability advocacy organizations and persons with lived experience to improve operations and training, and continue ongoing improvements to accessibility. CATSA has been progressing on commitments made in its Accessibility Plan. Contracts with new screening providers took effect on April 1, 2024. The introduction of a new facilitator role to assist passengers with disabilities will follow the initial transition period. In December 2023, CATSA published its annual Accessibility Plan Progress Report. Furthermore, the consultation process for the progress report provided advocacy organizations, employees, and screening officers, an opportunity to share input. The new Airport Screening Services Agreements incorporate lessons learned from the pandemic, prioritize accessibility for travellers, and enhance monitoring of workforce demographics and official language commitments. Transport Canada's International Benchmarking indicated that CATSA is highly efficient, given the physical space within which it operates. Other examples are provided throughout the report.
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CORPORATE GOVERNANCE

CATSA is an agent Crown corporation with a Board of Directors appointed by the Governor in Council on the recommendation of the Minister of Transport.

Board of Directors

CATSA is governed by an eleven-member Board of Directors. Two directors are nominated by the airline industry and two by the airport industry. All directors are independent of CATSA management. The Board of Directors and its committees generally meet on a quarterly basis, and as required to effectively oversee the corporation's business. The Board of Directors has a number of ongoing responsibilities, including:

- Establishing CATSA's strategic direction through various means, including its strategic plan and annual corporate plan, and safeguarding the resources of the corporation by approving annual reports, and capital and operating budgets;
- Approving CATSA's corporate plan for recommendation to the Minister;
- Ensuring the fulfillment of the corporation's mandate;
- Monitoring corporate performance;
- Ensuring the principal organizational risks are identified and that appropriate systems and mitigations to manage these risks have been implemented;
- Approving the President and Chief Executive Officer's (CEO) objectives for the year and evaluating their performance;
- Drafting, amending or repealing corporate by-laws; and
- Reviewing and approving the succession plan for senior management.

During 2023/24, the Board of Directors reviewed and adjusted membership of the committees of the Board of Directors, and adjusted the agendas and structure of its meetings to enhance the focus on strategic issues and Board effectiveness.

Board Remuneration and Meeting Attendance

Directors and the Chairperson are paid an annual retainer and per diem set by the Governor in Council and pursuant to the *Financial Administration Act*. The retainer for the Chairperson is \$10,800; for Directors, it is \$5,400. The Chairperson is paid a per diem rate of \$420 and Directors are paid a per diem rate of \$390 for time spent preparing for and attending meetings, as well as events such as conferences. Board members are reimbursed for expenses related to travel, accommodation and meals while performing their duties; such expenses are disclosed publicly each quarter. Board and committee attendance is based on the number of meetings attended out of the total number of meetings that occurred while the director was a member of the Board and/or committee. In 2023/24, the Board committees met thirteen times and the Board in its entirety met a total of thirteen times.

Committees of the Board of Directors

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to financial reporting, financial risk management, climate disclosure, cybersecurity, internal controls, internal and external audits, budgets and any other matter assigned by the Board. The Governance, Human Resources and Pension Committee (GHRP) assists the Board in fulfilling its oversight responsibilities with respect to governance matters, human resources and compensation, management succession plans, policies and processes relating to employee business conduct and ethical behaviour, annual objectives for the President and CEO, management and administration of the employee pension plans and any other matter assigned to it by the Board.

CATSA's Board of Directors includes members whose terms have expired but remain on the Board in good standing. As of March 31, 2024, CATSA's Board of Directors included:

<i>Board Members</i>	<i>Total Remuneration (2023/24)</i>	<i>Appointment Date</i>	<i>Mandate Expiry Date</i>	<i>Board Meetings</i>	<i>Committee Meetings</i>
Current Members					
Thao Pham, Chairperson	\$34,320	2023/03/13	2028/03/12	12	13
Melissa Coulson**	\$14,955	Original: 2014/01/30 Reappointment: 2018/02/21 Reappointment amended: 2022/12/16	2023/02/21	9	9
Patricia Anne Kennedy ** <i>Appointed as a nominee of the Air Transport Association of Canada</i>	\$16,125	Original: 2015/03/26 Reappointment: 2018/06/25	2021/06/24	10	12
Sharon Duggan **	\$19,245	2018/02/21	2022/02/21	11	13
Jean-Philippe Brunet **	\$14,370	2018/02/21	2022/02/21	11	10
Gilles Lalonde	\$16,320	Original: 2018/02/21 Reappointment: 2021/05/21	2025/05/21	12	11
Diane Trenn <i>Appointed as a nominee of the Canadian Airports Council</i>	\$18,075	Original: 2018/06/14 Reappointment: 2022/10/28	2026/10/28	12	12
Penny Westman ***	\$5,430	2019/03/22	2023/03/22	3	3
Rosemary Capparelli <i>Appointed as a nominee of the National Airlines Council of Canada</i>	\$15,150	2022/10/28	2026/10/28	11	9
Jennifer Sullivan <i>Appointed as a nominee of the Canadian Airports Council</i>	\$14,565	2022/10/28	2026/10/28	10	10

* Penny Westman took a leave of absence from the Board of Directors in 2023/24.

** Per the Financial Administration Act, any Director (other than the Chairperson) whose term has expired, may continue in office until a successor is appointed.

Board of Directors Strategic Retreat

In June 2023, the Board of Directors held a strategic retreat with the objective of developing a shared understanding of the key drivers that are expected to shape the business of CATSA in the future. The Board also set specific priorities for the year ahead, including oversight of strategic continuous improvement initiatives aligned with the Minister of Transport's direction. Transport Canada participated in discussions to shape CATSA's vision and strategic plan.

CATSA Senior Management Team

In April 2023, Nada Semaan was appointed as CATSA's President and CEO for a five-year term by Order in Council. As at March 31, 2024, CATSA's senior management team included:

Neil Parry	Senior Vice-President, Operations
Nancy Fitchett	Vice-President, Corporate Affairs and Chief Financial Officer
Philippe Johnston	Vice-President, Technology and Chief Technology Officer
Lisa Hamilton	Vice-President, Corporate Services, General Counsel and Corporate Secretary

CATSA's Executive Compensation Structure

Maintaining a competitive total compensation package is key to CATSA's ability to attract and retain a diverse and qualified workforce. The organization's total compensation program consists of a base salary, as well as performance incentives, group benefits and pension plan. CATSA's Board of Directors, through the Governance, Human Resources and Pension Committee, reviews the compensation package regularly to ensure that it is reasonable and is competitive with similar public sector organizations.

Pursuant to subsection 20(2) of the *Canadian Air Transport Security Authority Act*, the rate of any remuneration paid to the President and CEO is fixed by the Governor in Council by Order in Council (2023-875), wherein the base salary is within the range of \$265,700 - \$312,500 per annum. In 2023/24, the base salary range for Vice-Presidents was \$207,774 to \$373,994. CATSA's Vice-Presidents are also eligible to receive incentive pay in the range of 0 – 30%, depending on their performance.

Annual Public Meeting

CATSA held its Annual Public Meeting by means of an audio-visual presentation, which was posted on its website on July 15, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended March 31, 2024

Management's Discussion and Analysis (MD&A) outlines CATSA's financial results and operational changes for the year ended March 31, 2024. This MD&A should be read in conjunction with CATSA's audited annual financial statements and accompanying notes for the year ended March 31, 2024, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The information in this report is expressed in thousands of Canadian dollars and is current to June 19, 2024, unless otherwise stated.

Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by CATSA. They involve known and unknown risks, uncertainties and other factors which may cause the actual results and performance of the organization to be materially different from any future results and performance expressed or implied by such forward-looking information.

Materiality

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of CATSA's stakeholders.

OPERATING ENVIRONMENT

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

Budget 2023 included incremental funding of \$1,746 million (net) over three years to continue to protect the public by securing critical elements of the air transportation system. This funding also supports implementing changes to the non-passenger screening program, improvements to wait time service levels in 2024/25 and 2025/26, and allows CATSA to plan for the longer-term.

Budget 2023 also announced initiatives aimed at reducing government spending. CATSA identified reductions in professional services and travel budgets, as well as overall operating expenses. CATSA will implement these reductions, while recognizing the nature of the organization's air travel security screening service mandate.

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that in 2023/24, CATSA screened 66.6 million passengers, representing an increase of 16.6% compared to 2022/23. CATSA works closely with its screening contractors, Transport Canada and external stakeholders to support the aviation industry.

AIRPORT SCREENING SERVICES AGREEMENTS

Effective April 1 2024, CATSA entered into new airport screening services contracts. The awarded companies are responsible for delivering screening services at designated airports across Canada. The term of the new airport screening services contracts is from April 1, 2024 to March 31, 2029, and they are renewable for two additional five-year periods at CATSA's discretion.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining a system of internal controls over financial reporting. An integral part of this responsibility is CATSA's internal controls certification program, which involves a periodic assessment of the design and effectiveness of key internal controls over financial reporting. The program is based on the Committee of Sponsoring Organizations of the Treadway Commission framework, and Treasury Board of Canada Secretariat's (TBS) *Certification and Internal Control Regime for Crown Corporations*.

The assessment provides management with regular feedback regarding the state of internal controls. Following the assessment, management develops action plans for all opportunities for improvement. CATSA's Board of Directors receives updates on management's work with respect to enhancing internal controls and management action plans.

ANALYSIS OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

The following section provides information on key variances within the Statement of Comprehensive Income (Loss) for 2023/24 compared to 2022/23.

