



CIVIL AVIATION AUTHORITY OF SRI LANKA

ANNUAL REPORT – 2007

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 and covers the activities of the Civil Aviation Authority of Sri Lanka for the year ended 31st December 2007.



Air Chief Marshal Deshmanya P.H.Mendis
Chairman
Civil Aviation Authority of Sri Lanka

28th February 2008

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ABBREVIATIONS

A&NS	Aerodromes and Navigation Services
AA	Assistant Accountant
AAI	Assistant Aerodrome Inspector
AA(I)	Audit Assistant (Internal)
AASI	Assistant Aviation Security Inspector
AASL	Airport & Aviation Services (Sri Lanka) Ltd
AATO	Assistant Air Transport Officer
AAwE	Assistant Airworthiness Engineer
Acct	Accountant
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
CIA	Chief Internal Auditor
CSI	Cabin Safety Inspector
DCA	Department of Civil Aviation
D	Director
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
FOI	Flight Operations Inspector
FS	Flight Safety
GOI	Ground Operations Inspector
GSA	General Sales Agent
HR&OM	Human Resources & Office Management
HROMA	Human Resources & Office Management Assistant
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
PA-AAI	Programme Assistant- Aircraft Accident Investigation

PA-AE	Programme Assistant- Aviation Examinations
PA-IT	Programme Assistant- Information Technology
PA-SP	Programme Assistant – Special Projects
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
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

Head Office	:	Civil Aviation Authority of Sri Lanka, 64, Galle Road, Colombo 03. Telephone: 94 -11-2433213 Facsimile: 94 -11-2440231 E-mail: slcaa@sltnet.lk Website: www.caa.lk
Postal Address	:	P.O. Box 535, Colombo
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: katcaa@sltnet.lk
Sub-office	:	Airworthiness Sub Office, Civil Aviation Authority of Sri Lanka, Bandaranaike International Airport Colombo, Katunayake. Telephone: 94 -11-2252269 E-mail : aidbcaa@sltnet.lk
	:	Airworthiness Sub Office, Civil Aviation Authority of Sri Lanka, Colombo Airport, Ratmalana. Telephone : 94 – 11 – 2635756 E-mail : aidccaa@sltnet.lk
Auditors	:	Auditor General, Democratic Socialist Republic of Sri Lanka
Lawyers	:	Attorney General, Democratic Socialist Republic of Sri Lanka
Banker	:	Bank of Ceylon
Insurers	:	1. Sri Lanka Insurance Corporation Ltd 2. Ceylinco Insurance Company Ltd.

PROFILE

Overview

The Civil Aviation Authority of Sri Lanka (CAA) was established under the Civil Aviation Authority Act No.34 of 2002 on 27th 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.

Its 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 its 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 ex-officio. The term of office of the appointed members is three (03) years.

The Authority is subject 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.

Members of the Civil Aviation Authority of Sri Lanka

Members appointed by the Hon. Minister of Ports and Aviation

1. Air Chief Marshal Deshamanya P.H. Mendis (Chairman)
2. Mr. Ananda Goonatilleke (Executive Director)
3. Mr. Nihal Jayawardena (Member)
4. Mr. Prasad Sooriarachchi (Member)

Members - ex-officio

1. Secretary, Defence
(*Mr. Gotabaya Rajapaksa- RWP RSP*)
2. Representative of the Minister of Finance
(*Mr. P A Abeysekera*)
3. Actg: Director General of Civil Aviation
(*Mr. Parakrama Dissanayake*)

AIR CHIEF MARSHAL DESHAMANYA P. H. MENDIS, SLAF (Retd.) Chairman



Air Chief Marshal Deshamanya P. H. Mendis counts fifty seven (57) 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 aircraft at RAF Merrifield UK and returned to Ceylon in 1954. He was trained as a Flying Instructor at the Central Flying School UK, and 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. 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 as Advisor to the Government of the Republic of Maldives and formed Air Maldives with Sri Lankan and Maldivian crew. This was 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.

MR PARAKRAMA DISSANAYAKE
Actg. Director General of Civil Aviation



Mr. Parakrama Dissanayake had his early education at Ananda College. He has a B Sc Degree from University of Colombo.

Mr. Parakrama Dissanayake started his career in Civil Aviation as an Air Traffic Controller with Airport and Aviation Services (Sri Lanka) Limited in 1984. He had his initial training in air traffic control at the Civil Aviation Training Centre Ratmalana and obtained all operational air traffic control ratings in a career span of fifteen years.

He resigned from Airport and Aviation Services (SL) Ltd in 1999 while serving in the capacity of a Supervisor at the Approach Radar Control Centre at BIA, in order to join the ICAO Safety Oversight Project conducted at the former Department of Civil Aviation as the National Professional Project Personnel in Person Licensing. At the termination of the project, he joined Civil Aviation Authority – the Regulatory Body and was appointed as the Assistant Director, Aerodromes and Air Navigation Services in December 2003.

Mr. Parakrama Dissanayake was promoted as the Director Aeronautical Services in August 2005. He was appointed as the Actg. Director General of Civil Aviation on 1st May 2007.

MR ANANDA GOONATILLEKE
Executive Director



Mr. Ananda Goonatileke, 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. Further, he was the Chairman, Common Amenities Board and was the Chairman of Shakthi Publishers Limited (Dinakara)- the official organ of Sri Lanka Freedom Party.

Mr. Goonatileke 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.

MR NIHAL JAYAWARDENA
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 Jayawardena brings to the CAA a wealth of knowledge and experience in the fields of legal and aviation. 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. Jayawardena was called to the Bar as an Attorney-at-Law of the Supreme Court of Sri Lanka in November 1983.

Mr. Jayawardena 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 15th November 1991. He also has followed a Summer Course in Public International Law at The Hague Academy of International Law (July – August 1988).

MR GOTABHAYA RAJAPAKSE-RWP, RSP
Secretary Defence - Ministry of Defence



Mr. Gotabhaya Rajapakse RWP, RSP had his early education at Ananda College, Colombo. Being an alumni of Army Training Centre, Diyatalawa, he was commissioned into Sri Lanka Signal corps on 26th May 1972. Thereafter he was attached to Sri Lanka Sinha Regiment (in 1974), Rajarata Rifles in 1980 and to Gajaba Regiment in 1983, where he served until his premature retirement in 1991 in the rank of Lieutenant Colonel.

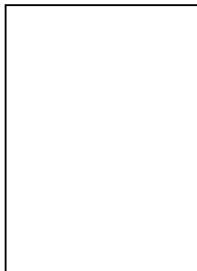
During his illustrious career in the Army, Mr. Rajapakse attended a number of prestigious courses including Defence Services Staff College at Wellington, India and the Infantry Officers' Advance Course in USA.

Mr. Rajapakse is a veteran of the Vadamarachchi Operation. He Commanded 1st Battalion of the Gajaba Regiment during this Operation. He successfully commanded the same Battalion during Thridiva Balaya, Jayashakthi operations in 1990. He also held the appointment of Deputy Commandant of Kothalawela Defence Academy.

After his retirement in 1991, he followed the post Graduate Diploma Course in Computer Technology in the University of Colombo. Later he migrated to USA with his family and worked as a Computer Systems (Unix) Administrator at the Loyola Mary Mount University.

He was awarded Rana Wickrama and Ranasura Medals for his distinguished, outstanding and successful service career.

MR PRASAD SOORIYAARACHCHI
Member



Mr. Prasad Sooriyaarachchi received his education at Wesley College Colombo, and he completed Law College in 1990. During the period at Law College, he won the Silver Medal in the National Jury Competition in 1991. He was named "Best artist" for his excellent performance in the field of drama in 1992. He became a Barrister in 1993 and has been engaged in the legal profession since then. Mr. Prasad Sooriyaarachchi was elected as a member of the executive committee of the Bar Association in 2003-2004. He has received several awards as a dramatist at the national level.



MR P A ABEYSEKERA
Director General of Management Services
Representative of the Ministry of Finance



Mr. P A Abeysekera has a B A degree from the University of Peradeniya and has an outstanding career record. He brings in a wealth of experience in administrative services. In 1980 he joined the Sri Lanka Administrative Services and has been holding several important posts such as Assistant Commissioner of Co-Operative Department, Matale, Kurunegala, Gampaha, Divisional Secretary, Mahara Dompe, Divisional Secretary, Hanwella Division, Deputy Director, Sri Lanka Customs, Deputy Director, Sri Lanka Institute of Development Administration, Commissioner, Department of Ayurveda, Secretary, Commission to Investigate Bribery or Corruption. Presently, he is the Director General, Department of Management Services, Ministry of Finance and Planning.

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;
- Setting policies and goals in the field of civil aviation and monitoring organizational performance towards achieving the objectives of the CAA;
- Delegating responsibility for the achievement of specific objectives of the Director-General of Civil Aviation who is the Chief Executive officer, CAA ex-officio;
- Accountable 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

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 specific issues. Each committee has been delegated powers for establishing and monitoring the organization's progress towards meeting the objectives of the Authority.

Staff Committee

The Staff Committee is responsible to the Authority in respect of the following matters:

1. Adoption of an organizational structure and modification thereto as and when necessary;
2. Determination of salaries and cadre;
3. Staff matters pertaining to selection, recruitment, appointment, promotion, demotions, retirement/termination 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 Chief Marshal Deshamanya P.H.Mendis, Chairman
2. Mr. Parakrama Dissanayake, Actg. DGCA &CEO
3. Mr. Ananda Goonatileke, Executive Director
4. Mr. Nihal Jayawardena, member
5. Mr. Prasad Sooriarachchi, member

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 Chief Marshal Deshamanya P.H.Mendis, Chairman
2. Mr. Parakrama Dissanayake, member
3. Mr. P A Abeysekera, 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. However the CAA has only 7 members at present.

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. Mr. P A Abeysekera, Chairman
2. Mr. Gotabaya Rajapakse, member
3. Mr. Nihal Jayawardena, member
4. Mr. Prasad Sooriarachchi, member
5. Mr. S M Chandrapala, member – representative of the Ministry of Ports & Aviation

Connection with Stakeholders

The Authority acknowledges its responsibility to keep in contact 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

Key to the efficient functions 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 CEO. The Authority concentrates on setting high-level

policies and strategies and then monitors progress towards meeting the objectives. The Senior Management is responsible for 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 there under or any other written law.

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, strategic directions, and expectations as set out in the 3-year Business Plan.

Conflicts of Interest

The Authority maintains an "Interests Register" and ensures that the Authority Members are aware of their obligations to declare interests.

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 ensure that the specific objectives of the Authority 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 of overall services rendered by the CAA and reliability of financial and other information reported to the Authority. Operation of the Internal Audit unit is independent of the senior management. Internal Audit unit, reports directly its findings to the Chairman of the CAA and to the Audit Committee as per the set protocols.

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 the entire staff is aware of legislative requirements that are particularly relevant to them. The Authority has decided that application of general or specific circulars and/or directives issued by the Government would only be confined to the extent, as may be determined by the Authority on case by case basis.

Ethics

The Authority, having developed a code of ethics, regularly monitors whether all members of the staff maintain high standards of ethical behavior and practice the principles of "good 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 contained in the code of ethics. Good corporate citizenship involves the Authority, 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 system 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 set by the CAA;
- To be appropriately resourced;
- To be professional and competent;
- To attain wide credibility and recognition;
- To sustain its achievements; and
- To be a strong facilitator for planning and development of civil aviation.

Strategies

- Improved and consistent implementation of statutory functions and fulfillment of social obligations;
- 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;
- Operating in a transparent manner & communication effectively both externally and internally;
- Maintaining the effectiveness and relevancy of all documents, materials, and internal procedures

Values

The CAA and its employees:

- assign top priority to safety and promote safety culture;
- excel in the services being provided to the CAA customers;
- have a ‘can do’ attitude in everything being undertaken;
- aims 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 colleagues and thereby uphold teamwork;
- value everyone’s contribution;
- recognize social responsibilities and obligations;
- enjoy what is being done;
- take pride in the 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; and,
- To minimize adverse effects of aviation on the environment.

