



# **CIVIL AVIATION AUTHORITY OF SRI LANKA**

## **ANNUAL REPORT – 2003**

Presented to Parliament pursuant to Section 15 of the Civil Aviation Authority  
of Sri Lanka Act No. 34 of 2002

**Hon. Minister of Transport, Highways and Civil Aviation.**

This Annual Report has been prepared in accordance with:

- ?? Section 15 of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002.
- ?? Public Finance Circular No. PF/PE/21 dated 24<sup>th</sup> May 2002
- ?? Public Finance Circular No. PED/08 dated 21<sup>st</sup> May 2003
- ?? Public Enterprises Circular No.PED/11 dated 05<sup>th</sup> June 2003

The report covers the activities of the Civil Aviation Authority of Sri Lanka for the year 01<sup>st</sup> January 2003 to 31<sup>st</sup> Dec 2003.

**Shibly Aziz,**  
Chairman,  
Civil Aviation Authority of Sri Lanka

March 2004

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## Abbreviations

A&NS	Aerodromes and Navigation Services
AA	Assistant Accountant
AAI	Assistant Aerodrome Inspector
AASI	Assistant Aviation Security Inspector
AASL	Airport & Aviation Services (Sri Lanka) Ltd
AATO	Assistant Air Transport Officer
AAwE	Assistant Airworthiness Engineer
Acct	Accountant
AD	Assistant Director
AFM	Assistant Finance Manager
AGOI	Assistant Ground Operations Inspector
AI	Aerodrome Inspector
AIB	Accident Investigation Bureau
AISO	Aeronautical Information Service Officer
ANSI	Air Navigation Services Inspector
AS	Aeronautical Services
ASI	Aviation Security Inspector
AT	Air Transport
ATO	Air Transport Officer
AvSec	Aviation Security
Aw	Airworthiness
AwE	Airworthiness Engineer
BIA	Bandaranaike International Airport
CAA	Civil Aviation Authority of Sri Lanka
CEO	Chief Executive Officer
Cp	Corporate
CSI	Cabin Safety Inspector
DCA	Department of Civil Aviation
DD DGCA	Deputy Director
DGCA	Director -General of Civil Aviation
DO	Documentation Officer
FM	Finance Manager
FOI	Flight Operations Inspector
GOI	Ground Operations Inspector
HR&OM	Human Resources & Office Management
HROM	Human Resource Management Officer
IA	Internal Audit
ICAO	International Civil Aviation Organization
Ops	Operations
PA	Personal Assistant
PL	Personnel Licensing
PLO	Personnel Licensing Officer
S/C AA	Secretary to the CAA
SAISO	Senior Aeronautical Information Service Officer
SATO	Senior Air Transport Officer
SawE	Senior Airworthiness Engineer
SFOI	Senior Flight Operations Inspector
SP	Special Projects
SPLO	Senior Personnel Licensing Officer
S/TH&CA	Secretary Ministry of Transport, Highways and Civil Aviation

## DIRECTORY

Head Office:	64, Galle Road, Colombo 03 Telephone: 94 -11-2433213 Facsimile: 94 -11-2440231 E-mail: <a href="mailto:caasl@sri.lanka.net">caasl@sri.lanka.net</a> Website: <a href="http://www.caasl.lk">www.caasl.lk</a>
Sub-office,	Civil Aviation Authority "Hilltop Left", Naikanda, Katunayake Telephone : 94 -11-2251076 Facsimile: 94 -11-2251076 E-mail: <a href="mailto:katcaa@sltnet.lk">katcaa@sltnet.lk</a>
Airport Office:	AID office, Bandaranaike International Airport, Colombo Katunayake. Telephone: 94 -11-2252269
Postal Address:	P.O.Box 535, Colombo
Telegraphic Address:	AIRCIVIL
AFTN Address:	VCCCYAYX
Auditors:	Auditor General's Department
Lawyers:	Attorney General's Department
Bankers:	Bank of Ceylon
Insurance Brokers:	Sri Lanka Insurance Corporation



# PROFILE

## Overview

The Civil Aviation Authority of Sri Lanka (the “CAASL”) was established under the Civil Aviation Authority Act No.34 of 2002 on 27<sup>th</sup> December 2002 and is deemed a Public Corporation for the purposes of audit of accounts under Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka. Its prime function is undertaking activities that promote civil aviation safety and security at reasonable cost and steer the country’s aviation sector to be one of the prime contributors for the enhancement of quality of life of the of public.

The Civil Aviation Authority of Sri Lanka is an eight-member board consisting of five members to be appointed by the Minister in charge of the subject of Civil Aviation, Secretary, Ministry of Defense, a representative of the Minister in charge of the subject of Finance and the Director-General of Civil Aviation are appointed ex-officio. The term of office of the appointed members is for a period three (03) years from the date of appointment. The board is known as “the Authority” and it reports directly to the Minister of the Ministry in charge of the subject of civil aviation which is at present is Ministry of Transport, Highways and Civil Aviation.

The Authority has taken over all the duties and functions, which had hitherto been performed by the then Department of Civil Aviation which, was abolished with the formation of the Authority. The major reason for the abolishment of the Department of Civil Aviation was to establish an organization with sufficient administrative autonomy and financial flexibility to address effectively the Government’s obligations in regard to safety oversight of the airport and aircraft operators functioning under her jurisdictions.

An assessment conducted by the International Civil Aviation Organization (ICAO) in 1997 on “Safety Oversight Capabilities of the Department of Civil Aviation – Sri Lanka” pointed out series of deficiencies in the performance of State’s responsibility for the effective discharge of the safety oversight functions in terms of the Convention on International Civil Aviation (Chicago Convention) to which Sri Lanka is a party. Responding to these findings, the Government sought immediate assistance from ICAO for early rectification of these deficiencies and consequently a country specific project costing USD 1.871 million to the General Treasury was implemented. The ICAO Technical Co-operation Bureau was entrusted for the execution of the Project, which started functioning in August 1998.

After a detailed examination of the departmental organizational structure, cadre and associated salary scales and the financial arrangements, the ICAO recommended to the Government establishment of a Civil Aviation Authority with sufficient autonomy and flexibility in the determination of matters pertaining staff, cadre and salaries to enable recruitment, training and retaining qualified and experienced staff, which is the key factor to be able to perform the State’s obligation for safety oversight functions effectively. The Government accepted this recommendation and took early steps for the enactment of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002 in Parliament, enabling the establishment of Civil Aviation Authority of Sri Lanka.

Accordingly, pursuant to Section 1 of the aforesaid Act, Hon. Tilak Marapana, Minister of Transport, Highways and Civil Aviation declared 27<sup>th</sup> December 2002 to be the “Appointed Date” for the purposes of the Act and paved way to the establishment of the Civil Aviation Authority of Sri Lanka.

## Members of the Authority

### Mr. Shibly Aziz PC (Chairman)

Shibly Aziz is a President's Counsel and a former Attorney General. He graduated in Law from the University of Peradeniya obtaining a Lower Second. He also holds a Masters in Law in Aviation and Shipping Law from the University of London and Post Graduate Diplomas in Shipping and Aviation Law from University College London. He joined the Attorney General's Department in 1969 and rose up the rank. He was appointed an Additional Solicitor-General, Solicitor-General and then the Attorney General in 1994. He retired from the post of Attorney General in 1996 and reverted to the Bar where he commands an extensive practice in civil law, specializing Public Law, Commercial Law and Shipping Law. He is also an expert in Aviation Law, having represented the Government in innumerable Air Services Bilateral negotiations with other countries and in several international conferences in civil aviation. He was for a considerable period of time a Director of Airport and Aviation Services Limited and Consultant, International Relations to AirLanka, the national airline of Sri Lanka. He has been a member of the Law Commission of Sri Lanka for the past seven (07) years. He is the first Chairman of the Civil Aviation Authority, which was created in December 2002.



### Mr. Cyril Herath (Member) Secretary Defence



The Secretary, Ministry of Defence is a member of the Civil Aviation Authority ex-officio. Mr. Austin Fernando, being the Secretary, Ministry of Defence served the Civil Aviation Authority since establishment until 04<sup>th</sup> November 2004 when Mr. Cyril Herath succeeded him. Mr. Fernando was a senior officer of Sri Lanka Administrative Service who had held numerous responsible positions in the Government.

Mr. Herath, (B.A.) has held the post of Inspector General of Police from December 1985 to August 1988. He was the Chairman, National Savings Bank for the period September 1994- March 2002

## **Dr. P. Ramanujam (Member)**

Dr. Prathap Ramanujam, was appointed Secretary, Ministry of Tourism in January 2001. He has served as Secretary, to the Ministries in charge of the subject of Civil Aviation, Tourism, Livestock Development and Estate Infrastructure. He counts 32 years of Public Service. Prior to his appointment as a Ministry Secretary, he held the post of Director General of the Ministry of Plan Implementation. During this period Dr. Ramanujam was instrumental in establishing the Secretariat for Infrastructure Development and Investment (SIDI), the forerunner to the present Bureau of Infrastructure Investment (BII) to enable the public-private sector participation in infrastructure projects. As the Director General of SIDI, he also initiated the establishment of a Fund (PSID Fund) for the Private Sector with the assistance of the World Bank



Dr. Ramanujam obtained his PhD in Economics in 1984 from the Australian National University (ANU), Canberra and his MSc in National Economic Policy in 1977 from the University of Bristol, U.K. He obtained his B.Sc. Degree with a First Class Honours from University of Sri Lanka in 1971 and won the Coomaraswamy Memorial Prize for the Best Student in Science.

Dr. Ramanujam won the Global Award for Tourism at the World Tourism Mart held in London in November 2003 for his contribution for the promotion of South Asia as a regional tourist destination. This was a singular achievement not only for him; but also for Sri Lanka as well

## **Mr. N. Pathmanathan (Member) Representative of the Minister of Finance**



Mr. N. Pathmanathan, Deputy Secretary to the Treasury, Ministry of Finance is a Civil Servant who joined the Ceylon Administrative Service in 1967. He has held several senior public service positions, inter-alia, viz, Additional Government Agent, Trincomalee District, Additional Director General, Dept. of National Planning, Director General, Dept. of Public Finance, Secretary, Ministry of Science and Technology and Secretary, Ministry of Forestry and Environment.

Mr. Pathmanathan also serves at present in capacity of Director, Sri Lanka Telecom, Director, Ceypteco, Director, Ceylon Petroleum Storage Terminals Ltd., Director, Galadari Hotels Ltd, Director, De La Rue & Co. Ltd., Board Member, Sri Lanka Export Development Board.. Board Member, National Aquatic Resources Development & Research Agency (NARA), Board Member, Postgraduate Institute of Science and Council Member, Eastern University of Sri Lanka

Mr. N. Patmanathan, has got his Bachelor of Arts Degree from the University of Ceylon, Peradeniya and the Master of Business Administration Degree from the PIM, University of Sri Jayewardenepura. He is also a Bachelor of Laws of the University of Sri Lanka. He has also held the civic position of Rotary District Governor, Sri Lanka – 2002/2003

### **Mr. Mohan Pieris (Member)**



Mr. Mohan Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka admitted to the Bar in June 1975 and a Solicitor of the Supreme Court of England & Wales since 1978. He holds a Diploma in Trial Advocacy conferred by the Harvard Law School, Cambridge, and USA. He has also received training in Economic Crimes, conducted by the University of Exeter at Jesus College, Cambridge. Mr. Pieris has studied Foreign Investment Analysis and Negotiations conducted by George Washington University, USA. He joined the Attorney General's Department in 1981 and retired in 1995 as a Senior State Counsel. He has participated at number of international seminars and meetings on aviation representing the Government of Sri Lanka. He has also attended negotiations of Bilateral Air Services Agreements with foreign States representing Sri Lanka.

Mr. Pieris has also served in the Airline Services (Pvt) Ltd, as a Director representing the interests of the Government. Mr. Pieris has served as the Chairman of the Board of Examiners for the Intermediate Examination of the Sri Lanka Law College. He served the Law College as an Examiner and the University of Colombo as a visiting lecturer. Mr. Pieris has appeared in several leading aviation related cases both in the original and appellate courts of Sri Lanka.

### **Mr. H.M.C. Nimalsiri (Member) Director-General of Civil Aviation**

Under the provisions of Section 11 of the Civil Aviation Authority of Sri Lanka Act, the Director-General of Civil Aviation appointed by the Cabinet of Ministers becomes a member of the Authority ex-officio. By statute he also becomes the Chief Executive Officer of the Civil Aviation Authority with overall responsibility of the functions of the Authority. The Director-General also has specific statutory powers and functions under the Air Navigation Act and Regulations made there-under including exercising control over entry into the civil aviation system through the granting of aviation documents (licences, certificate of approval etc), and enforcement including the monitoring of performance through inspections and audits. He is the designated authority responsible for the Aviation Security in Sri Lanka. In exercising these latter responsibilities in respect of any particular case, the Director must act independently and may not be directed by the Minister or the Authority.



The incumbent of the post of Director-General of Civil Aviation is Mr. H.M.C. Nimalsiri, who joined the Department of Civil Aviation in 1987 as a Staff Officer. He worked initially as the Operations Officer (Air Traffic Services) and was promoted to the post of Assistant Director (Operations) in 1990. He holds a B.Sc (Hons) degree from the University of Colombo and Diploma In Computer Science from the same University. Before appointment as the Director-General of Civil Aviation and Chief Executive Officer of the Civil Aviation Authority, Mr. Nimalsiri acted in the post of the Director-General of Civil Aviation since July 2001.

## **Purpose**

The primary function of the Civil Aviation Authority of Sri Lanka is to undertake activities, which promote civil aviation safety and security (Section 7 of the Civil Aviation Authority Act of 34 of 2002).

In furtherance of this primary function, the Authority is charged with:

- (a) subject to any directions issued by the Minister, regulate civil air operations within the territory of Sri Lanka and the operations of Sri Lankan registered aircraft outside the territory of Sri Lanka, in accordance with the provisions of this Act or any other written law;
- (b) assist the Minister in the formulation of the National Aviation Policy of Sri Lanka;
- (c) prepare an aviation development plan for Sri Lanka in accordance with the National Aviation Policy and the directions issued by the Minister in regard to the same;
- (d) provide the strategic direction for the development of civil aviation and coordinate the activities of all parties involved;
- (e) develop and promulgate or adopt by reference as appropriate, clear and concise aviation safety requirements and practices and procedures, implement effective enforcement strategies to secure compliance by all persons of the Standards and such aviation safety requirements and practices and procedures;
- (f) encourage, through comprehensive and timely aviation safety advice and by fostering an awareness within the aviation community of the importance of aviation safety, a greater degree of acceptance by the aviation community of its obligation to maintain high standards of aviation safety; provide aviation safety education and training for persons involved in civil aviation activities;
- (g) issue certificates, licences, permits and any other legal authority or document required to be issued by or under the provisions of this Act or any other written law;
- (h) initiate investigations on aircraft accidents and any other related incidents and arrange for the establishment and provision of search and rescue operations; conduct inquiries with regard to any flight safety hazards and take remedial action;
- (i) investigate, examine and report on the operation and development of, commercial air services to and from Sri Lanka and promote the development of air transport generally for the benefit of the public, and for this purpose establish and provide facilities and services for the collection, analysis, publication and dissemination of information relating to air transportation;
- (j) assist in such manner as may be required by the Minister, with international air services negotiations and consultations; monitor and ensure the proper implementation of the provisions of the air services agreements;
- (k) provide information relating to air navigation and air transport by means of publications issued by the Authority or by any other means, publish aeronautical maps and charts; establish air routes and ensure proper provision of the aeronautical information service and the aeronautical telecommunication service;
- (l) establish, with the approval of the Minister, specific programs for civil aviation in Sri Lanka for the implementation of Standards in matters of facilitation, aviation security, environmental protection, carriage of dangerous goods and any other related field where global harmonization is desirable;

- (m) coordinate, with the International Civil Aviation Organization in the implementation by Sri Lanka of the Standards and the registration of agreements and arrangements, promote Sri Lanka's participation at regional and global aviation organizations and represent or cause to represent Sri Lanka internationally in matters relating to civil aviation with the approval of the Minister;
- (n) advise the Minister on matters relating to civil aviation and on the adoption and implementation of international aviation agreements, treaties and conventions;
- (o) own and hold on behalf of the State, any property duly vested and transferred to the Authority;
- (p) utilize the property of the Authority both movable and immovable in such manner as the Authority may think expedient including the raising of loans by mortgaging such property with the approval of the Minister;
- (q) engage in any activity, either alone or in conjunction with other civil aviation authorities or international agencies or organizations, for the purposes of promoting and developing civil aviation;
- (r) enter into contracts for the supply of goods, services or materials or for the execution of works or any other contracts as may be necessary for the discharge of the duties and functions of the Authority;
- (s) make recommendations to the Minister on the charges and fees to be levied for certificates, licences, permits or any other legal authorities or documents issued or given, and for services provided, by or under the provisions of this Act or any other written law;
- (t) select and employ personnel necessary to carry out the functions and duties of the Authority and determine and adopt the salaries and terms of conditions of service of the employees of the Authority including staff welfare schemes and training programs;
- (u) obtain the services of consultants and advisors, appoint attorneys and agents as shall be necessary to carry out the functions of the Authority;
- (v) engage qualified personnel as required on contract and provide for their remuneration consistent with industry standards;
- (w) exercise such other powers as may be necessary for the discharge of its functions and the performance of its duties under this Act and any function or duty assigned to or delegated to the Authority by the Minister by Order made in that behalf;
- (x) initiate and carry out surveys into any aspect of civil aviation;
- (y) carry out any duties that may be granted or delegated to the Authority under any other written law; and
- (z) perform such other functions as the Minister may direct from time to time.

