



# **CIVIL AVIATION AUTHORITY OF SRI LANKA**

# **ANNUAL REPORT - 2004**

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

**Hon. Minister of Ports and 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 Guidelines for Good Governance issued by the Department of Public Enterprise, Ministry of Finance in June 2003 which supercedes 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 ended 31<sup>st</sup> December 2004.



**Air Vice Marshal (Retd.) P.H.Mendis**  
Chairman  
Civil Aviation Authority of Sri Lanka

January 2005

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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
AFTN	Aeronautical Fixed Telecommunication Network
AGOI	Assistant Ground Operations Inspector
AI	Aerodrome Inspector
AIU	Accident Investigation Unit
AISO	Aeronautical Information Service Officer
AMO	Approved Maintenance Organization
ANSI	Air Navigation Services Inspector
AOC	Air Operator Certificate
AS	Aeronautical Services
ASI	Aviation Security Inspector
ASN	Aviation Safety Notice
AT&LA	Air Transport and Legal Affairs
ATO	Air Transport Officer
AvSec	Aviation Security
Aw	Airworthiness
AwE	Airworthiness Engineer
BIA	Bandaranaike International Airport
CAA	Civil Aviation Authority of Sri Lanka
CAATA	Civil Aviation Authority Training Academy
CEO	Chief Executive Officer
Cp	Corporate
COSCAP-SA	Co-operative Development of Operational Safety and Continuing Airworthiness Programme – South Asia
CSI	Cabin Safety Inspector
Danida	Denmark Development Assistance
DCA	Department of Civil Aviation
DD	Deputy Director
DGCA	Director -General of Civil Aviation
DO	Documentation Officer
DPIG	Development Planning & Implementation Group
EU-SA	European Union – South Asia
FAL	Facilitation
FIR	Flight Information Region
FM	Finance Manager
FOI	Flight Operations Inspector
FS	Flight Safety
GOI	Ground Operations Inspector
GSA	General Sales Agent
HR&OM	Human Resources & Office Management
HR&OMO	Human Resources & Office Management Officer
IA	Internal Audit
ICAO	International Civil Aviation Organization
MEL	Minimum Equipment List
NOTAM	Notice to Airmen
Ops	Operations
PA	Personal Assistant
PL	Personnel Licensing
PLO	Personnel Licensing Officer
S/CAA	Secretary to the CAA
SAISO	Senior Aeronautical Information Service Officer
SARPs	Standards and Recommended Practices
SARAST	South Asia Regional Aviation Safety Team

SATO	Senior Air Transport Officer
SAwE	Senior Airworthiness Engineer
SFOI	Senior Flight Operations Inspector
SLAF	Sri Lanka Air Force
SLCAP	Sri Lanka Civil Aviation Publication
SP	Special Projects
SPLO	Senior Personnel Licensing Officer
USTDA	United States Trade and Development Agency
USOAP	Universal Safety Oversight Audit Programme

## **DIRECTORY**

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Telegraphic Address	: AIRCIVIL
AFTN Address	: VCCCYAYX
Branch Office	: Civil Aviation Authority of Sri Lanka, “Hilltop”, Naikanda, Minuwangoda Road, Katunayake. Telephone : 94 -11 -2251076 Facsimile: 94 -11 -2251076 E-mail: <a href="mailto:katcaa@sltnet.lk">katcaa@sltnet.lk</a>
Sub-office	: Airworthiness Sub Office, Civil Aviation Authority of Sri Lanka, Bandaranaike International Airport Colombo, Katunayake. Telephone: 94 -11 -2252269 E-mail : <a href="mailto:aidbcaa@sltnet.lk">aidbcaa@sltnet.lk</a>
	: Airworthiness Sub Office, Civil Aviation Authority of Sri Lanka, Colombo Airport, Ratmalana. Telephone : 94 – 11 – 2635756 E-mail : <a href="mailto:aidccaa@sltnet.lk">aidccaa@sltnet.lk</a>
Auditors	: Auditor General, Democratic Socialist Republic of Sri Lanka
Lawyers	: Attorney General, Democratic Socialist Republic of Sri Lanka
Banker	: Bank of Ceylon
Insurer	: Sri Lanka Insurance Corporation Ltd.

## PROFILE

### Overview

The Civil Aviation Authority of Sri Lanka (the “CAA”) was established under the Civil Aviation Authority Act No.34 of 2002 on 27<sup>th</sup> December 2002 and is deemed a Public Enterprise for the purpose of audit of accounts under Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

It’s primary function is to undertake activities that promote civil aviation safety and security in keeping with International Standards and Recommended Practices adopted by International Civil Aviation Organization (ICAO) and to steer the aviation sector in Sri Lanka as a prime contributor to the growth of national economy, enhancing quality of life of it’s citizens.

The Civil Aviation Authority of Sri Lanka consists of eight (08) members. Five (05) of them are appointed by the Minister in charge of the subject of Civil Aviation. The Secretary, Ministry of Defence, a representative of the Minister in charge of the subject of Finance and the Director -General of Civil Aviation are the three (03) members serving the CAA as ex -officios. The term of office of the appointed members is three (03) years.

The Authority is subjected to the direction and control of the Minister in charge of the subject of civil aviation who at present is the Minister of Ports and Aviation, and it reports directly to him.

### Members of the Civil Aviation Authority of Sri Lanka



**(Seated)** – Left to right – Mrs.C.S.Kumarasinghe, Representative of Ministry of Finance, Mr.Norman Gunewardene, Vice Chairman, AVM. P.H.Mendis, Chairman, Mr. Cyril Herath, Secretary, Ministry of Defence, Mr.H.M.C.Nimalsiri, DGCA & CEO.  
**Standing** – Left to right – Mr.Nihal Jayawardene, Mr.Ananda Goonatilleke, (Executive Director), Mr.G.S.Withanage.)

### Members appointed by the Hon. Minister of Ports and Aviation

1. **Air Vice Marshal P.H.Mendis, (Chairman)**
2. **Mr. Norman Gunewardene, (Vice Chairman)**

3. **Mr. Ananda Goonatilleke, (Executive Director)**
4. **Mr. G.S. Withanage**
5. **Mr. Nihal Jayawardene**

**Members ex-officio**

1. **Secretary, Defence**  
**(Mr. Cyril Herath)**
2. **Representative of the Minister of Finance**  
**(Mrs. C.S. Kumarasinghe)**
3. **Director General of Civil Aviation**  
**(Mr. H.M.C. Nimalsiri)**

**AIR VICE MARSHAL (RETD.) P. H. MENDIS**  
**Chairman**

Air Vice Marshal P. H. Mendis counts fifty four (54) years of service in aviation and is a well known and much respected figure in the Sri Lankan aviation field.

He joined the Royal Ceylon Air Force as a Cadet Pilot in 1951 and was trained in UK at the Royal Air Force College, Cranwell. After his graduation in 1954 he was trained as a Fighter Pilot on Vampire jet aircraft at RAF Merryfield UK and returned to Ceylon at the end of 1954. He was trained as a Flying Instructor at the Central Flying School UK, and also attended the Defence Services Staff College, Wellington, India and the Imperial Defence College, London.

He held several major appointments both on Flying and Administrative duties and was given Command of the Sri Lanka Air Force in 1970. As Commander, he introduced the Board of Management in the Air Force, established overhaul facilities for Piston Engines, Propellers, Avionics and Instruments. He formed Heli Tours, the Commercial Arm of the Air Force, which proved profitable and very useful for the continuation training of his pilots.

In 1973 he was concurrently appointed Advisor to the Government of the Republic of Maldives and formed Air Maldives with Sri Lankan and Maldivian crews. This was to be the catalyst to the Maldivian tourist industry.

On retirement from the Air Force in 1977 he functioned as Chairman, Air Ceylon, Managing Director of Lankair (PVT) Ltd and was the founder and Executive Director of Lionair (PVT) Ltd.

**NORMAN GUNewardENE**  
**Vice Chairman**

Mr. Norman Gunewardene is a well-known figure both in Sri Lankan business and diplomatic circles. He counts 44 years of service in Aitken Spence & Co. Ltd., and was its Chairman in 1995/96 and remained a non-executive director until his retirement, in 2002. He is the Chairman of his Investment Company, Nordel Investments (Pvt) Limited, Chairman of Odel Foundation and has been the Honorary Consul for New Zealand since 1987.

He joined the Royal Ceylon Navy in 1952 and had his training at the Royal Naval College, Dartmouth, UK and the Indian Midshipman's Training Establishment, Bombay where he won the President of India's plaque for the best all round Midshipman of the course. After serving a short term with the Royal Ceylon Navy, he joined Bonars Ceylon Limited, a marine engineering company, in 1956, and then Aitken Spence & Company Limited in 1958.

He served as a Member of the Telecommunications Regulatory Commission from 1997 -2000 and as a Director of Sri Lanka Telecom Limited from 2000-2003.

**H.M.C. NIMALSIRI**  
**Director General of Civil Aviation and Chief Executive Officer**

Mr. Nimalsiri is the Chief Executive Officer of the Civil Aviation Authority of Sri Lanka since its inception in 2002. Prior to his appointment as the DGCA/CEO, he functioned as the Assistant Director (Operations) having joined the Department of Civil Aviation in 1987 and has been a pillar of strength in the CAA. Mr. Nimalsiri is amongst a few officials who pioneered drafting the new legislative framework in Civil Aviation and introducing institutional reforms in the former Annual Report-2004

Department of Civil Aviation, which led to the formation of the Civil Aviation Authority of Sri Lanka and introduction of the Civil Aviation Bill.

He has followed numerous training courses relating to air transport, aviation safety & security and navigation services and possesses an extensive knowledge and experience in Civil Aviation. He has participated in various regional and international conferences on Civil Aviation and taken part in numerous bilateral air services negotiations with foreign States representing the CAA and the former Department of Civil Aviation .

Mr.Nimalsiri has obtained a B.Sc (Hons) degree from the University of Colombo and has completed a M.Sc degree in computer science from the same University. He has also obtained a Flight Operations Officer Licence after following a qualifying training course in Ulyanovsk, Russia.

Being the DGCA, he has specific statutory powers and functions under the Air Navigation Act and Regulations made thereunder including exercising control over entry into the civil aviation system through granting of civil aviation documents (such as licences, certificate of approvals etc.).

He is the designated Government authority responsible for Civil Aviation security in Sri Lanka.

**ANANDA GOONATILLEKE**  
**Executive Director**

Mr.Ananda Goonatilleke in addition to being an Attorney -at-Law brings to the CAA his experience on Boards of various establishments. He was the Director Operations of Associated Newspapers of Ceylon Limited (Lake House) and the working Director of Sri Lanka Broadcasting Corporation. He was also a Board member / Director of the Sri Lanka Telecom Limited from 1998 to 2004. He was the Chairman, Common Amenities Board and is currently the Chairman of Shakthi Publishers Limited (Dinakara).

Mr.Goonatilleke has a B.A. degree from Colombo Campus, University of Ceylon. He is also a member of the Bar Council of the Bar Association of Sri Lanka since 1992.

**G S WITHANAGE**  
**Member**

Mr. G. S. Withanage has held many senior positions in various government establishments and has considerable experience in public administration. He has completed 14 years of service in the field of Civil Aviation and obtained professional training in Air Transport, Civil Aviation Management and Airport Development in reputed aviation academies in various countries. He has participated in numerous bilateral air services negotiations with other countries as a member of Sri Lanka's delegation

Mr.Withanage obtained his Bachelor of Science Special Degree in the field of Business Administration from the University of Sir Jayawardanapura and completed Master of Business Administration Degree at the University of Colombo. He serves as the Additional Secretary (Aviation) in the Ministry of Ports & Aviation and is a Class I officer of the Sri Lanka Administrative Service.

**NIHAL JAYAWARDENE**  
**Member**

As a holder of a Masters Degree in Law at University College, London, specializing in Air Law, Space Law, Carriage by Air, Comparative Immigration & Nationality Law and being a Senior State Counsel, Mr.Nihal Jayawardene brings to the CAA a wealth of knowledge and experience in legal and aviation field. He has participated at numerous Bi-Lateral Air Services negotiations with other countries as a member of the Sri Lanka's delegation and assisted the former Department of Civil Aviation in the legal reforms undertaken for the establishment of Civil Aviation Authority of Sri Lanka.

Mr.Jayawardene was called to the Bar as an Attorney -at-Law of the Supreme Court of Sri Lanka in November 1983.

Mr. Jayawardene has passed the Final Examination at Sri Lanka Law College in December 1982 and was enrolled as a solicitor of the Supreme Court of England and Wales on 15<sup>th</sup> November 1991. He has followed a Summer Course in Public International Law at The Hague Academy of International Law (July – August 1988).

**CYRIL HERATH**  
**Secretary, Ministry of Defence**

Mr. Cyril Herath is a prominent senior administrator who retired after a distinguished service as the Inspector General of Police, Sri Lanka, from December 1985 to August 1988. He has been heading the National Savings Bank as the Chairman for a long period of time.

Mr. Herath holds a Bachelor of Arts degree and served the Civil Aviation Authority of Sri Lanka as an ex-officio Member in his capacity as the Secretary Defence until he retired from that post in November 2004.

Major General (Retd.) Asoka Jayawardhana who succeeded Herath as the Secretary, Ministry of Defence, serves the CAA at present as an ex-officio Member.

**CHITRA SWARNAPALI KUMARASINGHE**  
**Representative of the Minister of Finance**

Mrs. C. S. Kumarasinghe has wide experience in public administration. She is working as an Additional Director General, Department of National Budget. Mrs. Kumarasinghe has been appointed to serve as a member of the National Education Commission and the State Development Construction Corporation. She has served as a member of the Land Reforms Commission, Rubber Research Institute, Tertiary and Vocational Education Commission, Coconut Cultivation Board and the State Printing Corporation.

Mrs. Kumarasinghe obtained a B. A. (Honours) degree from the University of Ceylon, Colombo. She has obtained her Post Graduate Diploma from the Institute of Social Studies, Netherlands and a M.Sc from the University of Otago, New Zealand. She joined the Sri Lanka Administrative Service in 1973 and served various government departments in different capacities.

## **CHAIRMAN'S REVIEW**

2004 saw the completion of our second year of operation. This has been a very busy year for the Authority, which was reconstituted in May 2004. The Authority welcomed Mr. Norman Gunawardene as Vice Chairman and Mr. Ananda Goonatilleke as the Executive Director, together with Mr. Nihal Jayawardene and Mr. G.S. Withanage who were also appointed to the CAA.

The Committees of the CAA were also reconstituted to include the new members of the CAA, and these Committees met regularly throughout the year. During the year under review we were able to fill the vacancies that had existed earlier. We are most fortunate to have obtained the services of several senior staff from Sri Lankan Airlines and the Airport and Aviation Services (SL) Ltd. However, these officers had to be taken on contract due to age and other reasons. It is imperative that we formulate training and a programme of progression, so that these posts can be filled in later years from within our own ranks.

The staff at the Civil Aviation Authority is highly motivated and most enthusiastic which is partly due to the internal training programmes in the form of weekend workshops.



### **Aviation Policy**

A comprehensive Aviation Policy was drawn up after consultation with the National Airline, Travel Agents, and others connected with aviation industry. This policy has been submitted to the Ministry and awaits the approval of the Hon Minister and the Cabinet of Ministers.

### **Regulatory Functions**

The DGCA implements the regulatory functions of the Authority with the assistance of the CAA staff. A very high standard is being maintained. The cooperation of all aviation related organizations has been very good and is greatly appreciated. The inspection and licensing of BIA was undertaken this year with the aegis of an ICAO consultant. He has also trained members of the CAA for future inspections and licensing duties.

### **Development of Aviation.**

Another function of the Authority is the development of aviation in the country and several milestones were achieved during the year under review.

The Ruhunu Open Skies Project envisages the development of general aviation in the South, away from the conflict areas where security considerations are paramount. The Sri Lanka Air Force has cooperated with the CAA in this regard and several aviation functions can be carried out in an area which is to be demarcated.

A Sea/Air Cargo Hub is to be created at BIA with a view to attracting mega cargo carriers and to provide efficient transshipment of sea and air cargo by air.

The domestic aviation sector has shown a minor decline in traffic to Jaffna after the opening of the A9 highway. The increase in fuel prices has also affected this traffic.

During the year under review the Cabinet approved the designation of domestic carriers to operate international routes. It is expected that the three domestic operators will operate regionally to South Indian ports whilst two new companies have sought approval to operate with big jets on international routes. These applications are being processed.

The SriLankan Airlines floatplane operation has proved successful and more floatplanes are being added to their fleet.

A new operator from India, Deccan Aviation has been granted approval to operate helicopter services in joint venture with a locally incorporated company. This service will be most useful under the Ruhunu Open Skies Project.

Sri Lanka has entered into three (3) open skies agreements with neighbouring countries and hopes to extend it further.

### **Accident Investigation**

An AIU has not yet been formed due to lack of suitable staff and training. However, a foundation for this has been laid down and two minor accidents were investigated at this end.

### **Civil -Military Relationships**

The airspace over Sri Lanka is a national asset, which is used by both the civil and military. Whilst cooperation has improved, there is still room for improvement and a Civil-Military Coordinating Committee has been established.

All airfields, other than BIA and Ratmalana are under the control of the SLAF and an agreement has been reached for the vesting of some of these airfields in the CAA in order that foreign funding may be available for renovation and maintenance before they can be used for civil operations.