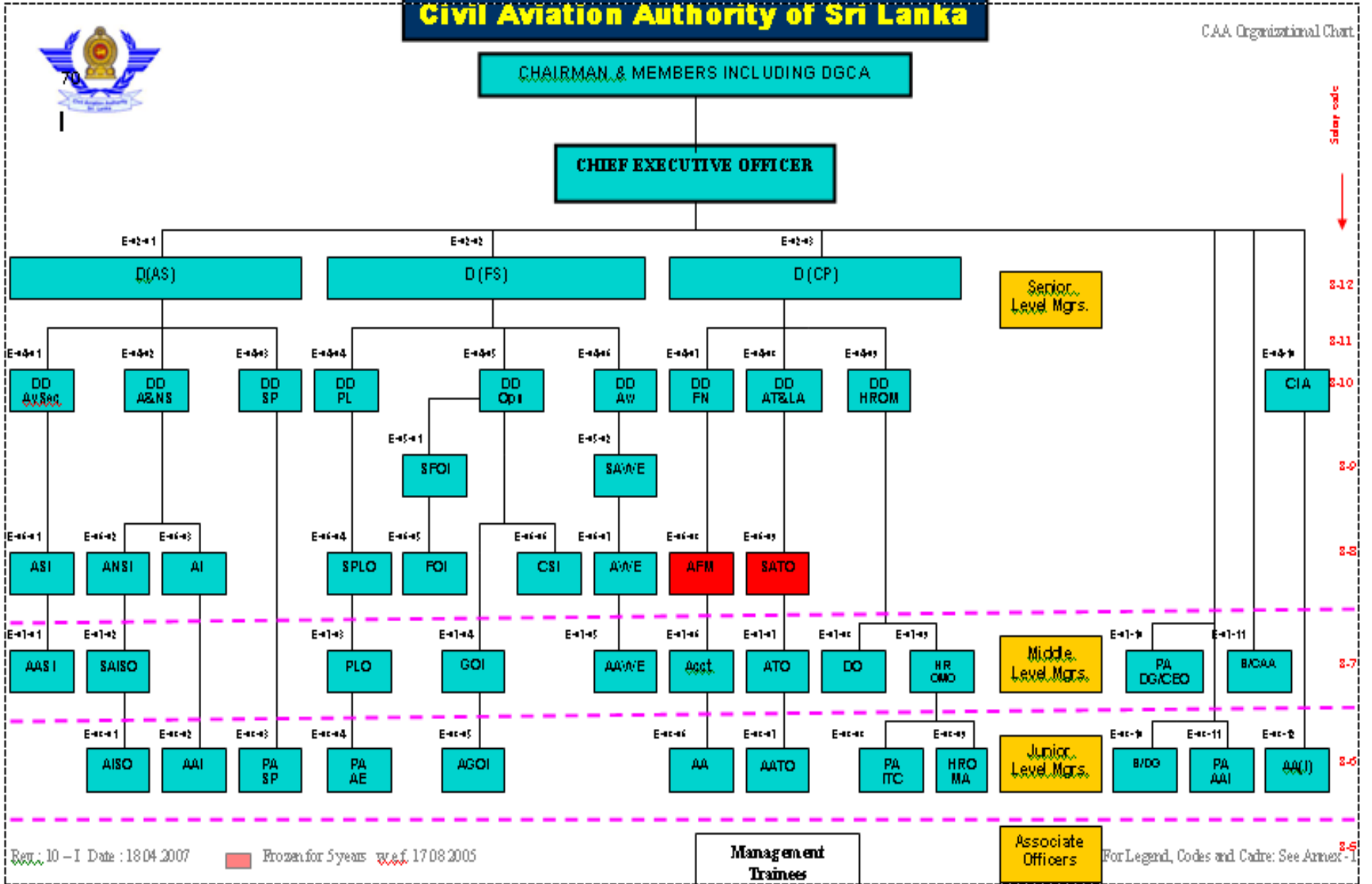
Outcome

- Fulfillment of the state's international obligations in the field of civil aviation and constant implementation and enforcement of international standards and recommended practices;
- International recognition of the civil aviation system of Sri Lanka which is free from embargoes / restrictions
- Enhanced Safety, security, efficiency and regularity in civil aviation and consequential public confidence in the air transport system;
- Optimum use of Sri Lanka airspace for the well being of the citizens of Sri Lanka;
- Socio-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;
- Proper legal framework for effective regulation and enforcement;
- Environmental sustainability.

Output

Output Class	Output
Policy Advice	Advise 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 agent 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

Organizational Structure of the CAA



CHAIRMAN'S REVIEW

The Board

The CAA has now completed five years of successful operations. There were some changes to the Board with the Director General, Mr. H M C Nimalsiri proceeding on two years no pay leave to accept the post of Regional Programme Co-ordinator of COSCAP-SA. He has been succeeded by Mr. Parakrama Dissanayake, Director- Aeronautical Services, who has been appointed to act as the DGCA and CEO.

Mr. Norman Gunewardene, Vice Chairman, also resigned due to ill health. The vacancy for Vice Chairman has not yet been filled. The ex-officio member representing the Minister of Finance, Mr. Ananda Amaradewa was posted out and Mr. P A Abeysekera, Director Management Services has been appointed as the member representing the Minister of Finance. We warmly welcome him.

The reconstituted Board consists of;

Air Chief Marshal Deshamanya P H Mendis	-Chairman
Mr. P Dissanayake	-DGCA/CEO
Mr. G Rajapakse RWP, RSP,	-Secretary Defence
Mr. P A Abeysekera	-Representative of the Minister of Finance
Mr. Ananda Goonatileke	-Executive Director
Mr. Nihal Jayawardena	-Member
Mr. P Sooriyarachchi	-Member

Cadre

The CAA experienced some retirements / resignations from its senior staff members and have had difficulty in replacing them. The CAA has no Flight Operations Inspectors (FOIs) on its cadre and has been unable to recruit FOIs due to the great disparity in remuneration offered by the CAA and the Airlines. The CAA has therefore, approved the appointment of certain selected Captains of Sri Lankan Airlines to act as designated FOIs of the CAA.

All vacancies in the junior staff grades were filled under the employment of graduate scheme of recruitment.

Aviation Policy

The comprehensive Aviation Policy drawn up by the CAA was submitted to the Line Ministry in 2004. However, it has still not been published as the National Aviation Policy.

Regulatory Functions

The co-operation of all aviation related organizations with the CAA has been good. However, the BIA still remains unlicensed and steps are being taken with AASL to complete the licencing process.

Development of Aviation

The long awaited Ruhunu Open Skies, though inaugurated in 2006, has not led to a rapid development of the general aviation sector due to a variety of reasons such as national security, importation of aircraft and equipment, lack of communication facilities etc.

Sri Lanka's second airline Mihin Lanka has now established itself as an efficient low cost airline and has commenced flights to Singapore, Thailand, India and the Middle East.

The environmental impact assessment report is awaited for the construction of Sri Lanka's second International Airport at Weerawila.

Though the Eastern Province has been liberated, conditions are not yet conducive to the development of domestic aviation. The Trincomalee Air Force Base has made arrangements for civil domestic flights but no scheduled services have commenced. It is anticipated that there will be a demand once the coal power plant and the economic zone are established around Trincomalee.

Operation of floatplanes by Air Taxi (owned by Sri Lankan Airlines) has been suspended because of the prohibition of operations to Victoria Reservoir and Kelani River due to security reasons.

Training

The CAA continues to lay great emphasis on training. The CAA training academy continued to conduct several courses for CAA staff as well as the Industry. Foreign training is conducted in co-operation with the ICAO and the Singapore Aviation Academy. The annual CAA workshop was held this year at Kandy. Theme topic of the workshop was “Change of attitude today for a better tomorrow.”

Civil-Military Relationship

The civil-military coordinating committee continues with its work, which has become very important in view of the LTTE introducing two light aircraft into their terrorist activities.

The new Air Defence Identification Zone was established in co-operation with the SLAF. Steps are being taken to second SLAF officers to fill some important vacancies in the CAA cadre, especially in the Operations Division.

Finance

The reduction in PTA income has made it necessary for the CAA to request Government funding to carry out its activities. However, steps are being taken to increase CAA revenue so that the CAA can be self financed again.

Conclusion

2007 has been a successful year for Sri Lankan aviation, in spite of the disruption to night time operations at BIA due to security reasons.

The CAA is due to be audited by the ICAO at the end of 2008. The CAA has accorded priority for the preparatory work related to this audit.

I take this opportunity to thank the members of the Authority who have painstakingly assisted and guided me in my functions.

I also wish to thank the staff of the CAA who are highly motivated, disciplined and loyal and for carrying out their duties efficiently while having had to work understaffed. I am also grateful to the Director General of Civil Aviation for his assistance and the Members of the Authority for their co-operation. DGCA / CEO has been a source of strength and direction to the staff and has shown remarkable qualities of good leadership.



Air Chief Marshal Deshamanya P H Mendis
Chairman,
Civil Aviation Authority.
30th January 2008

PROGRESS REVIEW – 2007

Report of the Director General Civil Aviation

and Chief Executive Officer

The year 2006 was a safer year as far as the safety performance indicators of both local and global civil aviation are concerned. Sri Lanka managed to maintain a zero aircraft accident rate in year 2007 as well, which is a significant safety performance continuing from year 2006. There were only two incidents which the Authority had to investigate. Over the last 10 years, the world's aircraft accident rate has been diminishing significantly. This is not an achievement by chance but through the long, safety oriented and committed work of all industry stakeholders and the aviation regulators. The application of advancements in science and technology in aerospace industry and also the aviation industry partners' enthusiastic commitment for proactive and systematic approach towards promotion of flight safety have contributed to this achievement. States' commitment for effective implementation of safety oversight systems and participation in safety promotion activities too have helped reduce accident rates in the globe.

The Voluntary Safety Oversight Audit conducted by the International Civil Aviation Organization (ICAO) in Sri Lanka in year 1997 raised concerns about the safety oversight capabilities of the aviation regulator, the Department of Civil Aviation. However, the end result stood in favor of the country as the Government took prompt action to launch a Project under the auspices of ICAO to overcome the deficiencies found. Formation of the CAA by Act No. 34 of 2002 is a clear example of the commitment of the Government to rectify all the deficiencies along with a plan to replace the primary law in civil aviation, the Air Navigation Act 15 of 1950 and the Air Navigation Regulations of 1955. The new Civil Aviation Bill is finalized and should see the light of the day as the new Civil Aviation Act in the early part of 2008. To this effect, the lead role played by the Ministry of Ports & Aviation, especially towards the latter part of 2007, should be acknowledged.

Self financing status of the CAA was somewhat affected in the year under review as the main income source, the Pre-paid Travel Advisory revenue continued to decline fast in 2007 as a result of the IATA's effort of transformation to e-ticketing. Budgetary provisions to manage the CAA were sought from the Treasury for 2008. It is heartening to discover the fact that PTA revenue could be regained which was revealed by the committed staff members of the CAA. Necessary follow up work is being taken.

The staff strength of the CAA has not shown any significant improvement, where several key positions in safety oversight areas remain vacant. The advertisements published have not received encouraging response probably because of the wages offered is not commensurate with the industry standards. CAA is recommended to address this issue very soon.

During the period under review, Mihin Lanka (Pvt.) Limited, the new low cost carrier of Sri Lanka took wings in March. CAA strongly recommended to the government to grant approval to resume certification work relating to three more applicants who had been granted provisional approval to complete work for certification as commercial international operators, but failed to meet the target dates in 2006. CAA was actively involved in the ground planning work on the second international airport project at Weerawila. In the Air Transport Sector, necessary inputs and contributions were made at the Bi-lateral Air Services Agreement Meetings conducted in the year 2007.

Safety and Security Surveillance work were undertaken with the available complement of inspectors. Capability of the regulatory affairs in relation to Aviation Security is at a very high level with the inspectors of the CAA who are now trained to international standards. It is with great pleasure that I record in this account that the competency level is the best in the world. In respect of national defense, the CAA completed successfully, the implementation of an Air Defence Identification Zone over the territory of Sri Lanka along with establishment of Prohibited and Restricted Zones.

Welfare activities of the employees continued with the Medical Insurance scheme and the Life Insurance scheme for Inspectors being available. Staff welfare and motivation was kept on track with quite a number of indoor and outdoor Team activities.

CAA started work in preparation for the ICAO Mandatory Safety Oversight Audit, which is scheduled to take place in December 2008.

I wish to avail myself of this opportunity to thank the Hon. Minister of Ports and Aviation for his direction, guidance and support to accomplish CAA's duties and functions. I am also thankful to the Secretary, Ministry of Ports and Aviation and his staff, Chairman and Members of the Civil Aviation Authority of Sri Lanka, CAA employees who carried out the allocated tasks with dedication and sheer aplomb. My thanks go to other Government Departments and Institutions, which interacted with the CAA in the execution of its work programme and the Agencies, which are subjected to regulation by the CAA for their unstinted support, assistance and co-operation for the accomplishment of the CAA's mission.



Parakrama Dissanayake

1. DIRECTION AND MANAGEMENT

1.1 THE CAA AND ITS COMMITTEES

Board of Members:

The 4th Board of the Civil Aviation Authority was appointed on 03rd April 2007, consequent to the resignation of Hon. Minister of Ports and Aviation. It consists of the following members, appointed by the H.E. the President who was also the acting Minister of Ports and Aviation at that time.

Air Chief Marshal Deshmanya P.H.Mendis, (Chairman)
 Mr. Ananda Goonatileke, (Executive Director)
 Mr. Nihal Jayawardene (Member)
 Mr. Prasad Sooriarachchi, (Member)

Meetings of the CAA

The Civil Aviation Authority of Sri Lanka held ten (10) meetings during the period under review and passed hundred and twenty (120) resolutions for the progress and well being of both the CAA and the civil aviation industry that it regulates. The Staff Committee and Audit Committee of the CAA met four (04) and three (03) times respectively during the period under review.

5th Anniversary of the CAA

CAA commemorated its 5th anniversary on 27th December 2007 at the Auditorium, Sri Lanka Institute of Tourism and Hotel Management by conducting a general meeting with the CAA employees. On this occasion, the progress achieved by the CAA during the past was reviewed in brief using an audio visual presentation. This event was followed by a special musical programme orchestrated by Vocalist Sudath Samarasinghe, who endowed the audience with a few of his popular artistic songs with the history behind their creations.