KEY FINANCIAL HIGHLIGHTS – STATEMENT OF COMPREHENSIVE INCOME (LOSS)				
(Thousands of Canadian dollars)	2023/24	2022/23	\$ Variance	% Variance
Expenses¹				
Screening services and other related costs	\$ 782,363	\$ 713,571	\$ 68,792	9.6%
Equipment operating and maintenance	49,962	42,511	7,451	17.5%
Program support and corporate services	102,637	94,478	8,159	8.6%
Depreciation and amortization	45,285	44,294	991	2.2%
Total expenses	980,247	894,854	85,393	9.5%
Other expenses (income)	1,150	(1,021)	2,171	212.6%
Financial performance before revenue and government funding	981,397	893,833	87,564	9.8%
Revenue	3,079	2,456	623	25.4%
Government funding				
Parliamentary appropriations for operating expenses	932,092	848,001	84,091	9.9%
Amortization of deferred government funding related to capital expenditures	42,984	40,415	2,569	6.4%
Parliamentary appropriations for lease payments	2,058	3,435	(1,377)	(40.1%)
Total government funding	977,134	891,851	85,283	9.6%
Financial performance	\$ (1,184)	\$ 474	\$ (1,658)	(349.8%)
Other comprehensive income (loss)	2,956	(3,119)	6,075	194.8%
Total comprehensive income (loss)	\$ 1,772	\$ (2,645)	\$ 4,417	167.0%

¹ The Statement of Comprehensive Income (Loss) presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 12 of the audited annual financial statements for the year ended March 31, 2024.

Screening Services and Other Related Costs

Screening services and other related costs consist of payments to screening contractors, uniforms and other screening-related costs, and trace and consumables.

Payments to screening contractors (as disclosed in note 12 of CATSA's audited annual financial statements) represent the most significant expenditures for CATSA at approximately 81.7% of total expenses (excluding depreciation and amortization) in 2023/24. These expenses consist of payments to screening contractors for the delivery of services performed by screening officers, as well as for screening officer training and recurrent learning requirements. Key variables impacting these costs include the number of screening hours purchased and billing rates.

The number of screening hours purchased is mainly driven by passenger volumes and traffic patterns. New directives to CATSA, or new or modified security regulations arising from evolving threats and security incidents or alignment with other jurisdictions, can also drive screening hours.

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

Screening services and other related costs increased by \$68.8M (9.6%) in 2023/24. The increase is primarily attributable to increased passenger volumes, and higher staffing to improve passenger wait times, which resulted in the purchase of additional screening hours totaling \$64.7M. The higher staffing level, positions CATSA to achieve its 2024/25 objectives for improved passenger wait times and changes to the non-passenger screening program. The increase is also attributable to annual screening contractor billing rate increases totaling \$19.9M, and increases in other screening related costs totaling \$4.2M. These increases are partially offset by lower spending on programs that supported the recovery of the aviation industry totaling \$20.1M.

Equipment Operating and Maintenance

Equipment operating and maintenance consist of costs associated with maintenance and support services for CATSA's equipment and systems, including the usage and warehousing of Explosives Detection System (EDS) spare parts. It also includes the cost of biometric security cards and costs associated with the training and certification of CATSA's equipment maintenance service provider for new technology deployed at airports across Canada.

Equipment operating and maintenance costs increased by \$7.5M (17.5%) in 2023/24. The increase is mainly attributable to costs associated with CATSA's transition to a new maintenance service provider and other equipment related spending.

Program Support and Corporate Services

Program support and corporate services represent the costs to support the delivery of CATSA's mandated activities and its corporate infrastructure. These costs consist mainly of employee salaries and benefits, office and computer costs, lease related costs at corporate headquarters and in the regions that are not capitalized under IFRS 16, and professional services.

Program support and corporate services costs increased by \$8.2M (8.6%) in 2023/24. The increase is attributable to higher employee-related costs, which include an increase in the organization's workforce, and higher spending on corporate priorities, including upgrades of key corporate systems and modernization of office space.

Other Expenses (Income)

Other expenses (income) consist of foreign exchange gain or loss, finance costs, gain or loss on disposal of property and equipment, write-off of property and equipment and intangible assets, impairment of property and equipment and net gain or loss on fair value of derivative financial instruments.

Other expenses (income) increased by \$2.2M (212.6%) in 2023/24. The change from an income position in 2022/23 to an expense position in 2023/24 is primarily due to lower foreign exchange gains in 2023/24 in comparison to 2022/23, and an increase in losses from the write-off of property and equipment.

Government Funding

The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund for operating expenses and capital expenditures. Payments for CATSA's leases that are capitalized under IFRS 16 are funded through capital appropriations.

Parliamentary Appropriations for Operating Expenses

Operating expenditures are funded on a near-cash accrual basis. Certain expenditures, including employee benefits, inventories and prepaid expenses, are funded when a cash outflow is required, as opposed to when the expense is recognized under IFRS.

Parliamentary appropriations for operating expenses increased by \$84.1M (9.9%) in 2023/24. The increase is primarily attributable to increased spending for screening services and other related costs, as discussed above.

Amortization of Deferred Government Funding Related to Capital Expenditures

Capital expenditures are funded when assets are purchased. The appropriations are recorded as deferred government funding related to capital expenditures and are amortized on the same basis and over the same period as the related assets.

Amortization of deferred government funding related to capital expenditures increased by \$2.6M (6.4%) in 2023/24. The increase is primarily attributable to higher depreciation and amortization expenses and higher losses from the write-off of property and equipment.

Parliamentary appropriations for lease payments

CATSA's lease payments are typically made in the same month that the appropriations are received, therefore there is no deferred funding associated with these appropriations.

Parliamentary appropriations for lease payments are lower than the prior year as CATSA reduced its headquarters office space during fiscal 2022/23.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of the net actuarial losses (gains) associated with CATSA's defined benefit plans.

In 2023/24, the net gain of \$3.0M is primarily attributable to an actuarial gain of \$5.5M resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. This is offset by a net loss of \$1.3M related to changes in financial assumptions and a net loss of \$1.2M due to experience adjustments.

In 2022/23, the net loss of \$3.1M was primarily attributable to an actuarial loss of \$21.6M resulting from a lower actual rate of return on plan assets than the rate used in CATSA's assumptions. The loss was also due to experience adjustments of \$4.1M. This was partially offset by a net gain of \$22.5M related to changes in financial and demographic assumptions.

For further details, please refer to the Employee Benefits section.

LIQUIDITY AND CAPITAL RESOURCES

CATSA's financial management framework relies on parliamentary appropriations to finance operating and capital requirements, and to settle financial obligations as they become due. In determining the amount of cash reserves to carry for operating requirements, the organization considers its short-term funding requirements in accordance with relevant Treasury Board of Canada Secretariat (TBS) directives.

The following table represents CATSA's liquidity and capital resources:

LIQUIDITY AND CAPITAL RESOURCES			
(Thousands of Canadian dollars)	March 31, 2024	March 31, 2023	\$ Variance
Cash	\$ 9,955	\$ 13,785	\$ (3,830)
Trade and other receivables	130,036	129,477	559
Trade and other payables	(140,214)	(141,890)	1,676
Current holdbacks	(142)	(1,818)	1,676
Current lease liabilities	(2,389)	(1,777)	(612)
Non-current lease liabilities	(16,808)	(12,708)	(4,100)

Cash decreased by \$3.8M primarily due to the timing of disbursements to suppliers for goods and services. Trade and other payables decreased by \$1.7M as a result of the timing of disbursements associated with obligations outstanding with suppliers. Current holdbacks decreased by \$1.7M due to the completion of CATSA's HBS recapitalization program. Non-current lease liabilities increased by \$4.1M primarily due to the reassessment of the lease term of CATSA's corporate headquarters lease.

CAPITAL EXPENDITURES

CATSA's capital plan is comprised of Explosives Detection System (EDS) and non-EDS expenditures and a portion of lease payments.

EDS capital expenditures consist of the acquisition of screening equipment and the associated installation and integration costs for Pre-board Screening (PBS), Hold Baggage Screening (HBS) and Non-passenger Screening (NPS). Non-EDS capital expenditures consist of the acquisition of equipment and systems to support screening operations, the Restricted Area Identity Card (RAIC) program, and CATSA's network infrastructure and corporate management systems. Lease payments relate to leases capitalized under IFRS 16.

Property and equipment, intangible assets and right-of-use assets (refer to the Statement of Financial Position) represent 63.7% of total assets as at March 31, 2024. The section below provides a breakdown of the capital expenditures for EDS, non-EDS and lease payments.

CAPITAL EXPENDITURES				
(Thousands of Canadian dollars)	2023/24	2022/23	\$ Variance	
EDS	\$ 25,068	\$ 10,746	\$	14,322
Non-EDS	7,805	2,408		5,397
Lease payments	2,058	3,435		(1,377)
Total capital expenditures	\$ 34,931	\$ 16,589	\$	18,342

An overview of the key capital projects undertaken over the course of the fiscal year is as follows:

EDS

- Life cycle management of HBS Oversize X-rays at Class 1 airports;
- Life cycle management of Full Body Scanners at PBS;
- Purchase and deployment of UV Bin Sanitization units; and
- Initial purchase and testing of Computed tomography (CT) X-rays for deployment at PBS.

Non-EDS

- Life cycle management of RAIC biometric readers;
- Life cycle management of CATSA's Information Technology (IT) network infrastructure;
- Implementation of a new screening officer Time and Attendance system; and
- Completion of leasehold improvements to support the modernization of CATSA's headquarters office space.

EMPLOYEE BENEFITS

CATSA maintains two funded pension plans to provide retirement benefits to its employees. The first is a registered pension plan (RPP), which includes two components: a defined benefit component for employees hired before July 1, 2013, and a defined contribution component for employees hired on or after July 1, 2013. The second is a supplementary retirement plan (SRP), which supplements the defined benefit component of the RPP for benefits limited by the *Income Tax Act* (Canada). CATSA also sponsors an unfunded post-employment benefits plan, the other defined benefits plan (ODBP), which includes life insurance and eligible health and dental benefits. The employee benefits financial position is summarized below:

EMPLOYEE BENEFITS				
(Thousands of Canadian dollars)	March 31, 2024	March 31, 2023	\$ Variance	
Employee benefits asset	\$ 57,088	\$ 52,104	\$ 4,984	
Employee benefits liability	(18,484)	(16,544)	(1,940)	
Net employee benefits asset	\$ 38,604	\$ 35,560	\$ 3,044	

CATSA's independent actuary determines each plan's net position as at March 31 of each year. The net position fluctuates annually due to a combination of variables, including the discount rate, inflation rate, number of plan members and their demographics, expected average rate of salary increases, expected average remaining service lifetime of active employees, and returns on plan assets and contributions. Note 8 of the annual audited financial statements provides further details regarding the underlying assumptions used in determining the net position.

As at March 31, 2024, the employee benefits asset represents the net position of CATSA's RPP and SRP. The employee benefits liability consists of the present value of the defined benefit liability of the ODBP.