### **Finance**

The CAA is presently a self-financing organization and receives no funds from the General Treasury. It generates its own funds mainly by way of premiums on PTA's, but this is reducing rapidly due to the increased competition among airlines and the decreasing fare levels. The CAA has rescheduled its charges with a view to increasing revenue, but these charges will not be able to compensate for the lowering of PTA income.

The CAA continues to collect the embarkation levy on behalf of the Government and awaits an early decision from the Treasury as to what percentage may be retained to compensate for the CAA's labour and expenses.

### **Conclusion**

The relationship between Aviation and Tourism is very close and being conscious of this, the CAA works very closely with the Ministry of Tourism. Aviation is a great contributor to the National Economy and the development of aviation is a very vital function of the CAA. Opening our skies to all scheduled passenger aircraft and the creation of hub facilities for both passenger and cargo aircraft are our goals of the immediate future.

I take this opportunity to thank the members of the board who have painstakingly advised and assisted me in my functions, and to the highly motivated and efficient staff of the CAA led by the indefatigable Director General.



**Air Vice Marshal (Retd.) P.H.Mendis**  
Chairman

January 2005

## **GOVERNANCE AND ACCOUNTABILITY**

### **Role of the Authority**

The Major role of the Authority includes but is not limited to the following:

- 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 remuneration to be able to perform CAA's functions and duties;
- Delegating responsibility for the achievement of specific objectives of the Director -General of Civil Aviation and Chief Executive officer CAA;
- Monitoring organizational performance towards achieving these objectives;
- Accounting to the Minister on plans and progress towards the implementation and
- Ensuring systems of internal controls are maintained.

### **Structure of the Civil Aviation Authority of Sri Lanka**

Five (05) of the Authority Members are appointed by the Minister of Ports and Aviation and three (03) of the Authority Members are ex -officio. The Authority is composed of Members who have diverse skills and experience in business, legal and aviation industry 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 interest of the Civil Aviation Authority and must acknowledge that the Authority must stand unified behind its decisions and that individual Members have no separate governing role outside the Authority.

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 by statute. 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 powers and functions for achievement of CAA's objectives through setting policies.

### **Committees of the Authority**

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 powers 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 selections, recruitments, appointments, 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 scholarships for CAA Staff;
10. Development of compensation schemes for premature retirement for DCA staff and
11. Development of social and welfare schemes for CAA staff.

The Staff Committee comprises the following Members of the CAA:

1. Air Vice Marshal P.H.Mendis, Chairman
2. Mr. H.M.C.Nimalsiri, DGCA &CEO
3. Mr. Ananda Goonatilleke, Executive Director

#### **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 and
5. Thrift Management in CAA.

The Finance Committee comprises the following Members of the CAA:

1. Air Vice Marshal P.H.Mendis, Chairman
2. Mr. Norman Goonawardene, member
3. Mr. H.M.C.Nimalsiri, DGCA & CEO
4. Ms. C.S.Kumarasinghe, member

### **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, where necessary;
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 and
8. Monitoring the activities of Aeronautical Service Providers.

The Planning Committee comprises all eight Members of the Authority.

### **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 General's 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 and
10. Report on all audit matters to the Authority as and when requested to do so by the Authority.

The Audit Committee comprises of the following members

1. Ms C.S.Kumarasinghe, Chairman of the Audit Committee
2. Secretary / Defence, member
3. Mr.Norman Goonawardene, Vice Chairman -CAA
4. Mr.G.S.Withanage, member

### **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 Ports and Aviation.

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

A key to the efficient running of the Civil Aviation Authority is that there is a clear demarcation between the role of the Authority and the Senior Management headed by the DGCA & CEO. The Authority concentrates on setting high level policies and strategies, and then monitors progress towards meeting the objectives. The Senior Management is concerned with implementing these high-level policies and strategies. 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 powers and functions to the Director-General of Civil Aviation and Chief Executive Officer of CAA is concise and complete.

### **Accountability**

The Authority and its Committees hold frequent meetings to monitor the progress towards its strategic objectives and to ensure that the affairs of the Civil Aviation Authority are being managed and 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 to those specific objectives of the Authority which are achieved. The Authority and the senior management have acknowledged their responsibility by signing the Statement of Responsibility contained in this report.

The Authority has an internal audit unit that is responsible for monitoring systems of internal control in each of the CAA sections. This unit is concerned with the quality and reliability of financial and other information reported to the Authority. Internal Audit operates independently of the management and reports its findings directly to the Audit Committee.

### **Legislative Compliance**

The Authority acknowledges its responsibility to ensure that the organization complies with all legislation. The Authority has delegated responsibility to the senior management for the development and operation of a programme to systematically identify compliance issues and ensures that all staff are 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 behaviour and practice the principles of 'good corporate governance'. 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 morals and accepted rights and responsibilities of all citizens of those communities.

## **CIVIL AVIATION AUTHORITY OF SRI LANKA**

### **Vision**

To be a prime catalyst to the growth of the National Economy.

### **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 a public asset that shall be managed for the progress and well being of the posterity of Sri Lanka”.



### **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 planning and development of civil aviation.

### **Strategies**

- Improved and consistent implementation 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 CAA and its employees:

- assign top priority to safety.
- excel in the services being provided to the CAA customers.
- have a ‘can do’ attitude in everything being undertaken.
- aim to be reliable and realistic.
- willing and able to change in pursuit of continuous improvement.
- work together to achieve success.
- are open, honest and transparent.
- promote efficiency and regularity in everything being done.
- trust and respect their colleagues.
- value everyone’s contribution.
- recognize their social responsibilities.
- enjoy what is being done.
- take pride in their professional approach.
- have a balanced home and work environment.

**CAA's 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/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 make air travel affordable to people of average class.
- To improve the quality of service in air travel.
- To minimize congestion and expedite passenger processing at airports, whilst being mindful of the security requirements.
- To minimize operational costs in the air transportation and eliminate waste.

**Outcome**

- Safety, efficiency and regularity in civil aviation and security of personnel associated with civil aviation.
- 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.
- Improved access and mobility of people and goods.
- Dependable services in the field of civil aviation.
- Education in the field of civil aviation.
- Promotion of all aspects of civil aeronautics.
- Protecting and promoting public health.
- Environmental sustainability.

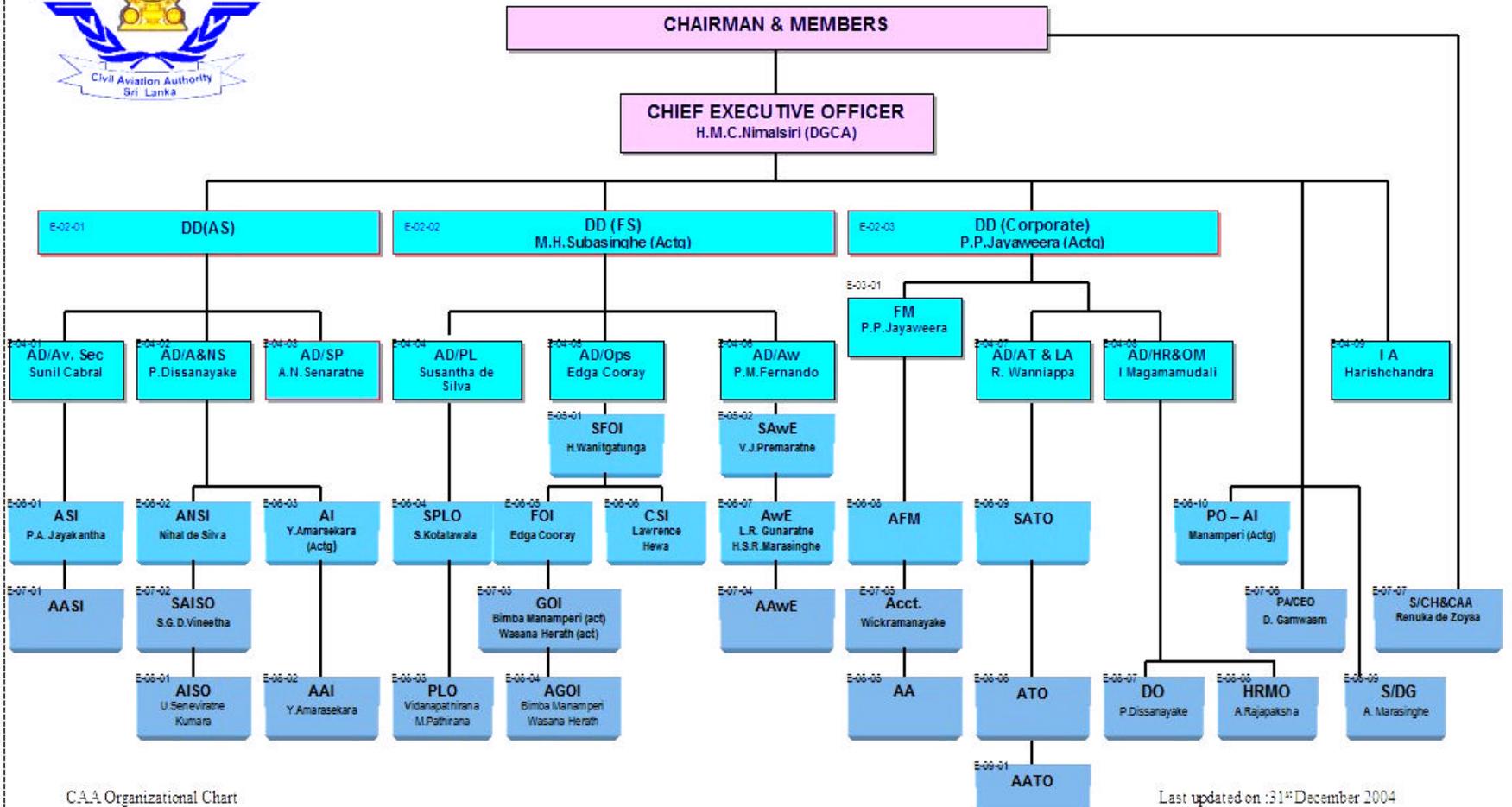
**Output**

<b>Output Class</b>	<b>Output</b>
Policy Advice	Advice the Government & other organizations Legislative Reforms Development of Rules Development and promulgation of Implementing Standards Development of Aviation Policy Development of manuals of procedures Master planning of aviation infrastructure
Safety Assessment & Certification	Risk management of: Airport/Airfield sector safety; Airlines sector safety; General aviation sector safety ; Personnel licensing safety; Flying training safety; Aircraft maintenance safety and Aviation services sector safety risk management.
Safety Analysis, Information and Promotion	Safety investigation Safety analysis Safety information, education and promotion Aircraft Accident & Incident Investigations and implementation of safety recommendations

Authorization	Airline schedule approval Airfare approval Travel agents certification Registration of aircraft Authorization for import of aircraft spare parts Authorization of tall structure constructions Authorization for GSA Designation of local carriers for international operations
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



## Civil Aviation Authority of Sri Lanka



## **PROGRESS REVIEW – 2004**

### **Report of the Director General of Civil Aviation and Chief Executive Officer**

#### **Global Scenario**

Air Transport is an innovative industry that drives economic and social progress of any country. It's unique global network connects people, countries and cultures thereby contributing to the advancement of modern society. Air Transport contributes to a better quality of life for the world's citizens. It provides access to global markets, generates trade and tourism and also brings the developed and developing countries closer together which can help alleviate poverty. Many outlying communities would suffer without the opportunities for economic and social participation afforded by air services.



As a result of rising consumer demand for travel, increased competition and global trade, air transport is one of the fastest growing global industries. Good air links are crucial for economic growth and job creation. Air Transport reduces the cost of trade and opens up new market opportunities by attracting businesses to new locations and by moving products and services quickly over long distances. Many industrial and commercial activities, especially tourism are reliant on air transport.

The air transport industry is committed to meeting it's customers' growing demand in a sustainable manner, thereby maintaining an optimal balance between economic progress, social development and environmental responsibility. This means balancing the needs of passengers, society, the economy and the environment and making the best use of existing facilities whilst addressing the challenges of new developments. Compared to other modes of transport, air transport uses infrastructure more productively and it's consumers pay for most of it's infrastructure costs, which is not the case in other modes of transport.

The air transport industry suffers from a lack of adequate airspace, airport capacity and associated infrastructure. Congestion has increased dramatically in the recent past with a growing number of flight delays and overcrowding at airports. Delays disrupt ground operations, gate assignments, crew schedules and passenger itineraries whilst producing additional energy consumption and emissions.

The provision of more and better infrastructure is necessary to address air transport congestion and future growth. Technological means for communication, navigation and surveillance which have evolved from ground-based radar system and analogue radio signals towards more sophisticated satellite positioning systems and digital communication systems. It is vital that countries take early steps to implement such systems, if they are to maintain their share of involvement in the industry.

Airports must be ready to handle current and future demand and therefore, they must be either expanded or established newly. However, implementation of such projects is becoming more and more difficult despite the fact that the lack of airport capacity is now identified as the main obstacle to future air transport growth. This is mainly due to growing opposition from local residents and pressure groups who force governments to apply complex approval procedures. Conflicting situations are too often the consequence of a lack of proper land-use planning within and in the vicinity of airports. As a result, the air transport capacity is lagging behind the demand with increasing delays, operating costs and emissions, thereby penalizing passengers and customers and undermining consumer satisfaction.

Airlines and airports are increasingly focusing on how they can maximize the effectiveness of their networks by improving links with other modes of transport known as "inter-modality" which is a solution to many transport problems.

The air transport industry's challenge is three fold; meeting the demands of today's traveling public and shippers of airfreight in a competitive environment, whilst addressing congestion-related problems and environmental concerns. Demand for air transport has increased steadily over the years. The long-term demand trend is always positive despite short-term setbacks for the industry like acts of war, terrorism, issues related to public health or economic slowdown.

According to ICAO statistics, in 2004, airline scheduled services carried more than 1.8 billion passengers and 38 million tonnes of freight worldwide. Approximately 45 percent of some 714 million international tourists and some 40 per cent by value of world's manufactured exports were transported by air. The annual growth rate of the scheduled passenger traffic of airlines of the whole world has been 4.4 per cent over the past decade. Today's air transport industry includes nearly nine hundred (900) scheduled air carriers worldwide operating about twenty one thousand five hundred (21,500) aircraft. Add to that some twenty two thousand (22,000) business aircraft and many more owned by private sector.

Safety in air transport has been improved dramatically that it has become the safest mode of transport in the world. The progress made in the regularity and efficiency in the air transport industry over the last few decades is unparalleled compared to other modes of transport, despite the level of security measures have been intensified.

The States have paid greater attention to the stringent application and implementation of international Standards and Recommended Practices adopted by ICAO in the field of civil aviation. The degree of member States' compliance with such requirements is constantly ascertained through Universal, Systematic and Mandatory audits being conducted by ICAO on each State or regular basis.

### **Regional scenario**

Over the past several decades, the Asia/Pacific region has been the engine of growth for the air transport industry with scheduled passenger traffic of airlines registered in the region growing at an average annual rate of 5.7 per cent. The airlines in the region claimed for 25.4 per cent share of the total scheduled passenger traffic and 36 per cent of the world's air cargo traffic in 2003. The indications at present are that the region's airline passenger traffic will register a growth rate of 8.5 per cent at the end of 2004.

Sri Lanka is located between two major aviation hubs viz. Singapore from the East and Dubai from the West. It was observed that certain international airports in the southern India such as Cochin and Bangalore are fast developing to reach the hub status and fill the void in the Indian sub-continent.

States in the region have attached high importance to liberalization in granting rights of access for commercial air services. India, Thailand and Singapore were amongst many countries in the region, which were observed to have taken a lead role in this process.

A few leading airlines in the region have already made firm orders for acquisition of A380 aircraft and some have notified to Sri Lanka of their intention of operating such huge airplanes to Colombo in 2008 for commercial services.

A few Low Cost Carriers (LCC) were observed to have been established in the region. The LCCs stimulate intense price competition and this has resulted in substantial traffic growth in some city-pair markets and for some airports in the region.

## **Local scenario**

Being an island which has yet -to-improve surface transport network, Sri Lanka has to depend heavily on air transport to establish trade, commerce and social links with the rest of the world for the economic growth of the country and to fulfill requirements of its citizens for expeditious mobility. Hence, it is vital for the early identification, the full potential of the aviation sector for the growth of national economy and take required steps for the development of aviation infrastructure and associated amenities, if Sri Lanka is to keep pace with the rapid global developments taking place in this arena and to benefit out of it.

Compared to other industries, the civil aviation industry in Sri Lanka is smaller in size that there are only about eight thousand (8000) personnel approximately employed in aviation related activities including the personnel employed in sale of airline tickets.

BIA registered a phenomenal growth both in passenger movements and cargo movements in 2004. Total number of international passenger movements in 2004 surpassed four (4) million limit registering an annual growth rate of twenty six (26) per cent, which is well over the previous year's growth rate of 17 per cent. Domestic aviation sector, especially the tourist and business travel on charter flights has shown a remarkable development during the year under review.

Absence of a Civil Aviation Policy, non -existence of Civil Aviation Development Master Plan, the capacity limitations at BIA, lack of an in -country alternate international runway, non -availability of some of the existing domestic airfields for operations of civil flights, public unawareness of the potential of aviation, embargoes placed on domestic civil flights on grounds of security are amongst the many factors which have adversely affected the healthy growth of civil aviation industry in Sri Lanka.

Foregoing account depicts the global, regional and local civil aviation arena, under which the Civil Aviation Authority of Sri Lanka functioned during the year under review. While continuing with the on going activities at the fall of 2003, the Civil Aviation Authority embarked on a series of new activities, resume of which is as depicted below.