# **CHAIRMAN'S STATEMENT**

## **Establishment**

The year 2003, being our first year, was a very busy one for the Authority as it had to attend to very important and pressing matters such as staffing, acquisition of basic facilities and services, development of internal management policies, procedures and practices, creation of awareness amongst members of the public of its presence and role and establishment of its identity, exploration of sources of revenue to finance the work and functions of the Authority etc.

The Staff Committee and Finance Committee of the Authority met more frequently during this period and took a number of timely and important decisions in regard to those matters mentioned above with a view to creating a sound foundation for CAA to start performing its duties and functions diligently. I am glad to observe that a significant progress has been achieved in almost all matters relating to the institutionalization of the CAA and it is now in a position to concentrate more on its day-to-day functions in an organized manner. I must avail myself of this opportunity to thank the staff of the CAA for their patience, understanding and co-operation during the transition period.

Of great importance and significance is the CAA's Staff Performance Evaluation Scheme, introduced aiming at achieving highest performance standards from the staff whilst helping advancement of their career progressively.

The CAA also managed introduced during this short period a few staff welfare schemes such as Medical Insurance Scheme and payment of a Transport Allowance, which is linked with daily attendance of the employee. A few more staff welfare programmes are being studied for adoption.

## **Safety Regulation**

Although the CAA, was somewhat busy and had attached its high priority and importance to finalizing institutional arrangements, it did not lose sight of its primary functions relating to safety regulation, which is carried out mainly through the Director-General of Civil Aviation. The CAA is happy to note that the year 2003 was an accident free year with only a very few reported incidents. The CAA helps strengthen the hands of DGCA in setting safety standards by providing strategic guidance and making available qualified and skilled technical personnel required performing such duties & functions.

The CAA strongly believes that the best way of achieving its objectives in aviation safety is by development of safety improvement concepts and a safety improvement action in partnership with the industry. This is why the CAA has attached the highest importance to formal adoption and maintenance of effective safety management systems by aeronautical service providers and aircraft operators.

The CAA pioneered conducting a few training courses in this regard with a view to assisting the industry to adopt safety management systems within their organizations with minimum delay. Such system provides a company with a framework for managing risks within its own sphere of action in addition to regulatory oversight by the CAA. The CAA's role is mainly to make industry aware of its obligations so that they would take every possible safety measures. System approach to safety management is very vital in a highly specialized, fast developing and complex industry such as aviation.

Of particular pride to CAA was our success in persuading the European Community to site the South Asia Project Office of cooperative aviation training programmed which they were embarking upon in collaboration with the European Aviation Industry (AECMA) in Colombo and to have the bulk of the training courses here. We have set up a modest but a "state of the art" training center next to our offices, which is kept busy throughout and has won acclaim from its users. We shall treat the facilitation of

training of not only of our staff but also of the industry and other stakeholders as well, as one of our primary goals

## **Accident Investigation Bureau**

As the law stands today, it is the Director-General of Civil Aviation who is responsible for the conduct of aircraft accident and incident investigations. The CAA has observed that this not a satisfactory arrangement, as the DGCA has also got an important role to play actively in the prevention of aviation accidents. There might be situations where DGCA's action or inaction has influenced or contributed to aviation accidents. Due to this reason, the CAA has taken steps to incorporate required provision in the draft new Civil Aviation Act to make the CAA directly responsible for the conduct of aircraft accident and incident investigation. This would help not only conducting investigations by a more independent entity but also get CAA to be more focused and sensitive to aviation safety issues.

## **Private Public Partnership (PPP)**

Looking to the future, the most significant shift in the aviation infrastructure management in Sri Lanka appears to be the move towards creating Public-Private Partnerships, which is being presently considered for management of airports and provision of air navigation facilities and services. This will help ensure that the Agent (Airport & Aviation Services Ltd) who operates civil airports and provides navigation facilities and services has access to the investment funding it needs and give it a greater commercial freedom to develop and promote business growth. The important factor to be underscored at this point in time is that any PPP shall take place with due recognition to the CAA's primary role in regard to safety and economic regulation, determination of airspace policy and consumer protection requirements.

## **Airports And Air Navigation Services**

The year under review was very important to the CAA as well as to the entire aviation community especially those in the South Asia owing to a few significant changes introduced in the airspace management. Adoption of new international air traffic routes south of Himalayas (EMAARSH) and Reduced Vertical Separation Minima (RVSM) in the region are two such significant key airspace capacity improvements introduced with the active stewardship of ICAO.

It is also noteworthy that Sri Lanka has been able to take a lead role in the implementation of required changes within its airspace in keeping with the world's present day requirements for communications, navigation and surveillance of aircraft with the help of satellite based technology. Implementation of Controller - Pilot Digital Data Link on trial basis is a positive step taken in this direction.

Launch of Phase II development Project of BIA for improvement of the capacity in both Apron and Terminal building is also a matter of great significance. Although the planned increase in capacity would not be sufficient to meet the medium and long-term requirements, it would take care of the immediate problem of capacity limitations at BIA.

## **Domestic Aviation**

Domestic aviation had suffered untold hardships due to prolonged suspension of civil flights imposed since September 1995. Security considerations were observed to have always outweighed the need to maintaining domestic civil flights for the benefit of foreign investments, tourism and business promotions. The CAA, which is responsible for the use of airspace for economical gains, and the SLAF, which is responsible for air defence of the country need to have a clear understanding of each other's role and



functions and work in better co-ordination, if an environment conducive for private operators to work is to be established. Both parties need to appreciate the fact that the airspace is an asset held by the Government in public trust to be used for the well being of the public.

It is inspiring to observe that SriLankan Airlines added new dimensions to domestic aviation with the commencement of floatplane operations. Until the domestic air travel is developed to a sizeable portion where establishment of some more land aerodromes are justified, our strategy should be to promote the use of existing internal water bodies to cater to the immediate demand of air travel by business and tourist sector.

Requests for approval for aviation recreational activities such as balloon festivals and model remote light aircraft flying, paragliding etc were also in the increase and it is high time that we promote these activities with due security measures in place without such proposals being refused pointblank.

## **Economic Regulation**

The CAA took a bold initiative to promote the opening up of international air travel markets to competition by helping the Government to declare a complete Open Skies policy to be fully effective January 2005. This was developed through a series of position papers prepared by CAA, which ultimately obtained the approval of the Government. The Open Skies policy will allow foreign air carriers to operate commercial air services into and out of Sri Lanka devoid of any restriction either in capacity, frequency, route or intermediate or beyond points provided that such operations are performed in conformity with aviation safety and security requirements of the CAA, Sri Lanka. This will give airlines sufficient flexibility in their flight planning into and out of Colombo, which would invariably help attraction of more airlines to Sri Lanka. The implementation of the policy will be strictly monitored by CAA to ensure that there will not be detrimental consequences to the country.

This year too CAA was called upon to play its traditional role of issuing more authorizations to foreign carriers both scheduled and charters to operate into and out of Sri Lanka. The increase of airline operations into Sri Lanka is direct consequence of the on-going peace initiatives taken by the Government and maintaining peace is a key to promoting aviation activities in the country.

The CAA's has decided to minimize its interventions in the regulation of airfares unless such fares are predatory.

## **Finance**

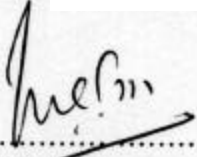
The CAA is a self-financing organization. Its primary source of revenue is generated through a surcharge being levied on airline tickets issued on Pre-paid Travel Advices issued abroad. Although there have been sufficient funds collected in year under review through this mechanism, to support the activities of the CAA, it will not be able to depend entirely on this source revenue, as it would be dependent on many other important factors lying totally outside the purview of the CAA. In the event the prices of airline tickets sold in Colombo becomes cheaper, the CAA would not have any revenue generated through this system due to drastic reduction in receipts of PTAs from abroad.

Hence, the CAA being the State agency involved in ensuring safety and security in aviation, deserves a steady portion of standard revenues generated by the country thorough aviation activities such as landing and parking charges, embarkation levy etc in order to support unimpeded execution of its vital and primary duties and functions which are usually unseen by many. However, the country's participation in the international air transportation is mainly dependent on the CAA's ability to carry out the State's obligations cast in terms of the Chicago Convention. Therefore making available to the CAA a firm source of revenue to support its activities is very vital.

## **Future Plans**

Whilst being satisfied with the quantum of work performed within the first year of the CAA, we are ambitious and forge ahead to continue to lead and steer the aviation industry in Sri Lanka with a view to making it one of the primary sectors fueling the economic growth engine of the country. Development of a National Civil Aviation Policy and preparation of an Aviation Master Plan for the country are on the top of our priorities. It is equally important for the CAA to start performing its duties and function according to a properly drawn up plan with time targets. In this context, we need to assign top priority to formulate a Corporate Plan for the CAA for the next five years with clearly identified objectives and targets. I am confident that we can attend to this work within the year 2004.

I am happy to take this opportunity to thank not only my member colleagues of the CAA but also the employees of the CAA for their unstinted support, co-operation and dedication to achieve the objectives of the CAA as a team. They also helped make my job a particularly satisfying and enjoyable one.



.....  
Shibly Aziz,  
Chairman.

19 February 2004

# GOVERNANCE AND ACCOUNTABILITY

## Role of the Authority

The Minister of Transport, Highways and Civil Aviation has appointed the Authority as the governing board. The Authority's responsibilities include;

- ✍✍ Communicating with the Minister and other Government stakeholders to ensure their views are reflected in the planning of the Civil Aviation Authority.
- ✍✍ Employment of qualified and skilled personnel and determine their terms and conditions of service including remunerations to be able to perform CAA's functions and duties.
- ✍✍ Delegating responsibility for the achievement of specific objectives to the Director -General of Civil Aviation and Chief Executive of CAA.
- ✍✍ Monitoring organizational performance towards achieving these objectives.
- ✍✍ Accounting to the Minister on plans and progress towards them.
- ✍✍ Ensuring systems of internal control are maintained.

## Structure of the Civil Aviation Authority of Sri Lanka

In terms of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002, the Cabinet of Ministers appoints the Director-General of Civil Aviation who shall also be the Chief Executive Officer of the Civil Aviation Authority. He shall be subject to such terms and conditions of employment as shall be determined by the Cabinet of Ministers, and shall carry on all such duties and functions assigned to him by or under the Civil Aviation Authority of Sri Lanka Act or any other written law, and be charged with the general administration of the functions of the Authority. The Authority directs the Chief Executive Officer by delegating responsibility and authority for achievement of CAA's objectives through setting policy.

## Authority Committees

The Authority has set up four standing committees viz, Staff Committee, Finance Committee, Planning Committee and Audit Committee to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibilities for establishing and monitoring the organization's progress towards meeting objectives prescribed by the Authority. The Authorities Standing Committees include:

### Staff Committee

The staff committee is responsible to the authority in respect of the following matters

1. Adoption of an organizational structure and modification thereto as and when necessary.
2. Determination of salaries and cadre
3. Staff matters pertaining to selection, recruitment, appointment, promotions, demotions, retirements/terminations etc.
4. Staff disciplinary actions
5. Monitoring the Annual Work Programme of the CAA
6. Development of Administrative Rules and Procedures for CAA
7. Development of Disciplinary Procedures for CAA Staff

8. Development of Office Procedures for CAA
9. Grant of scholarship for CAA Staff
10. Development of compensation schemes for premature retirement for DCA staff
11. Development of social and welfare schemes for CAA staff

The Staff Committee comprises the following members.

1. Mr. Shibly Aziz, Chairman.
2. Mr. Mohan Pieris, Member.
3. Mr. H.M.C.Nimalsiri, DGCA/CEO.

### **Finance Committee**

The finance committee is responsible to the authority in respect of the following matters

1. Preparation of Annual Budget Programme
2. Development of Financial Rules and Procedures for CAA
3. Monitoring the purchase of equipment, facilities or services
4. Monitoring the avenues of revenue of the CAA
5. Thrift Management in CAA

The Finance Committee comprises the following members.

1. Mr. Shibly Aziz, Chairman
2. Mr. N.Pathmanathan, Member
3. Mr. Mohan Pieris, Member
4. Mr. H.M.C.Nimalsiri, DGCA/CEO

### **Planning Committee**

The Planning Committee is responsible for the following matters

1. Development of National Civil Aviation Policy
2. Development of a National Civil Aviation Development Plan
3. Review of Primary and Subsidiary Legislation relating to Civil Aviation and introduce amendments if needed
4. Monitoring the implementation of National Civil Aviation Security Programme
5. Monitoring the implementation of National Air Transport Facilitation Programme
6. Monitoring Civil Military Co-ordination
7. Monitoring Air Service Operations
8. Monitoring the activities of Aeronautical Service Providers

The Planning Committee comprises the following members

1. Mr. Shibly Aziz, Chairman
2. Mr. N.Pathmanathan, Member
3. Secretary, Defence, Member
4. Dr.P.Ramanujam, Member
5. Mr. Mohan Pieris, Member
6. Mr. H.M.C.Nimalsiri, DGCA/CEO, Member

### **Audit Committee**

The Audit committee is responsible for the following matters.

1. Determination of the responsibility of the Internal Audit Unit and review the annual audit plan
2. Review and evaluate internal control systems for all activities of the entity
3. Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.
4. Liaise with external auditors and follow up on Auditor's General management letters
5. Ascertain whether statute, regulations, rules and circulars are complied with.
6. Review financial statements to ensure compliance with Accounting Standards

7. Review internal audit / external audit reports, Management letters for remedial action.
8. Review implementation of recommendations/ directives of the Committee on Public Enterprises
9. Prepare report on the findings of the Committee for inclusion in the Annual Report.
10. To report on all Audit matters to the Authority as and when requested to do so by the Authority.

The Audit Committee comprises the following members

1. Mr. N.Pathmanathan – DST (Treasury Representative) – Chairman
2. Secretary / Defence or his designated representative
3. Mr. Mohan Pieris, Member and
4. A Representative from the Auditor -General

# **GOVERNANCE PHILOSOPHY**

## **Authority Membership**

Five (05) of Authority Members are appointed by the Minister of Transport, Highways and Civil Aviation and three (03) of Authority Members are appointed ex-officio. The Authority is composed of Members who have diverse business, legal and aviation industry skills and experience in order to bring a wide range of thought to bear on policy issues. Once appointed, all Members are required to act in the best interests of the Civil Aviation Authority. Members acknowledge that the Authority must stand unified behind its decisions and that individual Members have no separate governing role outside the Authority.