1.2 SENIOR MANAGEMENT AND SECRETARIAT OF THE DGCA & CEO

Meetings held –

DPIG Meetings	04
General Staff Meetings (Including Divisional/Sectional Meeting & Discussions)	180
Outside Meetings attended by DGCA and Meetings with outsiders in DGCA's Office	200
Other meetings	25

Total Number of Letters Received

from Line Ministry	587
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from other Govt. Agencies	561
from Airport & Aviation Services Ltd	286
from Aircraft Operators	2576
from Private Sector organizations	2232
from members of the Public	241
from the ICAO	215
from International Bodies (other than ICAO)	370

CAA Staff Training

One of the major tasks of the CAA is the entry-certification of persons and/or organizations intending to engage in civil aviation activities and to conduct continued post-certification surveillance on such persons/organizations in order to ensure that they continue to maintain initial certification requirements in strict compliance with the applicable regulatory requirements and international standards & recommended practices relating to safety, security, efficiency and regularity in air transport.

The CAA requires well-qualified and experienced staff members who have sufficient exposure and thorough understanding of the subject matter to perform the aforesaid tasks.

However, due to lack of training facilities and dearth of expertise in the country in the field of civil aviation, especially in the safety and security oversight regularity functions, the CAA has to face a huge challenge in qualifying its staff to perform the tasks assigned to them, with confidence. Therefore, the CAA has to spend a considerable amount of money, which is nearly 6% of its total annual budget and longer period of time in order to give the required training to its employees to keep their knowledge current with the rapid change of international standards and industry requirements.

Being mindful of the enormous cost to be incurred in this regard, the CAA has obtained membership of COSCAP-South Asia Programme, (sponsored by ICAO) which is focusing primarily on the development of Human Resources in the civil aviation sector in the region on a co-operative arrangement. The CAA made an annual subscription of USD 50,000/= to the COSCAP-SA to be a member. The CAA has also persuaded COSCAP-SA Programme to establish their Regional Headquarters in Colombo with a view to accruing the optimum benefits to the country. This Programme offers wide range of training in the field of civil aviation keeping pace with the advancement of science and technologies as well as the rapid changes taking place in the international requirements in pursuit of safety improvements. Majority of these courses were held in Colombo. However, some courses were conducted overseas for fair and equal distribution of opportunities and depending on the course requirements.

The CAA has also prepared a comprehensive Staff Training Plan for each of the Executive and Senior Executive Posts in its cadre identifying the areas in which the incumbent of the post should be trained in order to perform the tasks assigned to the post in terms of the Job Description. The CAA's Annual Training Programme is prepared based on the training requirements identified in the Staff Training Plan. However, there are occasions that the CAA has to send its officials to take part on overseas activities outside the Annual Training Programme. This happens due to the lack of advanced notice of important training opportunities or due to the gravity of the subject matter on either safety or security aspects.

It is noteworthy that most of the training courses that CAA officials take part overseas are of short duration (3-10 days) and the necessity for an officer to attend a few of such courses on different subjects handled by him or her within a period of one year could be more than three depending on the importance & relevance. The CAA has also adopted a stringent bonding arrangement. Accordingly, when an officer is sent overseas

for training he/ she is bonded to the CAA for a specific period which is well beyond the requirements in the Government Established Code.

In support of the foregoing, the CAA's efforts to train its staff to the required level of competence utilizing scarce resources which have been organized with an extra effort through, one-to one discussions with the resource centre and at the minimum cost to the CAA were adequately supported by the agencies external to the CAA, especially the Ministry of Ports & Aviation and the Department of Public Enterprises. It is worth mentioning that the above agencies appreciated and understood clearly the competency required by the CAA's technical staff, which is vital for the effective discharge of duties and functions. It is also one of the key areas focused by ICAO during its Universal Safety Oversight Audit conducted on each Member State on regular basis.

Universal Safety Oversight Audit by ICAO

The Universal Safety Oversight Audit Programme initiated by ICAO in 1998 with a limited scope of ascertaining the degree of compliance of each Contracting State with the applicable SARPS relating to Personnel Licensing, Aircraft Operations and Airworthiness, in the implementation of its local requirements, has now been extended to cover all ICAO Standards and Recommended Practices contained in 17 Annexes to the Convention the exception being for the Annex-9 which is on Facilitation. Accordingly, each Contracting State is required to provide ICAO with sufficient evidence that the State has taken meaningful steps for the effective implementation of all SARPS. After detailed study of such material in its Headquarters, the ICAO may, if deemed necessary, mobilize a team of auditors for on-site verification of the information provided by the State in terms of a systematic audit. Non-compliance with ICAO SARPS, if not rectified after disclosure, would entail serious repercussions including embargoes imposed on the State.

The aim and determination of the CAA is to secure full compliance with all SARPS in order to achieve higher standards in safety, security, efficiency and regularity in air transport sector in the country and to ensure the country's free participation at the international commercial aviation activities.

Draft Policy on Employment of Foreign Nationals in the field of Civil Aviation

CAA recognizes that the airspace of Sri Lanka is a national asset and all the benefits generated by this valuable asset should first be made available to its citizens. The CAA observes that a significant percentage of pilots employed by local airlines are foreigners who enjoy concessions even in taxation. In addition, there are foreign nationals employed by airlines in certain high paid posts, which can be filled with local expertise. This situation, if continued, undermines the expectations of the State. Therefore, the CAA drafted a policy paper stipulating requirements applicable for employment of foreign nationals in the field of civil aviation.

1.3 ACCIDENT INVESTIGATION UNIT

The members of the Panel of Accident Investigators and CAA Inspectors were offered to participate in an Aircraft Accident Investigation Workshop of two week duration, which was held in Grand Oriental Hotel, Colombo from 12th – 23rd March 2007. This workshop was organized by COSCAP-SA and hosted by the CAA. Capt. G.A. Fernando, a member of the Panel of Investigators attended a training programme sponsored by Ministry of Foreign Affairs- Singapore, under the Singapore Cooperation Programme Training Awards, from 22nd to 24th Aug. 2007 at the Singapore Aviation Academy. Subsequently, he made a presentation for all the members of the Accident Investigation Panel and Inspectors of CAASL on the "Chief Aircraft Accident Investigators" Programme he attended.

The CAA released the final report of the accident involving a SriLankan Airlines flight UL 316, A330-243 (Registration 4R-ALA) aircraft on 16th October 2005 at Bandaranaike International Airport and the copies were distributed to relevant local and foreign organizations. Report was published as an extraordinary Gazette Notification (No: 1500/24) in terms of the powers vested in Director General of Civil Aviation under the Air Navigation Regulation 270 (1) of Sri Lanka. In addition, CAA released the final report of the serious incident involving Aero Lanka flight RNL 106, HS 748 series 2B (Registration 4R-SER) aircraft, which occurred on 02nd December 2006 at Colombo Airport, Ratmalana. Copies were distributed as per the procedures laid down in Annex 13.

There were fifty eight (58) incidents reported to the CAA during the year 2007. Among them, a serious incident of a SriLankan Airlines floatplane DHC-3T (Registration 4R-ARB) on 05th June 2007 at Colombo Airport, Ratmalana and an incident of SriLankan Airlines flight UL 163, A 320-211 (Registration 4R-ABF), on 01st June 2007 at Bandaranaike International Airport, Colombo were investigated by the CAA. The incident involving British Airways B 747-436 (G-BNLL) and SriLankan Airlines A340-311, (4R-ADC) on 15th October 2007 at Heathrow Airport is being conducted by Air Accident Investigation Branch (AAIB) of United Kingdom.

There were no accidents reported to the CAASL during the year under review. The ATC related incident, Airprox between SriLankan Airlines and Express India flights on 16th October 2007 in the Colombo FIR was investigated and completed by CAA.

1.4 INTERNAL AUDIT UNIT.

A rigid effort was taken by the IAU to enhance the knowledge on technical fields of the CAASL by means of the support of CAA staff as well as the staff of the COSCAP-SA. During the year of 2007, the staffs of the Internal Audit Section were trained to enhance the knowledge in the fields of Government Rules and Regulations, Management and Communication skills.

An effort was taken to improve the quality of services rendered by the CAASL, by carrying out 24 quality assurance audits during the period concerned. These surveys were on Financial Management, Human Resources Management and, to some extent, Technical Sections.

The Internal Audit Programme (SLCAP 9500 part II) had been improved and revised with current developments in the Civil Aviation.

2. AERONAUTICAL SERVICES DIVISION

2.1 AVIATION SECURITY

Implementation of Enhanced Security Measures at Ratmalana Airport for Domestic Operators

A Directive was issued by the Defense Authorities to employ Sri Lanka Air Force (SLAF) personnel as armed in-flight security officers (IFSOs). The CAA conducted an awareness meeting with the participation of all Airline Operators, SLAF and Airport and Aviation Services (Sri Lanka) Ltd (AASL) and agreed on measures that would supplement the deployment of and rules of engagement for IFSOs.

CAA conducted training sessions on techniques and practices for aircraft security checks and security search operations to the relevant officers of SLAF and AASL.

Follow-up inspections were carried out to ensure implementation and corrective action was recommended.

Harmonizing Aviation Security operations conducted by AASL and the SLAF at BIA and establishment of Internal Quality Control units in the two organizations

AASL, as the airport operator together with the SLAF perform aviation security related functions at BIA. A need existed to harmonize as well as standardize the combined performance in conformance to International Civil Aviation Security Standards. The Secretary, Ministry of Defence gave his concurrence to CAA being the State regulatory body for civil aviation security in May 2007, to perform quality control functions over the Sri Lanka Air Force.

CAA conducted a month long programme on civil aviation security internal quality control methodology, practices and procedures on all aviation security (AVSEC) areas of operation where AASL and SLAF are jointly and individually responsible to the State. The workshop was conducted from 17th December 2007 to 18th January 2008, successfully establishing independent as well as joint internal quality control teams from SLAF and AASL, to ensure the implementation of the National Civil Aviation Security Programme on all activities performed by them related to civil aviation security.

Co-ordination of the visit of the Threat Assessment Team of the U.K. Aviation Industry Underwriters

CAA successfully coordinated and advised as well as provided the necessary information during the visit of the threat assessment team 'Aegis' of the U.K. on behalf of the aviation industry underwriters after the unlawful interference took place in Colombo city and the SLAF base near the International Airport in Katunayake in the months of March and April 2007. The follow up visit three months later too was coordinated by the CAA.

The successful manner the requirements of the Teams were coordinated with the State security agencies, impartial views and opinions, transparency with which the information was delivered and the good-will that was maintained during the initial survey visit and the follow-up visit avoided any additional insurance surcharge being enforced on airlines operating to Sri Lanka and on Sri Lankan registered airlines.

Certification of Airlines for International Operations

The Security Manual of Mihin Lanka (Pvt.) Ltd for International Operations was evaluated and approved. The airlines ability to implement the approved security programme in its operations was evaluated during the certification process.

Supervision of Pre-Departure Aviation Security Procedures and Practices during Presidential (VVIP) Flights

CAA Security Inspectors were called upon by the Presidential Security Division to observe, supervise and report on the security measures of control, procedures adopted, and practices in place in the conduct of civil aviation security related activities by the relevant agencies, which perform such functions during the pre-flight proceedings of the Presidential (VVIP) flights. This responsibility was shouldered by the CAA during the entire year 2007.

National Screener Certification Programme

CAA developed the first draft of the National Civil Aviation Security Screener Certification programme in order to certify all personnel performing screening duties at screening points at airports in Sri Lanka. The Programme is expected to be finalized in early 2008.

Provision of Training To AASL

CAA conducted formal instructions to AASL basic recruits to aviation security and for AASL middle management security personnel during their refresher training courses.

Security Oversight Activities

Civil aviation security oversight activities were performed on airport and airline operators to ensure implementation of the requirements stipulated in the National Civil Aviation Security Programme, in conjunction with the International Standards stipulated in the Annex -17 'Security' to the Convention.

Participation at International Forums

CAA officials represented Sri Lanka at two key international forums namely, 'The Third Symposium and Exhibition on ICAO Machine Readable Travel Documents (MRTDs), Biometrics and Security Standards held at ICAO Headquarters, Montreal, Canada and Europe - Asia Pacific Aviation Security Forum in Singapore.

Aviation Security Document Cell

Addition of more Aviation Security reference material for the AVSEC document cell was continued throughout the year 2007. The document cell is in possession of a reasonable amount of Aviation Security reference material, for reference by the industry personnel as well as for functions of the Section.

BIA Combined Security Contingency Exercise

The Sri Lanka Army, the Air Force , Navy , Police and AASL perform State security related duties at the international airport, whilst various other units such as ATC, Fire Services, Airlines, Petroleum Corporation and tenants in the terminal has a role to play during a security contingency. A requirement existed for a coordinated response and each and every entity to be aware of their respective role precisely in such a situation as well as to know the role played by other entities to avoid duplication or omission of key responses and conflict of interest.