## **1. DIRECTION AND MANAGEMENT**

### **1.1 THE CAA AND IT'S COMMITTEES**

#### **Board of Members:**

Consequent to the change of Government following the general election held on 02<sup>nd</sup> April 2004, the Civil Aviation Authority of Sri Lanka was brought under the Ministry of Ports and Aviation and all members who had been appointed by the previous Minister and who had been serving in the first Board of Management of the CAA resigned. Hon. Mangala Samaraweera, Minister of Ports and Aviation appointed the following persons to the second Board of Management of the CAA, as members:

1. Air Vice Marshal (Retd.) P.H.Mendis – Chairman
2. Mr.Norman Goonawardene, Vice Chairman
3. Mr.Ananda Goonatilleke, Executive Director
4. Mr. G.S.Withanage, Member
5. Mr. Nihal Jayawardene, Member

#### **Meetings of the CAA**

The Board has held ten (10) meetings during the period under review and passed more than hundred and fifty resolutions for the progress and well-being of both the CAA and the civil aviation industry that it regulates. The Staff Committee, Finance Committee and Audit Committee of the CAA met ten (10), two (02) and six (06) times respectively during the period under review.

**Representation & Participation**

The Chairman represented the Civil Aviation Authority of Sri Lanka at the bilateral air services negotiations held with Austria, Bangladesh, France, Lebanon, Nepal, Singapore, Thailand and United Arab Emirates during the year under review. The Executive Director represented the Civil Aviation Authority of Sri Lanka at the Steering Committee meeting of the European Union – South Asia Training Project held in Brussels. He also attended the 41<sup>st</sup> Conference of Directors General of Civil Aviation of Asia and Pacific Regions held in Hong Kong together with the Director-General of Civil Aviation Sri Lanka.

**National Civil Aviation Policy**

The CAA drafted the national civil aviation policy in close consultation with its stakeholders to suit the immediate, mid term and long-term development strategies in the aviation sector and forwarded it to the line Ministry for adoption.

**Air - Sea Cargo Hub**

The Chairman CAA, headed a committee to identify the issues associated with the rapid handling of cargo at BIA and the report containing the recommendations was submitted to the line Ministry, for necessary action.

**Vesting domestic airports in the CAA**

The Chairman CAA, headed a committee appointed by the Minister to make recommendations with regard to vesting of a few of the selected domestic airfields out of a total of thirteen (13), in the CAA for future development. The report was submitted to the line Ministry for necessary action.

**2<sup>nd</sup> Anniversary of the CAA**

Arrangements had been made to commemorate the second anniversary of the CAA, which fell on 27<sup>th</sup> December 2004 with a simple ceremony, which was to be held at the headquarters. A series of in-house events had been organized aiming at creating awareness in the new staff of the CAA's role and its challenges. Nevertheless, the CAA had to suddenly cancel all such arrangements following the Tsunami disaster on 26<sup>th</sup> December 2004 which caused unprecedented colossal devastation to people and properties in the northern, eastern, southern and western coastal belts of Sri Lanka. The CAA launched a special search mission to find out whereabouts of some of its staff who lived in the affected areas and provided them with immediate relief at cost to the CAA.

**Teaching Aviation subjects at Universities**

Sri Lanka is seriously lacking facilities for development of human resources specialized in the field civil aviation due to non-availability of such subjects in the curricula in universities and tertiary education centers in the country. This is a setback for the growth of aviation sector and the Hon. Minister of Ports and Aviation took an initiative to rectify this deficiency by obtaining approval of the Cabinet of Ministers to appoint a Committee to study and report on the feasibility of teaching aviation subjects in universities. Accordingly, the CAA made representations at the Cabinet appointed committee, which was presided over by the Secretary, Ministry of Ports and Aviation.

**1.2 SENIOR MANAGEMENT AND SECRETARIAT OF THE DGCA & CEO****Development Planning & Implementation Group (DPIG)**

A committee called "Development Planning and Implementation Group" comprising the Heads of Divisions/Sections and consultants employed by the CAA was set up with the primary objective of the following:

1. Development of office procedures and arrangements
2. Development of administrative & financial procedures and arrangements
3. Development of disciplinary procedures
4. Development of staff training plans & programmes
5. Planning the annual work programme
6. Planning the annual programme budget
7. Preparation of annual report of the CAA
8. Development of the CAA's website
9. Review of the adequacy of existing legislation & subsidiary legislation
10. Monitoring CAA's avenues of revenue
11. Review of the progress of the implementation of the annual work programme

12. Development of strategies for the implementation of the CAA decision and to make recommendations to the CAA on development/planning requirements

The Development Planning and Implementation Group was expected to meet every Wednesday of the week and twenty seven (27) meetings were held during the year under review. The discussions, suggestions and comments made at the DPIG meetings were useful for the co-ordination and smooth functioning of the CAA. Furthermore, the activities of each Section/Division of the CAA were subjected to a close scrutiny by the senior management through a Divisional Inspection Programme where more than hundred (100) items / activities in each Section/Division were evaluated using a standard checklist.

### **Management Tools**

CAA was able to introduce new office procedures manuals, in addition to amending some of the existing manuals/documents for the good governance of the CAA and/or guidance of the industry personnel. They are as follows:

- i. Staff Disciplinary Procedures Manual – SLCAP 5050 ;
- ii. Record Management Manual – SLCAP 5150;
- iii. Internal Audit Programme – SLCAP 9500;
- iv. Airworthiness Inspector Handbook – SLCAP (Revised) 6200;
- v. Strategic Action Plan– SLCAP 5300;
- vi. Staff Rules and Administrative Procedures Manual– SLCAP 5000 (Revised);
- vii. Foreign Air Operator Certification Manual – SLCAP 4105;
- viii. Aircraft Accident Investigation Procedures Manual – SLCAP 9999;
- ix. Enforcement Procedures Manual – SLCAP 5200;
- x. Flight Operations Inspector Handbook – SLCAP 4200 (Revised);
- xi. Code of Conduct for Business of the CAA – SLCAP 5100;
- xii. Authority Resolutions in Force – SLCAP -5300 – (Restricted document) and
- xiii. CAA Office Manual – SLCAP 5250.
- xiv. Personnel Licensing Procedures Manual – SLCAP 3000
- xv. Licensing Procedures Manual – SLCAP 3030

Adoption of a Strategic Action Plan for the CAA was one of the key achievements in the year under review.

### **Staffing**

The CAA continued with the filling of vacancies in the posts of approved cadre, which was deferred due to reasons beyond the control of the Authority. The dissolution of the Parliament, General elections and Provincial council elections were the main causes for delay. All vacancies in the Senior Executive and Executive Grades except the posts of promotional grades were filled with suitable candidates. Accordingly seven (07) Senior Executives, seven (07) Executives, forty two (42) Civil Aviation Officers, five (05) Drivers, eight (08) Office Aides were recruited to the CAA. The CAA has a total of 126 in it's approved cadre and there were one hundred and two (102) personnel serving the CAA at the end of the year under review.

However, filling the vacancies permanently in the posts of Senior Flight Operations Inspector and Flight Operations Inspector with suitable personnel was not possible due to dearth of qualified personnel and the demand for such professionals with very attractive emoluments and perks by the industry. Hence, the CAA had no option but to hire retired professionals on contract to achieve the immediate goals and objectives.

### **Training for employees**

The CAA had to continue with its struggle during the year under review too, in organizing the required training for its staff, especially the technical and operational staff who are actively involved in the safety oversight duties and who shall be given such training as per the international standards stipulated by the ICAO. Being the regulator, the CAA should have personnel who are at least equal or preferably better in knowledge and experience than those of the persons or organizations being regulated, if an effective regulation and safety oversight is to be expected of it. It is essential that the CAA should keep abreast of the latest developments in the field and acquire the required knowledge and expertise in the subject matters.

However, the CAA has to face a huge challenge in this regard due to multifold reasons. Firstly, the CAA cannot find well qualified, appropriately trained and sufficiently experienced staff to be employed in the technical posts as neither the universities nor tertiary education centers in the country produce such professionals through their formal education system. Therefore, the CAA has to recruit young graduates who have no knowledge and experience in aviation and provide them with the required training. The knowledge, applications and procedures in the aviation sector is fast changing. Hence, personnel who are given initial training in subject matters need to be given recurrent training at short intervals to keep pace with the rest of the world. This exercise consumes both time and money.



Lack of trained staff and centers of excellence for aviation training in the country is another hurdle faced by the CAA in organizing training for the staff. Due to this reason the CAA has to send its employees overseas for required training. Although the CAA has become a member of a few regional projects whose primary objective is to provide the participating countries with professional training, making optimum use of such opportunities were somewhat difficult. Non analytical application of the General Treasury circulars and other related government general circulars on the CAA training requirements constrained the CAA in the use of such training opportunities to effectively perform its huge responsibility for compliance with international Standards and Recommended Practices. It was noted that some of the opportunities, which did not cost anything to the CAA, which would have otherwise cost millions of rupees, were turned down merely on the grounds that nominees had traveled abroad more than three times. The CAA being an organization involved with activities relating to international civil aviation, it is intrinsic that it shall take part at such activities regardless of number of visits abroad within a period of one year. Also, it has a very limited number of staff and hence, it is natural that the same officer would attend many such activities within a period of one year. Although the Civil Aviation Authority of Sri Lanka Act No.34 of 2002 empowers the CAA to organize required training for its staff, organizations involved in the grant of approval for travel abroad or use of domestic funds held the view, that such powers shall be exercised subject to government general circulars.

The other challenge faced by the CAA is to satisfy the ICAO, that the CAA has given required training and recurrent training to its staff engaged in Safety Oversight duties and functions when ICAO sends its group of experts for Safety Oversight Audits under Universal Safety Audit Programme (USOAP). The ICAO identifies the lack of required training to the staff as a major drawback in the performance of the State's obligation for effective safety oversight. Notwithstanding the trying conditions and constraints mentioned above, 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.

### **Participation at international events**

The CAA was represented at very senior level at a few important international and regional aviation conferences and seminars held during the year under review. DGCA/CEO, CAA participated at the Aviation Safety Summit held in Washington, USA with Hon. Mangala Samaraweera, Minister of Ports and Aviation and Secretary, Ports and Aviation. The DGCA /CEO was a member of the Sri Lanka delegation which attended the 35<sup>th</sup> sessions of ICAO Assembly held in Montreal, Canada, with Hon. Minister of Ports and Aviation as the Chief Delegate. At this session, Hon. Minister informed the ICAO Assembly with regard to the government policies and various activities that have been undertaken by Sri Lanka for development of civil aviation sector in Sri Lanka. It was after 49 years since Hon. Major Montegu Jayawickrama, Minister of Transport and Works attended the ICAO Assembly in 1955, that the Minister in charge of the subject of Civil Aviation attended and addressed an ICAO Assembly Session.



At the Assembly meeting, the Member States agreed for ICAO to expand the scope of the ongoing Universal Safety Oversight Audit Programme to cover all other ICAO Annexes except the Annex -9 on Facilitation and Annex -17 on Aviation Security which will be audited under the ICAO Security Audit Programme. Furthermore, the DGCA/CEO represented Sri Lanka at the 41<sup>st</sup> Conference of Directors General of Civil Aviation- Asia and Pacific Regions held in Hong Kong during the year under review. DGCA was accompanied by the Executive Director, Assistant Director (Special Projects) and Senior Statistician of the CAA for this meeting.

#### **Universal Safety Oversight Audit by ICAO**

The ICAO mobilized a two-member team from 29<sup>th</sup> November – 03<sup>rd</sup> December 2004 to conduct an audit on Sri Lanka's capabilities for Safety Oversight, under the ICAO Universal Safety Oversight Audit Programme. This audit was a follow up audit conducted by ICAO in March 2000 where ICAO had highlighted twenty three (23) findings as deficiencies of the State in fulfilling its obligations for the conduct of effective safety oversight on the operators functioning under its jurisdiction. During the follow -up audit, the ICAO satisfied itself of the corrective actions taken by the CAA with regard to twelve (12) findings and consequently they were closed. There are still eleven (11) findings to be rectified and the CAA is in the process of attending to them.

### **1.3 ACCIDENT INVESTIGATION UNIT**

#### **Aircraft Accident Investigation**

A post titled "Programme Officer – Accident Investigation" was created to organize the Accident Investigation Unit of the CAA and to co-ordinate all matters relating to aircraft accident & incident investigation as a corrective measure for one of the audit findings of the ICAO safety oversight audit. Accident Investigation Toolkit was purchased and stored in the CAA headquarters for use in case of aircraft accident. Accident Investigation Procedures Manual (Provisional) (SLCAP-9999) was prepared and distributed amongst DPIG members, for comments.

The CAA investigated IL-18 aircraft, which crashed on 04<sup>th</sup> February 2004 at BIA. Completion of the investigation and release of the final report on this accident is delayed due to non-cooperation and non-remission of the vital information/data with regard to the aircraft and the crew by Phoenix Aviation, the operator of the aircraft and Republic of Kyrgyz, the State of the Operator. The CAA has also initiated an investigation on B-707 aircraft accident on 31<sup>st</sup> March 2004 at BIA in co-ordination with the Ghana Civil Aviation Authority, the State of Registry of the aircraft. The investigation is in progress.

There were a total of thirteen (13) major incidents reported to the CAA during the year under review. Three (03) of these incidents relate to aircraft navigating in the Colombo FIR where they were not provided with adequate separation as required by the International Standards. Investigations on two of these incidents were completed. The other incident is being investigated. There were fifty two (52) airworthiness related minor incidents reported by the operators. Out of those, ten (10) incidents were considered for further investigations and they are in progress. The Operators have submitted their corrective action plans to rectify the defects/deficiencies and CAA had made follow up actions. An Assistant Ground Operations Inspector was trained in France under EU-SA Civil Aviation Training Project with regard to the conduct of aircraft (fixed wing) accident investigation procedures and techniques.

The sole purpose of CAA accident / incident investigation is to find causes for such accidents/incidents with a view to preventing recurrence and not to apportioning the blame. Hence, there have been occasions where the aircraft accidents have not been investigated under criminal law. This is a major deficiency and hence, the CAA is working out a system where the Police will have to take over the task of investigating aircraft accidents under criminal law.

#### **1.4 INTERNAL AUDIT**

An internal audit unit was established in the CAA with the assistance of an advisor hired on assignment basis in order to ensure that the CAA functions would conform to the approved rules, regulations, procedures and instructions. The Advisor has helped the CAA in preparing an Audit Procedures Manual for the guidance of internal audit staff. A qualified and experienced person was subsequently recruited to the post of Internal Auditor in September 2004. Systematic Audit techniques and procedures are now in place not only to cover the financial functions but also to ensure compliance with required procedures in technical and operational areas. The Internal Audit will therefore be functioning more as a quality assurance unit of the CAA. During the period under review the Internal Audit Unit reviewed the Internal Control System in the Finance Division, Draft Financial Procedures and implementation of Staff Rules and Administrative Procedures.



(Senior Executive and Executive Staff attached to Internal Audit Unit, Accident Investigation Unit, and office of the Chairman and DGCA/CEO office)

## 2. AERONAUTICAL SERVICES DIVISION

Aeronautical Services Division of the CAA is composed of three Sections viz. Aviation Security Section, Special Projects Section and Aerodromes and Navigation Services Section.



(Senior Executive and Executive Staff attached to Aeronautical Services Division)

### 2.1 AVIATION SECURITY

#### **Security Plan for Domestic Flight Operations**

Domestic operators were permitted to engage in floatplane operations, Hot air balloon operations and helicopter operations after implementation of a comprehensive security plan, which was worked out in close liaison with Sri Lanka Air Force and after carrying out a detailed certification process in accordance with the published requirements. Accordingly SriLankan Airlines was permitted to operate floatplanes to Victoria reservoir, Bentota lake and Koggala lake and Deccan Aviation (Lanka) Pvt. Ltd was permitted to operate charter passenger air services using Bell Jet Ranger 206 helicopter.

#### **Hot Air Balloon Operations**

Hot air balloon operations became popular amongst tourists for sight seeing and a total of eighty three(83) flights have been performed carrying seven hundred and sixty three (763) passengers during the year under review. The total number of balloon hours flown was seventy eight (78). The CAA closely monitored the safety and security related matters involved with hot air balloon operations.



#### **Security Programmes of Airlines**

The CAA evaluated the arrangements made by local operators at BIA before they were granted permission for self ground handling. Security arrangements were one of such requirements, which were subjected to close scrutiny. All domestic operators were provided with guidance material to formulate airline's security programme that includes air cargo operations as well. The CAA's directive on carriage of personnel in the aircraft cockpit was reviewed and re-issued. By issuance of permits, the carriage of firearms aboard aircraft was strictly controlled.

#### **National Civil Aviation Security Programme**

DGCA is the competent authority designated by the Government for Civil Aviation Security in Sri Lanka under the National Civil Aviation Security Programme approved by Her Excellency

the President, in fulfilling one of the obligations of the country as per Annex –17 “Security” to the Convention on International Civil Aviation.

DGCA acts as the Secretary to the National Civil Aviation Security Committee, which is established under the National Civil Aviation Security Programme and which is presided over by the Secretary, Ministry of Defence. The Chairman, National Civil Aviation Security Committee has been requested through the line Ministry to convene the next meeting of the Committee to formalize recent changes introduced to security arrangements at the BIA, in keeping with the requirements of the National Civil Aviation Security Programme.