The increase in the employee benefits asset is primarily attributable to a remeasurement gain of \$5.5M resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. The increase is also due to required contributions made by CATSA exceeding the non-cash defined benefit costs (based on IAS 19) by \$1.1M for these plans. The increases are partially offset by a net remeasurement loss of \$1.6M on the defined benefit obligation of the RPP and SRP arising from changes to financial assumptions and experience adjustments.

The increase in the employee benefits liability is primarily attributable to non-cash defined benefit costs (based on IAS 19) exceeding CATSA required contributions by \$1.1M for the ODBP. The increase is also due to a remeasurement loss of \$0.9M on the defined benefit obligation of the ODBP arising from changes to financial assumptions and experience adjustments.

FINANCIAL PERFORMANCE AGAINST CORPORATE PLAN

CATSA's operations are funded by parliamentary appropriations from the Government of Canada and are reflected in CATSA's *Summary of the 2023/24 to 2027/28 Corporate Plan*. Actual operating and capital appropriations used are lower than the amounts reflected in the Corporate Plan.

PARLIAMENTARY APPROPRIATIONS USED

Appropriations used are reported on a near-cash accrual basis of accounting.

Operating Expenditures

The table below serves to reconcile financial performance before government funding reported under IFRS and operating appropriations used:

RECONCILIATION OF FINANCIAL PERFORMANCE TO OPERATING APPROPRIATIONS USED			
(Thousands of Canadian dollars)	2023/24	2022/23	\$ Variance
Financial performance before revenue and government funding	\$ 981,397	\$ 893,833	\$ 87,564
Revenue	(3,079)	(2,456)	(623)
Financial performance before government funding	978,318	891,377	86,941
Non-cash items			
Depreciation and amortization	(45,285)	(44,294)	(991)
Write-off of property and equipment and intangible assets	(510)	(38)	(472)
Non-cash finance costs related to leases	(505)	(265)	(240)
Change in fair value of financial instruments at fair value through profit and loss	(104)	(28)	(76)
Loss on disposal of property and equipment	(65)	(3)	(62)
Non-cash gain (loss) on foreign exchange recognized in financial performance	155	26	129
Employee benefits expense ¹	88	836	(748)
Impairment of property and equipment	–	390	(390)
Appropriations used for operating expenses	\$ 932,092	\$ 848,001	\$ 84,091
Other items affecting funding			
Net change in prepaids and inventories ²	3,715	1,012	2,703
Total operating appropriations used	\$ 935,807	\$ 849,013	\$ 86,794

¹ Employee benefits expense is accounted for in the Statement of Comprehensive Income (Loss) in accordance with IFRS. The reconciling item above represents the difference between cash payments for employee benefits and the accounting expense under IFRS.

² Prepaids and inventories funded through operating appropriations are expensed as the benefit is derived from the asset by CATSA. They are funded by appropriations when purchased, creating a reconciling item.

The table below provides a reconciliation between financial performance before government funding reported under IFRS and operating appropriations used in 2023/24, presented by major expenditure category. The table also provides a comparison between operating appropriations used in 2023/24 and the operating budget as reported in CATSA's *Summary of the 2023/24 to 2027/28 Corporate Plan*.

OPERATING APPROPRIATIONS USED COMPARED TO CORPORATE PLAN

(Thousands of Canadian dollars)	IFRS 2023/24	Non-cash Adjustments	Operating Approp. Used 2023/24	Corporate Plan Budget 2023/24	\$ Variance	% Variance
Screening services and other related costs	\$ 782,363	\$ 912	\$ 783,275	\$ 814,966	\$ (31,691)	(3.9%)
Equipment operating and maintenance	49,962	2,432	52,394	50,455	1,939	3.8%
Program support and corporate services	102,637	532	103,169	103,055	114	0.1%
Depreciation and amortization	45,285	(45,285)	–	–	–	–
Other expenses	1,150	(1,102)	48	–	48	–
Revenue	(3,079)	–	(3,079)	–	(3,079)	–
Total	\$ 978,318	\$ (42,511)	\$ 935,807	\$ 968,476	\$ (32,669)	(3.4%)

Operating appropriations used were \$32.7M (3.4%) lower than the Corporate Plan budget. This is primarily due to delays in the introduction of Transport Canada's amendments to security measures relating to CATSA's non-passenger screening program.

CAPITAL EXPENDITURES

The table below serves to reconcile capital expenditures reported under IFRS and capital appropriations used.

RECONCILIATION OF CAPITAL EXPENDITURES TO CAPITAL APPROPRIATIONS USED

(Thousands of Canadian dollars)	2023/24	2022/23	\$ Variance
EDS	\$ 25,068	\$ 10,746	\$ 14,322
Non-EDS	7,805	2,408	5,397
Lease payments	2,058	3,435	(1,377)
Total capital expenditures	\$ 34,931	\$ 16,589	\$ 18,342
Non-cash adjustment on foreign exchange related to capital expenditures	(75)	(138)	63
Total capital appropriations used	\$ 34,856	\$ 16,451	\$ 18,405

The table below provides a comparison between capital appropriations used in 2023/24, and the capital budget as reported in CATSA's *Summary of the 2023/24 to 2027/28 Corporate Plan* after the adjustments resulting from the capital reprofile in progress:

CAPITAL APPROPRIATIONS USED COMPARED TO CORPORATE PLAN

(Thousands of Canadian dollars)	Capital Approp. Used 2023/24	Corporate Plan Budget 2023/24	Capital Reprofile in Progress	Revised Corporate Plan Budget 2023/24	\$ Variance	% Variance
EDS						
PBS	\$ 11,966	\$ 45,269	\$ (23,110)	\$ 22,159	\$ (10,193)	(46.0%)
HBS	11,631	39,681	(19,178)	20,503	(8,872)	(43.3%)
NPS	1,471	5,303	(3,657)	1,646	(175)	(10.6%)
Total EDS	\$ 25,068	\$ 90,253	\$ (45,945)	\$ 44,308	\$ (19,240)	(43.4%)
Non-EDS	9,863	15,783	–	15,783	(5,920)	(37.5%)
Total capital asset acquisitions¹	\$ 34,931	\$ 106,036	\$ (45,945)	\$ 60,091	\$ (25,160)	(41.9%)
Non-cash adjustment on foreign exchange related to capital expenditures	(75)	–	–	–	(75)	–
Total	\$ 34,856	\$ 106,036	\$ (45,945)	\$ 60,091	\$ (25,235)	(42.0%)

¹ CATSA's *Summary of the 2023/24 to 2027/28 Corporate Plan* budget includes \$2,504 of lease payments in appropriations for Non-EDS.

Capital appropriations used were \$25.2M (42.0%) lower than the corporate plan budget due to under-spending across various capital projects. CATSA will work with Finance Canada to obtain approval for the capital re-profile of \$45.9M.

Financial Statements of

CANADIAN
AIR TRANSPORT
SECURITY
AUTHORITY

for the year ended March 31, 2024

Management’s Responsibility Statement

Year ended March 31, 2024

The financial statements contained in this annual report have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The integrity and objectivity of the data in these financial statements are management’s responsibility. Some of the information in the financial statements is based on management’s best estimates and judgments and gives due consideration to materiality. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

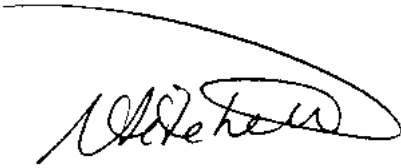
Management maintains a system of financial management and internal control designed to provide reasonable assurance that the financial information is reliable, assets are safeguarded, and transactions are in accordance with Part X of the *Financial Administration Act* and the *Canadian Air Transport Security Authority Act*, executed in accordance with prescribed regulations within parliamentary authorities, and properly recorded to maintain accountability of government funds. The Canadian Air Transport Security Authority’s (CATSA’s) Internal Auditor has the responsibility for assessing its network of risk management, control and governance processes.

The Board of Directors is responsible for overseeing our business and activities. In particular, the Board provides oversight to ensure that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee, which is composed of directors who are not employees of CATSA. The Audit Committee meets regularly with management, the Internal Auditor and with the Office of the Auditor General of Canada (OAG). The OAG has full and unrestricted access to the Audit Committee to discuss their findings. The Board of Directors, upon recommendation of the Audit Committee, reviews and approves the financial statements.

The Auditor General of Canada conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses an opinion on the financial statements. The Independent Auditor’s Report is presented on the following pages.



Nada Semaan
President and Chief Executive Officer



Nancy Fitchett, CPA, CA
*Vice-President, Corporate Affairs
and Chief Financial Officer*

June 19, 2024



Independent Auditor's Report

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Air Transport Security Authority (CATSA), which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CATSA as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CATSA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CATSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CATSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CATSA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CATSA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CATSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CATSA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Air Transport Security Authority coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canadian Air Transport Security Authority Act* and regulations, the by-laws of the Canadian Air Transport Security Authority, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Canadian Air Transport Security Authority that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canadian Air Transport Security Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canadian Air Transport Security Authority to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Mimma Venema, CPA, CA, CGA
Principal
for the Auditor General of Canada

Ottawa, Canada
19 June 2024

Statement of Financial Position

(In thousands of Canadian dollars)

	As at March 31	
	2024	2023
Assets		
Current assets		
Cash	\$ 9,955	\$ 13,785
Trade and other receivables (note 4)	130,036	129,477
Inventories	14,462	11,419
Prepays	8,506	7,834
Derivative financial assets	–	22
	162,959	162,537
Non-current assets		
Property and equipment (note 5)	355,726	367,255
Intangible assets (note 6)	14,160	12,832
Right-of-use assets (note 7)	17,059	13,581
Employee benefits asset (note 8)	57,088	52,104
	444,033	445,772
Total assets	\$ 606,992	\$ 608,309
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 13)	\$ 140,214	\$ 141,890
Holdbacks (note 13)	142	1,818
Lease liabilities (note 10)	2,389	1,777
Deferred government funding related to operating expenses (note 11)	22,968	19,253
Derivative financial liabilities (note 13)	82	–
	165,795	164,738
Non-current liabilities		
Lease liabilities (note 10)	16,808	12,708
Deferred government funding related to capital expenditures (note 11)	368,994	379,180
Employee benefits liability (note 8)	18,484	16,544
Derivative financial liabilities (note 13)	10	10
	404,296	408,442
Equity		
Accumulated surplus	36,901	35,129
Total liabilities and equity	\$ 606,992	\$ 608,309

Contingencies (note 9) and contractual commitments (note 14)
The accompanying notes are an integral part of these financial statements.