## **Connection with Stakeholders**

The Authority acknowledges its responsibility to keep in touch with stakeholders, in particular, to remain cognizant of the expectations of the Minister of Transport, Highways and Civil Aviation.

## **Division of responsibility between the Authority and Management**

A key to the efficient running of the Civil Aviation Authority is that there is a clear division between the role of the Authority and Management. The Authority concentrates on setting high level policy and strategy, and then monitors progress toward meeting the objectives. The Management is concerned with implementing this high-level policy and strategy. The Authority stands apart and does not have responsibility for the specific regulatory obligations of the Director-General of Civil Aviation as set out in the Air Navigation Act or Regulations made thereunder. The Authority clearly demonstrates these roles by ensuring that the delegation of responsibility and authority to the Director-General of Civil Aviation and Chief Executive Officer of CAA is concise and complete.

## **Accountability**

The Authority holds frequent meetings to monitor the progress towards its strategic objectives and to ensure that the affairs of the Civil Aviation Authority are being conducted in accordance with the Authority's policies and strategic directions.

## **Conflicts of Interest**

The Authority maintains an *Interests Register* and ensures that the Authority Members are aware of their obligations to declare interests. This approach is also reflected in the maintenance of a conflict of interest register for staff.

## **Internal Audit**

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of organizational control remains with the Authority. Internal controls include the policy systems and procedures established to provide assurance those specific objectives of the authority will be achieved. The Authority and management have acknowledged their responsibility by signing the Statement of Responsibility contained in this report.

The Authority has an internal audit function that is responsible for monitoring systems of internal control in each of the CAA. This function is concerned with the quality and reliability of financial and other

information reported to the Authority. Internal Audit operates independently of management and reports its findings directly to the Audit Committee.

## **Legislative Compliance**

The Authority acknowledges its responsibility to ensure the organization complies with all legislation. The Authority has delegated responsibility to the Director-General of Civil Aviation who is the Chief Executive Officer of CAA for the development and operation of a programme to systematically identify compliance issues and ensures that all staff is aware of legislative requirements that are particularly relevant to them.

## **Ethics**

The Authority, having developed a code of ethics, regularly monitors whether staff maintain high standards of ethical behaviors and practice the principles of 'good corporate citizenship'. Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions, internal audit reports, or any reports or indications that show non-conformance with the principles espoused in the code of ethics. Good corporate citizenship involves this entity, including its employees, acknowledging that it is a member of many communities outside of itself and the industry it oversees and making a commitment to act in a manner consistent with the social mores and accepted rights and responsibilities of all citizens of those communities.

# **CIVIL AVIATION AUTHORITY OF SRI LANKA**

## **Vision**

Making the Civil Aviation Industry a prime contributor to the growth of the National Economy and to the improvement of the quality of life of the people of Sri Lanka

## **Mission**

To facilitate through strategic planning and effective regulation, the operation of a safe, secure and efficient national civil aviation industry that conforms to international standards and recommended practices

## **Motto**

“Safety First”

## **“Philosophy”**

Sri Lanka’s airspace is an asset held in public trust by the Government to be managed for the progress and well being of the citizens of Sri Lanka

## **Goals**

To achieve its mission, the CAA has the following goals.

- ☞ To achieve or exceed Safety Outcome targets.
- ☞ To be appropriately resourced.
- ☞ To be professional and competent.
- ☞ To attain wide credibility and recognition.
- ☞ To be a strong facilitator for civil aviation development.

## **Strategies**

To achieve its mission, the CAA has the following strategies.

- ☞ Improved and consistent delivery of statutory functions.
- ☞ Informed identification and implementation of solutions to significant aviation problems.
- ☞ Introduction of specific culture change initiatives.
- ☞ Working in co-operation and partnership with the aviation industry



## Values

The Civil Aviation Authority requires and expects all of its employees to practice and cultivate the following values in the performing of their duties.

- ☞☞ We assign top priority to safety
- ☞☞ We excel in the services we provide to our customers
- ☞☞ We have a 'can do' attitude in everything we undertake
- ☞☞ We aim to be reliable and realistic
- ☞☞ We are willing and able to change in pursuit of continuous improvement
- ☞☞ We work together to achieve success
- ☞☞ We are open and honest
- ☞☞ We promote efficiency and regularity in everything we do
- ☞☞ We trust and respect our colleagues
- ☞☞ We value everyone's contribution
- ☞☞ We recognize our social responsibilities
- ☞☞ We enjoy what we do
- ☞☞ We take pride in our professional approach
- ☞☞ We balance our work and home lives

## CAA Targets

The Civil Aviation Authority performs its duties and functions with the following immediate targets.

- ☞☞ To prevent fatal accidents in the commercial aviation sector
- ☞☞ To prevent hijacking and unlawful interference in civil aviation activities
- ☞☞ To prevent general aviation accidents
- ☞☞ To prevent fatal accidents on ground at airports
- ☞☞ To reduce accidents in engineering and maintenance workshops
- ☞☞ To achieve and maintain commercial flight incident ratio below 1 per 10,000 flying hours
- ☞☞ To reduce the general aviation flight incident ratio below 1 per 5,000 flying hours
- ☞☞ To reduce the flying incident ratio at flying colleges 1 per 10,000 flights
- ☞☞ To reduce the number of commercial flight incidents ratio involving Ground Support 1 per 20,000 flying hours
- ☞☞ To reduce the number of general aviation flight incidents involving ground Support 1 per 10,000 flights
- ☞☞ To reduce the number of flight incidents ratio involving ATS Support 1 per 50,000 flights
- ☞☞ To minimize delays in on-time departures
- ☞☞ To bring down cost of air transportation.
- ☞☞ To improve the quality of service in air travel.
- ☞☞ To minimize congestion and expedite passenger processing at airports.
- ☞☞ To minimize operational costs

## Outcomes

The Civil Aviation Authority accomplishes its duties and functions with a view to generating the following outcomes.

- Ensuring safety, efficiency and regularity in civil aviation and personnel security
- Making optimum use of Sri Lanka airspace for the well-being of the public
- Economic development of the country
- Prevention of economic waste caused by unreasonable competition
- Improving access and mobility of people and goods
- Provision of dependable services in civil aviation
- Education in the field of Civil Aviation
- Promotion of development of all aspects of civil aeronautics
- Protecting and promoting public health
- Ensuring environmental sustainability

## Outputs

The services and associated activities (i.e. the outputs) of the Civil Aviation Authority which contribute to the aforesaid outcomes are grouped into the following Output Classes:

<b>Output Class</b>	<b>Output</b>
Policy Advice	Advice to Government & other Organizations Legislation Development, Rules Development Development and Promulgation of Implementing Standards for Rules Development of Manuals of procedures
Safety Assessment & Certification	Airport sector safety risk management Airlines sector safety risk management General Aviation sector safety risk management Personnel Licensing safety risk management Flying Training safety risk management Aircraft Maintenance safety risk management Aviation Services sector safety risk management
Safety Analysis, Information and Promotion	Safety Investigations Safety Analysis Safety Information, Education and Promotion
Authorizations	Airline schedule approvals Airfare approvals Travel Agents certifications Registration of aircraft Authorization for Import of aircraft spar parts Authorization of tall structure constructions Authorizations for GSAs
Security Assessment	Civil Aviation Sector Security risk management
Enforcement	Responses to regulatory breaches Enforcement of Public Health and Hygienic requirements
Assistance to the Government	Collection of Embarkation Levy from Airlines

## Organizational Structure

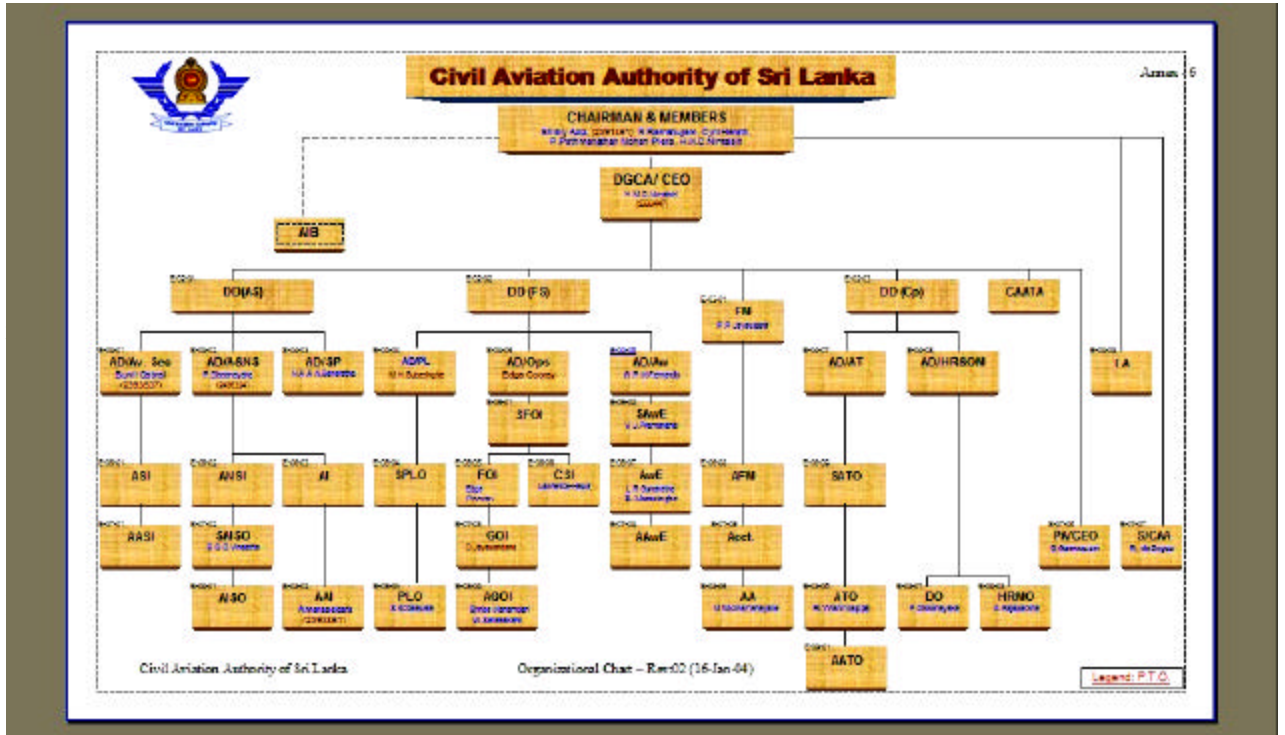


Figure 1 – Organization Chart

# SUMMARY OF PERFORMANCE OF THE DCA

## Establishment

Civil Aviation activities in Sri Lanka have been subjected to the formal governmental regulation since February 1946 with the creation of a Department of Civil Aviation and appointment of Mr.L.S.B.Perera, CCS as the Director of Civil Aviation with a Chief clerk, three other clerks and an office orderly to assist. The Department of Civil Aviation (DCA) was initially housed in an annex in the premises of the Department of Public Work (presently known as Transwork building at the Lotus road), which was used at the time as a garage and store. With some modification to the building, the DCA occupied that building until 1994 when it was shifted to the part of the Republic Building at No,18, Sir Baron Jayathilake Mawatha in Fort. It was then shifted to "Supreme" Building at No.64, Galle Road, Colombo 03 in 1997. Consequent to the split of the Ministry of Civil Aviation and Tourism into two separate Ministries, the DCA had to shift its office to a building at No.29, Galle Face Terrace in the year 2000. In the year 2001, the DCA went back to its former residence at No.64, Galle Road, Colombo 03. The following personnel have served the DCA as the Head of the organization since inception.

	<b>Name</b>	<b>From</b>	<b>To</b>
1.	Mr.L.S.B.Perera, (CCS)	1946	1949
2.	Mr.M.Chandrasoma (CCS)	1949	1949
3.	Mr.P.Nadesen (CCS)	1949	1954
4.	Capt.D.Kotalawala (Departmental Service)	1954	1956
5.	Mr.L.S.B.Perera (CCS)	1956	1957
6.	Mr.E.L.Wijenayake (CCS)	1957	1961
7.	Mr.W.L.P.de Mel (CCS)	1961	1971
8.	Mr.Milton Aponso (SLAS)	1971	1975
9.	Capt.C.H.S. Amarasekara (Departmental Service)	1976	1976
10.	Mr.D.B.I.P.S.Siriwardane (CAS)	1976	1977
11.	Mr.D.J.Bandaragoda (SLAS)	1977	1978
12.	Mr.Mervin Perera (SLAS)	1978	1978
13.	Mr.D.H.S.Athulathmudali (SLES)	1978	1979
14.	Col. H.B.Wijekoon	1979	1983
15.	Mr.D.C.T.Janz (SLAS)	1983	1985
16.	Mr.M.L.U.de S.Malalgoda (SLAS) (DGCA)	1985	1997
17.	Mr.Lal Liyanaarachchi (SLAS)	1997	2002
18.	Mr.H.M.C.Nimalsiri (Departmental Service)	2002	26.12.2002

## Administration of Regulations

The Department started administering the civil aviation activities under the Colonial Air Navigation Regulations of 1938 until promulgation of the Air Navigation Regulations on 01<sup>st</sup> October 1955 under the Air Navigation Act No.15 of 1950. These Regulations were published in the Supplement to Gazette No.10, Annual Report -2003

812 of July 01<sup>st</sup> 1955 and subsequently amended by Gazette No.10,942 of 15<sup>th</sup> June 1956. The amendments were mainly devoted to the correction of certain typos in the principal regulations and to give effect to the ICAO standards and recommended practices. Regulation 54(1) of these Regulations was amended in terms of Government Gazette No. 11,128 of 7<sup>th</sup> June 1957. Air Navigation Regulations have since been amended in 1969, 1975, 1977 and 2001.

The DCA started administering zoning requirements within the vicinity of Ratmalana, Katunayake and Kankasanturai airports for control of obstacles in pursuance of the Sri Lanka Aerodromes (Zoning) Regulations of 1975.

With passage of the Air Navigation (Special Provisions) Act No.55 of 1992 and in pursuance of the Air Transport Providers (Passengers) Licensing Regulations No.01 of 1993, licensing of Air Transport Service Providers became a responsibility of the DCA. These Regulations were subsequently amended in 1995. DCA was also held responsible for the administration of the Air Transport Providers (Tariff) Regulations No.01 of 1996, which made provision for the DCA to specify a minimum selling price for airline tickets and to levy a surcharge of USD 50/= on each ticket issued on a Pre-paid Travel Advice.

## **Control of Aerodromes**

In 1946, the DCA resumed control of the Ratmalana airfield, which had been opened in 1938 with 5100 ft. long runway and was subsequently taken over by Royal Air Force during the wartime. In 1958, after a feasibility study for identifying suitable airports from Ratmalana, Katunayake and Katukunda airfields for development to be the international airport, a decision was reached for development of Katunayake as the international airport whilst Ratmalana was maintained for domestic and regional services. The Army completed construction of an airstrip at Batticaloa whilst the Department of Public Works constructed an airfield in Anuradhapura in 1957. Gal-Oya Development Board constructed an airfield in Ampara in the same year. All these airfields were controlled and regulated by DCA. The DCA steered many development projects for Ratmalana, Katunayake and Kankasanturai airports for improvement of capacity / quality of facilities and services when they were under the DCA.

## **Involvement in the National Airline**

With the formation of the Air Ceylon in 1946, the Director of Civil Aviation was, in addition to the duties in his substantive post, assigned the task of management control of the airline. On 01<sup>st</sup> May 1951, Air Ceylon was incorporated as a Public Corporation and the DCA's role in controlling the activities of the national airline was reduced to a director in the Board of Management

## **Involvement in Civil Aviation Training**

On 06<sup>th</sup> November 1950, The late Rt. Hon.D.S.Senanayake, Prime Minister of Ceylon declared open the Ceylon Air Academy as a branch of the Department of Civil Aviation to train pilots, navigators, ground engineers, radio engineers and the like. The Ceylon Air Academy produced a lot of aviation professionals in various disciplines especially the pilots who were provided with a subsidy for accumulating flying hours. However, in the early part of 1970, the activities of the Air Academy has reduced and demised due to lack of funding.