CAA developed a comprehensive document titled 'BIA combined security contingency and emergency exercise – 2007'. This document comprises of security contingency management, security contingency scenario to commensurate the existing threat from land, air and sea and within the terminal building. The document also provides a list of Annexes to the convention on international civil aviation, list of important reference material for managing security contingencies and a model guide for emergency operations centre during a security contingency. Five meetings were conducted by the CAA where all entities presented their role play during the security contingency scenario exercise, discussed strengths and weaknesses of each organization and how to share strengths as well as compensate weaknesses of each other. Partial exercises of the security contingency plan and practical exercises related to the scenario were conducted during year 2007.

Approval for Carriage of Munitions

A considerable number of requests are made by the State for VIP security troops participating in United Nations Peace Keeping Force activities, acquisitions by the Military and the Police forces, Private Organizations and individuals for carriage of munitions for participating at International sports tournaments/competitions, private individuals for legitimate purposes and aircraft of other contracting States over-flying the air space of Sri Lanka or designating Colombo as an alternate airfield.

The Jurisdiction of the air space of Sri Lanka is vested with the Director General of Civil Aviation. Therefore, all exports and imports of munitions, having approved by the Ministry of Defence, approval for

carriage through the air space or aircraft to land or take-off or over fly with munitions is granted by the DGCA under Air Navigation regulations 128 and 129. Strict compliance with the applicable specifications laid down in ICAO document 9284 (2002-2004 edition) or the 44th edition of Dangerous Goods Regulations published by IATA need to be adhered to by the air carriers.

Fifty Seven (57) approvals were granted on evaluation for carriage of munitions in the cargo hold and thirty eight (38) approvals for carriage on board concerning VVIP/VIP International travel during year 2008.

Flight Operations Matters Handled By Aviation Security Section

Helicopter Operations

The single commercial helicopter in Sri Lanka, operated by Deccan Aviation, had a lean period through out the year due to the security situation, averaging below 20 hours per month for a major period of the year, a low point in their operations since July 2004. However the company experienced a dramatic increase in its operations, passing 50 hours per month in December 2007 which is an all time high.

Total flying hours in year 2007 - 284 hrs 10mts
Total number of Passengers - 410

Balloon Operations

The security environment and terrorism related violence that prevailed in the country severely affected the commercial hot air balloon operations in the Sigiriya – Dambulla area during November 2006 – May 2007 and caused a major reversal to hot air balloon operations. The single operator Adventure Asia International (Pvt.) Ltd shifted its operations to an area within the “Ruhunu open skies” Project in the vicinity of the city of Galle, for November 2007-May 2008 season operations. The positive response from the tourist in the south western coastal belt was encouraging at the start but, the spread of terrorist activity to the South took its toll on Balloon operations.

Total flying hours in year 2007 - 14 hrs 50mts
Total number of passengers - 103

Aerial Work Operations

Helicopter and float planes were engaged in aerial work operations involving photography, video filming, aerial surveys involving electronic imaging, flower and leaflet drops for advertising purpose of corporate establishments.

Nine (9) approvals were granted during year 2007.

2.2 SPECIAL PROJECTS

CAA Branch Office- Weerawila

In order to be in a better position to conduct the required safety oversight and surveillance functions in connection with the construction and subsequent operation of the second international airport of the country at Weerawila, it is necessary that the CAA establishes its branch office at Weerawila. Further, the necessity was felt to open a Regional Civil Aviation Authority Training Centre in the Southern Province to cater to the training requirements arising out of the operation of the southern airport.

During the year under review, a land of 0.5 acres which is located close to Weerawila town was acquired by the CAA from the Lunugamwehera Divisional Secretariat division with the help of the District Secretary and UDA- Hambanthota. The land was fenced with barbed wires.

Construction of the Branch Office was withheld until the construction work of the Weerawila International Airport is commenced.

CAA Regional Training Centre- Weerawila

A land of 5 acres has already been identified from Tissamaharama Division for this purpose. This land belongs to the Land Reform Commission. The Land Reform Commission has agreed, in principal, to allocate the land to the CAA after considering all such requests made by other organizations.

Landscaping of the garden of the CAA Branch Office at Katunayake

The AASL has agreed in principle to conduct Landscaping of the above land through the Landscaping Division attached to the AASL. However, due to lack of manpower and equipment, work has been temporarily delayed.

Participation at "Deyata Kirula-2007" national exhibition

The CAA participated at the above exhibition representing the Transport Sector stall cluster. The CAA had to pay a rental of Rs. 320,674.00 for using of 750 sq. ft. to the stall constructor through the Secretary, Ministry of Railway and Transport. On our invitation, Asian Aviation Centre offered an aircraft and a turbo-jet engine to be displayed in the CAA stall as exhibits. The CAA Stall became a popular unit among all other units and the Transport Sector stall won the 2nd place in the overall exhibition.

Issuance of a Diary from the CAA

The CAA could print and issue a Diary for the first time in the CAA history. Due to financial restrictions, quantity was restricted to 500 units at a cost of Rs. 161,175.00. Diaries were distributed among the Industry Personnel who closely deal with the CAASL as well as the members of the CAA Staff.

Observing of the National Safety Day

26th December was declared by the Government as National Safety Day. In accordance with a circular issued by the Ministry of Public Administration, the CAA observed the National Safety Day.

COSCAP-SA

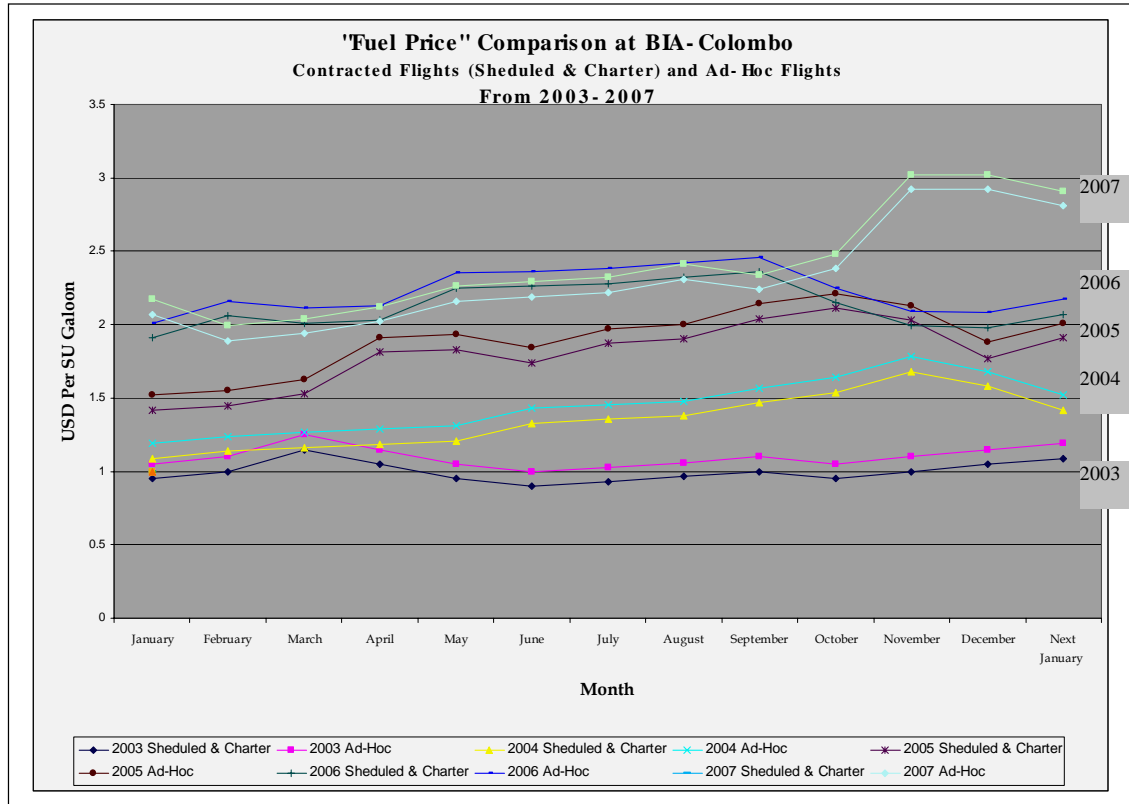
The CAA continued to host the COSCAP-SA Programme, which was relocated from Katmandu, Nepal to Colombo in September 2005. The CAA paid the State contribution of US \$ 42,613 to the COSCAP-SA Programme for the year 2007, in addition the CAA contributed in kind to provide logistical support in terms of rent for office space, electricity, water and office support staff. In return, technical support in the fields of Flight Operations, Airworthiness, Personnel Licensing, Aerodromes and Air Traffic Management was provided by the Programme to strengthen and augment the safety oversight capability of the CAA.

The CAA attended the 17th Steering Committee Meeting held in Bangkok, Thailand, from 6-8 November 2007. At this meeting, all participating States pledged their support to continue COSCAP-SA beyond 2007, a key decision for future. As formulated by the COSCAP-SA and adopted by all Member States, Sri Lanka also signed the Memorandum of Understanding and the Programme Document to give effect to the continuation of the Programme for its Phase III for the next 05 years.

Sri Lankan Airlines maintained their record as the largest contributor of gratis air passage to experts employed by COSCAP-SA by providing 52 gratis air tickets.

Surveys on Civil Aviation

Ever escalating aviation fuel prices have adversely affected on the economies of airline operations. In addition, the ground handling charges at an airport play a decisive role in the selection or rejection of an airport by international air operators, especially the charter operators and operators making technical landing. As such, the CAA continued to keep a track on the fuel prices at the BIA. The following graph presents the variations of fuel prices.



Source: Ceypetco

Training Programmes

A course on Basic Air Fares and Ticketing was conducted at the CAATA in November 2007 for the interested staff of the CAA. 14 Executives and 26 Civil Aviation Officers followed above training course

CAATA

A total of 34 Training Activities were conducted at CAATA during the year 2007. As detailed below, I T Training (05 days), English Language Training (09 days), Training on Dangerous Goods Regulations for Airport & Aviation Sri Lanka(AASL) Security Staff (08 days), COSCAP-SA Annex 14 – Airport Design & Standards -02 days, Annex 14 Aerodromes Module on Airport Design & Standards – 02 days, ICAO SMS Train the Trainer – 05 days, Meeting of the Designated Focal Points – 02 days, Aerodrome Certification Meeting with COSCAP-SA – 06 days, Designated Check Pilots - 01 day, Premises were hired for 37 days Travel Agents Association of Sri Lanka (TAASL), British Airways, Sri Lankan Airlines for Ticketing Courses. Three Air Services Bi-Lateral Meetings organized by the Ministry of Ports & Aviation were held during the year. Ten other meetings were held by different sections of Civil Aviation Authority. CAATA was also used on 24 days for various Presentations made by experts to enhance the knowledge of personnel in the aviation industry.

The premises were also used by the Aeronautical Society of Sri Lanka on 10 days and CAA Welfare Society on 06 days to hold their meetings.

2.3 AERODROMES & NAVIGATION SERVICES

Approval of Water Aerodromes & Floatplane Operations

The Castlereagh Reservoir was surveyed and inspected for proposed float plane operations, but due to the prevailing security situation in the country, approval was not granted by the Ceylon Electricity Board. Subsequently, the Sri Lankan Airlines management's decision to close down the floatplane operation in Sri Lanka due to unforeseen reasons have created a great void in the domestic aviation sector in the country.

The floatplane operation was inaugurated in December 2003 and was in operation up until June 2007. During this period, seven water aerodromes were approved exclusive for Sri Lankan Airlines.

Aerodrome Certification

The Bandaranaike International Airport was unable to be certified as yet due to Airport & Aviation Services (SL) Ltd being unable to complete the necessary corrective actions highlighted during the partial audit conducted with the assistance of COSCAP-SA.

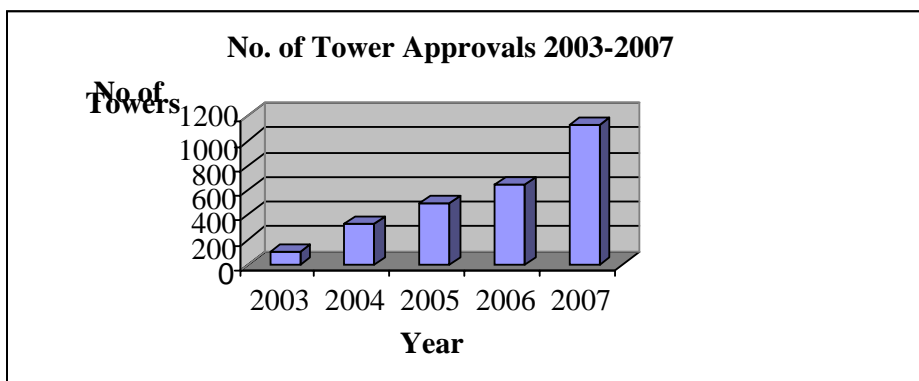
Overlaying of the Runway at BIA

The proposed runway-resurfacing project due to commence in January 2007 has been rescheduled for December 2008 due to unforeseen planning issues. In view of the postponement of the project, the SLOT committee was informed of the rescheduled plans for the overlaying project.

The runway-resurfacing project includes widening of the existing runway shoulders in order to accommodate the new Airbus A380.