### **Airport Security**

Security Management at BIA was directed to submit the Airport Security Manual for approval of the CAA in accordance with the National Civil Aviation Security Programme.

### **Helicopter Operations**

An interesting characteristic intrinsic to aviation is that it can use any surface on the globe if the right equipment for that surface is chosen. Helicopter is an aircraft, which has a lot of versatility, mobility and adopt ability in it's use. A country like Sri Lanka which has vast yet-to-improve accessibility areas, can gain immense benefit from use of helicopters, especially for promotion of tourism, business travel, catering to emergency medical and search & rescue services and supply of off-shore services to vessels on commercial basis.

The CAA has identified the necessity of this vital component of the aviation infrastructure of the country and promoted private investments in this field, as the Government cannot afford to engage in such projects and fill the void at this stage. Accordingly, the CAA permitted Deccan Aviation (Lanka) Pvt. Ltd. to commence charter operations using a Bell Jet Ranger helicopter, after satisfying itself of the operator's compliance with safety and security requirements published by the CAA.

### **Levying charges for providing security**

The CAA is of the firm belief that providing security to citizens and their business ventures is a responsibility of the government. The General Treasury through the normal revenue collection mechanisms approved by the government usually collects funds required for providing such security services. However, to the dismay of the CAA and against it's policy decision, it was observed that private operators who have invested huge amount of monies for building very vital aviation infrastructure for the country, which the government could not afford to build at this stage, were charged for providing security at places of their landings. These security charges were arbitrary and not founded by law hence, resisted by the CAA. Also it is not rational to levy a charge only on air transport, when other modes of transport are not subjected to such charges.

### **Air Transport Facilitation**

The CAA was represented at the 12<sup>th</sup> ICAO FAL Divisional meeting held in Cairo, Egypt where amendments to ICAO Annex-9 “Facilitation” was discussed. The CAA recommended to the Minister of Ports and Aviation for establishment of a National Air Transport Facilitation Committee and implementation of a National Air Transport Facilitation Programme. At the direction of the Minister, the CAA drafted a Facilitation Policy Statement to be issued to the National Air Transport Facilitation Committee, and forwarded it to the line Ministry for adoption. The CAA participated at the Airport Facilitation Committee meetings and Airport Emergency Response Planning Committee meetings during the year under review.

## **2.2 SPECIAL PROJECTS**

### **CAA's Sub Office**

The CAA's twin quarters at BIA was named as Hilltop – Left and Hilltop - Right and additional land surrounding the building was acquired from the Airport & Aviation Services Ltd., in order that the building could be developed to be a proper sub-office of the CAA. Plans have been drawn up to construct a parapet wall surrounding the building and it is expected that construction of the fence would be completed in the year 2005.

### **Civil Aviation Authority Training Academy**

The CAA has identified “Training” as the key to achieve high standards in aviation safety, security, efficiency and regularity and to achieve one of it's goals to be “professional and

competent". Taking into account the absence of a centre of excellence for training of aviation personnel in matters covering entire subject of aviation, the CAA decided in the year 2003 to establish the "**Civil Aviation Authority Training Academy**" (CAATA) to cater to this need. Accordingly, the CAATA commenced functioning on 08<sup>th</sup> October 2003 with a "Kick-off" meeting, which was the first activity of EU-South Asia Project. The total number of personnel trained in CAATA for the year 2003 was two hundred and eighty eight (288).



The CAATA organized and conducted a few training courses for personnel who were interested to broaden their knowledge in aviation. "World of Aviation" was one such programme, which aimed at creating general awareness amongst participants with regard to overall activities in civil aviation. The duration of the programme was four (04) days and received a very good response from the participants. The CAA is exploring the possibilities of conducting many more similar programmes in the future too.

The CAATA offered training on Dangerous Goods to aviation security staff employed by the Airport & Aviation Services (Sri Lanka) Ltd. More than four hundred (400) security personnel received this training in order to comply with the CAA's regulatory requirements.

During the year under review, a total of 56 training courses were conducted at the CAATA, which included twenty (20) training courses conducted by EU-SA Civil Aviation Project and 4 activities conducted by COSCAP-SA. The remaining thirty four (34) training courses were organized by the CAA/CAATA. A total of one thousand one hundred and seven (1107) personnel received training at the CAATA on various disciplines relating to civil aviation in the year 2004 and the total value of the courses offered by the CAATA during this period which includes the EU-SA and COSCAP-SA sponsored projects, is estimated to be approximately Rs. 50 million. The CAATA generated an income of Rs. 999,000/= as against an expenditure of Rs.1,110,929/= during the year under review.

### **Ruhunu Open Skies**

The Domestic aviation sector in the country has been severely affected by the restrictions applied on domestic civil aircraft operations on the grounds of security. The free operation of aircraft commercial passenger services, supply of off-shore logistics services to shipping lines through helicopters, aerial work, recreational flying, flight training, operation of hot air balloons, gliders and floatplanes and model aircraft etc. have accordingly been curtailed and due to this reason, there were little opportunities and severe impediment for the growth of aviation infrastructure and development of much needed human resources specialized in the civil aviation. Recognizing this situation, the Hon. Minister appointed a task force comprising senior officials from key organizations to work out a strategy in order to grant permission to interested enthusiasts to engage in any mode of civil aviation operations within a designated area in the southern Sri Lanka under "Ruhunu Open Skies" project. It was decided that the proposed activities be launched basing the three land aerodromes viz. Katukurunda, Koggala and Weerawila located in this area. The Minister appointed the Chairman, CAA to head three sub-committees to study and report on some of the important matters and the Chairman/CAA has submitted his report to the line Ministry.

### **International Civil Aviation Day**

The world aviation community celebrates the international civil aviation day on 7th December of each year and the CAA organized a meeting at it's headquarters to mark this occasion and also published an article in "Daily News" and "Dinamina" newspapers highlighting the importance of this day.

### **EU-SA Project**

The technical assistance programme conducted under the aegis of the European Union aiming primarily at improving human resources in the field of civil aviation entered it's 2<sup>nd</sup> year of

implementation. The regional office of this Project for countries in the SAARC region is located in Colombo at the CAATA. This Project has given immense help to member countries in meeting their aviation training requirements by conducting a series of training courses in both within the region and Europe. EU -South Asia Project has conducted 20 training courses in Colombo and a total of two hundred and ninety seven (297) participants attended such training courses during the year under review. The benefits received by the CAA through professional training courses conducted during this period are estimated to be US\$ 140,000/=

#### **COSCAP-SA**

The CAA continued to participate actively in the ICAO regional project for Co-operative Development of Operational Safety and Continuing Airworthiness Programme (COSCAP-SA). The CAA's annual contribution to the COSCAP-SA in the year 2004 was USD 50,000/= and thus the CAA's total contribution to COSCAP-SA has hitherto been USD 267,956/= since joining the project in 1997. In addition, SriLankan Airlines has also contributed to the Project in kind, value of which is estimated to be approximately USD 27,000/=. The return benefits to Sri Lanka during this period is estimated to be US \$ 683,100/= as per ICAO calculations.

The 13<sup>th</sup> Steering Committee meeting was held in New Delhi from 29<sup>th</sup> November to 02<sup>nd</sup> December 2004 but the CAA could not take part at this meeting, as the ICAO Safety Oversight Audit, was also scheduled for the same period.

The COSCAP-SA has assisted the CAA in conducting safety oversight inspections and regulatory audits on airlines complementing the technical competence of the CAA to engage in safety oversight duties and functions. The COSCAP-SA was the main source of training for the CAA staff, until the EU-SA project surpassed this situation in 2003. The CAA trained twenty six (26) of its officials and thirty seven (37) industry personnel at the training courses sponsored by the COSCAP\_SA during the year under review. Accordingly total number of CAA officials and Industry personnel trained under the COSCAP\_SA since inception are two hundred and fifty one (251) and three hundred and eighty six (386) respectively. Total number of days of technical assistance received from the Project during this period was one hundred and eighty four (184). The total number of days of workshops/training courses conducted in-house under the aegis of COSCAP-SA during this period was forty eight (48).

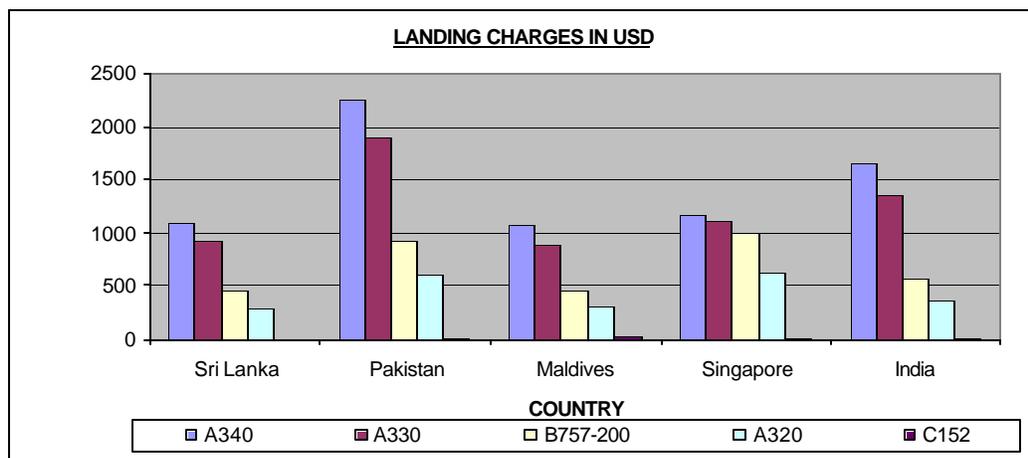
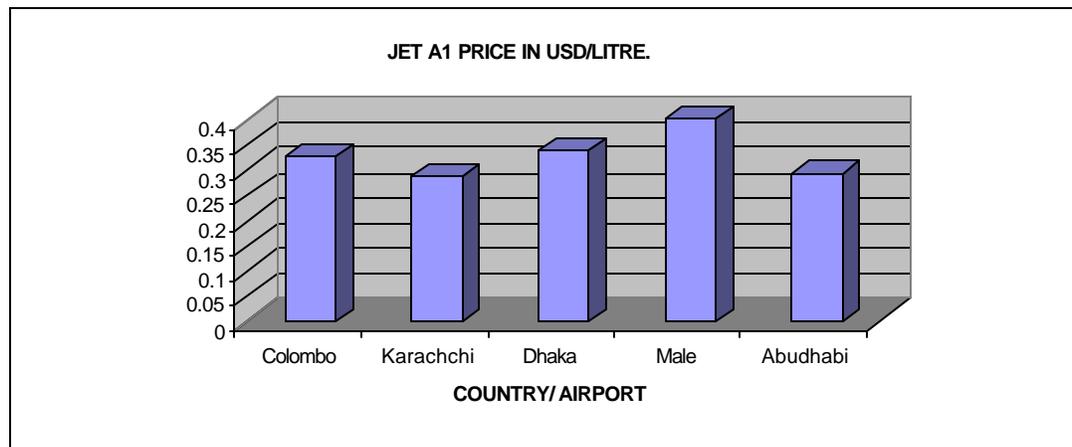
The COSCAP-SA established the South Asia Regional Safety Team (SARAST) consisting of experts in the Flight Operations area to assist member States to address matters related to operational safety. SARAST, during the year under review has made several important and useful recommendations for the promotion of flight safety.

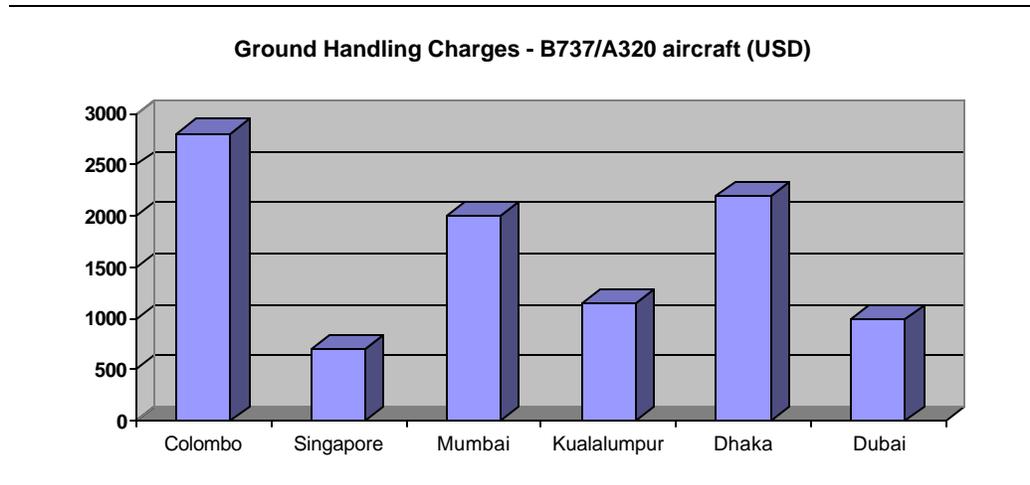
**Civil Aviation Master Plan**

The CAA has highlighted at various forums the necessity of having a Civil Aviation Master Plan which will systematically address short term, mid term and long term development requirements in the field of civil aviation which covers at least the institutional and legal framework, aviation security systems, airport systems, air navigation systems, airline and commercial air transport sector, human resources development etc. The government has accepted these requirements and discussions are being held with World Bank, other financiers and the ICAO for assistance to draw up a CAMP on priority basis.

**Study on aeronautical and ground handling charges at BIA**

The cost of charges levied by the Government and other agencies for providing aeronautical and ground-handling services has a direct impact on the commercial viability of airline operations to and from an airport. The cost of such charges at BIA needs to be maintained at competitive levels compared to similar charges levied at other international airports, if the BIA is to be promoted as an air transport hub in the region. The CAA conducted a study on aviation fuel prices, ground handling charges and landing charges at BIA to ascertain the degree of it's competitiveness compared with a few selected airports in the region, and the observations are shown in the charts below.





### **Study on on-time departures**

The CAA conducts an on-going survey on on-time departures of scheduled airlines with a view to identifying major causes for delayed departures of scheduled airlines at BIA. All airlines have accordingly been advised to submit monthly statistics relating to on-time departures to the CAA. Preliminary study for the year 2004 indicates that most of the delayed departures of airline were due to delays and constraints at the frontier control, at the airport. The CAA has brought this matter to the notice of Controller, Department of Immigration and Emigration with some recommendations for his consideration. It is expected to release a separate document, containing findings after detailed study and analysis of these reports in due course.

## **2.3 AERODROMES AND NAVIGATION SERVICES**

### **Upgrading the Palaly Terminal Building**

The CAA monitored the construction work of the new terminal building at the Palaly Airport, which was undertaken by Sri Lanka Air Force at cost to the CAA. The building is nearing completion and it is expected that it could be made available for public use in the first quarter of 2005. The total cost incurred by the CAA for this work is Rs. 3,551,792/=.



### **Registration of water aerodromes**

In response to SriLankan Airlines request to operate floatplanes to selected inland water bodies, the CAA carried out detailed inspections to ascertain the suitability of such water bodies for commercial passenger operations. Obstacles both within and in the vicinity of water bodies, proposed flight path, available lengths of runway for safe aircraft operations, facilities for passenger handling, security requirements, environmental impact, presence of consent of the authority in charge of such water bodies and concerns of its users for such operations, were amongst other things, that were considered by the CAA when granting approval for use of water aerodromes. Victoria Reservoir, Bentota Lake and Koggala Lagoon have accordingly been inspected and registered as approved water aerodromes suitable for operation of floatplanes (Cessna 208 and Single Otter aircraft) under Visual Meteorological conditions.

### **Certification of Bandaranaike International Airport**

In keeping with a new standard introduced by ICAO in 2003 to the Annex -14 “Aerodromes” to the Convention on International Civil Aviation requiring the member States to certify the aerodromes serving international civil aviation, the CAA undertook the task of certification of BIA to be compliant with the applicable international Standards and Recommended Practices. An ICAO expert was hired through the ICAO Technical Co-operation Bureau on short-term consultancy service (two (02) months) to guide the CAA team involved in this task. The certification process could not be completed due to a few shortcomings observed during the documentary review process and subsequent facility inspections. The BIA senior management was advised of those deficiencies. The certificate for compliance with ICAO SARPs can be issued once the outstanding issues are resolved.

### **Site for the location of the 2<sup>nd</sup> Parallel runway at BIA**

The Hon. Minister appointed a committee comprising key organizations involved to study and report with regard to the site where the second runway at BIA should be laid and the extent of additional land required for the purpose. The committee met several times and paid attention to five geographical locations (options) around the existing runway for laying the second runway. The committee had the opportunity of obtaining independent views of an aerodrome expert who had visited Colombo to impart training on aerodromes under EU Project about these options and consequently it was agreed that each option should be studied in detail in order to identify the nature and extent of socio, economic and environmental impact associated with each such option to enable the Government to arrive at a fair and proper decision. The study is in progress.

In the meantime, the CAA has pointed out to AASL of having alternate plans for re-surfacing the existing runway as the runway had not undergone any major resurfacing since its construction.

### **Development of domestic airfields**

The CAA assisted a few donor agencies such as USTDA, Danida and EU to examine the physical status of existing domestic airfields with a view to obtaining financial assistance to upgrade them to enable commencement of an internal domestic air service network. USTDA and Danida submitted their reports and the EU report is still awaited. One of the primary concerns expressed by all donor agencies during their studies was that most of the domestic airfields they visited are under the control of Sri Lanka Air Force and hence, funding may not be possible for development, if the present situation continues. The CAA informed the Secretary of Defence about this matter in order that some of the airfields in the down south could initially be vested with the CAA. Discussions on this matter are in progress.