## **Search & Rescue Service**

The Search & Rescue Services which was being provided by DCA within Colombo Flight Information Region (approximately 900,000 square miles) as part of its international obligations, with the active participation of Royal Air Force and Royal Naval Force was terminated with the evacuation of latter's operations from Colombo in 1956. The DCA was to revise its Search & Rescue Service Plan accordingly.

## **Aircraft Accident Investigations**

Being the competent authority for aircraft accident investigations, DCA has actively involved in conducting a few major aircraft accidents in Sri Lanka. McDonnell-Douglas DC-8 aircraft which was operated by Martinair Holland and which crashed at Anjimalai,(near) Maskeliya on 04<sup>th</sup> December 1974 killing 191 persons on board, Air Ceylon HS-748 aircraft, which was destroyed by a terrorist bomb on the ramp of Ratmalana Airport on 07<sup>th</sup> September 1978, LA Loftleidir Icelandic Airlines's McDonnell-Douglas aircraft DC-8 which crashed near Katunayake on 15<sup>th</sup> November 1978 killing 183 persons onboard and SriLankan Airlines' Lockheed L-1011 Tri Star aircraft which was destroyed by terrorists on the ramp of BIA on 03<sup>rd</sup> May 1986 killing 16 persons are the major commercial aircraft accidents investigated by the DCA. In addition, DCA has investigated a many minor accidents and incidents. Sky cab's AN-12 cargo aircraft which crashed at Kadirana in approaching BIA on returning from Bangkok on 24<sup>th</sup> March 2000 killing nine persons was also investigated by the DCA. There are a 452 passengers reported to have killed during the period under review in Sri Lanka due to aviation accidents involving commercial operations in Sri Lanka.

## **Transfer of Responsibility**

In pursuance of the Airports Authority Act No. of 1979, the responsibility of the DCA for development, operation and maintenance of aerodromes including provision of airport fire fighting services was transferred to the Airports Authority in 1979. Subsequently with the formation of Airports & Aviation Services and in pursuance of the Air Navigation (Amendment) Act No.02 of 1982, the responsibility of the DCA for provision of air navigation services & facilities including provision of air traffic control services was transferred to the Airports and Aviation Services Ltd. Thence, the DCA was reduced to a sole regulator. In terms of the Air Navigation (Special Provisions) Act No.55 of 1992, the post of Director of Civil Aviation was elevated to the post of Director -General of Civil Aviation in 1993.

## **Liberalization of Rights of Access for Revenue Traffic**

At the recommendation of the DCA, the Government took a policy decision to liberalize carriage of cargo by air in 1990 permitting any foreign or local airlines to engage in international cargo transportation without any restrictions. This led to a remarkable growth in the air cargo transportation and a few local companies established (viz. Skycabs Pvt Ltd and Expo Aviation Ltd) airlines to carry cargo on international routes.

## **International Conferences**

DCA held the 26<sup>th</sup> Conference of the Directors-General of Civil Aviation of the Asia and Pacific Region from 12<sup>th</sup> – 16<sup>th</sup> November 1990. Eighty-eight (88) delegates from 31 overseas organizations took part at this Conference. DCA also hosted a meeting of Directors-General of Civil Aviation of the SAARC Region in Colombo in 1996. Twenty participants attended this meeting. The 9<sup>th</sup> Steering Committee meeting of the COSCAP-SA held at the Kandalama Hotel, Sri Lanka, in 30<sup>th</sup> – 31<sup>st</sup> January 2002 and total number of participants were twenty-six.

## **Special Events**

### **50<sup>th</sup> Anniversary of the ICAO**

A special ceremony was held at the Taj Samudra Hotel on 07<sup>th</sup> December 1994 to mark the 50<sup>th</sup> Anniversary of the International Civil Aviation Organization and a commemorative postal stamp of Rs.10/= was issued to mark the occasion. At this meeting, Hon. Dharmasiri Senanayake, the Minister of Media, Tourism and Civil Aviation awarded to Mr. M. L. U. de S. Malalgoda, Director-General of Civil Aviation a commemorative

special medal provided to each State by ICAO to mark this occasion, in recognition of Mr.Malalgoda's contribution for the development of civil aviation.

## 50<sup>th</sup> Anniversary of Sri Lanka's Independence

The DCA joined hands with rest of the Government Ministries and Departments in celebrating Sri Lanka's 50<sup>th</sup> Independence Day celebrations held at BMIC from 04<sup>th</sup> –20<sup>th</sup> February 1998. DCA put up an elegant stall at the BMICH exhibition premises. All local operators and on-line and off-line carriers supported the DCA financially & logistically to run this stall. A training aircraft (Cessna Senaca), an AN-2 aircraft engine, and aircraft livery models of all on-line & off-line carriers and important pictures of civil aviation history were displayed at the exhibition. DCA issued a sticker containing its logo to mark the occasion.

## Outdoor Workshops

The DCA started conducting annual outdoor workshops for its staff in 1997 under the leadership of Mr.Liyanaarachchi, DGCA, to promote team-building in the DCA. Such workshops were subsequently held at Embilipitiya Gamudawa Training Centre(1997), Bandarawela Tourist Board Holiday Resort (1998), Kotmale Holiday Resort (1999), Polonnaruwa Holiday Resort (2000) , Polonnaruwa Holiday Resort (2001) and Kotmale Holiday Resort (2002) to impart training to whole staff on matters of common interests. This activity was very effective and productive and became very popular amongst the staff.

## Staff Strength at the end of 2002

The strength of the DCA workforce is as follows when it was abolished on 27<sup>th</sup> December 2002.

Title of the post	Appr oved cadre	Actual cadre
Director -General (SLAS 1)	01	01
Director (Administration) (SLAS I)	01	-
Assistant Director (Departmental)	03	02
Assistant Director (SLAS)	02	-
Accountant (SL.Acc.S)	01	01
Aeronautical Inspector (SLES)	05	04
Communication Officer (MLT)	02	02
Administrative Officer	01	01
Budget Assistant	01	01
Clerk- Supra Grade	02	01
Clerks	32	21
Typists	04	04
Stenographer – English	02	-
Translator	01	-
Book Keeper	01	01
Shroff	01	01
Karyala Karya Sevaka (KKS)	15	14
Drivers	07	07
Security Guard	01	01
<b>Cadre on contract (Under ICAO Project)</b>		
Personnel Licensing Officer		01
Flight Operations Inspector		01
Airworthiness Inspector		01
Documentation Officer		01
Data Entry Operator		01
Secretary		01

## Air Services Agreements with other States

The DCA has actively taken part at the negotiations of Bilateral Air Services Agreements with foreign States in order to facilitate operations of scheduled air services between Sri Lanka and those States. Sri Lanka had entered into Air Services Agreement with 59 States during this period viz. Australia, Austria, Bahrain, Bangladesh, Belgium, Brunei Darussalam, Bulgaria, People's Republic of China, Cyprus, Czech Republic, Denmark, Egypt, Ethiopia, France, Germany, Greece, Hong-Kong, India, Indonesia, Italy, Iran, Israel, Japan, Jordan, Kenya, Kuwait, Lebanon, Malaysia, Maldives, Mauritius, Myanmar, Macao SAR -China, Nepal, Netherlands, Norway, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Russian Federation, Saudi Arabia, Seychelles, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, UAE, UK, Uzbekistan, USA, Vietnam, Yemen, Yugoslavia, Zambia. However SriLankan Airlines served only 19 States out the aforesaid States at the end of 2002.

## Summary of Authorizations issued by DCA as of 27<sup>th</sup> December 2002

Nature of Authorization	Number remained current to date
Certificate of Registration	
- Aircraft	31
- Helicopters	-
- Ultra-lights	-
- Balloons	03
Airline Licence	
Private Operations	01
Aerial Work Operations	-
Charter Operations	
- domestic operations	03
- international operations (cargo)	02
- international operations (passengers)	-
Regular Public Transport Operations	
-domestic operations	03
- international operations (cargo)	02
- international operations (passengers)	01
Flying School Licence	01
Approved Maintenance Organizations	
- local	05
- overseas	27
Air Transport Providers Licences	334
Personnel Licence	
- Student Pilot Licence	-
- Private Pilot Licence	-
- Commercial Pilot Licence	
- Fixed wing	125
- Rotary wing	-
- Airline Transport Pilot Licence	
Fixed wing	134
Rotary wing	-
Air Traffic Controller Licence	66
- Flight Operations Officer Licence	116
- Ground Instructor Licence	05
- Aircraft Maintenance Eng. Licence	526
Cabin Crewmember Certificates	2159



## **Suspension of Operation of Domestic Civil Flights**

On 13<sup>th</sup> September 1995, the Secretary- Defense directed the DCA to suspend all modes of civil aviation in the country in view of the security situation prevailed in the country. Consequently all training schools, air taxi operations, domestic scheduled airlines and helicopter operators who were offering air transport services and facilities had to turn down their activities indefinitely. This is the worst drawback that the domestic civil aviation industry has ever come across since commencement. Consequently, the major part of the domestic aviation sector disappeared due to non-affordability of sustaining the infrastructure.

## **Assessment of the Safety Oversight Capabilities of the DCA**

In pursuance of its Voluntary Safety Oversight Audit Programme, ICAO conducted an Assessment on the Safety Oversight capabilities of the Department of Civil Aviation from 10<sup>th</sup>-14<sup>th</sup> February 1997. The interim report issued by ICAO consequent to this Audit, highlighted serious deficiencies in the DCA, which impeded effective discharge of the State's obligations for safety oversight of the operators functioning under its jurisdiction. The deficiencies highlighted by ICAO in its Interim Report can be broadly categorized as follows.

- a. outdated primary and subsidiary aviation legislations
- b. ineffective organizational arrangements for safety oversight
- c. paucity of qualified and skilled personnel in the DCA to perform safety oversight
- d. lack of written procedures for the guidance of the DCA staff and industry personnel
- e. lack of systematic training plans and programmes for the DCA technical staff

## **Implementation of the ICAO Project SRL/97/901**

The Government having reviewed the findings contained in the Interim Report sought assistance from TCB-ICAO and on their recommendation approved implementation of a Country specific project costing USD 1.871 million to the General Treasury. ICAO was chosen as the executing agency of the Project. Accordingly ICAO mobilized on 10<sup>th</sup> August 1998, a Project Co-ordinator cum Senior Airworthiness Expert, Aviation Legislation Expert and Organizational & Manpower Consultant to commence work of the Project. A Flight Operations Inspector, Aviation Personnel Licensing Expert and Airworthiness Expert later joined the Project. The Project also employed a few NPPPs (Nationally recruited Professional Project Personnel) with a view to training them under the international project personnel.

The Project experts after extensive discussion with the senior officials of the line Ministry, Attorney-General's Department, General Treasury, Ministry of Public Administration, Public Enterprise Reform Commission (PERC) and Department of Management Services, recommended to the Government establishment of a Civil Aviation Authority with sufficient administrative and financial flexibility to take over the functions being performed by the DCA to be able to manage civil aviation affairs in the country more efficient and effective manner. The Government accepted this recommendation passed necessary legislation in Parliament enabling establishment of the Civil Aviation Authority of Sri Lanka.

The Project also helped the Government to re-draft a new aviation Act called Civil Aviation Act to replace the Air Navigation Act No.15 of 1950. It also started drafting new set of Civil Aviation Regulations to replace the Air Navigation Regulations of 1955. With the patronage of the Project and using the generic manuals / guidance material provided by COSSCAP-SA, important guidance materials such as Airworthiness Inspector Manual, Flight Operations Inspector Handbook, Designated Check Pilot Manual, "How to obtain an Airline Licence"-handbook, Cabin Crewmember Safety Manual, Cabin Crewmember Training Manual, Regulatory Audit Manual, Enforcement Manual, Dangerous Goods Manual and few other Guidance materials were developed and promulgated.

The DCA also in the meantime obtained membership of the ICAO Regional Project entitled “Co-operative Development of Operational Safety and Continuing Airworthiness Programme” of the South Asia (COSCAP-SA) to augment its capabilities for safety oversight. DCA technical staff was trained both under the ICAO country specific project and COSCAP Project, which fulfilled more than 90 % of the training requirements through regional co-operative arrangements in addition to providing expert technical assistance in the fields of airworthiness and flight operations.

## **Terrorist Attack on Bandaranaike International Airport**

The DCA had to actively take part in the re-establishment of the airport security sterility after an armed group of suicide terrorists infiltrated the Bandaranaike International Airport early hours of 24<sup>th</sup> June 2001 and attacked aircraft parked at the Apron. Consequently three aircraft (viz 4R-ADD – Airbus A340, 4R-ALE – Airbus A330, 4R-ALF – Airbus A330) operated by Sri Lankan Airlines were completely destroyed. Also two A320 (4R-ABA & 4R-ABB) and one A340 (4R-ALC) aircraft sustained severe damages to the hull and engines.

LZ-SFS – AN-12 aircraft leased from Air Sofia for cargo operations was also damaged due to gun firing.

In addition 4R-EXC – AN-12 aircraft operated by Expo Aviation also sustained damages due to gun firing. Terrorists managed to surmount the airport security and entered the terminal building. The terminal building had to be fumigated to bring down a few of terrorists hidden in the Emergency Co-coordinating Center, of the airport.

There were no passengers aboard the aircraft at the time of attack and hence no casualties. Navigation aids and other essential facilities were intact. The airport was closed for international traffic for twenty-four hours and it was re-opened for international flights after completion of a thorough security sweeping. International Insurance Companies imposed an insurance surcharge on all airlines operating to Colombo following this attack and consequently most of the scheduled airlines either reduced their frequencies or suspended operations to Colombo. The Government decided to waive off landing charges completely on international airlines operating to Colombo as a means of relief for airlines.

At the request of the Government, the ICAO mobilized a team of security experts to come and evaluate Sri Lanka's compliance with the applicable international standards relating to Aviation Security. The ICAO report confirmed Sri Lanka's compliance with regard to all standards in the Annex-17 but four.

Following this attack, the Government took immediate steps to develop National Civil Aviation Security Programme. A high level National Civil Aviation Security Council was set up under the chairmanship of the Secretary Defence to co-ordinate all matters pertaining to civil aviation security. DGCA was appointed the Secretary to this committee. Also the Government informed ICAO through diplomatic channels that the Director-General of Civil Aviation is the designated authority responsible for civil aviation security in Sri Lanka, in pursuance of the National Civil Aviation Security Programme.

## PROGRESS REVIEW –2003

Civil Aviation Authority (CAA) of Sri Lanka has embarked on a series of activities on priority basis since establishment on 27<sup>th</sup> December 2002 consequent to the passage of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002. A summary of such activities performed within the year under review and the progress made in respect of each such activity are outlined below.

### Transition From DCA To CAA

There were no formal organizational structure, cadre and salary scales developed for the CAA when it commenced business on 27<sup>th</sup> December 2002. Therefore as a temporary measure, the CAA adopted the organizational structure of the former Department of Civil Aviation (DCA) for the CAA until adoption of a new organizational structure, cadre and salary scales to ensure uninterrupted performance of the CAA duties and functions. All the staff who were serving the former DCA and who had consented to join the CAA, the staff who had been employed under ICAO Project were absorbed to the CAA either on secondment or on contract. In addition a few personnel who have specialized in technical, legal, operational or administrative matters were recruited to the CAA on short-term contracts in order to lay the required foundation for the CAA to be able to assume and discharge immediately the duties and functions that are cast upon it in terms of the Civil Aviation Authority of Sri Lanka Act. In the meantime the CAA started development of its organizational structure, salary scales, cadre and recruitment schemes with a target of completing them within a period of one year.