Approved by the Board and authorized for issue on June 19, 2024:


Thao Pham
Chairperson


Nada Semaan
President and Chief Executive Officer

Statement of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

	Years ended March 31	
	2024	2023
Expenses		
Pre-Board Screening	\$ 598,298	\$ 543,038
Hold Baggage Screening	166,242	151,511
Non-Passenger Screening	155,190	143,081
Restricted Area Identity Card Program	4,670	4,595
Corporate services	55,847	52,629
Total expenses (note 12)	980,247	894,854
Other expenses (income)		
Finance costs	515	271
Write-off of property and equipment and intangible assets	510	38
Net loss on fair value of derivative financial instruments	104	28
Loss on disposal of property and equipment	65	3
Foreign exchange gain	(44)	(971)
Impairment of property and equipment (note 5)	–	(390)
Total other expenses (income)	1,150	(1,021)
Financial performance before revenue and government funding	981,397	893,833
Revenue		
Finance income	3,061	2,354
Miscellaneous income	18	32
Screening services - other	–	70
Total revenue	3,079	2,456
Government funding		
Parliamentary appropriations for operating expenses	932,092	848,001
Amortization of deferred government funding related to capital expenditures	42,984	40,415
Parliamentary appropriations for lease payments	2,058	3,435
Total government funding (note 11)	977,134	891,851
Financial performance	\$ (1,184)	\$ 474
Other comprehensive income (loss)		
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)	2,956	(3,119)
Total comprehensive income (loss)	\$ 1,772	\$ (2,645)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

(In thousands of Canadian dollars)

	Accumulated surplus	
Balance, March 31, 2022	\$	37,774
Financial performance		474
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		(3,119)
Balance, March 31, 2023	\$	35,129

	Accumulated surplus	
Balance, March 31, 2023	\$	35,129
Financial performance		(1,184)
Item that will not be reclassified to financial performance		
Remeasurement of defined benefit plans (note 8)		2,956
Balance, March 31, 2024	\$	36,901

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(In thousands of Canadian dollars)

	Years ended March 31	
	2024	2023
Cash flows provided by (used in)		
Operating activities		
Financial performance	\$ (1,184)	\$ 474
Items not involving cash		
Depreciation and amortization (note 12)	45,285	44,294
Write-off of property and equipment and intangible assets	510	38
Change in fair value of financial instruments at fair value through profit and loss	104	28
Loss on disposal of property and equipment	65	3
Amortization of deferred government funding related to capital expenditures (note 11)	(42,984)	(40,415)
Other non-cash transactions	(308)	23
Change in net employee benefits asset/liability	(88)	(836)
Impairment of property and equipment (note 5)	–	(390)
Net change in working capital balances (note 17)	(5,482)	3,371
	(4,082)	6,590
Investing activities		
Parliamentary appropriations received for capital funding	25,593	12,500
Purchase of property and equipment	(20,119)	(9,467)
Purchase of intangible assets	(3,670)	(249)
	1,804	2,784
Financing activities		
Lease principal payments	(1,552)	(3,170)
	(1,552)	(3,170)
(Decrease) increase in cash	(3,830)	6,204
Cash, beginning of year	13,785	7,581
Cash, end of year	\$ 9,955	\$ 13,785

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

1. AUTHORITY, MANDATE AND PROGRAMS

CATSA was established pursuant to the *CATSA Act* on April 1, 2002. CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* (FAA) and is an agent of His Majesty in right of Canada.

CATSA's mandate is to provide effective and efficient screening of persons who access aircraft or restricted areas through screening points, the property in their possession or control and the belongings or baggage that they give to an air carrier for transport. CATSA is also responsible for ensuring consistency in the delivery of screening across Canada and for air transport security functions that the Minister of Transport may assign to it, subject to any terms and conditions that the Minister may establish. In carrying out its responsibilities, CATSA must do so in the public interest, having due regard to the interest of the travelling public.

To achieve this, CATSA conducts screening in the following four areas:

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 ("hold") baggage for prohibited items such as explosives, prior to being loaded onto an aircraft;

Non-passenger Screening (NPS)

The screening of non-passengers such as flight personnel, ground crew and airport employees, and their belongings (including vehicles and their contents) entering restricted areas at the highest-risk airports; and

Restricted Area Identity Card (RAIC)

The management of the system that uses iris and fingerprint biometric identifiers to allow authorized non-passengers access to the restricted areas of airports. The final authority that determines access to the restricted areas of an airport is the airport authority.

In addition to its mandated activities, CATSA has an agreement with Transport Canada to screen cargo at small 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 personnel.

CATSA has previously provided screening services on a cost recovery basis to certain airports. In 2023/24, there were no such arrangements in place.

CATSA is in compliance with Order in Council P.C. 2019-783, a directive issued pursuant to Section 89 of the FAA, which outlines certain principles with regards to CATSA's pension plans.

CATSA's Travel, Hospitality, Conference and Event Expenditures Policy is in compliance with Order in Council P.C. 2015-1114, a directive issued pursuant to Section 89 of the 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.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

CATSA is not subject to income tax under the provisions of the *Income Tax Act* (Canada). CATSA is subject to the *Excise Tax Act* (Canada), which includes the federal Goods and Services Tax (GST) and Harmonized Sales Tax (HST). CATSA is also subject to all provincial sales taxes (PST) applied by the provinces and territories in which it operates. CATSA is a GST/HST registrant. As a GST/HST registrant, CATSA is obligated to collect and remit taxes on taxable services supplied to external parties and CATSA's pension plans.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada (AcSB).

The financial statements were prepared under the historical cost convention, except as required or permitted by IFRS and as indicated in the Summary of material accounting policy information note. Historical cost is generally based on the fair value of the consideration given up in exchange for goods and services at the transaction date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

(a) Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions based on existing knowledge that affect the reported amounts and disclosures in the financial statements and accompanying notes. Actual results may differ from judgments, estimates and assumptions.

In making estimates and using assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and assumptions have been applied in a manner consistent with prior periods. There are no known commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates in the financial statements.

Estimates and underlying assumptions are regularly reviewed by management and changes in those estimates are recognized prospectively in the period of change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

The critical estimates and assumptions utilized in preparing these financial statements include:

- note 3(b), note 3(c), note 5 and note 6 – Property and equipment and intangible assets

Key estimates used for property and equipment include the determination of their useful lives and the valuation of work-in-progress. The key estimate used for intangible assets includes the determination of their useful lives. In determining the expected useful lives of these assets, CATSA takes into account past experience, industry trends and internally-specific factors, such as changing technologies and expectations for the in-service period of the assets. Changes to estimates of useful life would affect future depreciation or amortization expenses and future carrying values of assets. In determining the value of work-in-progress, CATSA takes into account estimates provided by internal and external experts with respect to the stage of completion of an equipment integration project. Changes to the stage of completion would affect trade and other payables and the values of assets.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

- note 3(e), note 7 and note 10 – Right-of-use assets and lease liabilities

Key estimates used for right-of-use assets and lease liabilities include the determination of an appropriate incremental borrowing rate to discount the lease payments, when the interest rate implicit in the lease is not readily determinable. As CATSA does not have borrowing authority and, in practice, does not have readily observable approved or granted borrowing rates from a financial institution, CATSA's approach to determining its incremental borrowing rate is based on the Bank of Canada zero-coupon bond rate, CATSA's entity-specific credit spread, and the lease-specific spread. CATSA's entity-specific credit spread and lease-specific spread are based on a publicly available yield curve that reflects Canadian agencies with investment grade ratings. The rate used to discount CATSA's lease payments is also based on the identified lease term.

- note 3(g) and note 8 – Employee benefits

Key estimates used for employee benefits include the discount rate, mortality rate, inflation rate, long-term rate of compensation increase and assumed medical cost trend rates. In determining the assumptions, CATSA takes into account past experience, the expertise of its actuaries, and current market conditions and rates. Changes to these assumptions would affect its employee benefits asset and liability, as well as financial performance and other comprehensive income or loss. A sensitivity analysis of changes in primary assumptions is presented in note 8.

The critical judgments made by management in preparing these financial statements include:

- note 3(e), note 7 and note 10 – Right-of-use assets and lease liabilities

Judgments are required in determining whether it is reasonably certain that an extension or termination option will be exercised for contracts that contain a lease. In making this assessment, management considers a number of factors, including the nature of CATSA's work, proximity of other locations, lease extensions exercised in the past, market conditions, recent leasehold improvements and contract specific termination clauses.

Judgments are required in determining whether variable lease payments are in-substance fixed. In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable. Such payments are included in the measurement of the lease liability. In determining whether variable lease payments are in-substance fixed, CATSA reviews lease contracts to assess the nature of the payments, specifically identifying if payments are subject to adjustments based on actual costs incurred, or payments are based on services that are variable in nature.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(b) Property and equipment

Property and equipment consists of screening equipment, RAIC equipment, computers, integrated software and electronic equipment, office furniture and equipment, leasehold improvements and work-in-progress.

(i) Recognition and measurement

Property and equipment are recorded at cost less accumulated depreciation, except for work-in-progress, which is recorded at cost but not depreciated until the asset is available for use. Cost includes expenditures that are directly attributable to the acquisition and installation of the assets, including integration costs related to the installation of the assets at the airports to ensure they are in a condition necessary for their intended use. These costs include conveyor systems, platforms and other structures required to connect screening equipment to existing airport infrastructures.

Work-in-progress includes costs related to integration projects that remain incomplete at year-end. The value of work-in-progress at year-end is determined based on estimates performed by independent experts or management, depending on management's assessment of risk.

The carrying amount of an item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing proceeds, if any, to the carrying amount and are recognized in financial performance.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CATSA and that the cost of the item can be measured reliably. The cost of day-to-day servicing of property and equipment is recognized in financial performance as incurred.