Construction of High Rise Structures

During the year 2007, the telecommunication tower density in Sri Lanka has increased at a significant rate. The present tower density in Sri Lanka is approximately four towers /sq Km. During the year 2007 CAA has granted highest number of approvals for 1118 telecommunication towers and 67 buildings. The following table shows the telecommunication tower population in Sri Lanka during the period 2003-2007.



Safety Management Programme.

AS per ICAO requirements, it is mandatory to implement Safety Management Systems in Air Traffic Services and Aerodrome Operations. Aerodromes & Navigation Services Section published the CAA's regulatory requirements, as an ASN for the implementation of Safety Management Systems in above areas. In addition, A&NS Section organized an ICAO Safety Management Workshop for the CAA technical staff and the relevant officers from the aviation industry.

Permission for flying over Sri Lankan territory and Landing at BIA

During the year 2007, CAA has issued permissions for 844 international flights to over-fly Sri Lankan territory and 503 International flights to land in Sri Lanka. This figure does not reflect the total number of flights over-flown/ landed Sri Lanka as AASL also grants approvals for such requests during off duty and non-working days of the CAA.

ATS/Aerodromes Safety Oversight Inspections

Around 10 inspections on the ATS service Provider/Aerodrome Operator were carried out by the CAA and many deficiencies were observed. Corrective actions recommended for those deficiencies. In addition, during the year 2007, one ATC incident, which took place in October, was investigated and recommendations were given for corrective actions.

Aviation Safety Notices

Aerodromes & Navigation Services Section has issued the following Aviation Safety Notices to the Aviation Industry with regard to the regulatory requirements in following areas,

- 1) Aerodrome Standards in Sri Lanka
- 2) Requirements on Electronic Terrain and obstacle Data
- 3) Requirements for Safety Management Systems
- 4) Requirements for the certification of Aerodromes in Sri Lanka
- 5) Requirements for Aviation Maps and Charts in Sri Lanka.

Aeronautical Information Service

During the year, 2007 CAA has initiated/issued following Aeronautical publications:

NOTAM	142
Aeronautical Information Publication Supplements	06
Aeronautical Information Circulars	09
Total number of ASN issued by the CAA	08

3. FLIGHT SAFETY DIVISION

3.1 PERSONNEL LICENSING

1. Certification of new flying school – "Sky Line Aviation (Pvt.) Ltd.",

Sky Line Aviation was granted approval to operate as a flying school in addition to "Asian Aviation Centre". 03 Inspections were carried out on the school in the year 2007 and formal approval was granted to conduct CPL training course in addition to PPL training course.

2. Introduction of a new format for Aircraft Maintenance Engineers License and Air Traffic Controller License.

As in the case of pilot licenses, computerized format licenses under new covers with pouches were introduced to issue Aircraft Maintenance Engineers Licenses and Air Traffic Controllers Licenses. Therefore, AME License holders are being issued with new format licenses since January 2007. All Air traffic Controllers have been issued with new format ATC Licenses as well.

3. Aircraft Maintenance License compliant to JAR was introduced. In addition, conversion of Existing AME (BL) to AML was introduced and new examination for issuance of AML was conducted.

While the above (2) improvement is envisaged, feed-back from the Airline Industry was obtained, in contrary to our expectations, found proposals requesting to completely over do the license as per European requirements to comply with EASA PART 66.

Having decided to introduce EASA 66 system in respect of issuance of new licenses for maintenance Personnel, CAASL has already embarked on this project advising industry about this development by issuing a new type of licence (viz. AML.)

A holder of existing AME (BL) is given the opportunity of converting his license to Aircraft Maintenance License before the end of year 2012.

The first examination for the issuance of AML including 17 modules was conducted in May 2007 in three phases.

4. Issued Cabin Crew Member Certificate in new format after 05 years.

All Stewards and Stewardesses employed by the airlines for local & international operations are issued with Cabin Crew Member Certificate on successful completion of their training. These certificates are issued to be used until the cabin crew is in employment. In the year 2007, as in the case of any other Flight Crew Members, new format Certificate in computer print and under hard cover with pouches were introduced for the issuance of CCMC and these certificates will be re-issued after 05 years.

5. Designated a new hospital to conduct Medical Investigations- Asiri Surgical Hospital

In 2006, the authority signed an agreement with Durdans Hospital to provide services for medical checks and tests for medical examinations for Pilots and ATCs.

In addition to Durdans Hospital, in 2007, the authority signed an agreement with Asiri Surgical Hospital for obtaining same services as an alternate to the Durdans Hospital giving more options to our licence holders.

6. Evaluation of 03 applications for local flying schools.

In 2007, three applications were received for setting up of Flying Schools. Pre-application meeting with participation of DGCA and related executive officers of the authority and the applicants and their proposed post holders were held in order to discuss on the requirements of both parties

3.2 OPERATIONS

Mihin Lanka (Pvt.) Ltd, a new budget carrier in Sri Lanka.

Mihin Lanka (Pvt.) Ltd, the second international airline of Sri Lanka started operation from 4th Mar 2007 making it the second largest passenger carrier in Sri Lanka. The airline started the operation with one F 27 aircraft. Consequently, it added an A-320 aircraft and an A321 aircraft to its fleet by the end of 2007. Prior to certification of these aircraft, the CAA Inspectors visited Bulgaria (for A 320) & Turkey (for A 321) to inspect the aircraft & to evaluate the documents pertaining to the aircraft.

Deccan Aviation, adds aircraft to the fleet

Deccan Aviation, the only Commercial Helicopter operator, added a new passenger aircraft in to its fleet –A Beech 1900 C that has a capacity of 19 passenger seats. It made its inaugural flight into historical Anuadhapura. The airline, which is limited to Domestic operations, operated charter flights to Male using their Beech 1900 aircraft.

Certification of Foreign Air Operators

Air India Express (a budget carrier and a subsidiary of Air India), RAK Airways (an airline from Ras-al-khaima- the third airline operating from UAE) and Air Livingston from Italy, started operating into Sri Lanka. All these three airlines were granted International Airline Licenses.

Approval of a Simulator

Alatheon Simulator in Singapore was inspected by the CAA Inspectors and approved for the use of Sri Lankan airlines A 320 pilot training.

Issuance of a new Cabin Crewmember Certificate;

Pursuant to ASN 082, CAA commenced issuing Cabin Crewmember Certificates in a new format from November 2006. This new format includes personal details of the crewmember, validity period of SEP training & the aircraft types relevant to the CCM. The crewmember has to get through a Class II Medical examination conducted by a Civil Aviation Medical Examiner to be eligible for the issuance of the new certificate.

Aviation Safety Notices. –

A total of 06 ASNs pertaining to the 30th amendment of Annex 6 “Operation of Aircraft” was published.

3.3 AIRWORTHINESS

Developments in 2007

a) International Sector

The CAA undertook the task of certifying Mihin Lanka (Pvt.) Ltd, the second international airline of Sri Lanka for International Passenger operations. Having successfully completed the regulatory requirements of CAA, which includes policies and procedures pertaining to maintenance of aircraft, Mihin Lanka (Pvt.) Ltd. was granted with the Air Operator Certificate in 2007.

b) Domestic Sector

Deccan Aviation (Pvt.) Ltd has increased their overall performance with a fixed wing Aircraft in addition to the existing helicopter.

As a result of the “Ruhunu Open Skies” project, Model Plane operations took place before the “Balloon Festival” in Koggala.

During the year under review, Skyline Aviation (Pvt.) Ltd was granted with Air Operator Certification approval for training purposes.

Aircraft Maintenance Organization approval

Action was taken to grant approval to 05 new Aircraft Maintenance Organizations. The 33 maintenance stations located outside Sri Lanka and 06 stations in Sri Lanka were renewed for another year in accordance with the airworthiness requirements. There was an amendment to the Japan Airlines maintenance organization approval during this year.

Third Party Work For Airlines

After careful review of capabilities, CAA granted 08 approvals to carry out third party maintenance activities.

C of R and C of A

During the period under review, the CAA granted initial registration for 05 Aircraft and renewed the Certificates of Registration of 25 Aircraft. This office issued 04 initial Certificates of Airworthiness and renewed 22 certificates. There were 03 aircraft de-registrations on owner's request. Meanwhile, two Export Certificates of Airworthiness were issued. On requests made by the owners, ownership of 11 Aircraft were changed.

Safety Oversight and Monitoring Of Continuing Airworthiness

Paying more attention to the safety-risk, Airworthiness Engineers conducted systematic surveillance Programmes throughout the year to monitor airlines.

Compliance with the continued random inspections.

Airworthiness Section conducted 65 ramp inspections during this year.

Airworthiness Audit

The CAA accorded the highest priority to conduct Airworthiness Audits on Deccan Aviation (Pvt.) Ltd and Sri Lankan Technical Training School during the year under review.

Recommendation of Visa

The CAA has recommended landing endorsements and resident visas for 26 Ground Engineers during the year.

Aircraft Maintenance Engineer's Validation

CAA has validated five (05) numbers of foreign AME licenses and renewed twenty (20) AME licenses in order to certify maintenance of Sri Lankan registered aircraft. This was done on request of the operators.

4. CORPORATE DIVISION

4.1 AIR TRANSPORT & LEGAL AFFAIRS

Aviation Statistics

With effect from April 2007, CAA's statistics unit was brought under the purview of the above section. The statistics collected by the CAA and processed under various headings are provided to different parties including ICAO, Central Bank, Airlines and other interested parties.

The CAA has fulfilled its obligations to ICAO by providing timely data and information about civil aviation activities in Sri Lanka.

Slot Co-ordination

The CAA chaired three (03) meetings during the period under review for the determination of slots for airlines operating into and out of BIA. One of these meetings was for reallocation of slots due to the temporary airport closure during the night time. The members of the Slot Committee comprised representatives from the Airport operators, Air traffic controllers, ground handlers, and schedule-planning personnel of Sri Lankan Airlines in addition to the relevant CAA staff.

Although the present runway can accommodate up to 25 movements per any given hour, other constraints have affected the actual handling of this amount of flights. The infrastructure development at BIA has helped in enhancing the handling capacity of the Airport.

Foreign Airline Operations

Air India Express and RAK Airways commenced operations to Sri Lanka from Chennai and Ras Al Khaimah respectively. Austrian Airlines and Martin Air re-commenced operations to Sri Lanka during the period under review. First Choice Airlines continued to be the only Charter Airline that operated during the period under review.

Edelweiss, a charter operator for last few years, commenced its scheduled operations to Sri Lanka and Air India Express, one of the low cost carriers of the region, started their operations too.

During the year Etihad Airways, PIA and Cathy Pacific Airways terminated their operations to Sri Lanka. Although Austrian Airlines terminated their operations, it re-commenced operations towards the latter part of the year.

Passenger and Cargo Movements

There was marginal improvement recorded in the passenger and cargo movements during the year.

	Passengers			Cargo (metric tons)		
	Uplifted	Discharged	Total	Loaded	Unloaded	Total
2005	2,133,413	2,105,748	4,239,161	84,849	57,505	142,354
2006	2,310,264	2,275,516	4,585,780	96,218	57,914	154,132
2007	2,444,277	2,398,666	4,842,943	97,361	57,051	154,412
2008 (forecast)	2,645,297	2,583,391	5,228,688	99,074	55,757	154,831

Performance of Airlines

Transit Passengers

If BIA is to be developed as a hub airport in the region, an important area to improve and develop would be to increase the number of transit passengers passing through the Airport.

The top ten airlines bringing in transit passengers are as below.

Airline	Number of Transit Passengers brought in
Sri Lankan Airlines	957,095
Emirates	21,826
Mihin Lanka	13,896
Saudi Arabia	1,363
Sahara Airlines	1,268
Jet Airways	777
Cathay Pacific	724
Other Airlines	1,804

Domestic aviation

During the year under review, there were only two (2) domestic scheduled operators viz. Expo Aviation Ltd, and Aero Lanka Ltd that flew on the route Ratmalana-Palaly v.v. Deccan Aviation (Lanka) Ltd that commenced helicopter operations in June 2004 continued to operate to several destinations in the country. Daya Aviation Ltd continued with their private/Commercial operations. The demand for use of aircraft for charter and aerial work operations were on the increase although mainly for corporate promotional activities, Competitions and for live broadcast.

Float Plane operations started by Srilankan Airlines on 2004, were terminated in the middle of the year 2007.

The development of aerial work and operations have been curtailed and stifled on the grounds of Security.

Statistics relating to the following modes of transportation by local operators in the year under review are as follows.

Aircraft Type	Total number of flights		Total number of flying hours		Number of passengers transported	
	2006	2007	2006	2007	2006	2007
Floatplane	1,542	666	1,314	548	7,005	2,828
Helicopter	128	146	258	284	589	410
Balloon	31	15	29.10	15	121	103

The fixed wing aircraft were engaged mainly in the operation of passenger flights between Ratmalana and Jaffna airports. Statistics relating to transport of passengers on these routes are as follows.