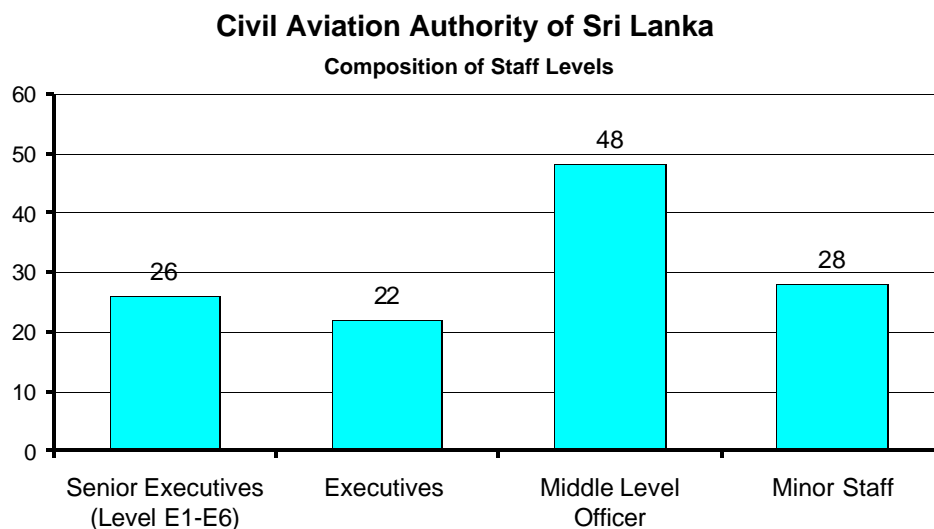
CAA also adopted certain existing provisions in the Government's Establishment Code, Financial Regulations and Disciplinary Procedures for the management of matters pertaining to office, personnel and financial affairs of the CAA for which CAA had not adopted its own rules or procedures.

### Board of Management & Organization of the CAA

- a. **Board of Members:** Pursuant to the Civil Aviation Authority of Sri Lanka Act, the total number of members in the Board of Management is (08) eight. The present Board of Management of the CAA consists of six (06) members and the Hon. Minister in charge of the subject of Civil Aviation has appointed three (03) of them. The other three members are ex-officio members.
- b. **Meetings of the CAA:** The Board have held six (06) meeting during the period under review and adopted over one hundred (140) resolutions for the progress and well being of both the CAA and the civil aviation industry that it supervises.
- c. **Management Tools:** The CAA has adopted a Code of Conduct for the Members of the CAA. It has also drafted Administrative Regulations defining clearly the level of

understanding that should be established in the performance of duties and functions of the CAA, Director-General of Civil Aviation and its employees. A formal Performance Evaluation Programme has been adopted for the mandatory, regular and systematic evaluation of the CAA employees. CAA has already embarked on developing its administrative, financial and office procedures. A good percentage of this work has been completed during the period under review.

- d. **New Management System:** By August 2003, the CAA was able to complete the development of a new Organizational Structure, Cadre and Salary Scales with the approval of the Department of Management Services, Ministry of Finance. As per the approved cadres CAA comprises a total of one hundred and twenty five (125) employees. A breakdown of the whole staff of the CAA is shown below.



<b>Approved Cadre of the Civil Aviation Authority</b>		
<b>Category and number</b>	<b>Description</b>	<b>Approved Cadre</b>
<b>Minor Employees (28)</b>	Office Aide	16
	Drivers	12
<b>Middle Level Officer (48)</b>	Civil Aviation Officers	33
	Nurse	01
	Secretaries	14
<b>Executives (22)</b>	Personal Assistant to CEO	01
	Secretary to the Authority	01
	Assistant Air Transport Officer	01
	Assistant Accountant	02
	Air Transport Officer	01

	Human Resources Management Officer	01
	Documentation Officer	01
	Assistant Ground Operations Inspectors	03
	Personnel Licensing Officer	02
	Aeronautical Information Service Officer	02
	Accountant	01
	Assistant Airworthiness Engineers	02
	Ground Operations Inspectors	02
	Senior Aeronautical Information Officer	01
	Assistant Aviation Security Inspector	01
<b>Senior Executives</b>	<b>(26)</b>	
	Assistant Finance Manager	01
	Senior Air Transport Officer	01
	Airworthiness Engineer	02
	Cabin Safety Inspector	01
	Flight Operations Inspector	01
	Senior Personnel Licensing Officer	01
	Aerodrome Inspector	01
	Air Navigation Services Inspector	01
	Aviation Security Inspector	01
	Senior Airworthiness Engineer	01
	Senior Flight Operations Inspector	01
	Assistant Director (Air Transport)	01
	Assistant Director (Human Resources and Office Management)	01
	Assistant Director (Airworthiness)	01
	Assistant Director (Operations)	01
	Assistant Director (Personnel Licensing)	01
	Assistant Director (Aerodromes and Navigation Services)	01
	Assistant Director (Special Projects)	01
	Assistant Director (Aviation Security)	01
	Internal Auditor	01

		Finance Manager	01
		Deputy Director (Corporate)	01
		Deputy Director (Flight Safety)	01
		Deputy Director (Aeronautical Services)	01
		Consultant Airworthiness Engineer	01
<b>Chief Executive</b>	1	Director - General / Chief Executive Office	01
		<b>Total Cadre</b>	<b>125</b>

- e. **Staffing:** The CAA decided to recruit staff to its cadre in two stages. The recruitment of staff under the Stage- I was completed wherein the staff who were serving the CAA either on secondment, causal or on contract, and who had consented to join the CAA were recruited to CAA after interviews and/or assessments. The CAA is yet to recruit suitable personnel to fill the remainder of the posts in the Cadre from outside, under Stage –II of the recruitment programme.
- f. **Training for employees:** The CAA has recognized that the key to success and professionalism in the CAA is training of its human resources and hence attached a high priority for development of its human resources through effective means of training. A good number of senior staff of the CAA has been given initial and recurrent training in the fields of Air Traffic Services, Airworthiness, Cabin Safety, Operations, Air Transport, Aviation Security, and Aircraft Accident Investigations. Most of the trainings were conducted outside the country, as the training facilities are not locally available. The CAA has taken bold initiative to provide the four (04) Airworthiness Inspectors whom the DCA had recruited a many years ago without any hands-on experience, with an opportunity to undergo on-the-job training in Pakistan with the auspices of the Director-General of Civil Aviation, CAA-Pakistan. The CAA has spent a sum of Rs 1.3 million (excluding the cost of traveling expenses—both local and foreign), which is 4.2% of its total staff expenditure, for staff training.
- g. **Participation at international events:** The CAA has been represented at very senior level at a few important international and regional aviation conferences and seminars held during the year under review.
- h. **CAA's Branch Office:** A branch office of the CAA was opened at Naikanda, Katunayake facilitating its regular customers to have easy interactions with the CAA avoiding the necessity of visiting the CAA headquarters. Arrangements have been made to extend the perimeter of this land in consultation with the Airport & Aviation Services Ltd., and a perimeter wall for this block of land is observed to be very necessary.

- i. **Office Facilities & Equipment:** CAA's office amenities and communications requirements have been improved substantially. All senior members of the staff have been provided with computers, e-mail and internet facilities. All CAA inspectors were provided with a leather hand file cover to facilitate inspection work. They have also been provided with Inspector Notebooks for official record of all inspections and Inspector Credentials. CD containing all-important legislations, regulations relating to civil aviations and world-renowned regulatory systems have been provided. In addition a copy of all-applicable ICAO Annexes have been provided to each inspector.
- j. **CAA's Employees' welfare:** A series of measures have been taken for the common good and welfare of the employees of the CAA. This includes a Medical Insurance Scheme and payment of a Transport allowance to all employees in view of the CAA's inability to provide staff transport system due to limited number of staff. Provision of Transport Allowance is tied closely to level of officer's monthly attendance for duty and hence a remarkable improvement is observed in the officers' daily attendance for duty.
- k. **CAA's Technical Library:** A number of important aviation books, publications and periodicals have been added to the CAA's Technical Library. Facilities have also been arranged at the Technical Library for the aviation industry to refer to all important aviation rules, regulations, procedures and safety instructions. There are also facilities at the Technical Library to obtain electronic or print copy of such documents at a reasonable cost. The use of the CAA's library by outside persons has been increased in the period under review.
- l. **CAA Website:** A draft plan containing functions and information of the CAA has been drawn up for publishing under a website and it will be finalized and connected to the web shortly.
- m. **Centralized Record Management:** A systematic centralized record keeping system has been developed and introduced. The record management center has details about all records maintained in the CAA and the Record Co-ordinator monitors its functions. A Record Management Manual has been prepared and the Staff has to be educated about the contents thereof.

## Safety Oversight

- a. **Surveillance of operators:** One of the primary responsibilities of the CAA is to conduct safety oversight on the airport and airline operators and training organizations. The CAA has done a great deal of work in this regard by performing initial certification of aircraft operators and training organizations and continued surveillance over such activities in the year under review. The CAA has conducted a many ramp surveillance/inspections at Bandaranaike International Airport to

ascertain the degree of operator's compliance with the rules, regulations and approved procedures within the period under review.

- b. Inspections:** The CAA has also conducted en-route inspections, simulator inspections, cabin inspections, check-pilot monitoring, and station facility inspections in regard to four operators functioning under its jurisdictions viz. SriLankan Airlines, Expo Aviation Ltd., Lionair Ltd and Serendib Express Ltd.
- c. Approval of Operators Manual:** The CAA inspectors have reviewed operators' Flight Operations Manuals, Maintenance Control Manuals, Cabin Safety Manuals, Dangerous Goods Manuals, Training Programmes and other Manuals relating to safety/emergency/security procedures of the aforesaid operators to ensure that such Manuals conform to the required standards.
- d. CAA's Regulatory Audits:** In addition to conducting random checks on the various activities of the air operators, the CAA has also conducted Regulatory Audits on each of the operator during the year under review, with a view to ascertaining in a systematic manner, the degree of the each of the operator's compliance with the rules, regulations and approved procedures in order to ensure high standards in aviation safety and security. There were a considerable number of findings made during these Audits whereby the CAA identified that the operators have deviated from the requirements. Prompt actions have been taken to direct the operators swiftly rectify those deficiencies. COSCAP-SA Project staff was actively involved in the conduct of several of these Audits
- e. Sri Lanka Registry of Civil Aircraft:** The CAA has taken into its registry two (02) A340 aircraft, two (02) A320 aircraft, three (03) Fokker-27 aircraft, two (02) Metro Fairchild aircraft and one (01) B727 aircraft during the year under review. All these aircraft fall either into the medium or heavy category of aircraft. These figures indicate a rapid development in the field of airline industry in the country. The Civil Aviation Registry of Sri Lanka has the following aircraft at present
- f. Sri Lanka Aviation Safety Standards:** The CAA's established practice of notifying the aviation industry about the CAA's standards or requirements relating to aviation technical or operational matters is to promulgate "Aviation Safety Notices". The CAA has issued seven (07) Aviation Safety Notices on various technical and operational matters during this year. These Aviation Safety Notices will be listed in the CAA website.
- g. Voluntary Disclosure Reporting Procedure:** Industry was informed in terms of an Aviation Safety Notice that the CAA has adopted a Voluntary Disclosure Reporting Procedures permitting any safety violation, deviation, compromise or defect to be notified to the CAA without the risk of being punished by the CAA. This procedure will permit any person engaged in the aviation system to notify or disclose the CAA



of any matter involved with safety with the sole objective of improving system safety.

- h. **Helicopter operations:** The CAA has developed procedures for the resumption of Helicopter operations in the country in liaison with Sri Lanka Air Force and initial certification of applicants for operations of Helicopters for internal passenger flights is now in progress.
- i. **Floatplane operations:** The CAA is examining at present an application from SriLankan Airlines Ltd for operations of internal passenger flights using floatplane in close consultation with the relevant government authorities viz. Ministry of Irrigation, Ministry of Environment and Ministry of Defence. The floatplane operations once commenced will add new dimensions to the civil aviation industry in Sri Lanka.
- j. **Hot Air Balloons:** An application for operation of Hot Air Balloon for commercial passenger operations within the Sri Lanka was perused and provisional approval was granted subject to meeting certain regulatory requirements not involved with safety. Also the CAA granted approval for an application for operation of a balloon festival at various places in the country but outside the city of Colombo.
- j. **Aviation Centenary Celebrations:** The CAA took the lead in organizing a series of events to mark the first centenary in powered, sustained and controlled flight. Accordingly celebrations were organized at Ratmalana Airport with the kind courtesy of the Sri Lanka Air Force, local airline operators, Airport and Aviation Services (SL) Ltd. and the Model Flyers Association. This exhibition was open to the public free of charge. This included aircraft fly-past, static display of real aircraft (civil and military), air-show, para-jumping, flight & static displays of model aircraft, demonstration of air navigation facilities & services and gift-a-flight to children program. Also a paper supplement was published on 17<sup>th</sup> December 2003 in both Daily -News and Divaina newspapers with the sole sponsorship of the organizations of the Industry, with a view to educating the members of the public. The CAA letterhead also carried the caption “One hundred years of powered sustained and controlled flight” throughout the year for the purpose of publicizing the event among the customers

## Development Work

- a. **Civil Aviation Authority Training Academy:** The CAA has identified “Training” to be the key to achieve high standards in aviation safety, security, efficiency and regularity. Having observed the present deficiency that none of our Universities or tertiary education centers in the country produce professionals required by the aviation industry, the CAA took a bold initiative to establish a “**Civil Aviation Authority Training Academy**” (CAATA) to cater to all civil aviation training requirements in the country.

CAATA is presently established at the Ground Floor of the “Sirimavo Bandaranaike Hotel Management School” situated at Gall Road, Colombo 03. It has two (2) well-equipped training classrooms with the state of art training equipment and has a capacity of holding 20 and 30 persons respectively. The Auditorium of the Hotel Management School located in the same premises can hold 100 people for bigger conferences. The cafeteria is run by the Hotel Management School and can cater for the participants during the course. The Hotel Management School also has rooms available for participants at a reasonable rate. In the alternative, participants could be housed at the Colombo Plaza Hotel situated across the road.

CAATA intends conducting short training courses initially on selected topics covering safety, technical, operational, commercial, legal matters relating to civil aviation. Each course would be well structured and standardized to achieve the required level of competency in the subject area and conducted by highly qualified instructors who hold requisite approvals by the Director-General of Civil Aviation. The Civil Aviation Authority of Sri Lanka will issue Certificates to each participant who would successfully complete the approved course of training.

- b. EU-Asia Project:** Commencement of EU-Asia Project, which aimed at promoting and supporting mutually beneficial co-operation between Europe and Asia, is one of the major significant events took place in the year under review.

The Project, which involves 14 countries in the Asian Region, is financed 50 % by the (Euro 15 million) EU. The Executing agency of the Project is AECMA which contributes 7% of the Project Cost. The remainder is borne by the Participating countries.