The need to have at least one alternate airfield in the country for operation of commercial jet aircraft was once again emphasized discernibly soon after the Tsunami disaster when requests for operation of humanitarian flights could not be accommodated due to congestion at BIA. If the BIA runway was blocked due to some unfortunate reason at such crucial time, the situation would have been disastrous. Hence, it is important that priority should be given to develop one more international runway in the country after a proper feasibility study.

### **Airspace Management**

Airspace is a precious asset of the nation and hence, it should be managed effectively to optimize its use and derive maximum benefits out of it for the well-being and economic development of the country. Whilst being mindful of the national defence and security requirements, every possible attempt must be made to ensure effective use of the airspace by minimizing closures or imposing restrictions on the use of airspace. The CAA entered into a dialogue with Sri Lanka Air Force in this regard.

**Safety in Air Navigation**

Investigations into recent aircraft incidents i.e. air proximity, where safety of aircraft in flight had been endangered, indicated that the air traffic services and airspace management in Sri Lanka requires urgent review of the entire system in order to eliminate certain deficiencies in the system. This situation has been communicated to the Airport & Aviation Services Ltd in writing, requesting them to introduce immediate changes in regard to certain activities, which have direct impact on safety in air navigation. Further, action is being taken to improve the overall quality of system by upgrading the entire certification process of air traffic controllers and the procedures involved in granting and renewal of the associated ratings.

**Tsunami Relief Flight Clearance Centre**

Following Tsunami currents which washed off major part of the costal belts of Sri Lanka on 26<sup>th</sup> December 2004, the requests for operation of humanitarian cargo flights poured in and the CAA had to grant approvals for such requests in a phased out manner due to severe congestion coupled with lack of sufficient aircraft parking bays at BIA. The CAA established the Tsunami Relief Flight Clearance Centre to deal with the requests for flight clearances and granting slots. The centre functioned round the clock. About seventy (70) relief flights operated to Colombo until 31<sup>st</sup> December 2004 and more flights were scheduled to be operated thereafter. All flights operated during this period for humanitarian purposes were granted exemption in respect of landing, parking and ground handling charges.

### 3. FLIGHT SAFETY DIVISION

The Flight Safety Division is composed of three sections viz. Personnel Licensing Section, Operations Section and Airworthiness Section.



(Senior Executive and Executive Staff attached to the Flight Safety Division)

#### 3.1 PERSONNEL LICENSING

##### **Training Schools and Licensing Syllabi**

The CAA has attached the highest priority to ensure that organizations providing personnel training leading to the award of various licences, certificates or ratings issued by the CAA, conform to the ICAO standards and the requirements published by the CAA. The CAA issued a series of Aviation Safety Notices specifying the new requirements to be complied with by personnel seeking aviation licences, ratings and certificates from the CAA. It has also undertaken a regular inspection programme of training schools to ensure continued conformance to the initial certification standards.

##### **Air Transport Pilot Licences**

The personnel interested in getting Air Transport Pilot Licence (ATPL) for operation of commercial air transport aircraft were undergoing untold hardships due to non-conducting the knowledge and skill examinations required for the grant of such Licences in Sri Lanka. The CAA embarked on a study to find out the feasibility of conducting ATPL examinations in the country and the indication is that such examinations could be conducted in Colombo at a reasonable cost thereby giving a concession to personnel who are desirous of receiving such licences. It is expected that the CAA will be able to conduct the first ever ATPL examination in Sri Lanka in the next year.

##### **Personnel Licensing System**

A Manual was prepared for the guidance of staff attached to Personnel Licensing Section incorporating all procedures involved in the licensing of personnel. The conduct of technical examinations for the evaluation of knowledge and skills of personnel seeking licences was also reviewed and revised. Medical Examination Procedures were developed and adopted. The latest amendment (No.165) to Annex-1 – “Personnel Licensing” was adopted through issuance of ASNs. Procedure for renewal of lapsed Licences and recognition of military experience for the issuance of civil licences were reviewed and revised.

##### **Outlay of the Licensing Section**

The Personnel Licensing section of the CAA is considered to be one of the most important Sections as it acts as the interface between the CAA and the personnel whom the CAA regulates and interacts. The CAA values its customers who visit the CAA for its regulatory services and respects their expertise and contribution to the industry. Lack of adequate waiting facilities for visitors was a long felt need. The CAA accordingly re-arranged its office outlay in the licensing section so that adequate waiting facilities could be provided to its customers.



#### **Designated Civil Aviation Medical Examiners**

The CAA requires the services of medical doctors who have specialized in aviation medicine to conduct medical examinations on personnel seeking licences from the CAA. However, it is not rational for the CAA to employ a doctor in the CAA fulltime, as the volume of work does not justify such arrangement yet. Hence, the CAA selected a group of doctors who are employed at SLAF, SriLankan Airlines and Government Sector and who have specialized in aviation medicine to serve the CAA as Designated Civil Aviation Medical Examiners. They were provided with opportunities at cost to the CAA to attend overseas seminars organized by COSCAP-SA in order to update their knowledge on recent development in this field. These doctors serve the CAA in rotation and medical examinations are conducted at the Civil Aviation Medical Unit established at the CAA. Six hundred and fifty one (651) medical examinations were conducted in the year under review.

#### **Manual of Procedures**

Personnel Licensing Procedures Manual (SLCAP 5000) and Officer Procedures Manual SLCAP (5050) were developed and adopted for the guidance of the licensing staff in attending to their duties relating to personnel licensing. This was a long felt need for the Personnel Licensing Section.

### **3.2 OPERATIONS**

#### **Adoption of Annex -6 “Operation of Aircraft”**

Action was taken to give effect to each Standard and Recommended Practice contained in the latest edition of the Annex –6 “Operation of aircraft” to the Convention on International Civil Aviation (Amendment –28) by issuing thirteen separate Aviation Safety Notices. A list of concordance was prepared identifying the reference of the local requirement that gives effect to the applicable ICAO Standards and Recommend Practices.

#### **Revision of CAA guidance material**

The CAA took action to review and update the existing procedures and requirements contained in the CAA publications viz. Flight Operations Inspector Handbook, (SLCAP-4200), Dangerous Goods Manual (SLCAP-4400), Designated Check Pilot Manual (SLCAP-4205). A manual containing the procedures for enforcement was also prepared and distributed. An office procedure was developed to harmonize and co-ordinate issues of Aircraft Operator Certificate to airlines.

### **Airline Licences and Air Operator Certificates (AOC)**

A distinction was drawn with regard to issue of Airline Licence and Air Operator Certificate to airlines. Accordingly, each applicant intending to engage in any air service operation was required to obtain an Air Operator Certificate in proof of their technical competency, having conformed to the published operational and technical requirements, which ensures implementation of the ICAO Standards and Recommended Practices. Airline Licences were issued to airlines holding AOCs as an economic authorization, to engage in scheduled/charter air service operations or aerial work operations, after ascertaining their competency and capacity to operate such services having considered the proposed flight schedules, route structure, need for such services and business plan etc.

### **Foreign Air Operator Certification Programme**

In keeping with the procedures adopted by many countries in the world, the CAA introduced a system of certifying foreign air operators in accordance with the procedures published by the CAA in the Foreign Air Operator Certification Manual – SLCAP 4105. All foreign airlines operating to Colombo were accordingly notified of this requirement well in advance and the procedures to be followed were explained to the representatives of airlines at a meeting held at the CAA headquarters, prior to implementation of the programme. The major objective of this exercise was to ensure that all airlines operating to Sri Lanka have conformed to the applicable safety and security requirements and procedures published by the CAA.

### **Entry certification and Safety oversight**

The CAA undertook the task of certifying two new applicants for air services operations, during the year under review.

The CAA Flight Operations Inspectors, Cabin Safety Inspector and Ground Operations inspectors monitored continued compliance of airlines with the required safety standards by conducting random sampling of evidence received through review of documents, aircraft ramp and en-route inspections, equipment and facility inspections, monitoring performances of operating personnel and procedures, and periodic regulatory audits.



### **Carriage of Dangerous Goods by Air**

The CAA paid more attention for the safety risk management in the carriage of dangerous goods by Air. Accordingly, both locally registered and foreign registered airlines were subjected to a special certification process in order to ascertain their competence in safe handling and transporting such cargo by air. Statistics relating to transport of dangerous goods by air during the period under review is given below.

	<b>IMPORTED</b>	<b>EXPORTED</b>
Total Number of Packages	28711	4928
Weight of Packages (Kg)	314,179	242,588

### 3.3 AIRWORTHINESS

#### **Aircraft Noise Certification**

The CAA published requirements associated with the issue of noise certificates to civil aircraft in conformity with ICAO Standards and Recommended Practices. The CAA also published the requirements applicable to airworthiness of aircraft, in conformity with the ICAO requirements contained in the 9<sup>th</sup> Edition of Annex-8 – “Airworthiness” - Amendment No. 99.

#### **Safety Oversight and monitoring of continuing airworthiness**

The Certificates of Airworthiness of Sri Lanka registered aircraft were renewed after conducting required tests and inspections. Also new aircraft registered in Sri Lanka were issued with Certificates of Airworthiness. The CAA Airworthiness Engineers conducted systematic surveillance programme throughout the year to monitor airlines' compliance with the continued airworthiness of aircraft, through both periodic and random inspections.

The activities of Approved Maintenance Organizations (AMO) were monitored and inspections were carried out to ascertain the competence of staff and adequacy of equipment of foreign AMOs. Maintenance Control Manuals of locally registered airlines were reviewed and approvals were granted for requests for amendments, where necessary. Minimum Equipment List (MEL) and Maintenance Schedules of aircraft were reviewed and approved.

Arrangements made by new applicants for certification either as an airline or AMO were examined to ascertain compliance with the published airworthiness requirements. Requests received for approval of aviation workshops were also examined and approvals granted. On request, the services of the CAA Airworthiness Engineers' were made available to local operators, for aircraft inspections conducted overseas.



#### **Civil Aircraft Registry**

At the request of Sri Lanka registered airline companies, aircraft were registered in Sri Lanka Civil Aircraft Registry. The Certificates of Registration issued to Sri Lanka registered aircraft were renewed as applicable. There were thirty (30) aircraft viz. twenty seven (27) fixed wing aircraft, one (01) helicopter, and two (02) balloons on Sri Lanka Civil Aircraft Registry as at 31<sup>st</sup> December 2004.

#### **Adoption of Annex -8 “Airworthiness”**

Action was taken to give effect to each standard and recommend practice contained in the 9<sup>th</sup> Edition of the Annex –8 “ Airworthiness of aircraft “ to the Convention on International Civil Aviation (Amendment –99) by issuing separate Aviation Safety Notices. A list of concordance was prepared identifying the reference of the local requirements that give effect to the applicable ICAO Standards and Recommend Practices.

#### 4. CORPORATE DIVISION

The Corporate Division of the CAA is composed of three sections viz. Human Resources and Office Management Section, Finance Section and Air Transport and Legal Affairs Section.



(Senior Executive and Executive Staff attached to Corporate Division)

##### 4.1 AIR TRANSPORT & LEGAL AFFAIRS

###### **Aviation Statistics**

The CAA does not have a separate unit under its own organizational structure to deal with matters associated with civil aviation statistics. A Senior Statistician employed by the Department of Census and Statistics of the Government has been attached to the CAA for its requirements and he attends to the CAA's duties and functions relating to aviation statistics. The CAA has fulfilled its obligations to ICAO by providing timely data and information on civil aviation activities in Sri Lanka. The CAA has also provided aviation statistics to other agencies including the Central Bank of Sri Lanka and airlines, on request.

###### **Slot Co-ordination**

The CAA chaired two (02) 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 twenty (21) parking bays, with the addition of four (04) more parking bays in Apron C, which was opened on 20<sup>th</sup> December 2004. Although the runway is capable of accommodating more than twenty five (25) aircraft per hour, BIA cannot handle more than twelve (12) aircraft per hour at present, due to inadequacy of holding rooms in the departure hall and limited baggage carousels in the arrival hall.

The average flight movements at BIA were approximately one hundred (100) aircraft per day in the month of December 2004 with Monday, Wednesday and Thursday being the peak days. A peak period of the airport was from 0500 hrs to 0900 hrs with an average of over five (05) movements taking place per hour. The airport has observed two distinct lull periods between 0100 hrs- 0500 hrs and between 1800 hrs- 2300 hrs of the day with less than three (03) movements taking per hour.

It is noteworthy to mention the CAA had to refuse a number of requests received from foreign operators who had planned to operate charter flights to Colombo with a requirement to park their aircraft for prolonged periods of time. The reason being lack of parking space at BIA. Those operators had to cancel their planned visits to Colombo as ferrying the aircraft back after off-loading passengers in Colombo and ferrying an empty aircraft again to Colombo to uplift such passengers, was not commercially viable. The congestion in the apron was also aggravated during the year under review due to temporary closure of a few parking bays for maintenance and closure of the part of the taxiway for repairs.

The fact that the limited parking space in the BIA has adversely affected its aircraft handling capacities was evidently demonstrated with the requests that poured in for operations for Relief flights for Tsunami victims after 26<sup>th</sup> December 2004. The CAA could not accommodate such requests due to constrictions of parking space. It is very vital that the parking space for aircraft at BIA be expanded as a matter of urgency and importance.

### **Open Skies**

The policy paper submitted by the CAA to the Government in 2003 on “Open Skies of Sri Lanka” did not reach finality during the year under review. Nevertheless, Sri Lanka’s recent Air Service negotiations with its overseas counterparts reflected a major shift towards this proposed policy wherein 3<sup>rd</sup> and 4<sup>th</sup> freedom traffic rights have been made open on the basis of reciprocity. There have been instances where even 5<sup>th</sup> freedom traffic rights have been liberalized based on national interests and reciprocity.

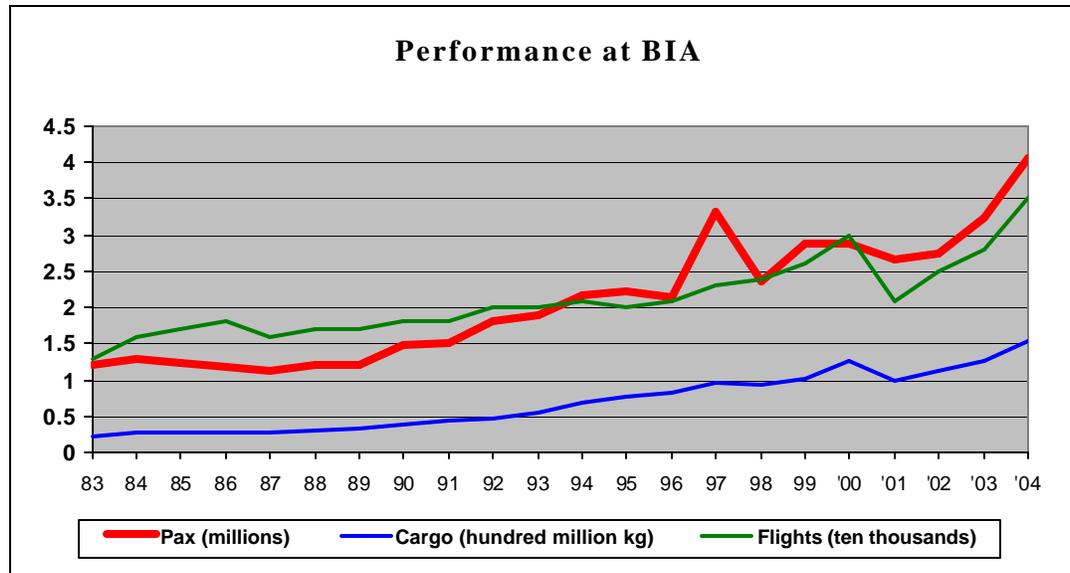
### **Foreign Airline Operations**

The commercial passenger and cargo flight operations performed by foreign airlines showed an increase during the year under review. New airlines viz. Air Arabia, Jet Airways, Air Sahara, Etihad Airways and Kras Air commenced air service operations to Colombo whilst PIA and Martin Air resumed operations during the year under review. Cathay Pacific and Emirates increased their weekly frequency. The CAA adopted a policy where foreign airlines should either have a local General Service Agent to represent the airline or incorporate a company in Sri Lanka as a measure of having some accountability to the CAA in regard to foreign airline operations in Sri Lanka.

### **Passenger and Cargo Movements**

The BIA has shown a continuous growth both in terms of aircraft movements and passenger movements. The following charts portray the growth pattern of passenger movements, which surpassed in the year 2004 the designed handling capacity of the terminal building, BIA which is 3.3 million passengers per year. It is expected that this capacity will be increased to approximately five (5) million passengers with the completion of the Phase –2-development project of BIA in 2005 August. However, as per the forecast, the total passenger movements at BIA in 2005 would reach five (5) million and immediate action would be required to expand the airport capacity to meet the demand in the years to come.