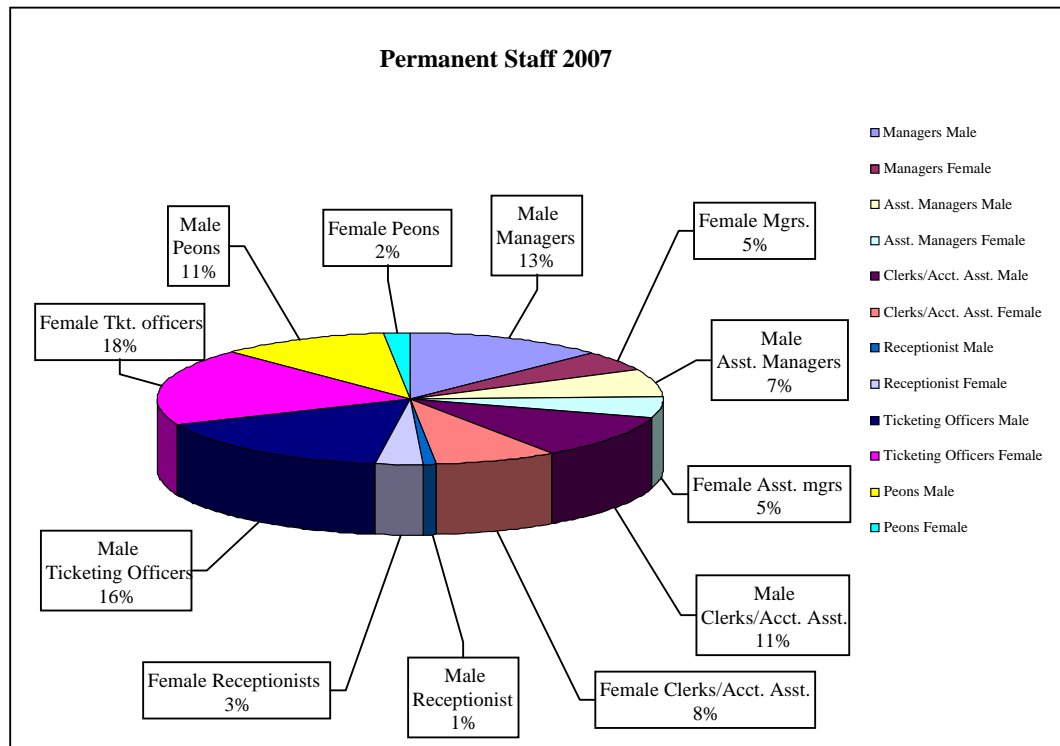
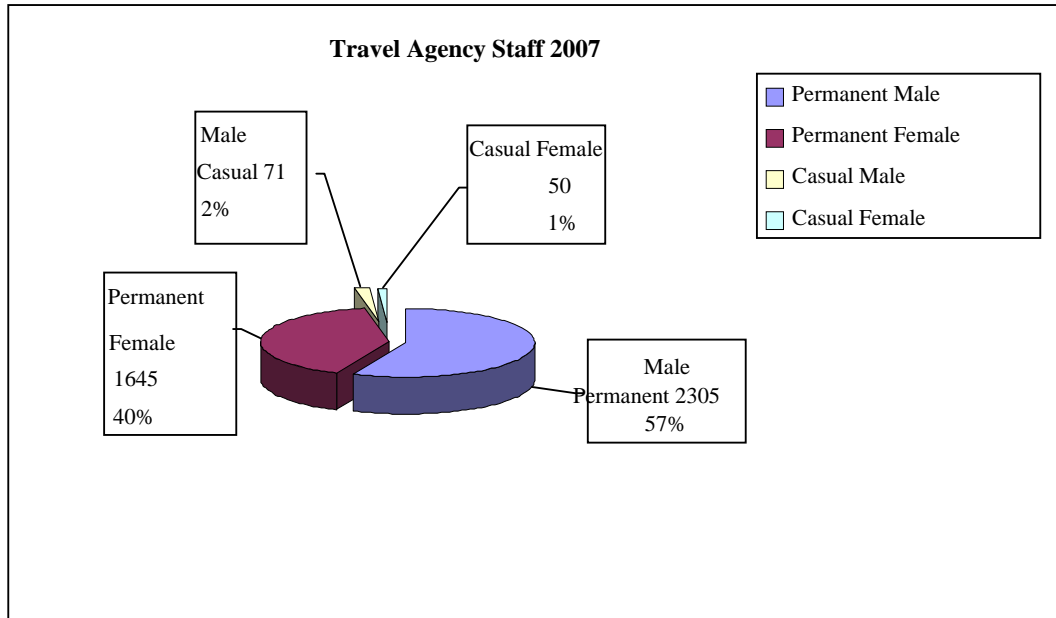
Sector	2005	2006	2007
Ratmalana – Jaffna	31,600	14,257	37,126
Jaffna – Ratmalana	32,073	14,797	48,362
Ratmalana- Trincomalee	101	-	-
Trincomalee- Ratmalana	135	-	-

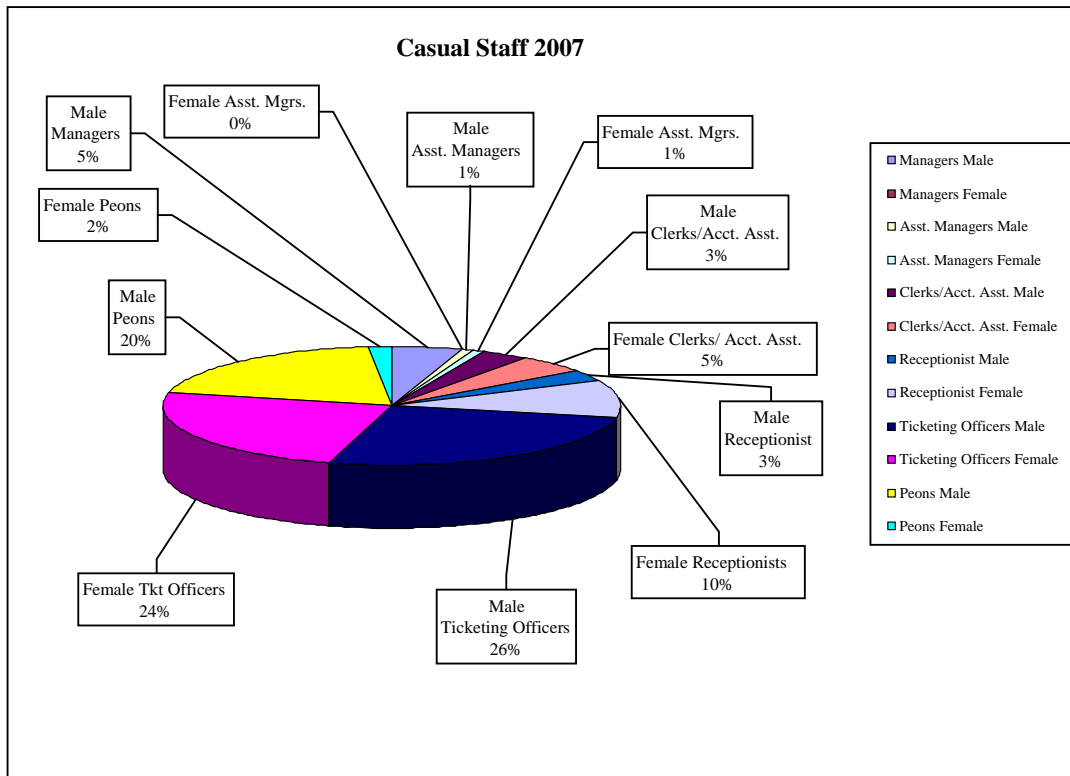
Performance of local airlines in the domestic air transport market in the year under review is as follows:

Airline	2006			2007		
	Seat km	Pax. km	Load factor	Seat km	Pax. km	Load factor
Expo	7,876,400	6,090,824	77.33	23,827,856	18,859,516	79.15
Aero Lanka Ltd	5,959,680	5,182,128	86.95	16,947,840	14,309,828	84.43
Sri Lankan Air Taxi	12,128,254	9,270,538	76.44	12,379,894	9,772,595	78.94
Deccan Aviation	-	-	-	672,803	102,806	15.28

Travel Agents

As per the regulation, all travel agents in Sri Lanka are required to have a license issued by the CAASL and the license is renewed annually. Considerable amount of employees are employed by these agents and following charts show the employment generated by this sector.





Bilateral Air Services Negotiations

During the year under review, Sri Lanka participated in bilateral air services negotiations with China, Australia, Nepal, South Korea and Russia.

Sri Lanka was liberal in its approach with its bilateral partners and the bilateral arrangement with China and Australia were further liberalized.

Operation of international commercial passenger flights by local Airlines

Mihin Lanka (Pvt.) Ltd, a fully government owned budget carrier, was granted approval to commence international operations. Initially, they were permitted to operate only to Indian Destinations and gradually expanded to other destinations such as Dubai, Male and Singapore.

Draft Civil Aviation Act

The draft Civil Aviation Bill, which will replace the existing Air Navigation Act of 1950, was submitted to the line Ministry for enactment by Parliament. 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.

It is expected that the bill will be passed in parliament in early 2008. The CAA has already commenced finalizing the regulations that are needed for the effective implementation of the provisions of the act.

4.2 HUMAN RESOURCES & OFFICE MANAGEMENT

Staffing

The CAA at present consists of one hundred and thirty five (135) positions in the approved cadre which comprises of one (01) Chief Executive Officer, twenty five (25) Senior Executives, thirty four (34) Executives, forty seven (47) Action Officers and twenty eight (28) Support Staff. A total of one hundred and twelve (112) were attached as at the end of December 2007 including two (02) new recruitments. DGCA/CEO was granted with no pay leave for two (02) years and D/AS was appointed to act in the post of DGCA/CEO in CAA during the year 2007.

Staff Welfare

CAA continued with its Medical Insurance Scheme with additional benefits as a welfare amenity offered to the employees and their immediate family members. Outdoor Medical Expenses were increased up to a limit of Rs.7,000.00 and Health plus Medicare card system was introduced which can be used for hospitalization without paying admission fees or any other payment. A total of employees enjoyed the medical insurance Indoor facility worth of Rs.546,567.28 and Our Door facility worth of Rs. 479,569.50 during the year. The Accident Insurance Policy was also continued in the year under review after an evaluation process of the benefits offered by different companies. CAA has been laying a helping hand to the staff when in distress and Rs.11, 429,697.00 has been granted as Distress Loans for the period under review for 75 employees.

Outdoor workshop



Having continued with the development of human resources for effective and efficient delivery of service, the Annual Staff Outdoor Workshop was conducted for the 10th occasion in 2007 at the Swisse Tourist Hotel, Kandy under the theme of “Change of Attitudes today for a better tomorrow”. The workshop became a successful event and the Chairman, Actg. DGCA & CEO and Executive Director also attended.



‘Prathibha Prabha’

The evening entertainment event ‘Prathibha Prabha’ as usual, brought enlightenment to the workshop with the hidden talents and creativity of the staff and provided the opportunity for them to develop personality.

Training

A total of Rs. 1, 718,420.53 was spent on both local and foreign training for the staff of CAA during the year. The training requirements, as identified in the Programme Budget 2007 and the Training Programme 2007 were facilitated within the annual budgetary allocation. In the year 2007, eight (08) foreign training opportunities were offered to Executives; whilst twenty six (26) and thirty four (34) local training opportunities were offered to Executives and Action Officers respectively. Accordingly, a total of 68 training opportunities were offered in the year.

Technical Library

Serving the interested parties in Aviation being the major objective of the Technical Library of CAA, it has been patronizing a number of users comprising the CAA staff as well as aviation industry personnel. There is an increase of 49% of library users during the year. This library serves as a resource and knowledge centre. A sum of Rs.185, 540/= was spent on the purchase of new publications to the library collection.

CAA Website

Improvements were done to the CAA website www.caa.lk updating information. Duties & functions of the CAA, important data and information about the CAA and all current activities are published in the website. Viewers are also able to view one Hundred (100) Aviation Safety Notices, which have been issued by CAA Sri Lanka.

CAA Business Plan and Work Programmes

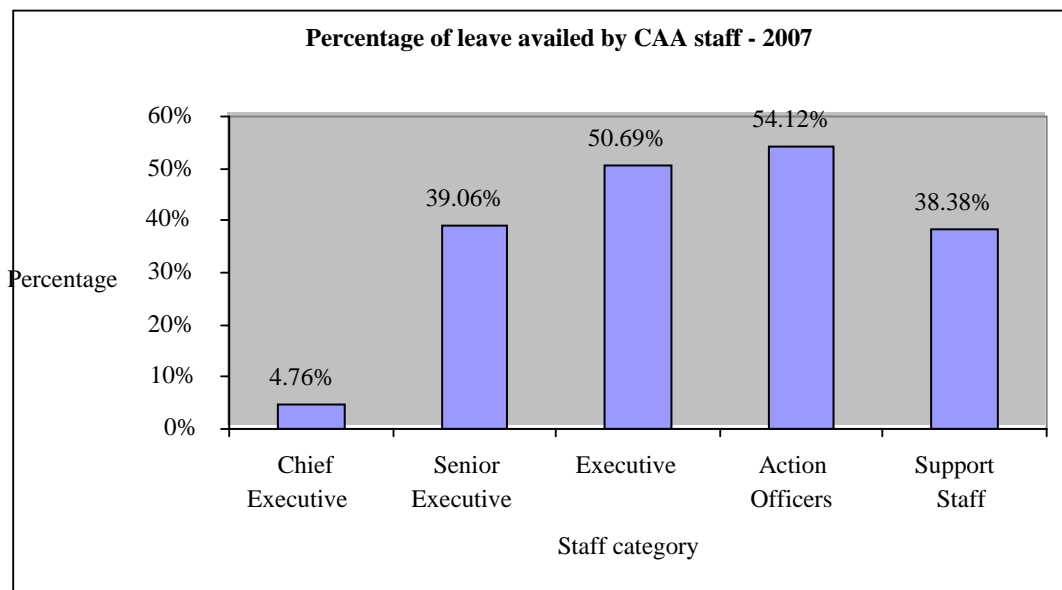
Work Programmes of each Section of the CAA were prepared according to the Business Plan prepared for three year period 2007-2009 aiming at the specific objectives to be achieved. Accordingly, each Section carried out the duties assigned to them during the year under review.