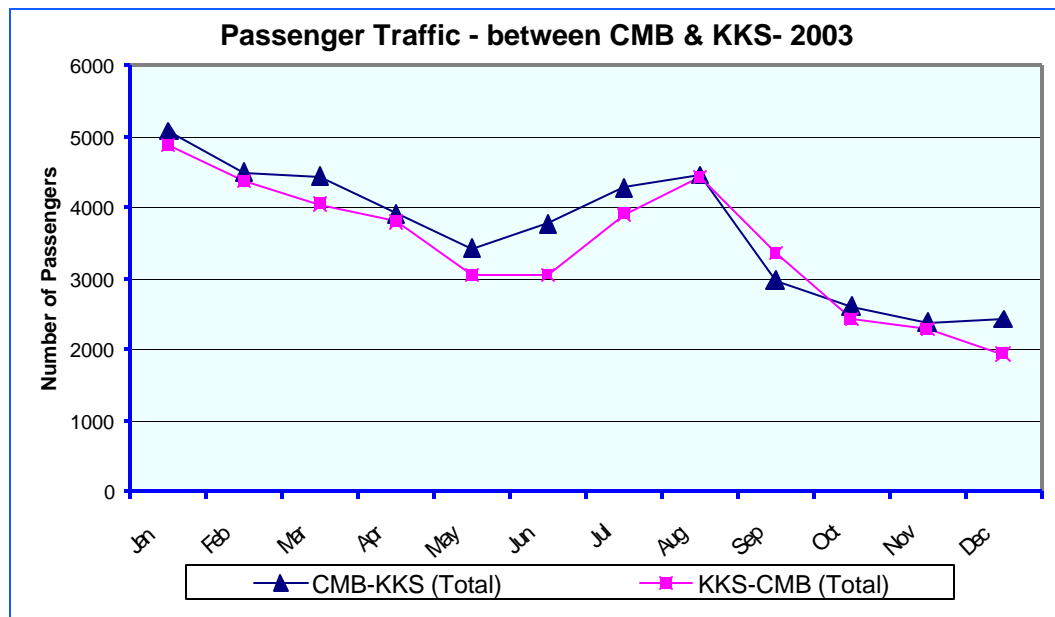
The main objective of the Project is to increase awareness of European industry practices including airworthiness, safety regulations and standards in the participating Asian countries. For the convenience of Management, the EU-Asia Project is implemented having split the 14 countries into two groups viz. EU-South Asia and EU-Southeast Asia. Sri Lanka belongs to the EU-South Asia group, which consists of six SAARC countries, excluding India.

The CAA offered its training facilities at CAATA for the EU South Asia Project and accordingly EU-South Asia Project has agreed to locate its Project Office at the CAATA, Colombo. Consequently the aviation industry personnel in the country will have the opportunity of participating at more than 70 % of the training courses (more than 100 specialized courses on various subjects relating to aviation safety) that are scheduled to be conducted under the Project, in Sri Lanka at this facility.

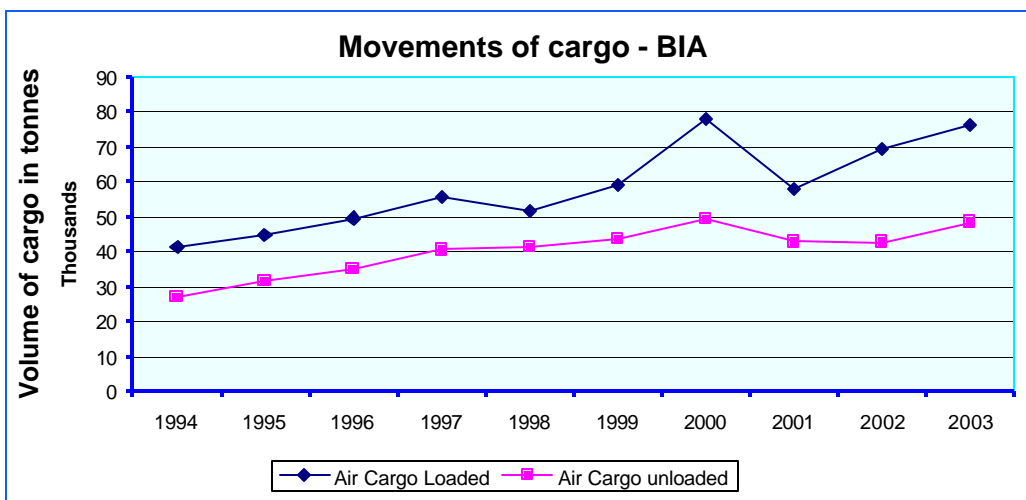
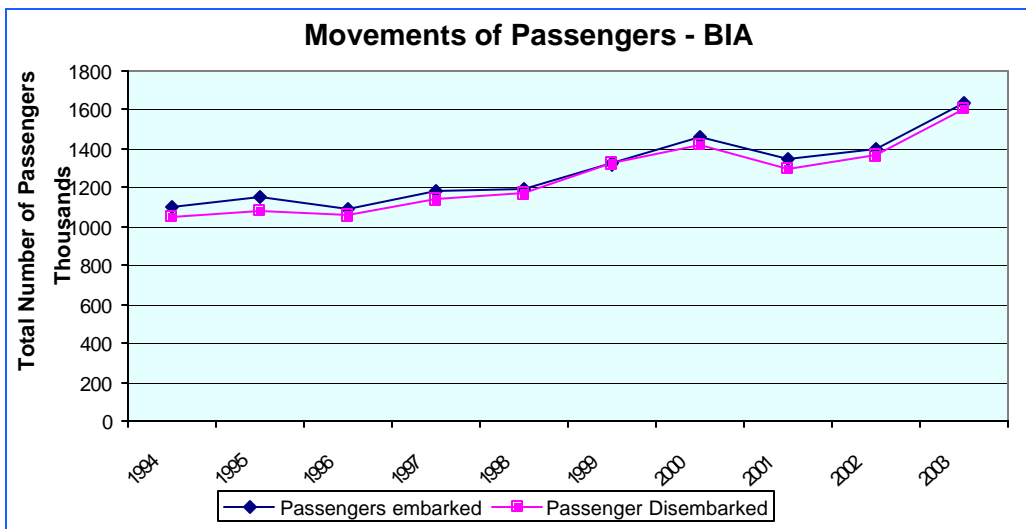
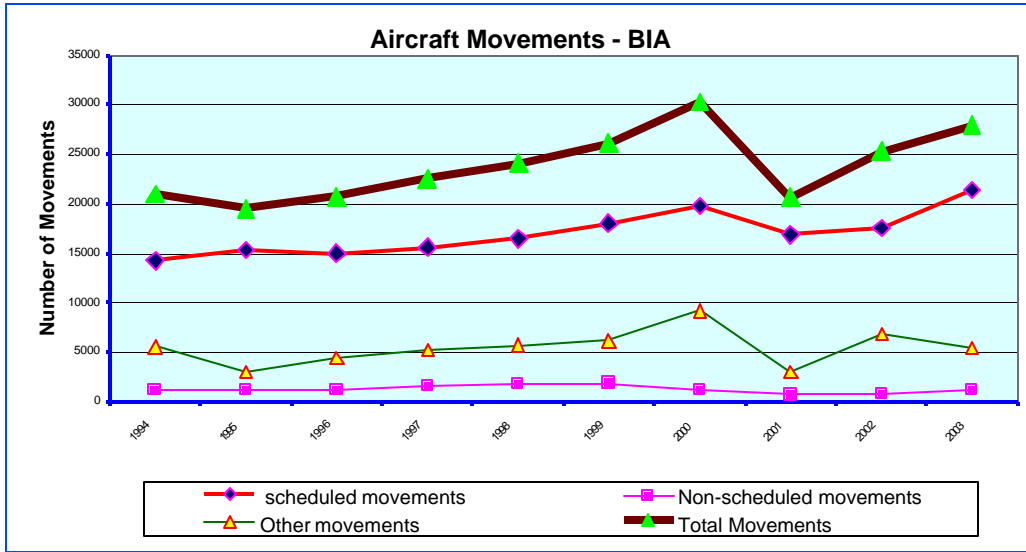
- c. Upgrading the Palaly Terminal Building:** Having observed that the present status at Palaly Passenger Terminal building, the CAA has taken an initiative to upgrade it as

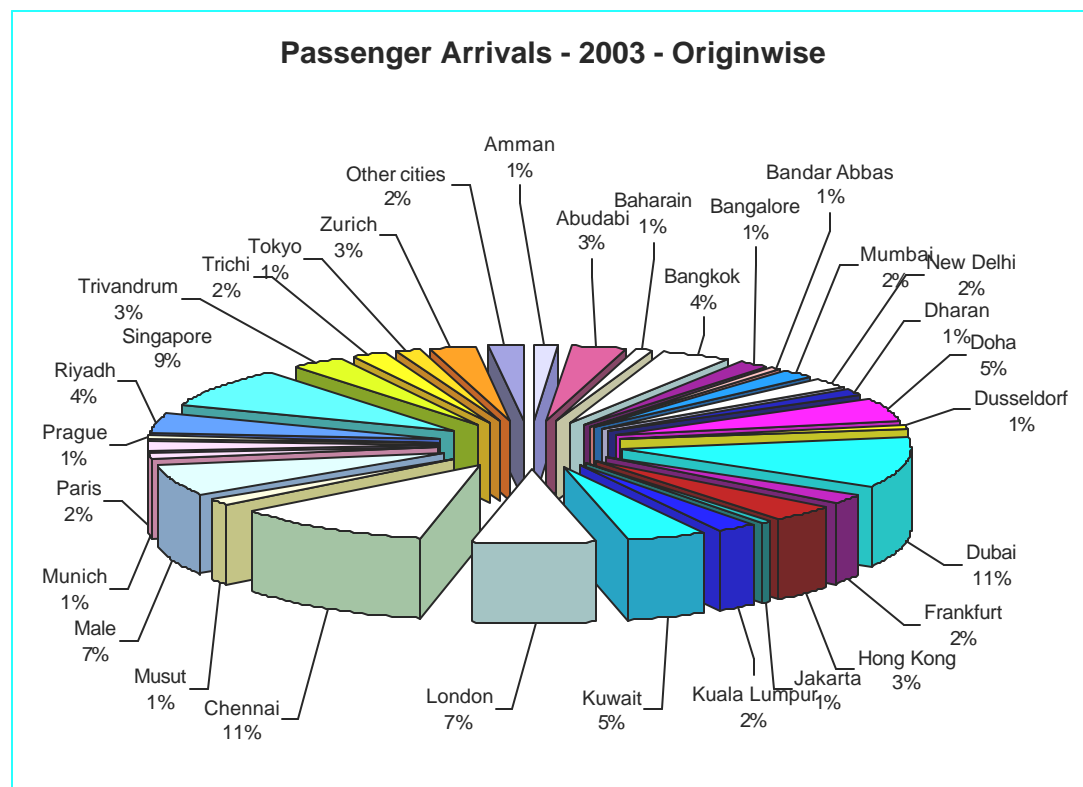
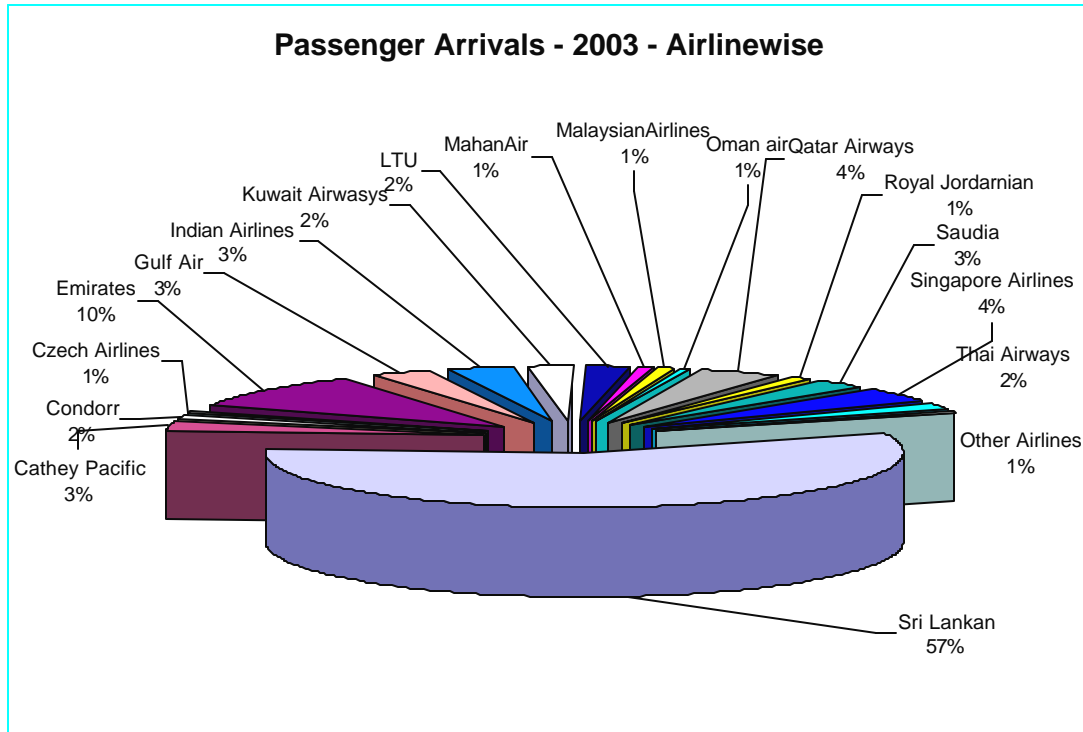
a matter of priority providing for basic facilities and services required for the comfort of passengers. The CAA has decided to spend a sum of Rs.3,000,000/= for this face uplift. The CAA would provide the building material whilst Sri Lanka Air Force would be attending to the construction work.

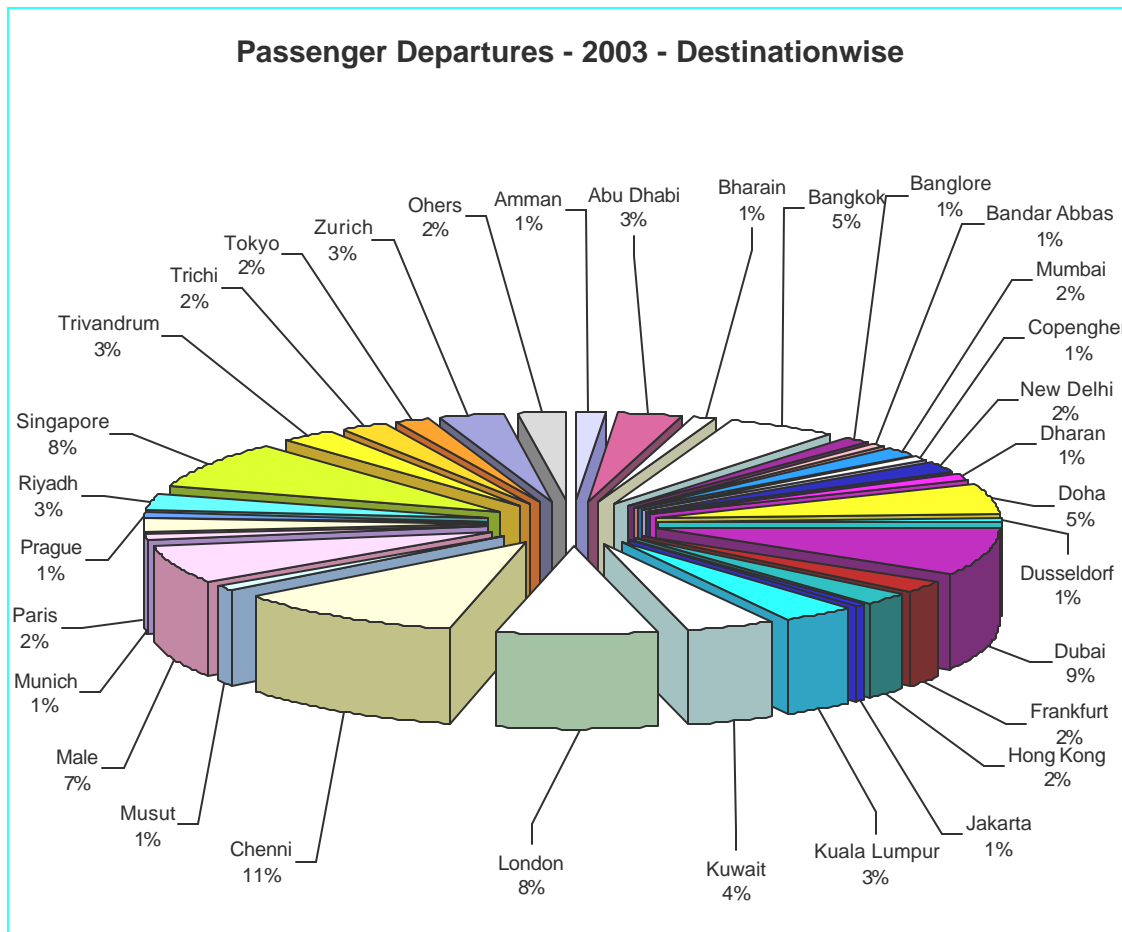
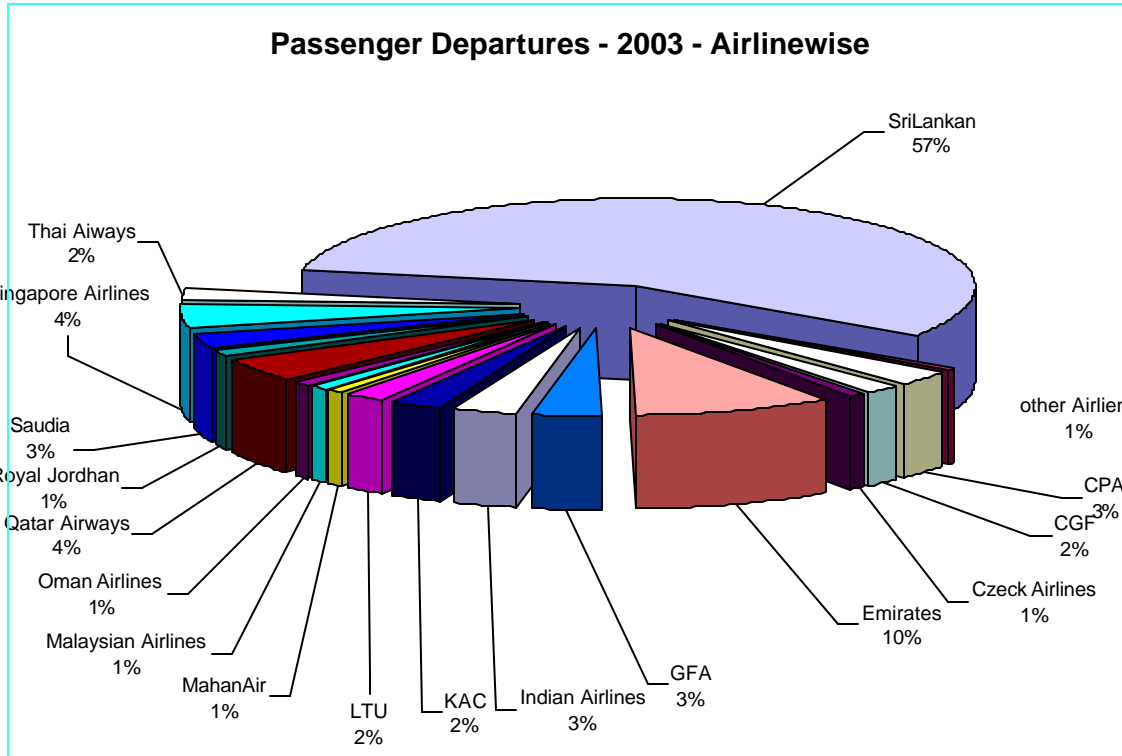
- d. Domestic Aviation:** The CAA has identified the need to develop on urgent basis the domestic aviation sector to give a helping hand for the promotion of upcoming tourist industry and foreign investment in the country. CAA officials have accordingly visited all domestic airports and plans are being drawn up for opening these airfields for domestic civil flights. Also the CAA is working with a foreign consultancy team mobilized by the Danish Government under the Danida Mixed Credit Scheme. There are three airlines viz. Expo Aviation, LionAir, Serendib Express Ltd engaged in domestic passenger transportations. They have operated 3262 flights between Colombo and Jaffna and carried 85,751 passengers during the period under review. The total number of seats available on this route during the year under review was 120,886 and the airline's average load factor was approximately 71%. However, it was observed that there was a steady decline in the numbers of the passenger transported by air on this route during the period under review.