(iii) Depreciation

Depreciation is calculated using the straight-line method and is applied over the estimated useful lives of the assets.

Asset class	Useful life
PBS equipment	10 to 15 years
HBS equipment	10 to 15 years
NPS equipment	10 to 15 years
RAIC equipment	5 years
Computers, integrated software and electronic equipment	3 to 10 years
Office furniture and equipment	5 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the related lease term or estimated useful life.

Depreciation methods, estimated useful lives and residual values are reviewed at least annually.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(c) Intangible assets

Separately acquired computer software licences are capitalized based on the costs incurred to acquire and bring the licences to use.

Certain costs incurred in connection with the development of software to be used internally or for providing screening services are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by CATSA are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development of the software product and to use it are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific project. All other costs associated with developing or maintaining computer software programs are expensed as incurred.

Intangible assets are amortized using the straight-line method over their estimated useful lives of five to 15 years.

(d) Impairment

CATSA's assets do not generate cash flows. Instead, all assets interact to support CATSA's mandated activities, which are primarily funded by parliamentary appropriations. Overall levels of cash flow, provided by budgetary funding, reflect public policy requirements and decisions. Therefore, CATSA is considered one cash-generating unit (CGU).

The carrying amounts of CATSA's property and equipment and intangible assets are reviewed at each reporting period to determine whether there is any indication of impairment. Assets are tested at the CGU level when they cannot be tested individually. Property and equipment and intangible assets are considered to be impaired if they are no longer able to contribute to CATSA's mandate.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(e) Leases

Contracts are considered to be a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets

CATSA's right-of-use (ROU) assets are initially measured at cost based on the following:

- amount of the initial measurement of the lease liability; and
- lease payments made at or before the commencement date, less any lease incentives received.

An ROU asset is subsequently measured at cost less accumulated depreciation. The carrying amount of the right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, if any.

An ROU asset is depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. The lease term includes periods covered by an option to extend if CATSA is reasonably certain to exercise that option.

(ii) Lease Liabilities

CATSA's lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, CATSA's incremental borrowing rate, as identified above in note 3(b).

CATSA's entity-specific credit spread and lease-specific spread are based on a publicly available yield curve that reflects Canadian agencies with investment grade ratings.

Variable lease payments that do not depend on an index or rate, and are not in-substance fixed, are not included in the measurement of the lease liability and, subsequently, the right-of-use asset. These payments are recognized as an expense in the period in which they occur.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured whenever:

- there is a change in the lease term, including a change in the assessment of whether an extension option will be exercised;
- the payments change due to changes in an index or rate, or a change in expected payments under a residual value guarantee; and
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

Based on the nature and use of CATSA's right-of-use assets, CATSA has two classes of underlying assets: office space and data centres. CATSA accounts for lease components and any non-lease components as a single lease component for its office space asset class. For its data centre asset class, CATSA separates non-lease components from lease components and accounts for them separately.

CATSA does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(f) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial assets:

Non-derivative financial assets include cash and receivables related to supplemental and other screening services. The remaining receivables are not classified as non-derivative financial assets because they are not contractual rights but, rather, created as a result of statutory requirements of the federal and provincial governments.

Cash and receivables related to supplemental and other screening services are recognized initially at fair value. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest rate method. At each reporting date, CATSA assesses, on a forward-looking basis, the expected credit losses on any financial assets measured at amortized cost.

CATSA derecognizes a non-derivative financial asset when the contractual rights to the cash flows from the asset are either collected, expire or are transferred to another party.

Non-derivative financial liabilities:

Non-derivative financial liabilities include trade and other payables and holdbacks. Trade and other payables and holdbacks are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

CATSA derecognizes a non-derivative financial liability when its contractual obligations are discharged, cancelled or expired.

(ii) Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts entered into by CATSA for the purpose of managing its exposure to foreign currency risk as it relates to its request for parliamentary appropriations. CATSA does not apply hedge accounting to its derivative financial instruments.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(g) Employee benefits

(i) Post-employment benefit plans – defined benefit

The employee benefits asset and liability presented in the Statement of Financial Position represent the actual surplus or deficit of each of CATSA's defined benefit pension plans and its other defined benefits plan. The surplus or deficit is determined by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The future benefit is then discounted to determine its present value, using a discount rate established at the end of the reporting period. The obligation is recognized over the period of employee service determined actuarially using the projected unit credit method. To the extent applicable, the fair value of any plan assets is deducted from the present value of the future benefit obligation. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined benefit costs are categorized as follows:

- service costs;
- net interest on the net defined benefit asset or liability;
- administration costs; and
- remeasurements.

Service costs are determined separately for each plan using the projected unit credit method, with actuarial valuations for accounting purposes being carried out at the end of each annual reporting period. Current service cost is recognized as employee costs in determining financial performance. Employee contributions are recorded as a reduction to service cost in the period in which the related service is rendered. Administration costs paid from the plan assets during the period exclude the costs of managing plan assets, as those costs are recorded against the actual return on plan assets.

Net interest is calculated by applying the discount rate used to discount the post-employment benefit obligation to the net defined benefit asset or liability, taking into account any changes in the net defined benefit asset or liability during the period as a result of contribution and benefit payments. Net interest is recognized as employee costs in determining financial performance.

Remeasurement of defined benefit plans consists of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of changes in the asset ceiling (if applicable). When a funded plan gives rise to a net pension benefit asset, a remeasurement for the effect of the asset ceiling may occur if it is established that the surplus will not provide future economic benefits with respect to future service costs. Those future economic benefits are available under the terms of CATSA's defined benefit pension plans, which allow CATSA to take contribution holidays when certain funding thresholds are met.

Remeasurement of defined benefit plans is recognized in other comprehensive income or loss and is included immediately in accumulated surplus (deficit) without reclassification to financial performance in a subsequent period.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(ii) Post-employment benefit plan – defined contribution

Employer contributions to the defined contribution pension plan are recognized as an employee cost in financial performance when employees have rendered service entitling them to the contributions.

(iii) Termination benefits

Termination benefits result from either CATSA's decision to terminate employment or an employee's decision to accept the entity's offer of benefits in exchange for termination of employment. CATSA recognizes termination benefits at the earliest of when the entity can no longer withdraw the offer of those benefits or when restructuring costs are accrued if termination benefits are part of a restructuring plan. If benefits are payable more than 12 months after the reporting period, the liability is determined by discounting the obligation to its present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations, such as salaries, annual leave and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized in trade and other payables for the amount expected to be paid when CATSA has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions and contingencies

A provision is recognized when, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation, and the obligation can be estimated reliably. In situations where the amount of the obligation cannot be measured with sufficient reliability or the cash outflows are not probable, a contingent liability is disclosed.

Contingent liabilities may arise from uncertainty as to the existence of a liability, or represent an existing liability in respect of which settlement is not probable or, in extremely rare cases, the amount cannot be reliably measured. A liability is recognized when its existence is confirmed by a future event, settlement becomes probable and reliable measurement becomes possible.

(i) Disputed claims

In the normal course of operations, CATSA receives claims requesting monetary compensation from various parties. A provision is accrued to the extent management believes it is probable that a disputed claim arising from a past event results in a present legal or constructive obligation, and the obligation can be estimated reliably. If the timing of the cash outflows associated with the disputed claim can be reasonably determined to be more than 12 months after the reporting period, the provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(ii) Decommissioning costs

CATSA has future obligations associated with the disposal of certain screening equipment in an environmentally responsible manner, and the restoration of leased premises to an agreed upon standard at the end of the lease. To the extent that it is probable that these obligations will result in an outflow of economic benefits, CATSA recognizes a provision for decommissioning liabilities, and the costs are capitalized as part of the carrying amount of the related asset and depreciated over the asset's estimated useful life.

Given the nature of provisions and contingencies, judgments and estimates are required in determining the existence and amount of an obligation.

(i) Government funding

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada. Parliamentary appropriations are accounted for as Government of Canada grants and are recognized in financial performance on a systematic basis over the periods in which CATSA recognizes as expenses the related costs for which the grants are intended to compensate.

Appropriations related to operating expenses for future periods are recorded as deferred government funding related to operating expenses and are recognized in financial performance in the period in which the related expenses are incurred. Appropriations used for the purchase of property and equipment and intangible assets are recorded as deferred government funding related to capital expenditures and are amortized on the same basis as the related assets.

Upon the disposal of funded depreciable assets, the related remaining deferred government funding is recognized in financial performance in the period of disposal.

Appropriations used for lease payments are recognized in financial performance in the period in which lease payments are made.

Unused parliamentary appropriations at year-end are lapsed or reprofiled to future years.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of:

	March 31, 2024	March 31, 2023
Parliamentary appropriations	\$ 120,663	\$ 120,464
GST and HST recoverable	7,906	7,396
PST recoverable	1,467	1,617
	\$ 130,036	\$ 129,477

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

5. PROPERTY AND EQUIPMENT

A reconciliation of property and equipment is as follows:

	PBS equipment	HBS equipment	NPS equipment	RAIC equipment	Computers, integrated software and electronic equipment	Office furniture and equipment	Leasehold improvements	Work-in- progress	Total
Cost									
Balance, March 31, 2022	\$ 162,849	\$ 658,011	\$ 20,722	\$ 3,989	\$ 28,932	\$ 129	\$ 10,113	\$ 14,543	\$ 899,288
Additions	709	2,714	–	194	437	–	803	8,048	12,905
Disposals	(5,745)	(5,134)	–	(95)	(1,494)	(11)	(2,937)	–	(15,416)
Write-offs	(1,318)	(280)	–	(756)	(485)	–	–	(7)	(2,846)
Impairments	–	–	–	–	292	–	–	98	390
Reclassifications	6,699	3,574	–	–	511	–	30	(10,814)	–
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Balance, March 31, 2023	\$ 163,194	\$ 658,885	\$ 20,722	\$ 3,332	\$ 28,193	\$ 118	\$ 8,009	\$ 11,868	\$ 894,321
Additions	2,828	9,120	–	1,970	1,803	–	1,169	12,257	29,147
Disposals	(833)	(7,416)	(76)	–	(262)	–	(2,182)	–	(10,769)
Write-offs	(595)	(291)	(35)	(1,873)	(3,541)	–	(18)	–	(6,353)
Reclassifications	2,523	3,547	–	–	1,681	–	199	(7,950)	–
Balance, March 31, 2024	\$ 167,117	\$ 663,845	\$ 20,611	\$ 3,429	\$ 27,874	\$ 118	\$ 7,177	\$ 16,175	\$ 906,346
Accumulated depreciation									
Balance, March 31, 2022	\$ 115,612	\$ 342,894	\$ 15,973	\$ 2,853	\$ 19,608	\$ 95	\$ 9,527	\$ –	\$ 506,562
Depreciation	5,027	29,399	590	356	2,966	24	363	–	38,725
Disposals	(5,745)	(5,134)	–	(95)	(1,491)	(11)	(2,937)	–	(15,413)
Write-offs	(1,300)	(258)	–	(756)	(494)	–	–	–	(2,808)
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ –	\$ 527,066
Balance, March 31, 2023	\$ 113,594	\$ 366,901	\$ 16,563	\$ 2,358	\$ 20,589	\$ 108	\$ 6,953	\$ –	\$ 527,066
Depreciation	5,372	30,204	652	395	3,059	10	410	–	40,102
Disposals	(833)	(7,354)	(76)	–	(262)	–	(2,179)	–	(10,704)
Write-offs	(470)	(180)	(35)	(1,642)	(3,499)	–	(18)	–	(5,844)
Balance, March 31, 2024	\$ 117,663	\$ 389,571	\$ 17,104	\$ 1,111	\$ 19,887	\$ 118	\$ 5,166	\$ –	\$ 550,620
Carrying amounts									
As at March 31, 2023	\$ 49,600	\$ 291,984	\$ 4,159	\$ 974	\$ 7,604	\$ 10	\$ 1,056	\$ 11,868	\$ 367,255
As at March 31, 2024	\$ 49,454	\$ 274,274	\$ 3,507	\$ 2,318	\$ 7,987	\$ –	\$ 2,011	\$ 16,175	\$ 355,726

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

6. INTANGIBLE ASSETS

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under development	Total
Cost				
Balance, March 31, 2022	\$ 10,843	\$ 20,561	\$ –	\$ 31,404
Additions	18	231	–	249
Write-offs	(323)	(350)	–	(673)
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ –	\$ 30,980
Balance, March 31, 2023	\$ 10,538	\$ 20,442	\$ –	\$ 30,980
Additions	3,334	303	89	3,726
Write-offs	(15)	(3,985)	–	(4,000)
Balance, March 31, 2024	\$ 13,857	\$ 16,760	\$ 89	\$ 30,706
Accumulated amortization				
Balance, March 31, 2022	\$ 5,525	\$ 11,134	\$ –	\$ 16,659
Amortization	787	1,375	–	2,162
Write-offs	(323)	(350)	–	(673)
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ –	\$ 18,148
Balance, March 31, 2023	\$ 5,989	\$ 12,159	\$ –	\$ 18,148
Amortization	814	1,583	–	2,397
Write-offs	(14)	(3,985)	–	(3,999)
Balance, March 31, 2024	\$ 6,789	\$ 9,757	\$ –	\$ 16,546
Carrying amounts				
As at March 31, 2023	\$ 4,549	\$ 8,283	\$ –	\$ 12,832
As at March 31, 2024	\$ 7,068	\$ 7,003	\$ 89	\$ 14,160

Notes to the Financial Statements

(In thousands of Canadian dollars)

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7. RIGHT-OF-USE ASSETS

A reconciliation of right-of-use assets is as follows:

	Office space	Data centres	Total
Balance, March 31, 2022	\$ 15,466	\$ 1,103	\$ 16,569
Additions	511	–	511
Decreases	(92)	–	(92)
Depreciation	(3,197)	(210)	(3,407)
Balance, March 31, 2023	\$ 12,688	\$ 893	\$ 13,581
Balance, March 31, 2023	\$ 12,688	\$ 893	\$ 13,581
Additions	6,264	–	6,264
Depreciation	(2,575)	(211)	(2,786)
Balance, March 31, 2024	\$ 16,377	\$ 682	\$ 17,059

During the year ended March 31, 2024, CATSA reassessed the lease term for its headquarters office space lease, which resulted in an addition of \$5,157.

8. EMPLOYEE BENEFITS

(a) Post-employment benefit plans overview

CATSA maintains three post-employment benefit plans:

- A registered pension plan (RPP), which is registered with the Office of the Superintendent of Financial Institutions and with the Canada Revenue Agency (CRA) and contains both a defined benefit and a defined contribution component;
- A supplementary retirement plan (SRP), which supplements the defined benefit component of the RPP for benefits limited by the *Income Tax Act* (Canada) and is funded by a retirement compensation arrangement regulated by the CRA; and
- An other defined benefits plan (ODBP), which includes life insurance and eligible health and dental benefits.

CATSA's defined benefit pension plans consist of the defined benefit component of the RPP and the SRP. Pension benefits are based on the average of the best five consecutive years of pensionable salary and are indexed to the rate of inflation. CATSA's defined contribution pension plan consists of the defined contribution component of the RPP. Upon retirement, all full-time and part-time indeterminate employees, when taking an immediate pension, are eligible for the ODBP.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

Defined contribution pension plan members must be 60 years old and with minimum two years of service to be eligible for the ODBP.

The defined benefit pension plans' funds are held in external trusts that are legally separate from CATSA. Benefits are paid directly from the trusts. Both employer and employee contributions to the defined benefit pension plans are made in accordance with the provisions of the plans. In addition, contributions are determined by actuarial valuations in accordance with applicable legislation. Effective July 1, 2013, the defined benefit pension plans are closed to new employees.

CATSA maintains a defined contribution pension plan for employees hired on or after July 1, 2013. Enrollment in this plan is mandatory for full-time indeterminate employees, as well as part-time indeterminate employees working an average of more than 20 hours per week. Under this plan, CATSA and its employees are required to contribute a specified percentage of salaries to fund the benefits, with optional contributions for employees matched at various levels by the employer based on years of service. CATSA's financial obligation is limited to matching employee contributions, as outlined in the provisions of the plan.

(b) Post-employment benefit plans' risks

The defined benefit plans expose CATSA to actuarial risks such as inflation risk, interest rate risk, investment risk, longevity risk, medical claim rates risk and salary risk. In addition, the closed nature of the defined benefit pension plans will create a rise in future service costs as the plan members age. Current cost sharing provisions also increased employee contributions to a level beyond what is permitted by the *Income Tax Regulations*. CATSA obtained a waiver to exceed permitted limits from the CRA up to December 31, 2026.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(c) Employee benefits assets and liabilities

The following provides a reconciliation between the defined benefit plans' assets, the defined benefit plans' liabilities and the surplus or deficit status of the defined benefit plans, to the net employee benefits asset or liability presented in the Statement of Financial Position for the years ended:

	March 31					
	RPP		SRP		ODBP	
	2024	2023	2024	2023	2024	2023
Fair value of plan assets						
Balance, beginning of year	\$ 254,821	\$ 260,092	\$ 8,131	\$ 8,199	\$ –	\$ –
<i>Included in financial performance</i>						
Interest income	12,544	10,500	401	327	–	–
Administration costs	(325)	(375)	(25)	(15)	–	–
<i>Included in other comprehensive income (loss)</i>						
Remeasurement gains (losses)						
Return on assets excluding interest income	4,988	(21,211)	471	(344)	–	–
<i>Other</i>						
CATSA contributions	4,065	6,185	207	50	252	215
Plan participant contributions	2,895	3,153	26	49	–	–
Benefit payments and transfers	(4,145)	(3,523)	(203)	(135)	(252)	(215)
Balance, end of year	\$ 274,843	\$ 254,821	\$ 9,008	\$ 8,131	\$ –	\$ –
Present value of defined benefit liabilities						
Balance, beginning of year	\$ 204,387	\$ 206,492	\$ 6,461	\$ 4,849	\$ 16,544	\$ 19,107
<i>Included in financial performance</i>						
Current service cost	4,982	5,589	130	54	484	897
Interest expense	10,288	8,522	321	195	826	794
<i>Included in other comprehensive income (loss)</i>						
Remeasurement losses (gains)						
Actuarial gains arising from changes in demographic assumptions	–	–	–	–	–	(896)
Actuarial losses (gains) arising from changes in financial assumptions	398	(19,195)	10	510	880	(2,949)
Actuarial losses (gains) arising from experience adjustments	606	3,349	607	939	2	(194)
<i>Other</i>						
Plan participant contributions	2,895	3,153	26	49	–	–
Benefit payments and transfers	(4,145)	(3,523)	(203)	(135)	(252)	(215)
Balance, end of year	\$ 219,411	\$ 204,387	\$ 7,352	\$ 6,461	\$ 18,484	\$ 16,544
Net employee benefits asset (liability)	\$ 55,432	\$ 50,434	\$ 1,656	\$ 1,670	\$ (18,484)	\$ (16,544)

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

	March 31, 2024	March 31, 2023
Employee benefits asset, end of year		
RPP	\$ 55,432	\$ 50,434
SRP	1,656	1,670
	57,088	52,104
Employee benefits liability, end of year		
ODBP	(18,484)	(16,544)
	(18,484)	(16,544)
Employee benefits – net asset, end of year	\$ 38,604	\$ 35,560

(d) Employee benefits costs

The elements of employee benefits costs are as follows for the year ended:

	March 31							
	RPP		SRP		ODBP		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Defined benefit cost (income) recognized in financial performance								
Current service cost	\$ 4,982	\$ 5,589	\$ 130	\$ 54	\$ 484	\$ 897	\$ 5,596	\$ 6,540
Administration costs	325	375	25	15	–	–	350	390
Interest cost on defined benefit obligation	10,288	8,522	321	195	826	794	11,435	9,511
Interest income on plan assets	(12,544)	(10,500)	(401)	(327)	–	–	(12,945)	(10,827)
	\$ 3,051	\$ 3,986	\$ 75	\$ (63)	\$ 1,310	\$ 1,691	\$ 4,436	\$ 5,614
Remeasurement of defined benefit plans recognized in other comprehensive income (loss)								
Return on plan assets excluding interest income	\$ 4,988	\$ (21,211)	\$ 471	\$ (344)	\$ –	\$ –	\$ 5,459	\$ (21,555)
Actuarial (losses) gains	(1,004)	15,846	(617)	(1,449)	(882)	4,039	(2,503)	18,436
	\$ 3,984	\$ (5,365)	\$ (146)	\$ (1,793)	\$ (882)	\$ 4,039	\$ 2,956	\$ (3,119)

Defined benefit cost is recognized in employee costs in note 12, and allocated among the program expenses in the Statement of Comprehensive Income (Loss).