Automation of CAA

IT policy was finalized during the year in establishing the guidelines and procedures related to issues on Information Technology and Computers. Whilst identifying the need of automating the working background of CAA, several sections initiated networking system to be implemented in office and smooth functioning is experienced with speedy and effective work.

Leave availed by the CAA employees

Close monitoring of late attendance records and short leave records was made during the year apart from the concessionary period granted in attendance due to difficulties faced by the staff when reporting to the office. In addition, incentives such as the Transport Allowance and the Leave Encashment facility have encouraged frequent attendance at work.



4.3 FINANCE MANAGEMENT

Programme Budget

CAA prepared the Programme Budget- 2008, which sets out the expenditure of the ensuing year under four major programmes viz. Direction and Management, Aeronautical Services, Flight Safety and Corporate. The forecast income is Rs. 37 millions as against the estimated expenditure, which is Rs. 254 millions reflecting a deficit of Rs. 217 millions. The estimated expenditure has been increased by 11% compared to the last year whereas the forecast revenue has been decreased by 29% compared to the forecasted revenue in year 2007.

Collection of Embarkation Levy

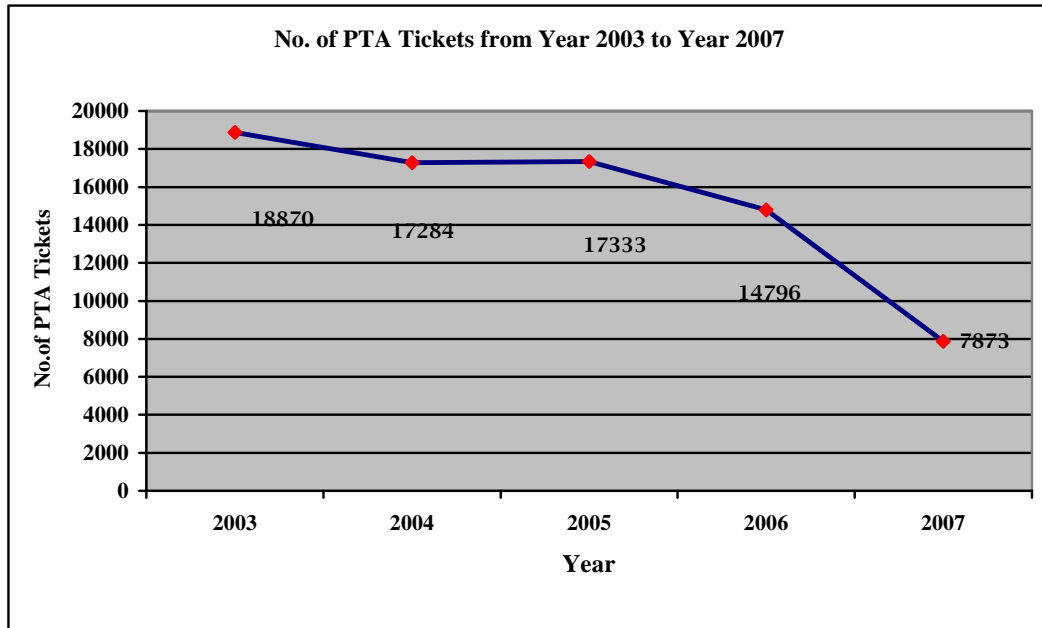
Beneficiary	2005 (Rs. Mn.)	2006 (Rs. Mn.)	2007 (Rs. Mn.)
General Treasury	650	1,077	653
AASL.	718	776	1,418
Ceylon Tourist Board	684	243	-
Sri Lanka Tourism Development Authority.	-	-	56

CAA Revenue

The CAA's present sources of income are as follows:

- Surcharge on Pre-paid Travel Advices (PTA)
- Charges for provision of Regulatory Services.
- Fees for issue/renewal of Licences / Certificates.
- Interest of savings

Although PTA has been the major source of revenue for the Civil Aviation Authority from the inception, it has showed a diminishing trend for last few years. The reason has been identified as the e-ticketing mechanism which was implemented recently.

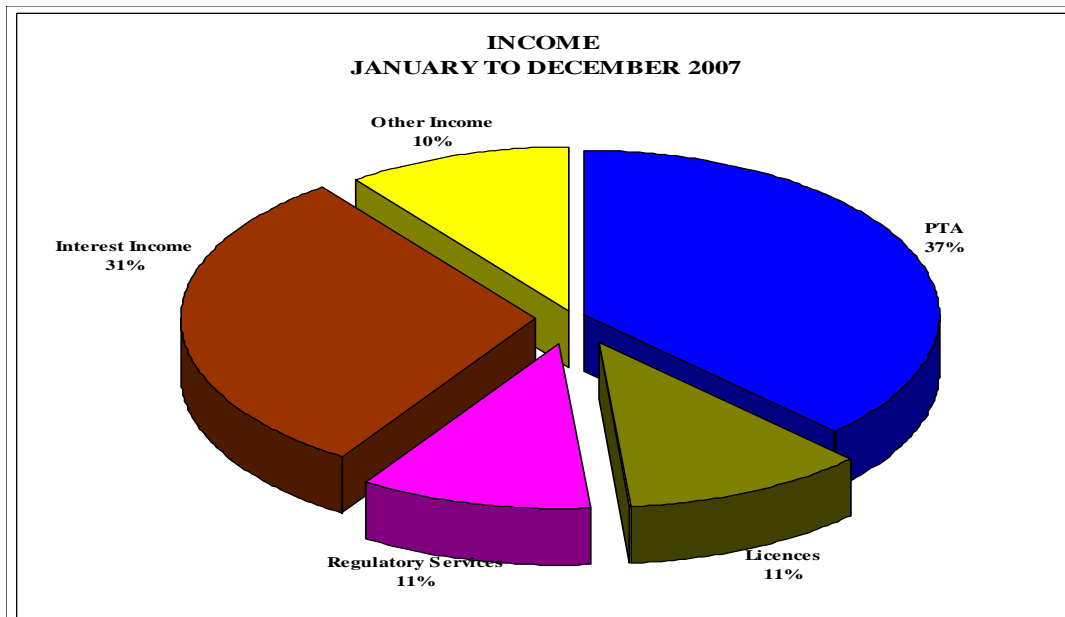


Further, as Sri Lanka is yet having a comparatively small aviation industry, the CAA cannot generate significant revenue out of its regulatory services or by issue/renewal of licences or certificates. Equally, revenue generated by interest on savings diminishes rapidly with the decline revenue and consequential drop in reserves.

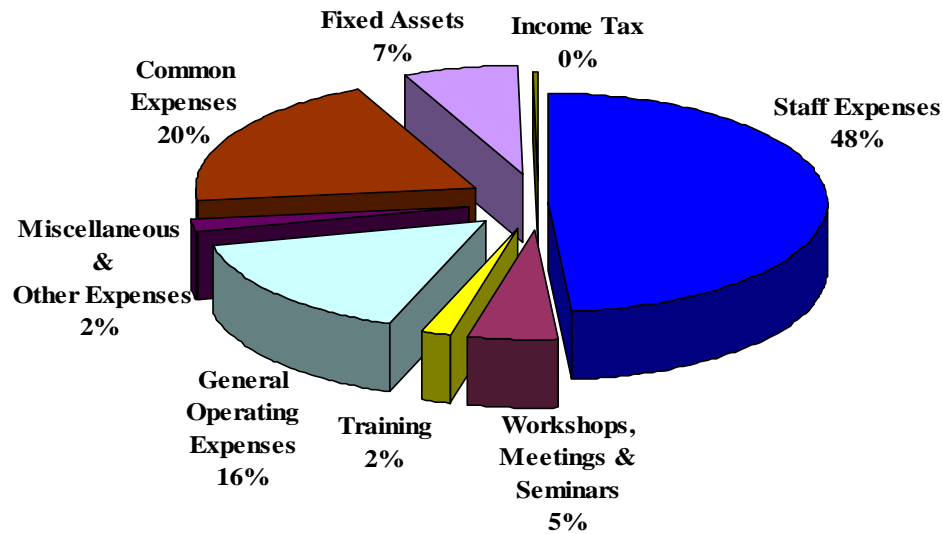
All indications are that the CAA will not have sufficient revenue to meet its budget- 2008. Hence, General Treasury has granted 80mn and 01mn for recurrent and capital expenditure respectively under appropriation act.

In this context, the CAA proposed to charge a fee of Rs. 50/- from each passenger departing on a commercial passenger flight operating out of a point in Sri Lanka or within Sri Lanka as a safety and security oversight charge for the services provided by the CAA. The General Treasury had not favorably considered the request.

Financial Performance – 2007



**EXPENDITURE
JANUARY TO DECEMBER 2007**



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 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 related State agencies concerned and all industry partners for their co-operation extended to the CAA to accomplish its mission.

Parakrama Dissanayake.
Actg: Director General of Civil Aviation and
Chief Executive Officer

15th February 2008

PERFORMANCE INDICATORS

Item	Description	2005	2006	2007
Traffic Growth	Passenger Movements (international)	4,239,161	4,606,332	4,842,943
	Transit passengers (international)	823,899	931,107	1,040,676
	Cargo Movement (international) – metric tons	142,557	139,206	154,412
	Passenger Movements (domestic)(all categories)	63,954	29,054	85,488
Airline Movements	By On-line carriers	29,387	30,715	31,444
	By Charter flights	3,735	3,215	1,951
	Total number of revenue flights	33,122	33,930	33,395
	Domestic flights movements (between CMB & KKS)	1,619	726	2,091
	Domestic flights movements (between CMB & CBY)	58	00	-
Investigations conducted on accidents/ incidents	Aircraft accidents	02	00	01
	ATC related incidents	10	00	01
	Non-ATC related incidents	02	09	03
Foreign Airlines operated	Scheduled Passenger airlines	23	23	26
	Charter Passenger airlines	07	04	04
	Cargo Airlines	04	04	03
Total number of Local Operators	Air Operators Holding Airline Licences	01	05	05
	Approved Flying Schools	01	03	
	Approved Maintenance Organizations	05	04	05
Personnel Licences issued	Private Pilot Licences	38	35	43
	Commercial Pilot Licences	219	120	219
	Air Transport Pilot Licences	303	349	359
	Air Traffic Controllers Licences	099	91	118
	Aircraft Maintenance Engineers Licences	384	409	608
	Flight Operations Office Licences	00	03	13
	Validation of Foreign Licences	84	62	38
	Cabin Crew Authorizations	131	96	140
Student Pilot Licences	68	90	167	
Total number of aircraft in the Civil Registry	Aircraft exceeding weight 22,000 lbs	20	19	20
	Aircraft weight less than 22,000 lbs	09	06	10
	Balloons	01	02	03
	Gliders	00	00	-
	Others	00	00	01
Airworthiness of aircraft	Initial issue of Certificate of Airworthiness	08	02	04
	Renewal of Certificate of Airworthiness	24	25	26
	Approved Maintenance Organizations	35	38	38
	Workshop Approvals	25	09	22
	Ramp Inspections	61	30	65
Technical Examinations held	Air Transport Pilot Licence	00	02	04
	Private Pilot Licence	06	06	06
	Commercial Pilot Licence	01	01	-
	Aircraft Maintenance Engineer	02	00	01
	Medical Examinations	639	792	872
	Aircraft Maintenance Licence	-	-	63
	Aircraft Maintenance Licence Exam	-	-	01