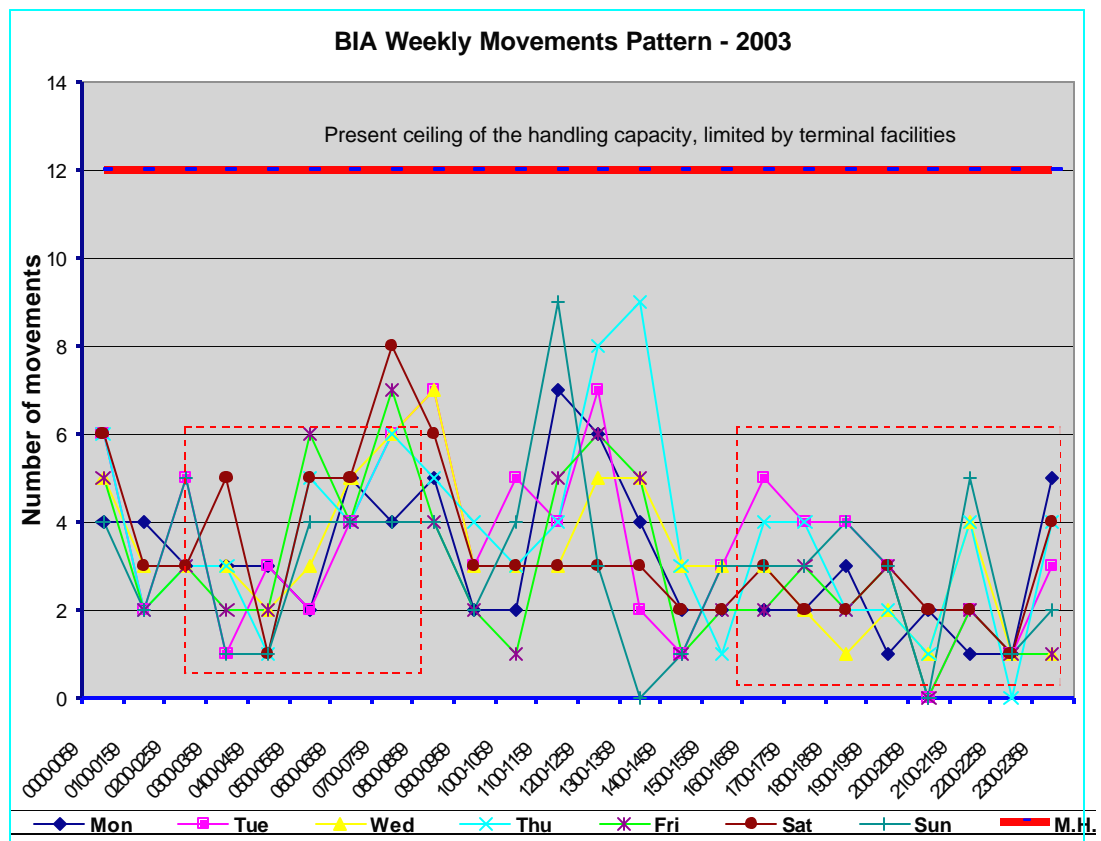
- e. International Airline Operations:** With the peace initiatives, there is a remarkable growth in the international passenger arrivals. Number of aircraft movements into and out of Colombo is in the increase. There were 3,232,742 passenger movements during the period under review and it is 17% increase compared with last year's figures. There is a significant growth of airfreight carried out of Colombo. The total number of scheduled airlines operating to Colombo is 24. Most of these airlines have either increased their frequency of flights per week or introduced aircraft with higher seating capacity.







- f. SLOT Co-ordination:** The CAA chaired two meetings during the period under review for the determination of slots for airlines operating into and out of BIA. Out of the three main factors, which determine capacity of an airport viz., runway capacity, apron capacity and terminal capacity, the terminal capacity of BIA has influenced the present limitations in its aircraft handling capacity. The next bottleneck has been the limited space in the apron which has only 17 parking bays. Although the runways is capable of accommodating more than 25 aircraft per hour, BIA cannot handle more than 12 aircraft per hour at present due to inadequacy of holding rooms in the departure hall and limited baggage carrousels in the arrival hall. The chart below indicates the pattern of the airport usage by airlines in the winter 2003/2004.



- g. National Civil Aviation Policy:** The CAA has embarked on drafting the national civil aviation policy in close consultation with its stakeholders. The policy would define in broader perspective the immediate, mid term and long-term development strategies in this sector
- h. “Open Skies of Sri Lanka”:** The CAA circulated amongst key organizations involved in civil aviation a draft proposal for adoption of open skies policy for Sri Lanka. After receiving inputs from those organizations the CAA is working out strategies for early adoption of open-skies policy where restrictions placed on the foreign

carrier ownership, type of aircraft, seat capacity, frequency, route schedule, type of designations etc. which are usually subjected to regulation under the Bilateral Air Services would be eliminated. This will give the required freedom for foreign air carriers to operate any number of flights into and out of Sri Lanka only subject to meeting the safety and security requirements of the CAA. The policy paper is now before the government for perusal.

## **Aviation Legislation**

**a. Draft Civil Aviation Act:** The CAA has submitted its comments to the Legal Draftsman regarding the final draft of the Civil Aviation Act. The draft Civil Aviation Act would replace the existing Air Navigation Act of 1950 which is somewhat outdated whilst introducing new provisions for appointment of Service Providers for providing Aeronautical Services, Issue of Air Operator Certificates to Airlines on satisfactory compliance with the legal, financial, technical and operational requirements, Establishment of a Civil Aviation Development Fund, Imposing an Administrative Penalty for safety violations etc.

**b. Draft Civil Aviation Regulations:** The CAA has completed drafting the Civil Aviation Regulations to give effect to the principles in the draft Civil Aviation Act and also the international standards contained in the ICAO Annexes. It is being reviewed again before submission to the Legal Draftsman.

**c. Fees charged by CAA for its services**

The CAA adopted a schedule of fees to be charged by the CAA that it render, and the same has been submitted to the line Ministry for promulgation as regulations under the Hon. Minister's hand.

**d. Collection of Embarkation Levy**

Pursuant to the Finance Act No.34 of 2003, the CAA has taken over with effective 01<sup>st</sup> September 2003, the responsibility for the collection of Embarkation Levy at BIA from airline and remitting same to the General Treasury. Transfer of responsibility from AASL and to the CAA has taken place very smoothly without any hiccups whatsoever.

The CAA has to employ additional staff and mobilize extra resources in order to perform this new duty, which is challenging. Being a self-financing organization, the CAA deserves at least 1% of the total collection, in order to defray its cost relating to the collection and remittance of these monies to the Treasury. Representations have been made to the Treasury in this regard and a reply is awaited.

**e. Aircraft Accident Investigation**

The CAA finalized the Aircraft Accident Investigation on AN-12 aircraft, which was operated by SkyCab Pvt Ltd and crashed at Kadirana, Negombo on 24<sup>th</sup> March 2000.



The final report was published under an extra ordinary gazette for the information of the general public.

## CAA Revenues

The CAA, which is a self-financed origination, does not depend on treasury funds to meet its operating expenses. The total revenue and expenditure of the CAA for the period under review is Rs.128 million and Rs.58 million respectively. The CAA has a net profit of Rs. 46 million after tax for the year 2003; Savings of the CAA has been invested in the Treasury Bills.

## Universal Safety Oversight Audit by ICAO

The scope of the Universal Safety Oversight Audit performed by ICAO on each Member States to ascertain the degree of the State's compliance with the Standards and Recommended Practices adopted by ICAO has been extended to cover Air Traffic Services (Annex-11), Aircraft Accident & Incident Investigation (Annex-13), Aerodromes (Annex-14) and Aviation Security (Annex-17). Initially the Audit's scope was confined to Personnel Licensing (Annex-1), Aircraft Operations (Annex-6) and Airworthiness (Annex-8). The ICAO is also examining at present the possibility of converting the subject specific audits which are done at present to system audits where the State's compliance with standards in all 18 Annexes would be ascertained in through a broader audit process.

This CAA is getting ready to face these audits confidently through employment of skilled personnel, provision of specialized training to staff, development of guidance material, updating rules and regulations, application of comprehensive entry-certification requirements etc. not merely to satisfy ICAO but to maintain high aviation safety standards in the country.

## Performance Indicators

Item	Description	2002	2003
<b>Traffic Growth</b>	Passenger Movements (international)	2766134	3232762
	Cargo Movement (international) – metric tons	113284	125635
	Passenger Movements (domestic)	39378*	85751
<b>Airline Movements</b>	On-line carriers	17516	21351
	Charter flights	833	1154
	Total number of revenue flights	18349	22505
	Domestic flights movements (between CMB & KKS)	-	3262
<b>Flight Safety</b>	Aircraft accidents	00	00
	ATC related incidents	06	03
	Non-ATC related incidents	00	00
<b>Foreign Airlines</b>	Scheduled Passenger airlines	16	24
	Charter Passenger airlines	06	08
	Cargo Airlines	05	08
	Air Operators holding Airline Licences	05	05

<b>Local Operators</b>	Approved Flying Schools	01	01
	Approved Maintenance Organizations	32	32
<b>Licensed Personnel</b>	Private Pilot Licences issued	15	18
	Commercial Pilot Licences issued	14	23
	Air Transport Pilot Licences issued	02	10
	Air Traffic Controllers Licences issued	00	00
	Aircraft Maintenance Engineers Licences	17	10
	Flight Operations Office Licences issued	00	00
	Validation of Foreign Licences	37	50
	Other Authorizations	00	00
<b>Aircraft Registry</b>	Aircraft exceeding weight 22,000 lbs	18	23
	Aircraft weight less than 22,000 lbs	08	08
	Balloons	01	03
	Gliders	00	00
	Others	00	00
<b>Technical Examinations</b>	Private Pilot Licence Examination	06	05
	Commercial Pilot Licence Examination	00	01
	Aircraft Maintenance Engineer Examination.	05	01
	Medical Examinations	415	611
	Other Examinations	06	05
<b>Air Transport Providers Licences</b>	Airlines Licences	00	00
	General Sales Agents	00	05
	Travel Agents – Group A	00	19
	Travel Agent – Group B	00	04
<b>Approval for use of Airspace</b>	Overflight permissions	417	437
	Technical Landing permissions	423	487
<b>Staff Training and education</b>	Individual Specialized Training Courses		02
	Group Training Courses		02
	General Workshops for entire staff		01
	Staff Meetings – Senior level		14
	General Staff Meetings		01
<b>Meetings</b>	Authority meetings		07
	Staff Committee meetings		32
	Finance Committee meetings		01
	Audit Committee meetings		-
	Outside meetings attended by DGCA		47
	Outside meetings attended by Senior Staff		37
<b>Correspondence</b>	Total number of Letters received		
	- Line ministry		378
	- Other Government Agencies		1326
	- Airport & Aviation Service Ltd		365
	- Aircraft Operators		2005
	- Private Sector		3660
	- Members of the public		126
	- ICAO		368
- International bodies other than ICAO		412	

\* Statistics on the Domestic Passenger movements are available only for the last 06 months of 2002.

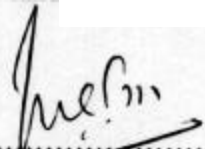
# FINANCIAL REPORT

## BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2003

	Note	Rs.
<b>TOTAL ASSETS</b>		<b>280,959,165.58</b>
Non-Current Assets		57,512,570.91
Property, Plant and Equipment	07	24,895,223.49
Investments	08	32,617,347.42
Current Assets	09	223,446,594.67
<b>EQUITY &amp; LIABILITIES, CAPITAL &amp; RESERVES</b>		<b>280,959,165.58</b>
Equity & Liabilities		69,682,655.17
Government Grants	10	22,715,622.57
Profit & Loss Account		46,967,032.60
Non-Current Liabilities	11	2,302,138.00
Current Liabilities	12	208,974,372.41

The accounting policies and notes thereto form an integral part of these accounts.

For and on behalf the Civil Aviation Authority of Sri Lanka,



.....  
**Shibly Aziz,**  
 Chairman.