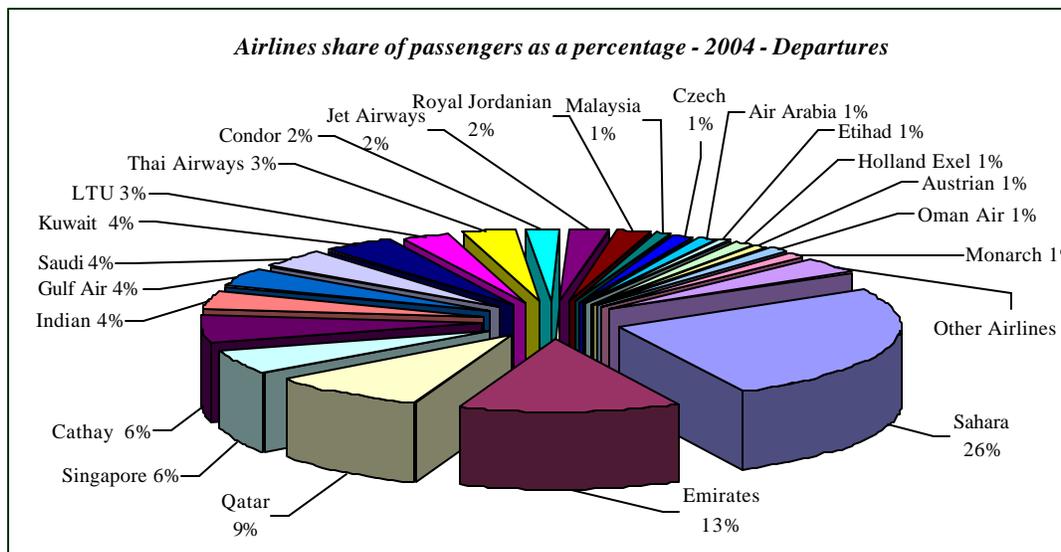
Relaxation of restrictions imposed on air service operations under the Bilateral Air Services Agreement between the India and Sri Lanka was one of major factors that contributed for the rapid growth of passenger movements. Cessation of hostilities and continuing the peace accord signed between the Government and LTTE also contributed significantly for the increased arrivals of tourists and other business personnel.



The following table shows the passenger and cargo movements on international flights during the year under review with the forecast figures for the year 2005.

	Passengers			Cargo (metric tons)		
	Loaded	Unloaded	Total	Loaded	Unloaded	Total
2003	1,630,292	1,602,470	3,232,762	76,140	48,475	124,515
2004	2,050,974	2,053,737	4,069,716	92,704	54,160	146,890
2005 (Forecast)	2,580,000	2,540,000	5,123,000	113,000	61,000	173,000

**Performance of Airlines** Out of the total of 2,053,737 passengers departed from BIA in 2004, Sri Lankan Airlines uplifted 1,146,643 passengers claiming forty nine (49) per cent of departing passenger traffic. The Pie Chart given below shows the load factor of foreign airlines out of BIA as a percentage of the total passengers departed.



Thirty four (34) airlines operated to Colombo in 2004 connecting forty seven (47) cities in the world. Out of the total departures, Madras (11 %), Singapore (8%), London (7%), Dubai (7%), Male (6%) and Doha (6%) came top in the list of destinations in regard to passenger movements with percentages as shown in brackets.

Statistics of 2004, further shows that passenger movements between India and Sri Lanka have constituted major part of the total passenger movements of BIA with 24 % of the total passengers departing to India and 22% of them arriving from India. It is also observed that in regard to passenger arrivals, Madras (11%), Dubai (11%), Singapore (8%), London (6%), Male (6%) and Doha (5%) topped the list with per centage of the total arrivals as shown in brackets.

SriLankan Airlines uplifted 44% of the total volume of export air freight which is ninety three (93) thousand metric tons whilst Emirates (10%), Singapore Airlines (6%), Qatar Airways (5%) and Expo Aviation (5%) uplifted the respective percentages of the total export of air freight as shown within brackets. In regard to import of airfreight, SriLankan discharged 55 % of the total volume, which is fifty four (54) metric tons, and the balance 45 % was shared by Emirates (7%), Singapore Airlines (7%), Cathay Pacific (9%) Expo Aviation (5%) and others as shown within brackets. The largest amount of inbound cargo has been from Singapore (14%), Hong Kong (12%), Dubai (8%), London (7%) and Frankfurt (7%) whilst the largest amount of outbound cargo has to been to Singapore (9%), Male (8%), Dubai (8%), London (7%) and Abu Dhabi (7%).

### **Transit Passengers**

For an airport, which aspires to reach a hub status, transit passengers are important. The following table shows the airlines, which brought more than thousand (1000) transit passengers to BIA during the year under review.

<b>Airline</b>	<b>Number of Transit Passengers brought in</b>
Sri Lankan Airlines	549,922
Emirates	11,889
Cathay Pacific Airways	4,794
LTU International Airways	4,559
Monarch Airlines	3,695
Qatar Airways	3,500
Sahara Airlines	2,241
Indian Airlines	1,091

### **Domestic aviation**

There were three (03) private operators viz. Expo Aviation Ltd, Lion Air Ltd and Aero Lanka Ltd., Licenced for operation of scheduled internal passenger air transportation during the year under review. Further, SriLankan Airlines was permitted to start an Air Taxi services using floatplanes. Deccan Aviation (Lanka) Ltd., was granted approval for operation of passenger air (charter) service using helicopters. Daya Aviation Ltd., was permitted to engage in private operations. Statistics relating to passenger transportation by local operators during the year under review are as follows. The demand for use of aircraft for charter and aerial work operations were on the increase extraordinarily although the freedom for such operations had been influenced by the application of strict security requirements.

Aircraft Type	Total number of flights		Total number of flying hours		Total Number of passengers transported	
	2003	2004	2003	2004	2003	2004
Floatplane	11	258	21	458	159	1385
Helicopter	-	60	-	116	-	210
Balloon	11	83	8	78	129	763

The fixed-wing aircraft were engaged mainly in the operation of passenger flights between Ratmalana and Jaffna airports and a few flights have been operated to Trincomalee as well. Statistics relating to transport of passengers on these routes are as follows.

Sector	2003	2004
Ratmalana – Jaffna	45,416	28,631
Ratmalana- Trincomalle	121	451
Trincom alle- Jaffna	64	140
Jaffna – Ratmalana	43,026	5654
Jaffna- Trincomalle	46	125
Trincomalle- Ratmalana	170	703
<b>TOTAL</b>	<b>88,843</b>	<b>59,015</b>

Performance of local airlines in the domestic air transport market during the year under review is as follows.

Name of Airline	2003		2004	
	Number of flights	Passengers	Number of flights	Passengers
Expo Aviation Ltd	401	28,170	473	36,693
Lion Air Ltd	1,120	38,640	240	8,160
Aero Lanka Ltd	1,154	22,033	1,165	13,562
<b>TOTAL</b>	<b>3,075</b>	<b>88,843</b>	<b>1,878</b>	<b>59,015</b>

#### **Air Services Agreements**

The CAA took part at Bilateral Air Services negotiations with Austria, Bangladesh, France, Jordan, Kuwait, Lebanon, Nepal, Singapore, Qatar, and UAE during the year under review with a view to enhance the degree of freedom of accessibility provided under the existing Air Services Agreements. During these negotiations, it was possible to agree with some of the counterparts to amend the existing Bilateral Air Services Agreements providing for “open skies” for 3<sup>rd</sup>/4<sup>th</sup> or both 3<sup>rd</sup>/4<sup>th</sup> and 5<sup>th</sup> freedom traffic.

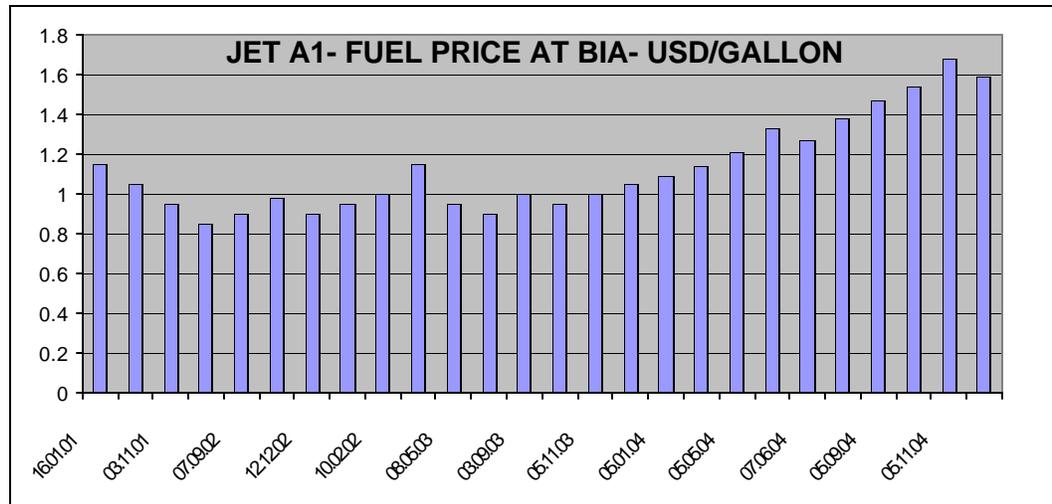
#### **Operation of international commercial passenger flights**

At the recommendation of the CAA, the Government granted approval in October 2004 for the locally registered airlines to operate commercial passenger air services on international routes. Accordingly the Minister would designate local airlines for operation of such services under the existing Bilateral Air Services Agreements that Sri Lanka has concluded with other States.

The Cabinet appointed a committee comprising officials of the CAA, line Ministry, Ministry of Tourism, Ministry of Foreign Affairs, Attorney -General’s Department and SriLankan Airlines to make recommendation to the Minister for such designation. The CAA has been empowered to determine suitable criteria for the route(s) to be assigned to such designated carriers, through a systematic, equitable and transparent scheme with the concurrence of the line Ministry. The work is in progress in this regard.

#### **Aviation Fuel Price at BIA**

Air Transport industry was seriously affected by the escalation in oil price in the world market. The Jet A1- fuel prices prevailed at BIA from 16<sup>th</sup> January 2001 to the end of December 2004 are shown below.



### **Draft Civil Aviation Act**

The draft Civil Aviation Bill, which is meant to replace the existing Air Navigation Act of 1950, was approved by the Cabinet of Ministers to be presented in Parliament for enactment. This Bill once enacted will provide 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.

## **4.2 HUMAN RESOURCES AND OFFICE MANAGEMENT**

### **Staff Strength**

The CAA has one hundred and twenty six (126) positions in its approved cadre which composes of a Chief Executive Officer, twenty seven (27) Senior Executives, twenty three (23) Executives, forty seven (47) Action Officers and twenty eight (28) Support Staff. A total of one hundred and three (103) employees were serving the CAA at the fall of year 2004.

There are thirty nine (39) female Senior Executives, Executives and Action Officers at the CAA as at the end of 2004. This represents approximately forty per cent (40%) of the employed in the cadre of those posts.

### **Staff Welfare**

The CAA introduced a Health Insurance Scheme for its members and their immediate family members. A sum of Rs.344,156 has been paid during the year under review in response to the employees' medical claims.

Taking into account the difficulties and disadvantages in providing common transport services to its employees, the CAA continued with its on going system of payment of a traveling allowance to each employee depending on the employee's attendance. This scheme, which acts as an incentive for attendance, has maintained a high rate of employee attendance thereby contributing significantly to the efficiency and productivity of the CAA. The total amount of money spent by the CAA in 2004 for this purpose is Rs. 1,403,464.

Since the CAA cadre has been designed to the bare minimum, it is vital that all reasonable measures are taken to ensure higher level of staff attendance. Accordingly, the CAA has also allowed its employees to claim for un-availed leave. This measure has also been productive and the staff was paid a sum of Rs.668,695.00 in the year 2004 as encashment of un-availed leave for 2003.

### **Outdoor workshop**



The CAA conducted two outdoor workshops for its staff during the period under review. One workshop was conducted only for the Executive and Senior Executive Staff at the Holiday Bungalow of the AASL, Pidurutalagala and the other was conducted at Uva Management Training Development Institute, Passara for the entire staff. Both workshops were aimed at educating the CAA staff on institutional framework, office procedures and organizational culture. The Chairman, DGCA & CEO

and the Executive Director took part in both events. The training activities were designed to be conducted in a different atmosphere in order to instill its essence in the staff more effectively. These events have significantly contributed to building of teamwork spirit, enhancing co-operation and understanding amongst the employees. Further this has contributed to development of personalities of the CAA staff, in addition to achieving the primary objectives of the activity. Also, the staff has taken a great interest and took part in all such activities with lot of enthusiasm and the benefits thereof are evidently demonstrated through their day-to-day working demeanor.

### **Training**

Key to success of the CAA is to train its employees so that they would be competent in the subject matter handled by them. Accordingly the CAA spent a total sum of Rs. 4,608,545/= to train four (04) Civil Aviation Officers, five (05) Executive Officers and fourteen (14) Senior Executives Officers during the year under review. As per the CAA training policy and plan, every employee joining the CAA is given indoctrination training, general training and job specific training. A total number of four hundred and forty four (444) days were spent on such training activities held locally and overseas.

### **Participation at inspections, meetings, workshops and seminars**

The CAA officials participated at various inspections, meetings, seminars and workshops held both locally and overseas as part of their duties to keep abreast with the latest developments taking place in the field.

### **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 copies of such documents at a reasonable price. The Library services have also become a new source of revenue to the CAA. The use of the CAA's library by outside persons has increased during the year under review.

### **CAA Website**

A website of the CAA with the address [www.caa.lk](http://www.caa.lk) has been hosted containing duties & functions of the CAA, important data and information about its activities. All current activities of the CAA are published through this website.

### **CAA headquarters**

The CAA pursued with a proposal for construction of its headquarters at a block of land located at D.R.Wijewardene Mawatha as a joint venture with Securities and Exchange Commission. However, the proposal could not be pursued due to reasons beyond the control of the CAA. A committee consisting of senior staff attached to the CAA is now examining feasibility of the CAA constructing the headquarters from its own funds.

**Uniforms**

All CAA's Office Aides and Drivers have been provided with three sets of uniforms per year starting from 2004. It has been made mandatory that they wear the uniforms during office hours and whenever they are attending to their assigned duties. The CAA continued with its previous practice of providing uniforms to Civil Aviation Inspectors.

**Office Facilities & Equipment**

CAA's office amenities and communication requirements have been improved substantially. All senior members of the staff have been provided with computers, email and Internet facilities. All CAA inspectors were provided with a leather handheld pouch to facilitate inspection work. They have also been provided with Inspector notebooks for official record of all inspections and inspector credentials. CD's containing all-important legislations, regulations relating to civil aviation and world-renowned regulatory systems have been provided. In addition, a copy of all-applicable ICAO Annexes have been provided to each inspector.

**Office Procedures and Office Manual**

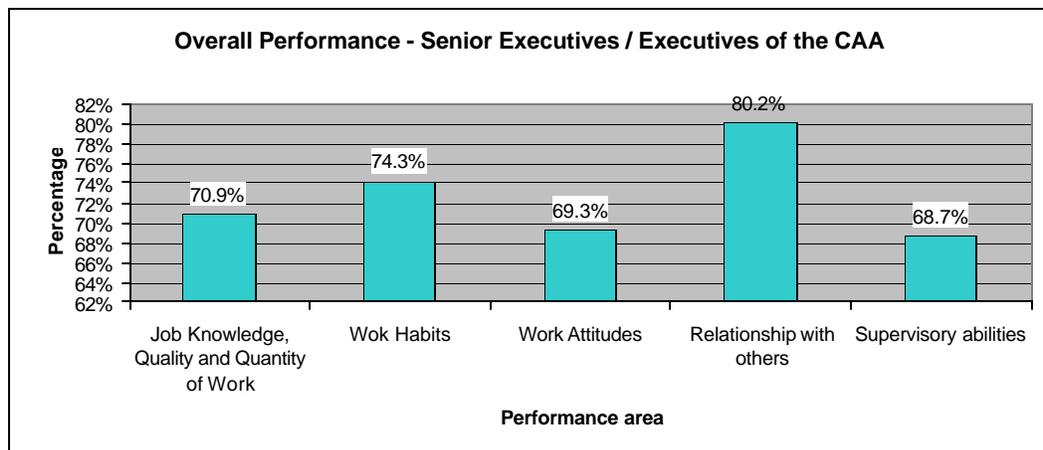
The necessity of drawing up of written procedures for each subject handled by the CAA was stressed and each Section was accordingly advised to prepare office procedures to enable the staff to attend to such matters professionally with least delay. Number of office procedures have been developed and these procedures were approved after discussing at the DPIG meetings.

The CAA has also undertaken development of Office Manual containing all essential data and information relating to the CAA to be used as a guide for the staff at all levels. The Office Manual is expected to be distributed amongst staff during the first quarter next year.