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(e) Composition of plan assets

Based on the fair value at March 31, defined benefit plans' assets are comprised of:

	RPP		SRP		Total	
	2024	2023	2024	2023	2024	2023
Investment funds						
Equity securities						
Canadian equity funds	\$ 40,848	\$ 36,997	\$ 1,617	\$ 1,550	\$ 42,465	\$ 38,547
U.S. equity fund	–	–	1,916	1,443	1,916	1,443
International equity funds	108,238	98,757	1,736	1,607	109,974	100,364
Debt securities						
Canadian bond fund	95,459	85,572	–	–	95,459	85,572
Real estate	30,298	32,555	–	–	30,298	32,555
Canada Revenue Agency (CRA) refundable tax account	–	–	3,739	3,531	3,739	3,531
Cash and cash equivalents¹	–	940	–	–	–	940
Total plan assets, end of year	\$ 274,843	\$ 254,821	\$ 9,008	\$ 8,131	\$ 283,851	\$ 262,952

¹ Cash and cash equivalents consist of in-transit deposits.

The fair value of all equity, debt, and real estate securities is determined based on quoted market prices in active markets. The assets held by the CRA in the refundable tax account are held in a non-interest bearing account. The fair value is based on the amounts transferred into the refundable tax account held by the CRA.

On a regular basis, an asset-liability modelling study is performed, which analyzes the timing and magnitude of future cash outflows of the defined benefit component of the RPP. It suggests an optimal investment structure to maximize investment returns while minimizing risk associated with the fluctuation of the benefit obligation due to variations in interest rates. As the obligation has similar characteristics to debt securities, the de-risking of the funded position is achieved via investments in debt securities while other types of investments are selected to increase the returns of the plan. This reduces the risk associated with the volatility of the funded position while not impairing future investment returns.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(f) Actuarial assumptions and sensitivity analysis

The actuarial assumptions used to determine the present value of the obligations are management's best estimates. They are established based on market expectations at the end of the reporting period, for the period over which the obligations are to be settled. The significant weighted average assumptions used to determine CATSA's liabilities are as follows:

	RPP		SRP		ODBP	
	2024	2023	2024	2023	2024	2023
Present value of defined benefit liability						
Discount rate	4.90%	4.90%	4.90%	4.90%	4.90%	4.90%
Rate of compensation increase (April 1)						
2023	N/A	6.50%	N/A	6.50%	N/A	6.50%
2024	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
2025 and beyond	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Inflation (calendar year)						
2023	N/A	3.70%	N/A	3.70%	N/A	3.70%
2024	2.50%	2.20%	2.50%	2.20%	2.50%	2.20%
2025 and beyond	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Mortality table ¹	CPM2014 Publ	CPM2014 Publ	CPM2014 Publ	CPM2014 Publ	CPM2014 Publ	CPM2014 Publ
Benefit costs						
Discount rate	4.90%	4.00%	4.90%	4.00%	4.90%	4.00%
Inflation (calendar year)						
2022	N/A	2.00%	N/A	2.00%	N/A	2.00%
2023	3.70%	2.00%	3.70%	2.00%	3.70%	2.00%
2024	2.20%	2.00%	2.20%	2.00%	2.20%	2.00%
2025 and beyond	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Assumed medical cost trend rates						
Initial medical cost trend rate					5.00%	5.09%
Ultimate medical cost trend rate					3.92%	3.92%
Year ultimate reached					2040	2040

¹ Canadian Pensioners' Mortality 2014 - Public Sector, projected with improvement scale CPM-B.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

The sensitivity analysis below was determined based on changes to the respective assumptions occurring at March 31, 2024, while holding all other assumptions constant:

	Change	Increase (decrease) in the defined benefit liabilities
Increase in discount rate	1%	\$ (38,809)
Decrease in discount rate	1%	50,474
Increase in long-term rate of compensation increase	1%	12,630
Decrease in long-term rate of compensation increase	1%	(11,156)
Increase in inflation	1%	33,268
Decrease in inflation	1%	(27,301)
Increase in life expectancy	1 year	5,499
Decrease in life expectancy	1 year	(5,670)
Increase in assumed medical cost trend rate	1%	2,670
Decrease in assumed medical cost trend rate	1%	(2,075)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that a change in assumptions would occur in isolation, as some of the assumptions may be correlated.

(g) Future expected contributions

Under current legislation and regulations, the funding valuation of CATSA's RPP is required to be filed annually, unless the ratio of the solvency plan assets to solvency liabilities is 1.2 or greater, in which case it would be required at least every three years. In the event of a solvency or going-concern deficit, regulatory authorities require special contributions to be made over specified future periods.

There is no current legislative or regulatory requirement to file a funding valuation for CATSA's SRP or ODBP. However, CATSA's internal policy expects that a funding valuation for the SRP will be performed whenever CATSA performs a funding valuation for the RPP.

The most recent actuarial valuations for funding purposes, and the next required actuarial valuations, are as follows:

	Most recent actuarial valuation for funding purposes	Next required actuarial valuation for funding purposes
RPP	December 31, 2022	December 31, 2023
SRP	December 31, 2022	December 31, 2023
ODBP	N/A	N/A

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

CATSA estimates that cash payments to be made to its funded defined benefit pension plans for the year ending March 31, 2025, will total \$4,131, and consist of CATSA contributions of \$1,406 and plan participant contributions of \$2,725.

Cash payments to be made to the unfunded ODBP for the year ending March 31, 2025, will be equal to the benefits paid to plan participants. CATSA estimates that cash payments to be made to the ODBP for the year ending March 31, 2025, will total \$385.

As at March 31, 2024, the weighted average duration of the defined benefit obligation for the RPP, the SRP and the ODBP was 18.0 years (2023 – 18.3 years), 17.2 years (2023 – 17.4 years) and 18.9 years (2023 – 18.4 years), respectively.

(h) Employee costs

The following table provides a breakdown of employee costs for the years ended:

	March 31, 2024	March 31, 2023
Employee costs (excluding post-employment and termination benefits)	\$ 65,450	\$ 60,923
Post-employment benefits		
Defined benefit pension plans and other defined benefits plan	4,436	5,614
Defined contribution pension plan	1,499	987
Termination benefits	54	232
Total employee costs (note 12)	\$ 71,439	\$ 67,756

9. PROVISIONS AND CONTINGENCIES

Several claims, audits and legal proceedings have been asserted or instituted against CATSA. By nature, these amounts are subject to many uncertainties and the outcome of the individual matters is not always predictable. As at March 31, 2024, claims, audits and legal proceedings are not expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

(a) Provisions

During the year ended March 31, 2024, there were no amounts recorded as a provision.

(b) Contingencies – Decommissioning costs

CATSA has identified contingent liabilities associated with the removal of Explosives Detection Systems (EDS) equipment from airports across Canada, some of which contain hazardous materials, as well as the restoration of facilities contractually required under lease agreements. Since it is not probable that an outflow of economic resources will be required to settle these legal obligations, no provision has been recorded in the financial statements. Should the probabilities change in the future, the maximum undiscounted cash flow required to settle these liabilities between 2024/25 and 2036/37 (2023 – 2023/24 and 2036/37) is estimated to be \$3,154 (2023 – \$3,081).

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

10. LEASE LIABILITIES

CATSA has leases for office space and data centres. CATSA has included extension options in the measurement of its lease liabilities when it is reasonably certain to exercise the extension option.

A reconciliation of lease liabilities is as follows:

	March 31, 2024	March 31, 2023
Balance, beginning of year	\$ 14,485	\$ 17,236
Additions	6,264	511
Lease payments (note 11)	(2,058)	(3,435)
Finance costs	506	265
Decreases	–	(92)
Balance, end of year	\$ 19,197	\$ 14,485
Balance, end of year		
Current	\$ 2,389	\$ 1,777
Non-current	16,808	12,708

During the year ended March 31, 2024, CATSA reassessed the lease term for its headquarters office space lease, which resulted in an addition of \$5,157.

CATSA recognized the following expenses not included in the measurement of the lease liabilities for the years ended:

	March 31, 2024	March 31, 2023
Variable lease payments	\$ 1,737	\$ 2,449
Short-term leases	423	25
Low value leases	48	55
Other lease costs (note 12)	\$ 2,208	\$ 2,529

Variable lease payments include operating costs, property taxes, insurance, and other service-related costs.

For the year ended March 31, 2024, CATSA recognized a total cash outflow for leases of \$4,266 (2023 – \$5,964).

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

The following table presents the undiscounted cash flows for contractual lease obligations:

	March 31, 2024	March 31, 2023
No later than 1 year	\$ 4,998	\$ 4,840
Later than 1 year and no later than 5 years	12,658	14,221
Later than 5 years	757	982
	\$ 18,413	\$ 20,043

11. GOVERNMENT FUNDING

(a) Government funding

Parliamentary appropriations were as follows for the years ended:

	March 31, 2024	March 31, 2023
Main estimates	\$ 561,429	\$ 567,486
Supplementary estimates	513,086	355,203
Total voted appropriations	1,074,515	922,689
Capital reprofile to future year - in progress ¹	(45,945)	(44,786)
Unused portion of parliamentary appropriations	(57,907)	(12,439)
Total parliamentary appropriations used	\$ 970,663	\$ 865,464

¹ The capital reprofile in progress for the year ended March 31, 2023, was approved during the year ended March 31, 2024.