.....  
**H.M.C.Nimalsiri**  
 Director General and  
 Chief Executive Officer

**INCOME STATEMENT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2003**

	<b>Note</b>	<b>Rs.</b>
<b>INCOME</b>	<b>01</b>	<b>128,111,838.19</b>
<b>EXPENDITURE</b>		<b>58,432,108.52</b>
Staff Expenses	02	29,523,847.61
Supplies	03	2,561,476.92
General Expenses	04	5,208,306.49
Maintenance	05	17,722,842.64
Depreciation	06	3,415,634.86
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>69,679,729.67</b>
<b>INCOME TAX</b>		<b>22,712,697.07</b>
<b>NET PROFIT AFTER TAX</b>		<b>46,967,032.60</b>

## Notes to the Accounts

Note No		Rs.
<b>01</b>	<b>INCOME</b>	<b>128,111,838.19</b>
	<b>SURCHARGE ON PREPAID TRAVEL ADVICE (PTA)</b>	<b>115,571,936.28</b>
	<b>INITIAL ISSUE OF LICENCE / RATINGS / CERTIFICATE OF APPROVAL</b>	<b>993,184.99</b>
	Private Pilot Licence( Aeroplanes / Helicopter )	27,600.00
	Commercial Pilot Licence( Aeroplanes / Helicopter )	86,940.00
	Airline Transport Pilot Licence( Aeroplanes / Helicopter )	64,000.00
	Students Pilot Licence	19,320.00
	Assistant Flight Instructor Licence Rating	4,140.00
	Issue of Aircraft Type Rating	60,720.00
	Airline Licence	41,400.00
	Charter Licence	289,799.99
	Flying School Licence	13,800.00
	Validations of Foreign Crew Licence	193,200.00
	Air Traffic Controller's Licence Rating	9,315.00
	Air Transport Providers Licence	76,000.00
	Validation of foreign AME's License	106,950.00
	<b>RENEWAL OF LICENCES.</b>	<b>1,560,297.00</b>
	Private Pilot Licence( Airplanes/Helicopter)	16,560.00
	Commercial Pilot Licence( Airplanes/Helicopter)	177,295.00
	Airline Transport Pilot Licence( Airplanes/Helicopter)	439,977.00
	Student Pilot Licence	15,180.00
	Airline Licence	172,500.00
	Flying School Licence	13,800.00
	Charter Licence	103,500.00
	Validations of Foreign Crew Licence	51,750.00
	Air Traffic Controller's Licence Rating	50,715.00
	Air Transport Provider Licence	245,000.00
	Air Craft Maintenance Engineers	274,020.00
	<b>ISSUES / RENEWALS OF CERTIFICATES.</b>	<b>6,796,338.09</b>
	Certificate of Airworthiness - Initial issue	1,639,520.00
	Certificate of Airworthiness - Renewal	4,435,941.50
	Certificate of Registration (Air Craft) - Initial issue	78,660.00
	Certificate of Registration ( Air Craft ) - Renewal	103,500.00
	Organisational Approval	538,716.59
	<b>AMENDMENTS TO AIRLINE LICENCE</b>	<b>110,400.00</b>
	Operations Specifications	110,400.00

	<b>MEDICAL EXAMINATION FEES</b>	<b>60,547.50</b>
	Initial	7,762.50
	Renewal	52,785.00
	<b>EXAMINATIONS</b>	<b>79,105.00</b>
	Private Pilot Licence (Airplanes ) PPL	30,360.00
	Special Air Law Examination	48,745.00
	<b>OTHER INCOME</b>	<b>329,218.75</b>
	Other Sources (Sale of CAA Publications etc.)	123,458.75
	Late Submission Fees	159,400.00
	Rental Income (Official Quarters)	26,400.00
	Miscellaneous Income ( Photocopying Charges etc.)	19,960.00
	<b>INTEREST INCOME</b>	<b>2,610,810.58</b>
	Interest from Staff Loans	349,921.11
	Treasury Bills	913,228.59
	Fixed Deposits	237,500.00
	Call Deposits	1,110,160.88
<b>02</b>	<b>STAFF EXPENSES</b>	<b>29,523,847.61</b>
	Salaries & Wages	13,000,737.51
	Overtime & Holiday Pay	661,606.20
	Other Allowances	4,209,397.60
	Travelling Expenses - Local	328,597.98
	Travelling Expenses - Foreign	5,879,873.60
	Employee Provident Fund	1,341,127.26
	Employee Trust Fund	267,535.44
	Pension Contribution 25% (for secondment staff)	1,033,007.65
	PAYE Tax	1,505,028.37
	Board Payments	55,000.00
	Training ( Local/ Foreign )	1,241,936.00
<b>03</b>	<b>SUPPLIES</b>	<b>2,561,476.92</b>
	Stationary	831,243.16
	Fuel & Lubricants	1,385,696.68
	Other Supplies	344,537.08

<b>04</b>	<b>GENERAL EXPENSES</b>		<b>4,046,719.36</b>
	Telecommunication		1,110,327.36
	Postal Charges		66,416.25
	Subscriptions / Publications / Newspapers		292,987.61
	Examination Fees( Payment to Examiners)		21,954.50
	Printing Expenses		172,952.17
	Conference ( Local / Foreign)		543,524.00
	Welfare Expenses		706,658.10
	Rent & Hire Charges		432,745.66
	Miscellaneous Expenses		699,153.71
<b>05</b>	<b>MAINTENANCE</b>		<b>17,722,842.64</b>
	Office Building & Quarters		15,546,770.02
	Rent of the building		8,611,200.00
	Electricity		3,306,634.62
	Water		114,553.38
	Security		148,675.00
	Janitorial		156,058.50
	Other (Renovation of Palaly Terminal Building is included)		3,209,648.52
	Plant, Machinery & Equipment		771,168.97
	Vehicles - CAA	865,270.89	
	- UN Representative	539,632.76	1,404,903.65
<b>06</b>	<b>DEPRECIATION</b>		<b>3,415,634.86</b>
	Buildings		606,356.36
	Vehicles		918,750.00
	Plant, Machinery and Equipment		1,477,937.50
	Furniture and Fittings		184,721.00
	Other Fixed Assets		227,870.00
<b>07</b>	<b>PROPERTY, PLANT AND EQUIPMENT ( See Page 64)</b>		
<b>08</b>	<b>INVESTMENTS</b>		<b>32,617,347.42</b>
	Treasury Bills		27,617,347.42
	Fixed Deposit- Bank of Ceylon		5,000,000.00
<b>09</b>	<b>CURRENT ASSETS</b>		<b>223,446,594.67</b>
	Stationary Stock		532,251.91
	Debtors (a + b)		10,340,273.00
	Loans - (a)		10,212,869.00
	Staff Loans (Existing Staff)		7,135,939.00
	Staff Loans (Transferred Officials)		3,076,930.00

	Advances - (b)	127,404.00
	Staff - for operating activities	27,404.00
	JHS Enterprises (Fuel)	100,000.00
	Receivables	1,820,645.84
	Value Added Tax	669,917.25
	Interest Income	1,150,728.59
	Prepayments - Building Rent	1,722,240.00
	Treasury Current Account - Em.Levy	202,128,690.00
	Cash and Cash Equivalent	6,902,493.92
<b>10</b>	<b>GOVERNMENT GRANTS</b>	<b>22,715,622.57</b>
	Land	5,359,200.00
	Buildings	9,090,800.00
	Vehicles	3,675,000.00
	Other Fixed Assets	4,149,299.00
	Stationary Stock	441,323.57
<b>11</b>	<b>NON -CURRENT LIABILITIES</b>	<b>2,302,138.00</b>
	Deposits - Bank Guarantee	2,142,000.00
	Insurance Fund	37,000.00
	Course Fees - CAATA	123,138.00
<b>12</b>	<b>CURRENT LIABILITIES</b>	<b>208,974,372.41</b>
	<b>Accrued Expenses ( c + d + e + f )</b>	<b>4,766,220.61</b>
	Staff Expenses (c)	333,654.47
	Salaries	21,235.25
	Other Allowances	48,432.53
	Over Time	66,517.84
	Pension Contribution	21,543.75
	P.A.Y.E	142,402.10
	Traveling Expenses	33,523.00
	Supplies (d)	259,588.30
	Stationery	137,167.00
	Fuel	122,421.30
	General Expenses (e)	4,049,076.14
	Telecommunication	259,567.00
	Welfare Expenses	8,142.00



Rent and Hire Charges	33,287.66
Income Tax	3,748,079.48
Maintenance (f)	123,901.70
Building Rent - CAATA - Ceylon Tourist Board	80,000.00
Electricity - CAATA - Ceylon Tourist Board	27,936.00
Water - Katunayake	970.20
Vehicle Maintenance	14,995.50
<b>Creditors</b>	<b>2,079,461.80</b>
Ministry of Public Administration, M&R (Staff Loans)	34,630.00
ePlanet Business Systems (Accounting Package)	50,000.00
Metropolitan Computers (Computer Repairs)	82,500.00
Swedish Trading Company (Audio Visual Equipment-CAATA)	210,156.00
Transpac International (Pvt) Ltd (Palaly Renovations)	1,458,093.00
Galle Fase Hotel (Conference)	29,160.00
Expo Aviation - Balance (Inspection)	198,362.80
Deposit - Medical ( For Doctors)	16,560.00
Treasury Current Account	202,128,690.00



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>Note No</b>	<b>Rs</b>
Surplus from ordinary activities		46,967,032.60
Non-Cash Movements	13	3,415,634.86
Depreciation	14	211,276,510.41
Increase in Payables	15	(13,883,158.84)
Increase in Receivables	16	(90,928.34)
<b>Net Cash Flows from Operating Activities</b>		<b>247,685,090.69</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Tangible Assets	17	(6,036,559.35)
Purchase of Intangible Assets	18	(172,608,015.70)
<b>Net Cash Flows from Investing Activities</b>		<b>(178,644,575.05)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

-

**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** **69,040,515.64**

**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**

-

**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** **69,040,515.64**

**NOTES TO THE CASH FLOW STATEMENT**

<b>13</b>	<b>DEPRICIATION</b>	<b>3,415,634.86</b>
	Buildings	606,356.36
	Vehicles	918,750.00
	Plant, Machinery & Equip ment	1,477,937.50
	Furniture & Fittings	184,721.00
	Other Fixed Assets	227,870.00
<b>14</b>	<b>INCREASE IN PAYABLES</b>	<b>211,276,510.41</b>
	Accrued Expenses	4,766,220.61
	Creditors	2,079,461.80
	Treasury Current Account ( E.L)	202,128,690.00
	Non Current Liabilities	2,302,138.00
<b>15</b>	<b>INCREASE IN RECEIVABLES</b>	<b>13,883,158.84</b>
	Interest Income Receivable	1,150,728.59
	Staff Loans Receivable	10,212,869.00
	Advances Receivables	127,404.00
	Vat Receivables	669,917.25
	Pre Payments	1,722,240.00
<b>16</b>	<b>INCREASE IN OTHER CURRENT ASSETS</b>	<b>90,928.34</b>
	Increase in Stationery Stock	90,928.34
<b>17</b>	<b>PURCHASE OF TANGIBLE ASSETS</b>	<b>6,036,559.35</b>
	Buildings	99,900.00
	Plant, Machinery & Equipment	3,839,604.17
	Furniture & Fittings	1,713,975.18
	Other Fixed Assets	383,080.00
<b>18</b>	<b>PURCHASE OF INTANGIBLE ASSETS</b>	<b>172,608,015.70</b>
	Treasury Bills - Authority Funds	27,617,347.42
	Treasury Bills - E.L	69,990,668.28
	Fixed Deposits - Authority Funds	5,000,000.00
	Call Deposits - E.L	70,000,000.00
<b>19</b>	<b>CASH &amp; C ASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>69,040,515.04</b>
	Current Account - BOC, 07470800005134	6,902,493.32
	Current Account - BOC, 07470800005287 E.L	62,138,021.72

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2003**

	<b>Government Grant</b>	<b>Accumulated Profit</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Balance as at 01 <sup>st</sup> January 2003	22,715,622.57	-	22,715,622.57
Net Profit for the Year	-	46,967,032.60	46,967,032.60
<b>Balance as at 31<sup>st</sup> December 2003</b>	<b>22,715,662.57</b>	<b>46,967,032.60</b>	<b>69,682,655.17</b>

## ACCOUNTING POLICIES

### 1. General Policies

- 1.1** The Financial Statements are prepared under the historical cost convention in conformity with generally accepted accounting principles, and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. It also provides the information as required by the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.
- 1.2** The Civil Aviation Authority of Sri Lanka commenced operations on 27<sup>th</sup> December 2002 and the transactions pertaining to five days between 27<sup>th</sup> to 31<sup>st</sup> of Dec 2002, had been accounted with the General Treasury in the appropriation account -2002 under the Head 903. Hence the comparative information of the previous year has not been reflected in the current years Financial Statement.

### 2. Property, Plant and Equipment

- 2.1** Property, Plant and Equipment that are transferred from General Treasury/Government stated at valuation less depreciation for the year, whereas the Property, Plant and Equipment acquired during the current financial year have been valued at cost.

Two Vehicles 65/3651 and 65/3653 Toyota Landcruisers, which are registered under the UN Representative, have not been transferred to the Authority yet.

Fourteen Aerodromes, and aeronautical facilities including the land appertaining thereto specified in the Second Schedule and the Third Schedule to the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002 respectively have not been transferred to the Authority as yet.

### 2.2 Depreciation

The provision for depreciation is calculated on the Straight-line basis on the valuation on all Property, Plant & Equipment other than Lands in order to write off such amounts over the following estimated useful lives by equal installments,

Buildings	6 2/3%
Motor Vehicles	25 %
Plant, Machinery & Equipment	50 %
Furniture & Fittings	25 %
Other Fixed Assets	50 %

No depreciation is provided on Property, Plant and Equipment in the year of purchased, whilst full year depreciation is charged in the year of disposal.

**3. Inventories**

All inventories have been valued at the cost.

**4. Debtors and Receivables**

Debtors are stated at their realizable amounts.

**5. Liabilities and Provisions**

All known liabilities have been accounted for in preparing the Financial Statements.

**6. Income Tax**

Provision for Income Tax is made on the basis of the profit reported in the Financial Statements and adjusted for the purpose in terms of the provisions of the Inland Revenue Act No. 38 of 2000 and the amendments thereto

**7. Cash and Cash Equivalents**

Cash and Cash Equivalents are defined as the balance at the Bank.

**8. Government Grants**

The Government Grants stated the credit of the valued assets transferred from Department of Civil Aviation at the time of formation of the Authority.

**9. Treasury Current Account**

The treasury current Account reflects the money collected on Embarkation Levy pursuant to the Finance Act No . 25 of 2003.

**10. Post Balance Sheet Events**

No circumstance has arisen since the Balance Sheet date, which requires adjustments to, or disclosure in the final accounts.

# **AUDITORS' REPORT**





### Notes to the Accounts

Note No.								
<b>07</b>	<b>Property, Plant and Equipment</b>							
		<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Plant, Machinery &amp; Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Other fixed Assets</b>	<b>Total as at 31.12.03</b>
	Valuation as at 01.01.2003	5,359,200.00	9,090,800.00	3,675,000.00	295,587.50	737,684.00	455,740.00	22,274,299.00
	Additions during the year	-	99,900.00	-	3,839,604.17	1,713,975.18	383,080.00	6,036,559.35
	Disposal/transfers	-	-	-	-	-	-	-
	<b>As at 31.12.2003</b>	<b>5,359,200.00</b>	<b>9,190,700.00</b>	<b>3,675,000.00</b>	<b>6,795,479.17</b>	<b>2,451,659.18</b>	<b>838,820.00</b>	<b>28,310,858.35</b>
	<b>Depreciation</b>							
	As at 01.01.2003	-	-	-	-	-	-	-
	Charge for the year	-	606,356.36	918,750.00	1,477,937.50	184,721.00	227,870.00	3,415,634.86
	Disposals / Transfers	-	-	-	-	-	-	-
	<b>As at 01.12.2003</b>	<b>-</b>	<b>606,356.36</b>	<b>918,750.00</b>	<b>1,477,937.50</b>	<b>184,721.00</b>	<b>227,870.00</b>	<b>3,415,634.86</b>
	<b>Net book value As at 01.12.2003</b>	<b>5,359,200.00</b>	<b>8,584,343.64</b>	<b>2,756,250.00</b>	<b>5,317,541.67</b>	<b>2,266,938.18</b>	<b>610,950.00</b>	<b>24,895,223.49</b>