**Staff Performance Evaluations**

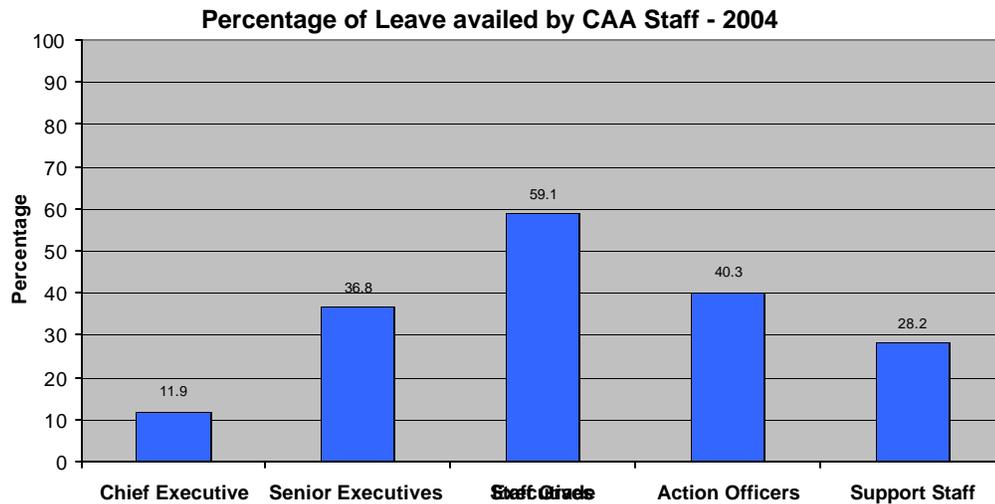
The CAA Staff Performance Evaluation Scheme has become the driving force for the development and enhancement of the productivity and efficiency of its Staff. The Performance Evaluations are conducted independently and in a transparent manner through an open dialogue with the staff concerned. All employees have been educated on the performance evaluation scheme during the indoctrination course. The response of the staff for this scheme is positive and encouraging. A significant improvement of the performance of every employee has been evidently witnessed during successive assessments.

Hence, it is necessary to introduce early, an incentive scheme that is linked with the results of the performance evaluation in order to give more impetus and recognition to this process. Overall results of performance evaluations of Senior Executives / Executives of the CAA for the 1<sup>st</sup> half of 2004 is summarized in the following chart, under the main evaluation criteria viz. Job Knowledge, Work Habits, Work Attitudes, Relationship with others and Supervisory abilities.



**Leave availed by Employees**

Attendance to office by CAA employees was satisfactory during the period under review. It is observed the CAA employees have been very conservative in this regard. The chart indicates the percentage of leave availed by employees of the CAA against their total leave entitlements.



#### **4.3 FINANCE MANAGEMENT**

##### **Programme Budget**

Effective the financial year 2005, the CAA has adopted a system of Programme Budgeting, which set out expenditure of the CAA under each Major Programme as against proposed activities that it intends performing within the financial year. Accordingly the activities of the CAA have been divided into four Major Programmes viz. Direction and Management, Aeronautical Services, Flight Safety and Corporate.

The Major Programmes consist of twelve (12) Programmes, which reflect the Sections/Units of the CAA. Each Programme consists of sub programmes under which programme elements are listed. The Budget is made taking into account the expenditure to be incurred for the programme elements. The Programme Budget – 2005 was prepared accordingly and as per the estimates the CAA has to incur a sum of Rs. 119 millions as its expenditure as against the expected income of Rs.120 millions in 2005.

**Collection of Embarkation Levy**

Pursuant to the Finance Act No.34 of 2003, the CAA has taken over effective 01<sup>st</sup> September 2003, the responsibility for the collection of Embarkation Levy at BIA from airlines and remitting same to the General Treasury.

The total collection for the year 2004 was Rs.2, 168,004,320.51 including the interest for late payments and disbursements thereof as per the instructions of the Deputy Secretary to the Treasury is shown below.

<b>Beneficiary</b>	<b>2003 (Rs) (01<sup>st</sup> Sep – 31<sup>st</sup> Dec 2003)</b>	<b>2004 (Rs)</b>
General Treasury	265,167,970.31	1,065,105,207.04
Airport & Aviation Services Ltd.	142,782,753.24	758,801,512.18
Ceylon Tourist Board	Nil	344,813,681.86
Civil Aviation Authority of Sri Lanka	Nil	Nil

The CAA in addition to taking an enormous responsibility in collecting the embarkation levy from airlines has to employ additional staff and mobilize extra resources and facilities to perform this new task, which is challenging, time consuming, resource intensive and exceeds the nature and scope of the CAA's duties and functions. Furthermore, it is important to recognize the role played by the CAA in maintaining required international standards in order to ensure and promote safe, efficient and regular air transport service in the country and the enormous expenses that the CAA has to incur in this regard.

Being a self-financing organization, the CAA deserves at least 1% of the total collection of embarkation levy, in order to defray it's cost relating to the collection and remittance of these monies to the Treasury and to compensate for the costs associated with it's role played for passenger safety in air travel. Representations have been made to the Treasury in this regard and this requirement has been indicated in the Annual Report 2003. A reply from the Treasury is still awaited.

**Charges for regulatory services**

The CAA being a self-financing agency cannot afford to provide any of it's services free of charge. Accordingly, a charging scheme was implemented with the approval of the Minister empowering the CAA to levy fees for all regulatory services provided by the CAA in accordance with the provisions in the Civil Aviation Authority of Sri Lanka Act No.34 of 2002. It is estimated that this additional measure will bring annual revenue of Rs.8 million to the CAA.

**CAA Revenue**

The CAA, does not receive any budgetary allocations from the national annual budget to meet it's operating expenses. The total revenue and expenditure of the CAA for the period under review is Rs.133 million and Rs.67 million (excluding tax and including depreciation) respectively. The CAA has a net profit of Rs.46 million after tax for the year 2004. A sum of Rs.66 millions of savings of the CAA has been invested in the Treasury Bills as at the end of 2004.

**Conclusion**

The CAA has performed a great deal of work in the year under review. These achievements were mainly due to superb teamwork and sheer dedication of the entire staff of the CAA. I am grateful to the Chairman who gave a good moral boost and leadership and the Vice Chairman, Executive Director and rest of the Members of the CAA for their unstinted support and co-operation for the effective functioning of the CAA.

I avail myself of this opportunity to thank the first Chairman and all members of the first Board of Management of the CAA, who spearheaded the CAA during the first quarter of 2004, for their right vision, generous abour and the time spent to lay a good foundation and thereby to give an accelerating impetus to the CAA for a long journey with a steady course.

I am also equally grateful to the Senior Executives, Executives, Action Officers and Support Staff of the CAA for their zealous commitment and dedicated service. I also take this opportunity to thank all officials of the line Ministry including Secretary, Ministry of Ports and Aviation, staff of other State agencies concerned and all industry partners for their co-operation extended to the CAA to accomplish its mission.

A handwritten signature in black ink, appearing to read 'H.M.C. Nimalsiri', is written over a horizontal line. Below the line, there are three small dots.

**H.M.C.Nimalsiri,**  
Director General of Civil Aviation and  
Chief Executive Officer

27 February 2005

## Performance Indicators

<b>Item</b>	<b>Description</b>	<b>2003</b>	<b>2004</b>
<b>Traffic Growth</b>	Passenger Movements (international)	3234765	4071725
	Transit passengers (international)	-	585,449
	Cargo Movement (international) – metric tons	127638	155571
<b>Airline Movements</b>	Passenger Movements (domestic) (all categories)	85751	61,373
	By On-line carriers	21351	29145
	By Charter flights	1154	1784
	Total number of revenue flights	22505	36980
	Domestic flights movements (between CMB & KKS)	3262	1613
<b>Investigations conducted on accidents/incidents</b>	Aircraft accidents	00	02
	ATC related incidents	03	03
	Non-ATC related incidents	00	10
<b>Foreign Airlines operated</b>	Scheduled Passenger airlines	24	24
	Charter Passenger airlines	08	05
	Cargo Airlines	08	03
<b>Total number of Local Operators</b>	Air Operators holding Airline Licences	05	06
	Approved Flying Schools	01	01
	Approved Maintenance Organizations	03	04
<b>Personnel Licences issued</b>	Private Pilot Licences	830	841
	Commercial Pilot Licences	419	433
	Air Transport Pilot Licences	405	430
	Air Traffic Controllers Licences	128	128
	Aircraft Maintenance Engineers Licences	700	709
	Flight Operations Office Licences	14	26
	Validation of Foreign Licences	86	106
	Cabin Crew Authorizations	0	215
	Student Pilot Licences	-	1585
<b>Total number of aircraft in the Civil Registry</b>	Aircraft exceeding weight 22,000 lbs	23	20
	Aircraft weight less than 22,000 lbs	08	08
	Balloons	03	02
	Gliders	00	00
	Others	00	00
<b>Airworthiness of aircraft</b>	Initial issue of Certificate of Airworthiness	06	04
	Renewal of Certificate of Airworthiness	18	18
	Approved Maintenance Organizations	32	30
	Workshop Approvals	28	18
	Ramp Inspections	83	97
<b>Technical Examinations held</b>	Private Pilot Licence Examination	05	06
	Commercial Pilot Licence Examination	01	01
	Aircraft Maintenance Engineer Examination	01	00
	Medical Examinations	611	651
	Flight Operations Officer Examination	00	01
	Special Air Law Examination	00	32
<b>Air Transport Providers Licences issued</b>	Airlines Licences	05	05
	General Sales Agents	00	02
	Travel Agents – Group A	05	25
	Travel Agent – Group B	19	00

<b>Item</b>	<b>Description</b>	<b>2003</b>	<b>2004</b>
	New entry certifications – Airlines	00	01
	Ramp Inspections – Airworthiness	83	97
	Ramp Inspections – Operations	26	26
	Ramp Inspections Combined	00	00
	En -route flight inspection	06	09
<b>Safety and security Oversight duties &amp; functions carried out</b>	Airline Audits - Airworthiness	01	05
	Airline Audits - Operations	00	00
	Airline Audits - Combined	00	03
	Flight Operations Manual (initial/revision)	00	04
	Maintenance Control Manual (initial/revision)	00	10
	Flight Crew Training Programmes (initial/rev)	02	02
	Maintenance Schedules (initial/revision)	06	11
	Flight tests/ proving flights	02	02
	Flying School Inspections	00	03
		Approval to carry weapons on board	69
<b>Approvals granted for use of Airspace</b>	Over-flight permissions	437	465
	Technical Landing permissions	487	465
	Airline Schedule Approval		
	- Summer	24	30
	- Winter	22	25
	Construction of high rise towers		340
<b>Staff Training and Meetings held</b>	Individual Specialized Training Courses	02	23
	Group Training Courses	02	03
	General Workshops for entire staff	01	01
	Total training time in man-days		444
	Staff Meetings – Senior level (DPIG)	14	27
	General Staff Meetings	01	01
	Authority meetings	07	10
	Staff Committee meetings	32	10
	Finance Committee meetings	01	02
	Audit Committee meetings	-	06
	Outside meetings attended by DGCA	47	138
	Outside meetings attended by Senior Staff	37	
	<b>Correspondence</b>	Total number of Letters received	
- Line ministry		378	539
- Other Government Agencies		1326	930
- Airport & Aviation Service Ltd		365	286
- Aircraft Operators		2005	2776
- Private Sector		3660	2559
- Members of the public		126	1368
- ICAO		368	327
- International bodies other than ICAO		412	164
Communication by AFTN			
- Sent		2022	2163
- Received	8988	11379	
	NOTAMS issued	88	80
	Aeronautical Information Circulars issued	04	04
	Aviation Safety Notices issued	35	24



## FINANCIAL REPORT

### BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2004

	Note	2004 (Rs.)	2003 (Rs.)
TOTAL ASSETS		293,587,873.09	280,959,165.58
<b>Non -Current Assets</b>		<b>90,004,053.92</b>	<b>57,512,570.91</b>
Property, Plant and Equipment	07	23,491,918.63	24,895,223.49
Investments	08	66,512,135.29	32,617,347.42
<b>Current Assets</b>	<b>09</b>	<b>203,583,819.17</b>	<b>223,446,594.67</b>
EQUITY & LIABILITIES, CAPITAL & RESERVES		293,587,873.09	280,959,165.58
<b>Equity</b>		<b>115,693,257.32</b>	<b>69,682,655.17</b>
Government Grants	10	22,715,622.57	22,715,622.57
Profit & Loss Account		92,977,634.75	46,967,032.60
<b>Liabilities</b>		<b>177,894,615.77</b>	<b>211,276,510.41</b>
Non -Current Liabilities	11	2,348,455.00	2,302,138.00
Current Liabilities	12	175,546,160.77	208,974,372.41

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

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



Prepared by: Ms. Padma Liyanage,  
Civil Aviation Officer



Checked by : Ms. G.K. Mangalika  
Civil Aviation Officer



Certified by : Panduka Priyantha Jayaweera  
Finance Manager



Air Vice Marshal (Retd.) P.H. Mendis,  
Chairman



H.M.C. Nimalsiri,  
Director General of Civil Aviation and  
Chief Executive Officer

February 2005

**INCOME STATEMENT  
FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2004**

	Not e	2004 (Rs.)	2003 (Rs.)
<b>INCOME</b>	01	<b>132,923,833.59</b>	<b>128,111,838.19</b>
<b>EXPENDITURE</b>		<b>67,097,427.37</b>	<b>58,432,108.52</b>
Staff Expenses	02	34,503,794.16	29,523,847.61
Supplies	03	3,114,796.21	2,561,476.92
General Expenses	04	8,198,037.40	5,208,306.49
Maintenance	05	15,489,246.15	17,722,842.64
Depreciation	06	5,791,553.45	3,415,634.86
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>65,826,406.22</b>	<b>69,679,729.67</b>
<b>INCOME TAX</b>		<b>19,747,921.87</b>	<b>22,712,697.07</b>
<b>NET PROFIT AFTER TAX</b>		<b>46,078,484.35</b>	<b>46,967,032.60</b>
<b>PROFIT &amp; LOSS A/C BROUGHT FORWARD</b>		46,899,150.40	-
Profit & Loss Account as at 01.01.2004		46,967,032.60	-
Less: Prior Year Adjustments		67,882.20	-
<b>PROFIT CARRIED FORWARD</b>		<b>92,977,634.75</b>	<b>46,967,032.60</b>

## Notes to the Accounts

Note No	2004 (Rs.)	2003 (Rs.)
<b>01 INCOME</b>	<b>132,923,833.59</b>	<b>128,111,838.19</b>
<b>SURCHARGE ON PREPAID TRAVEL ADVICE (PTA)</b>	<b>101,479,672.00</b>	<b>115,571,936.28</b>
<b>INITIAL ISSUE OF LICENCE / RATINGS / CERTIFICATE OF APPROVAL</b>	<b>1,004,097.40</b>	<b>993,184.99</b>
Private Pilot Licence (Aeroplanes / Helicopter)	15,180.00	27,600.00
Commercial Pilot Licence (Aeroplanes / Helicopter)	66,240.00	86,940.00
Airline Transport Pilot Licence (Aeroplanes / Helicopter)	179,400.00	64,000.00
Students Pilot Licence	26,220.00	19,320.00
Assistant Flight Instructor Licence Rating	4,140.00	4,140.00
Issue of Aircraft Type Rating	34,500.00	60,720.00
Airline Licence	124,417.40	41,400.00
Charter Licence	41,400.00	289,799.99
Flying School Licence	-	13,800.00
Validations of Foreign Crew Licence	189,750.00	193,200.00
Air Traffic Controller's Licence Rating	690.00	9,315.00
Air Transport Providers Licence	140,000.00	76,000.00
Validation of foreign AME's Licence	155,250.00	106,950.00
Flight Operations Officer – Initial	26,910.00	-
<b>RENEWAL OF LICENCES.</b>	<b>2,333,435.00</b>	<b>1,560,297.00</b>
Private Pilot Licence (Airplanes/Helicopter)	21,390.00	16,560.00
Commercial Pilot Licence (Airplanes/Helicopter)	190,440.00	177,295.00
Airline Transport Pilot Licence (Airplanes/Helicopter)	486,450.00	439,977.00
Student Pilot Licence	14,835.00	15,180.00
Airline Licence	241,500.00	172,500.00
Flying School Licence	-	13,800.00
Charter Licence	414,000.00	103,500.00
Validations of Foreign Crew Licence	72,450.00	51,750.00
Air Traffic Controller's Licence Rating	48,300.00	50,715.00
Air Traffic Controller's Licence	4,140.00	-
Air Transport Provider Licence	566,000.00	245,000.00
Air Craft Maintenance Engineers	273,930.00	274,020.00
<b>ISSUES / RENEWALS OF CERTIFICATES.</b>	<b>7,381,477.90</b>	<b>6,796,338.09</b>
Certificate of Airworthiness - Initial issue	606,373.00	1,639,520.00
Certificate of Airworthiness - Renewal	5,976,521.90	4,435,941.50
Certificate of Registration (Aircraft) - Initial issue	55,200.00	78,660.00
Certificate of Registration (Aircraft) - Renewal	158,700.00	103,500.00
Organizational Approval	584,683.00	538,716.59