Parliamentary appropriations used to fund operating expenses and capital expenditures were as follows for the years ended:

	March 31, 2024	March 31, 2023
Parliamentary appropriations used to fund operating expenses	\$ 935,807	\$ 849,013
Parliamentary appropriations used to fund capital expenditures	32,798	13,016
Parliamentary appropriations for lease payments	2,058	3,435
Total parliamentary appropriations used	\$ 970,663	\$ 865,464

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

(b) Deferred government funding

A reconciliation of the deferred government funding liability is as follows:

	March 31, 2024	March 31, 2023
Deferred government funding related to operating expenses		
Balance, beginning of year	\$ 19,253	\$ 18,241
Parliamentary appropriations used to fund operating expense	935,807	849,013
Parliamentary appropriations for operating expenses recognized in financial performance	(932,092)	(848,001)
Balance, end of year	\$ 22,968	\$ 19,253
Deferred government funding related to capital expenditures		
Balance, beginning of year	\$ 379,180	\$ 406,579
Parliamentary appropriations used to fund capital expenditures	32,798	13,016
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(42,984)	(40,415)
Balance, end of year	\$ 368,994	\$ 379,180
Total deferred government funding, end of year	\$ 391,962	\$ 398,433

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

12. EXPENSES

The Statement of Comprehensive Income (Loss) presents operating expenses by program activity. The following table presents operating expenses by major expense type for the years ended:

	March 31, 2024	March 31, 2023
Screening services and other related costs		
Payments to screening contractors	\$ 763,816	\$ 693,700
Uniforms and other screening costs	12,984	11,777
Trace and consumables	5,563	8,094
	782,363	713,571
Equipment operating and maintenance		
Equipment maintenance and spare parts	48,073	41,097
RAIC	1,121	1,108
Training and certification	768	306
	49,962	42,511
Program support and corporate services		
Employee costs (note 8)	71,439	67,756
Office and computer expenses	13,740	8,071
Professional services and other business related costs ¹	7,061	8,615
Other administrative costs ²	7,050	6,556
Other lease costs (note 10)	2,208	2,529
Communications and public awareness	1,139	951
	102,637	94,478
Depreciation and amortization		
Depreciation of property and equipment (note 5)	40,102	38,725
Depreciation of right-of-use assets (note 7)	2,786	3,407
Amortization of intangible assets (note 6)	2,397	2,162
	45,285	44,294
	\$ 980,247	\$ 894,854

¹ Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

² Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

13. FAIR VALUES AND RISKS ARISING FROM FINANCIAL INSTRUMENTS

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include foreign exchange forward contracts that are measured at fair value on a recurring basis. Financial instruments recorded at fair value use a hierarchy to categorize inputs used in valuation techniques. The fair value hierarchy gives the highest priority to quoted prices and the lowest priority to unobservable inputs, with Level 1 being the highest and Level 3 being the lowest. CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices.

The carrying amount and fair value amount of CATSA's derivative financial instruments are equal to one another. Fair value is based on a discounted cash flow model based on observable inputs. There were no transfers between levels during the years ended March 31, 2024, or 2023.

FINANCIAL RISK FACTORS

CATSA is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CATSA's key market risk relates to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CATSA is exposed to currency risk on its trade and other payables denominated in a currency other than the Canadian dollar (CAD), which is the functional currency of CATSA. The risk arises mainly from transactions denominated in United States dollars (USD). CATSA's policy on currency risk requires that CATSA minimize currency risk to protect the value of foreign cash flows, both committed and anticipated, from the impact of exchange rate fluctuations. To that end, CATSA has implemented a strategy to help mitigate this risk by entering into foreign exchange forward contracts.

The following table provides the total foreign currency exposure related to amounts recorded in trade and other payables denominated in the USD and their CAD equivalent:

	USD		CAD	
March 31, 2024	\$	219	\$	297
March 31, 2023		311		420

Assuming all other variables remain constant, a 5% depreciation or appreciation of the USD against the CAD would result in an increase or decrease in financial performance of \$15 (2023 – \$21).

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. Liquidity risk is low since CATSA does not have debt instruments to service and receives regular funding from the Government of Canada. CATSA manages its liquidity risk by preparing and monitoring forecasts of cash flows for anticipated operating and investing activities. Also, the Board of Directors reviews and approves CATSA's operating and capital budgets.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

The following table summarizes the contractual maturities of these financial liabilities:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total at March 31, 2024
Trade and other payables	\$ 122,154	\$ 18,060	\$ –	\$ 140,214
Holdbacks	135	7	–	142
Derivative financial liabilities ¹				
Gross settled – cash inflow	(4,034)	(12,222)	(1,358)	(17,614)
Gross settled – cash outflow	4,046	12,292	1,368	17,706

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total at March 31, 2023
Trade and other payables	\$ 118,600	\$ 23,290	\$ –	\$ 141,890
Holdbacks	163	1,655	–	1,818
Derivative financial liabilities ¹				
Gross settled – cash inflow	(2,658)	(14,401)	(1,288)	(18,347)
Gross settled – cash outflow	2,668	14,491	1,298	18,457

¹ Derivative financial liabilities include CATSA's foreign exchange forward contracts. CATSA updated the presentation of its derivative financial liabilities to include gross settlements of derivative financial liabilities. Prior period balances were updated to reflect the change in presentation.

CATSA's strategy for managing liquidity risk remains unchanged from March 31, 2023.

(c) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to CATSA. As a means of mitigating risk of financial loss from defaults, CATSA has adopted a practice of only extending credit to creditworthy counterparties. CATSA's exposure and the creditworthiness of its counterparties are continuously monitored. As required, CATSA establishes a credit loss provision that reflects the estimated lifetime credit loss of receivables.

CATSA is exposed to credit risk through its cash, and foreign exchange forward contracts. The maximum exposure to credit risk of CATSA at March 31, 2024, and 2023, was the carrying value of these assets. CATSA minimizes its credit risk by dealing only with reputable and high-quality financial institutions and as such is not subject to any significant concentration of credit risk.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

14. CONTRACTUAL COMMITMENTS

In the normal course of operations, CATSA enters into contractual commitments for the supply of goods and services. These contractual commitments are subject to authorized appropriations and termination rights which allow CATSA to terminate the contracts without penalty at its discretion. The most significant commitments relate to contracts signed with screening contractors for the provision of screening services, as well as with vendors for screening equipment maintenance and spare parts.

The following table provides the remaining pre-tax balance on these contractual commitments:

	March 31, 2024	March 31, 2023
Payments to screening contractors	\$ 4,691,037	\$ 997,438
Equipment maintenance and spare parts	119,604	159,197
Property and equipment, and intangible assets	41,914	18,777
Uniforms and other screening costs	24,232	7,341
Employee costs	14,654	18,764
Other	20,000	19,342
	\$ 4,911,441	\$ 1,220,859

During the year, CATSA awarded the new airport screening services contracts. The term of the contracts is from April 1, 2024 to March 31, 2029, and they are renewable for two additional five-year periods at CATSA's discretion.

15. RELATED PARTY TRANSACTIONS

CATSA had the following significant transactions with related parties during the year.

(a) Government of Canada, its agencies and other Crown corporations

CATSA is wholly owned by the Government of Canada, and is under common control with other Government of Canada departments, agencies and Crown corporations. CATSA enters into transactions with these entities in the normal course of operations. These related party transactions are based on normal trade terms applicable to all individuals and corporations.

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada, as disclosed in note 11. Parliamentary appropriations receivable are included in trade and other receivables, and disclosed in note 4.

Notes to the Financial Statements

(In thousands of Canadian dollars)

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(b) Key management personnel

As at March 31, 2024, key management personnel of CATSA are composed of 10 (2023 – 10) Board members and five (2023 – five) members of the senior management team.

The compensation of Board members and other members of key management is as follows for the years ended:

	March 31, 2024	March 31, 2023
Salaries, other short-term employee benefits and termination benefits	\$ 1,875	\$ 1,817
Post-employment benefits	238	238
	\$ 2,113	\$ 2,055

Other than the above compensation, there were no other related party transactions involving key management personnel and their close family members for the years ended March 31, 2024, or 2023.

(c) Transactions with CATSA's post-employment benefit plans

Transactions with the RPP, SRP and ODBP are conducted in the normal course of business. The transactions with CATSA's post-employment benefit plans consist of contributions as determined by actuarial valuations, as disclosed in note 8. There were no other transactions during the years ended March 31, 2024, or 2023.

16. CAPITAL MANAGEMENT

As a federal Crown corporation, CATSA is subject to the FAA which, in general, restricts it from borrowing money. CATSA relies upon appropriations from Parliament to support its financial obligations and strategic requirements.

The primary objective in managing capital is to provide sufficient liquidity to support CATSA's financial obligations and its operating and strategic plans. CATSA manages its capital in accordance with relevant Treasury Board of Canada Secretariat directives, in that appropriated funds are drawn from the Consolidated Revenue Fund for the purpose of meeting short-term funding requirements. CATSA's objectives, policies and processes for managing capital remain unchanged from March 31, 2023.

CATSA's capital is comprised of cash, trade and other receivables, trade and other payables, current holdbacks, and current lease liabilities. CATSA is not subject to externally imposed capital requirements.

Notes to the Financial Statements

(In thousands of Canadian dollars)

Year ended March 31, 2024

17. SUPPLEMENTARY CASH FLOW INFORMATION

The following table presents the net change in working capital balances for the years ended:

	March 31, 2024	March 31, 2023
Trade and other receivables ¹	\$ 6,646	\$ (28,291)
Inventories ²	(2,735)	(36)
Prepays	(672)	(999)
Trade and other payables ³	(12,426)	31,875
Provisions	–	(200)
Holdbacks ⁴	(10)	10
Deferred government funding related to operating expenses	3,715	1,012
	\$ (5,482)	\$ 3,371

¹ The change in trade and other receivables excludes an amount of \$7,205 (2023 – \$516) in relation to government funding for capital expenditures, as the amount relates to investing activities.

² The change in inventories excludes an amount of \$308 (2023 – \$23) resulting from net write-ups and write-downs of inventories, respectively. The amount is included as part of other non-cash transactions on the Statement of Cash Flows.

³ The change in trade and other payables excludes an amount of \$10,750 (2023 – \$3,267) in relation to the acquisition of property and equipment and intangible assets, as the amount relates to investing activities.

⁴ The change in holdbacks excludes an amount of \$1,666 (2023 – \$171) in relation to the acquisition of property and equipment, as the amount relates to investing activities.

For more information, please visit our website:

www.catsa.gc.ca

Alternative formats such as braille, large print, and audio of the 2024 Annual Report can be made available upon request.

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