<b>AMENDMENTS TO AIRLINE LICENCE</b>	<b>84,870.00</b>	<b>110,400.00</b>
Air Transport Provider Licence	2,070.00	-
Operations Specifications	82,800.00	110,400.00
<b>MEDICAL EXAMINATION FEES</b>	<b>65,878.75</b>	<b>60,547.50</b>
Initial	20,182.50	7,762.50
Renewal	45,696.25	52,785.00
<b>EXAMINATIONS</b>	<b>342,309.00</b>	<b>79,105.00</b>
Private Pilot Licences (Airplanes) PPL	57,684.00	30,360.00
Special Air Law Examination	34,155.00	48,745.00
Flight Operations Officer	113,850.00	-
Grant AME Licence	96,600.00	-
Extension of AME Ratings	23,460.00	-
Issue of Additional AME Ratings	16,560.00	-
<b>REGULATORY SERVICES</b>	<b>2,220,672.00</b>	
Evaluation of an application for renewal of		
Charter/International Operations	100,000.00	
Regular Public Transport International Operations	100,000.00	
Evaluation of an application for approval of AMO- Located Outside Sri Lanka	100,000.00	
Evaluation of an application for amendment for AMO-Located Outside Sri Lanka	20,000.00	
Inspection of an aircraft prior to grant of registration – Light Aircraft	10,000.00	
Amendment or addition of any information in the Civil Aircraft Registry - Light Aircraft	1,380.00	
De-registration of an aircraft in the existing registry Heavy Aircraft	690.00	
Evaluation of an application for grant and re-activation of		
Student Pilot Licence		
Private Pilot Licence	500.00	
Commercial Pilot Licence	2,000.00	
Airline Transport Pilot Licence	6,000.00	
Flight Operations Officer Licence	6,000.00	
Aircraft Maintenance Engineer Licence	16,500.00	
Other Licences , Certificates	3,000.00	
Evaluation of an application for validation of any Foreign Licence	2,000.00	
Commercial Pilot Licence		
Airline Transport Pilot Licence		
Aircraft Maintenance Engineer Licence	4,500.00	
Evaluation of an application for endorsement –Additional type rating on Licences	54,000.00	
Evaluation of an application endorsement-type rating –for the purpose or up-grading	90,000.00	
Evaluation of an application for renewal of the	10,000.00	
Student Pilot Licence	5,000.00	
Private Pilot Licence		
Commercial Pilot Licence	750.00	
Airline Transport Pilot Licence	1,250.00	
Air Traffic Controller Licence	25,800.00	
Aircraft Maintenance Engineer Licence	29,800.00	
Recommendation for visas (Except for students)	3,450.00	
Providing technical opinion regarding competency and eligibility the Foreign Licences holders for recruitment	137,900.00	
Express Evaluation of application within 24 hours	52,000.00	
Student Pilot Licence	7,500.00	
Private Pilot Licence		
Commercial Pilot Licence	897.00	

Airline Transport Pilot Licence	500.00	
Aircraft Maintenance Engineer Licence	1,500.00	
Facilitation fees for conduct of Medical Examination for Initial of Licences	22,400.00	
Renewal of Licences	12,200.00	
Evaluation of an application for Renewal of validations of Foreign Licence	10,000.00	
	49,500.00	
Evaluation of an application for initial of Certificate of Competence for Cabin Crew Members	6,000.00	
Evaluation of an application for grant of a Certificate to transport Dangerous Goods by air (International operations)	60,000.00	
Renewal of certificate for transport of Dangerous Goods by air for period of one year	75,000.00	
Evaluation of application for renewal of approval to act as an instructor	50,000.00	
Air Transport Statistics for less than one year	2,000.00	
Evaluation of an application for the initial issuance of Air Transport Provider Licence	11,000.00	
Initial issue of an International Airlines Licence for Foreign Scheduled Airlines	20,000.00	
Evaluation of an application for permission to operate a foreign registered aircraft on Wet Lease by an AOC Holder - foreign registered aircraft	900,000.00	
	100,000.00	
Grant of an approval for application to Wet/Dry Lease an Aircraft by an AOC Holder (Foreign registered aircraft)		
Evaluation of Special Flight Authorization to Operations Specifications of an AOC	25,000.00	
Grant of approval for Special Flight Authorization to Operations Specifications of an AOC	12,300.00	
Evaluation of an application for approval for Minor Modification an aircraft	7,355.00	
Making available to an air operator or potential Air Operator a C. Inspector to visit overseas for inspection	5,000.00	
	60,000.00	
<b>OTHER INCOME</b>	<b>2,179,980.75</b>	<b>329,218.75</b>
Other Sources (Sale of CAA Publications etc.)	606,121.75	123,458.75
Late Submission Fees	158,100.00	159,400.00
Rental Income (Official Quarters)	26,400.00	26,400.00
Miscellaneous Income (Photocopying Charges etc.)	86,771.00	19,960.00
CAATA Income	1,302,588.00	-
<b>INTEREST INCOME</b>	<b>15,831,440.79</b>	<b>2,610,810.58</b>
Interest from Staff Loans	379,099.79	349,921.11
Treasury Bills	11,399,332.83	913,228.59
Fixed Deposits	2,327,406.57	237,500.00
Call Deposits	1,725,601.60	1,110,160.88
<b>02 STAFF EXPENSES</b>	<b>34,503,794.16</b>	<b>29,523,847.61</b>
Salaries & Wages	15,951,222.10	13,000,737.51
Overtime & Holiday Pay	811,066.92	661,606.20
Other Allowances	4,417,588.12	4,209,397.60
Traveling - Local	115,163.00	328,597.98
Traveling - Foreign	2,738,220.84	3,056,100.39

Employee's Provident Fund	2,620,543.42	1,341,127.26
Employee's Trust Fund	524,108.68	267,535.44
Pension Contribution 25% (for secondment staff)	45,839.02	1,033,007.65
PAYE Tax	855,088.65	1,505,028.37
Board Payments	120,000.00	55,000.00
Training (Local/ Foreign)	6,304,953.41	4,065,709.21
<b>03 SUPPLIES</b>	<b>3,114,796.21</b>	<b>2,561,476.92</b>
Stationery	1,356,680.61	831,243.16
Fuel & Lubricants	1,591,725.69	1,385,696.68
Other Supplies	166,389.91	344,537.08
<b>04 GENERAL EXPENSES</b>	<b>8,198,037.40</b>	<b>5,208,306.49</b>
Telecommunication	1,843,247.15	1,565,723.84
Postal charges	84,133.04	66,416.25
Subscriptions / Publications / Newspapers	682,131.68	292,987.61
Examination (Payment to Examiners)	72,780.00	21,954.50
Printing	430,865.92	172,952.17
Conference (Local / Foreign)	-	543,524.00
Welfare	764,397.67	706,658.10
Rent & Hire	798,912.00	432,745.66
Miscellaneous	1,222,364.37	699,153.71
Civil Aviation Authority Training Academy	2,299,205.57	706,190.65
<b>05 MAINTENANCE</b>	<b>15,489,246.15</b>	<b>17,722,842.64</b>
Office Building & Quarters	13,387,540.68	15,546,770.02
Rent of the building	8,898,240.00	8,611,200.00
Electricity	2,866,976.60	3,306,634.62
Water	155,876.64	114,553.38
Security	354,994.01	148,675.00
Janitorial	119,827.40	156,058.50
Other	991,626.03	3,209,648.52
Plant, Machinery & Equipment	680,769.69	771,168.97
Vehicles - CAA	671,310.46	865,270.89
-UN Representative	749,625.32	539,632.76
<b>06 DEPRECIATION</b>	<b>5,791,553.45</b>	<b>3,415,634.86</b>
Buildings	613,019.73	606,356.36
Vehicles	918,750.00	918,750.00
Plant, Machinery and Equipment	3,249,945.92	1,477,937.50
Furniture and Fittings	613,214.80	184,721.00
Other Fixed Assets	396,623.00	227,870.00

<b>07</b>	<b>PROPERTY, PLANT AND EQUIPMENT ( See Page 63)</b>		
<b>08</b>	<b>INVESTMENTS</b>	<b>66,512,135.29</b>	<b>32,617,347.42</b>
	Treasury Bills	55,512,135.29	27,617,347.42
	Fixed Deposit - Bank of Ceylon	11,000,000.00	5,000,000.00
<b>09</b>	<b>CURRENT ASSETS</b>	<b>203,583,819.17</b>	<b>223,446,594.67</b>
	Consumable Stores	673,750.55	532,251.91
	Debtors (a + b)	11,711,007.20	10,340,273.00
	Loans - (a)	11,221,953.20	10,212,869.00
	Staff Loans (Existing Staff)	9,109,647.00	7,135,939.00
	Staff Loans (Transferred Officials)	2,112,306.20	3,076,930.00
	Advances - (b)	489,054.00	127,404.00
	Staff - for operating activities	389,054.00	27,404.00
	JHS Enterprises (Fuel)	100,000.00	100,000.00
	Receivables	8,047,282.13	1,820,645.84
	Value Added Tax	1,527,805.64	669,917.25
	Interest Income	6,519,476.49	1,150,728.59
	Prepayments - Building Rent	1,435,200.00	1,722,240.00
	Treasury Current Account – Embarkation. Levy	168,649,010.26	202,128,690.00
	Cash and Cash Equivalent	13,067,569.03	6,902,493.92
<b>10</b>	<b>GOVERNMENT GRANTS</b>	<b>22,715,622.57</b>	<b>22,715,622.57</b>
	Land	5,359,200.00	5,359,200.00
	Buildings	9,090,800.00	9,090,800.00
	Vehicles	3,675,000.00	3,675,000.00
	Other Fixed Assets	4,149,299.00	4,149,299.00
	Consumable stores	441,323.57	441,323.57
<b>11</b>	<b>NON-CURRENT LIABILITIES</b>	<b>2,348,455.00</b>	<b>2,302,138.00</b>
	Deposits -Bank Guarantee	2,142,000.00	2,142,000.00
	Insurance Fund	76,300.00	37,000.00
	Course Fees -CAATA	-	123,138.00
	Deposit - Exam Fees	130,155.00	-
<b>12</b>	<b>CURRENT LIABILITIES</b>	<b>175,546,160.77</b>	<b>208,974,372.41</b>
	<b>Accrued Expenses (c + d + e + f)</b>	<b>6,714,982.11</b>	<b>4,766,220.61</b>

Staff Expenses (c)	875,412.28	333,654.47
Salaries	357,469.68	21,235.25
Other Allowances	-	48,432.53
Overtime	71,058.54	66,517.84
Pension Contribution	-	21,543.75
P.A.Y.E	165,077.56	142,402.10
Traveling Expenses	690.00	33,523.00
EPF	14,417.50	
Training (Local/Foreign)	266,699.00	
Supplies (d)	63,060.00	259,588.30
Stationery	-	137,167.00
Fuel	63,060.00	122,421.30
General Expenses (e)	5,486,428.90	4,049,076.14
Telecommunication	273,000.00	259,567.00
Welfare Expenses	71,124.00	8,142.00
Rent and Hire Charges	33,288.34	33,287.66
Income Tax	4,909,016.56	3,748,079.48
Audit Fees	200,000.00	-
Maintenance (f)	290,080.93	123,901.70
Building Rent - CAATA - Ceylon Tourist Board	240,000.00	80,000.00
Electricity - CAATA - Ceylon Tourist Board	46,840.00	27,936.00
Water - Katunayake	3,240.93	970.20
Vehicle Maintenance	-	14,995.50
<b>Creditors</b>	<b>182,168.40</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 Face Hotel (Conference)		29,160.00
Deposit – Inspection Charges -		
- Expo Aviation	64,006.40	198,362.80
- Gulf Air	35,432.00	-
Deposit - Medical (For Doctors)	82,730.00	16,560.00
Treasury Current Account	168,649,010.26	202,128,690.00

<b>NOTE NO. 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 and Fittings</b>	<b>Other Fixed Assets</b>	<b>Total</b>
<b>Cost / Valuation</b>							
Valuation as at 01.01.2003	5,359,200.00	9,090,800.00	3,675,000.00	2,955,875.00	737,684.00	455,740.00	<b>22,274,299.00</b>
Additions during the year 2003	-	99,900.00	-	3,839,604.17	1,713,975.18	383,080.00	<b>6,036,559.35</b>
Additions during the year 2004	-	-	-	3,094,779.90	1,127,899.69	165,569.00	<b>4,388,248.59</b>
Disposal/transfers	-	-	-	-	-	-	-
<b>As at 31.12.2004</b>	<b>5,359,200.00</b>	<b>9,190,700.00</b>	<b>3,675,000.00</b>	<b>9,890,259.07</b>	<b>3,579,588.87</b>	<b>1,004,389.00</b>	<b>32,699,106.94</b>
<b>Depreciation</b>							
As at 01.01.2003	-	-	-	-	-	-	-
Charges for the year 2003	-	606,356.36	918,750.00	1,477,937.50	184,721.00	227,870.00	<b>3,415,634.86</b>
Charges for the year 2004	-	613,019.73	918,750.00	3,249,945.92	613,214.80	396,623.00	<b>5,791,553.45</b>
Disposals / Transfers	-	-	-	-	-	-	-
As at 31.12.2004	-	1,219,376.09	1,837,500.00	4,727,883.42	797,935.80	624,493.00	<b>9,207,188.31</b>
<b>Net book value as at 31.12.2004</b>	<b>5,359,200.00</b>	<b>7,971,323.91</b>	<b>1,837,500.00</b>	<b>5,162,375.65</b>	<b>2,781,623.07</b>	<b>379,896.00</b>	<b>23,491,918.63</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>Note No</b>	<b>Rs</b>
Net Profit before Taxation		65,826,406.22
Adjustments for		
Depreciation	13	5,791,553.45
Interest Income		(15,831,440.79)
<b>Operating Profit Before Working Capital</b>		<b>55,786,518.88</b>
Increase in Inventories	14	(141,498.64)
Increase in Receivables	15	(1,941,582.59)
Decrease in Payables	16	(34,560,312.92)
<b>Cash Generating from Operations</b>		<b>19,143,124.73</b>
Income Tax Paid		(18,637,385.79)
<b>Net Cash Flows from Operating Activities</b>		<b>505,738.94</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property, Plant and Equipment	17	(4,388,248.59)
Increase in Investments	18	(50,607,959.51)
Interest Received		10,462,692.89
<b>Net Cash used in Investing Activities</b>		<b>(44,533,515.21)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

		<b>NIL</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalent t</b>		<b>(44,027,776.27)</b>

**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** 19 **69,040,515.64**

**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** **25,012,739.37**

## NOTES TO THE CASH FLOW STATEMENT

<b>13</b>	<b>DEPRECIATION</b>	<b>5,791,553.45</b>
	Buildings	613,019.73
	Vehicles	918,750.00
	Plant, Machinery & Equipment	3,249,945.92
	Furniture & Fittings	613,214.80
	Other Fixed Assets	396623.00
<b>14</b>	<b>INCREASE IN CONSUMABLE STORES</b>	<b>141,498.64</b>
	Consumable Stores	141,498.64
<b>15</b>	<b>INCREASE IN RECEIVABLES</b>	<b>1,941,582.59</b>
	Staff Loans	1,009,084.20
	Advances	361,650.00
	VAT	857,888.39
	Prepayment – Building Rent	(287,040.00)
<b>16</b>	<b>DECREASE IN PAYABLES</b>	<b>34,560,312.92</b>
	Creditors	1,897,293.40
	Treasury Current Account	33,479,679.74
	Prior Year Payments	17,481.20
	Accrued Expenses	(787,824.42)
	Non-current Liabilities	(46,317.00)
<b>17</b>	<b>PURCHASE OF PROPERTY, PLANT &amp; EQUIPMENTS</b>	<b>4,388,248.59</b>
	Plant, Machinery & Equipment	3,094,779.90
	Furniture	1,127,899.69
	Other Fixed Assets	165,569.00
<b>18</b>	<b>INCREASE IN INVESTMENTS</b>	<b>50,607,959.51</b>
	Treasury Bills - Authority Funds	27,894,787.87
	Treasury Bills - E.L	69,713,171.64
	Fixed Deposits - Authority Funds	6,000,000.00
	Fixed Deposits - E.L	17,000,000.00
	Call Deposits - E.L	(70,000,000.00)
<b>19</b>	<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>25,012,739.37</b>
	Current Account – BOC, No.07470800005134	13,067,569.03
	Current Account - BOC, No.07470800005287 E.L.	11,945,170.34

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2004**

	<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 2004	22,715,622.57	46,899,150.40	<b>69,614,772.97</b>
Net Profit for the Year	-	46,078,484.35	<b>46,078,484.35</b>
Balance as at 31 <sup>st</sup> December 2004	22,715,622.57	92,977,634.75	<b>115,693,257.32</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.

### 2. Property, Plant and Equipment

- 2.1 Property, Plant and Equipment transferred from General Treasury/Government stayed at the valuation of purchases of 2003, 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 Land Cruisers, which are registered under the UNDP 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. Such transfer would be effected only after the Civil Aviation Bill is enacted in order to ensure smooth transition.

### 2.2 Depreciation

The provision for depreciation is calculated on the straight-line basis on the valuation of the Property, Plant and Equipment (Assets) acquired from the Department of Civil Aviation at the time of formation of the Authority, whereas the assets purchased thereafter were calculated at cost. All Property, Plant and Equipment other than land have been depreciated annually on the following percentages in order to write off such amounts over the 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 purchase, whilst full year depreciation is deducted when disposal. At the end of depreciation process, 10% of the current written down value of the Property, Plant and Equipment is retained as book values.

### 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 of Cash Book.

**8. Government Grants**

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.

Airport and Aviation Services (Sri Lanka) Ltd.	-	Rs.59,027,153.59
Ceylon Tourist Board	-	Rs.56,216,336.75
General Treasury	-	Rs.53,405,519.92

**10. Post Balance Sheet Events**

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

**11. Prior Year Adjustments**

Following adjustments have been made to the Income Statement in respect of the prior year (2003) transactions.

	Debit (Rs.)	Credit (Rs.)
Refund of EU project payment		45,000.00
Payment of other allowances arrears	16,710.00	
EPF arrears	32,172.96	
ETF arrears	6,434.60	
Salary arrears	56,232.98	
Pension contribution	11,220.00	
W&OP	6.63	
Telecommunication	804.10	
Income Tax	50,401.00	
Adjustments for payable pension contribution		21,543.75
Refund payment from Delair Travels (pvt) Ltd		24,050.00
Refund overpay foreign traveling		10,018.70
Refund VAT		5,487.62

## **AUDITOR GENERAL'S' REPORT**