Item	Description	2005	2006	2007	
	Flight Operations Officer Examination	00	02	-	
	Special Air Law Examination	20	34	42	
Air Transport Providers Licences issued	Airlines	20	48	50	
	General Sales Agents	00	00	-	
	Travel Agents – Group A	235	210	200	
	Travel Agent – Group B	06	06	02	
	New entry certifications – Airlines	00	00	01	
Safety and security Oversight duties & functions carried out	Ramp Inspections – Airworthiness	61	30	65	
	Ramp Inspections – Operations	35	18	07	
	Ramp Inspections Combined	00	01	-	
	En-route flight inspection	02	00	05	
	Airline Audits - Airworthiness	02	01	02	
	Airline Audits - Operations	00	01	-	
	Airline Audits - Combined	00	00	-	
	Flight Operations Manual (initial/revision)	10	01	02	
	Maintenance Control Manual (initial/revision)	04	00	05	
	Flight Crew Training Programmes (initial/rev)	18	00	-	
	Maintenance Schedules (initial/revision)	20	192	370	
	Maintenance Schedules (full)	-	-	02	
	Flight tests/ proving flights	02	00	-	
	Flying School Inspections	01	09	05	
	Aviation Security Audits	-	01	-	
	Aviation Security Surveys	-	01	-	
	Aviation Security Inspections	02	04	11	
	Aviation Security Tests	-	-	-	
	Approval of Airline Security Manual	01	01	01	
	Amendment of Airline Security Manual	-	01	02	
	AVSEC workshop for the industry personnel	-	-	01	
	AVSEC instructional classes for the industry personnel	-	02	08	
	Approvals granted for use of Airspace	Approval to carry weapons on board	45	82	95
		Over-flight permissions	711	658	844
		Technical Landing permissions	1,022	550	503
Airline Schedule Approval - Summer		30	30	29	
- Winter		26	26	30	
Construction of high rise structures		532	729	1185	
Staff Training and Meetings held	Individual Specialized Training Courses	28	84	20	
	Group Training Courses	14	18	07	
	General Workshops for entire staff	02	01	01	
	Total training time in man-days	390	450	613	
	Staff Meetings – Senior level (DPIG)	22	09	04	
	General Staff Meetings	04	08	-	
	Authority meetings	10	10	10	
	Staff Committee meetings	07	06	04	
	Finance Committee meetings	00	00	-	
	Audit Committee meetings	03	03	03	
	Outside meetings attended by DGCA	145	102	200	

Item	Description	2005	2006	2007
	Outside meetings attended by Senior Staff	35	19	21
Correspondence	Total number of Letters received			
	- Line ministry	539	536	587
	- Other Government Agencies	575	532	561
	- Airport & Aviation Service Ltd	278	240	286
	- Aircraft Operators	2,652	2,319	2,576
	- Private Sector	1955	2,092	2,232
	- Members of the public	250	225	241
	- ICAO	375	230	215
	- International bodies other than ICAO	451	331	370
	Communication by AFTN			
	- Sent	2,971	2,095	2,218
	- Received	12464	12,075	12,032
	NOTAMs issued	63	65	142
	Aeronautical Information Circulars issued	11	04	09
	Aviation Safety Notices issued	32	15	08

FINANCIAL STATEMENTS

Statement of Responsibility of Members of the Authority to Financial Reporting

In terms of Section 14 & 15 of Civil Aviation Authority of Sri Lanka Act No 34 of 2002 the Members of the Authority are responsible for,

- i. keeping proper books of accounts of the income and expenditure, assets and liabilities and all other financial transactions of the Authority.
- ii. preparing accounts in accordance with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 for the purpose of presenting a true and fair view of the financial performance and the financial condition of the Authority.
- iii. taking appropriate steps to safeguard the assets of the Authority and to establish appropriate internal controls to prevent and detect frauds and other irregularities.



Lal Liyanaarachchi
Chairman



Parakrama Dissanayaka
Actg. Director General of Civil Aviation and
Chief Executive Officer

10th July 2008

BALANCE SHEET AS AT 31ST DECEMBER 2007

	Note	2007 (Rs)	2006 (Rs)
TOTAL ASSETS		388,360,680.79	368,028,983.87
Non-Current Assets		23,088,199.91	19,045,809.79
Property, Plant and Equipment	09	23,088,872.39	19,045,809.79
Current Assets	10	365,272,480.88	348,983,174.08
EQUITY & LIABILITIES, CAPITAL & RESERVES		388,360,680.79	368,028,983.87
Equity		172,183,507.67	174,025,922.98
Government Grants	11	12,141,624.67	22,715,622.57
Profit & Loss Account		160,041,883.00	151,310,300.41
Liabilities		216,177,173.12	194,003,060.89
Non-Current Liabilities	12	6,523,035.00	2,593,865.00
Current Liabilities	13	209,654,138.12	191,409,195.89

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,


Lal Liyanaarachchi
Chairman

10th July 2008


Parakrama Dissanayaka
Actg. Director General of Civil Aviation and
Chief Executive Officer

INCOME STATEMENT
FOR THE YEAR ENDING 31ST DECEMBER 2007

	Note	2007 (Rs)	2006 (Rs)
INCOME	01	120,552,554.78	155,914,353.89
EXPENDITURE		117,883,499.70	105,844,192.27
Staff Expenses	02	59,950,329.20	52,605,118.10
Meetings, Seminars & Workshops	03	6,493,650.61	5,127,727.89
Training	04	2,231,006.12	2,420,110.61
General Operating Expenses	05	18,784,246.63	11,922,438.72
Miscellaneous & Other Expenses	06	2,628,897.74	3,946,957.71
Common Expenses	07	24,229,188.45	23,482,355.04
Depreciation	08	3,566,180.95	6,339,484.20
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX		2,669,055.08	50,070,161.62
INCOME TAX		943,511.00	17,052,651.00
NET PROFIT AFTER TAX		1,725,544.08	33,017,510.62
Provision for Accident Investigation			20,000,000.00
NET PROFIT AFTER TAX & PROVISION		1,725,544.08	13,017,510.62
PROFIT & LOSS A/C BROUGHT FORWARD		158,757,662.49	138,292,789.79
Profit & Loss Account at the Beginning of the Year		151,310,300.41	139,853,493.96
Prior Year Adjustment		7,006,038.51	(1,560,704.17)
PROFIT CARRIED FORWARD		160,041,883.00	151,310,300.41

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Note No:	Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Taxation		2,669,055.08
Adjustments for		
Prior Year Adjustments		7,006,038.51
Depreciation		3,566,180.95
Interest Income		(37,027,660.26)
Provision for Gratuity		3,429,585.00
Insurance Fund		69,100.00
Government Grant		(9,967,943.90)
Operating Profit Before Working Capital Changes		(30,255,644.62)
Decrease in Inventories	15	82,638.19
Increase in Receivables	16	(7,970,093.92)
Increase in Payables	17	24,873,767.23
Cash Generating from Operations		(13,269,333.12)
Income Tax paid		(14,469,548.00)
Net Cash Flows from Operating Activities		(27,738,881.12)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipments	18	(8,214,625.07)
Decrease in Investments	19	28,988,547.48
Interest Received		35,012,687.90
Net cash used in Investing Activities		55,786,610.31
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used in Financing Activities		NIL
Net Increase/Decrease in Cash and Cash Equivalent		28,047,729.19
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		29,640,742.19
CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER 2007		57,688,471.38

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 31ST DECEMBER 2007**

	Government Grant	Accumulated Profit	Total
	Rs.	Rs.	Rs.
Balance as at 31st December 2006	12,747,678.67	158,616,338.92	171,364,017.59
Net Profit for the Year 2007	-	1,725,544.08	1,725,544.08
Balance as at 31st December 2007	22,715,622.57	160,341,883.00	172,483,507.67

NOTES TO THE ACCOUNTS

Note No		2007 (Rs.)	2006 (Rs.)
01	INCOME	120,552,554.78	155,914,353.89
	SURCHARGE ON PREPAID TRAVEL ADVICE (PTA)	45,344,644.52	96,785,562.97
	INITIAL ISSUE OF LICENCES / RATINGS / CERTIFICATE OF APPROVALS	1,200,400.00	872,570.00
	Private Pilot Licence (Aeroplanes / Helicopter)	31,740.00	22,080.00
	Commercial Pilot Licence (Aeroplanes / Helicopter)	107,640.00	78,660.00
	Airline Transport Pilot Licence (Aeroplanes / Helicopter)	158,700.00	175,950.00
	Students Pilot Licence	76,590.00	42,090.00
	Flight Instructor Ratings	8,280.00	8,280.00
	Assistant Flight Instructor Licence Rating	4,140.00	-
	Issue of Aircraft Type Rating	117,300.00	118,680.00
	Airline Licence	41,400.00	-
	Charter Licence	41,400.00	-
	Flying School Licence	-	13,800.00
	Validations of Foreign Crew Licence	424,350.00	231,150.00
	Air Traffic Controller's Licence	1,380.00	-
	Air Traffic Controller's Licence Rating	5,520.00	3,450.00
	Flight Operations Officer – Initial	26,910.00	8,280.00
	Air Transport Providers Licence (A)	55,000.00	75,000.00
	Air Transport Providers Licence (B)	-	2,000.00
	Validation of foreign AME's Licence	100,050.00	93,150.00
	RENEWAL OF LICENCES.	3,092,449.00	2,426,455.00
	Private Pilot Licence (Airplanes/Helicopter)	15,180.00	20,700.00
	Commercial Pilot Licence (Airplanes/Helicopter)	203,895.00	219,420.00
	Airline Transport Pilot Licence (Airplanes/Helicopter)	635,059.00	569,250.00
	Flight Engineer	-	4,140.00

Student Pilot Licence	23,460.00	13,455.00
Airline Licence	276,000.00	-
Flying School Licence	13,800.00	13,800.00
Arial Work	13,800.00	
Charter Licence	379,500.00	
Air Traffic Controller's Licence	16,215.00	4,830.00
Air Traffic Controller's Licence Rating	62,100.00	48,990.00
Air Transport Provider Licence (A)	1,190,000.00	1,230,000.00
Air Transport Provider Licence (B)	4,000.00	10,000.00
Air Craft Maintenance Engineers	259,440.00	291,870.00
ISSUES / RENEWALS OF CERTIFICATES.	7,523,348.00	7,144,605.20
Certificate of Airworthiness - Initial issue	108,330.00	-
Certificate of Airworthiness - Renewal	6,635,318.00	6,289,350.00
Certificate of Registration (Aircraft) - Initial issue	34,500.00	-
Certificate of Registration (Aircraft) - Renewal	186,300.00	234,255.00
Organizational Approval	483,000.00	593,400.20
Change of Ownership	75,900.00	27,600.00
AMENDMENTS TO AIRLINE LICENCE	1,380.00	4,140.00
Air Transport Provider Licence	1,380.00	4,140.00
MEDICAL EXAMINATION FEES	170,097.75	152,708.85
Initial	67,470.00	64,740.10
Renewal	102,627.75	87,968.75
EXAMINATIONS	1,597,963.00	307,149.00
Private Pilot Licences (Airplanes)- PPL	184,920.00	85,284.00
Commercial Pilot Licence (Aeroplanes)- CPL	16,560.00	8,280.00
Air Transport Provider Licence - ATPL	1,000.00	6,000.00
Special Air Law Examination	55,890.00	52,785.00

Grant of AME Licence	410,550.00	-
Extension of AME Ratings	1,380.00	4,140.00
Flight Operation Officer	-	110,400.00
Issue of Additional AME Ratings	12,420.00	37,260.00
English Language Proficiency Test	91,000.00	3,000.00
Aircraft Maintenance Licence (AML)	824,243.00	-

REGULATORY SERVICES	12,833,975.50	11,442,173.47
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Air Operator Certificates

Evaluation of applications for Grant of an authorization or a AOC for		
Regular Public Transport - Domestic Operations	500,000.00	-
Evaluation of applications for renewal of an authorization or a AOC for		
Private operations	2,500.00	2,500.00
Aerial Work Operations	5,000.00	5,000.00
Charter / Domestic Operations	150,000.00	125,000.00
Charter / International Operations	200,000.00	150,000.00
Regular Public Transport Domestic Operations	200,000.00	150,000.00
Regular Public Transport International Operations	200,000.00	100,000.00

Aerodrome

Grant of permissions to erect a high rise building which projects above the existing building beyond a circle of one nautical mile radius	10,000.00	
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Flying School Licences

Evaluation of applications to Grant of a Flying School Licence		200,000.00
	10,000.00	
Evaluation of applications to Renewal of Flying School Licence		10,000.00
Evaluation of applications to Amendment to a Flying School Licence	20,000.00	

Aircraft Maintenance Organization (AMO) Certificate

Evaluation of applications for approval of Aircraft Maintenance Organization		
Located in Sri Lanka	50,000.00	--
Located out side Sri Lanka	600,000.00	600,000.00

Evaluation of applications for Renewal of AMO Certificates		
Aircraft Maintenance Organizations -Located in Sri Lanka	70,000.00	40,000.00
Aircraft Maintenance Organizations- Located out side Sri Lanka	420,000.00	640,429.85
Evaluation of applications for Amendment to AMO Certificate		
Aircraft Maintenance Organizations -Located in Sri Lanka	10,000.00	10,000.00
Aircraft Maintenance Organizations- Located out side Sri Lanka	40,000.00	20,000.00
Effecting an Amendment to Aircraft Maintenance Organization		
Aircraft Maintenance Organizations -Located in Sri Lanka	2,500.00	2,500.00
Aircraft Maintenance Organizations- Located out side Sri Lanka	10,000.00	5,000.00

Certificate Of Registration

Inspection of Aircrafts prior to grant of registration		
Light Aircraft	10,000.00	-
Medium Aircraft	50,000.00	-
De-registration of Aircrafts in the existing registry		
Medium Aircraft	5,000.00	-
Heavy Aircraft		5,000.00
Grant of certified copies of information contained in the Civil Aircraft Registry of Sri Lanka	6,000.00	-

Licences, Ratings and Validations

Evaluation of applications for grant and re-activation of		
Student Pilot Licence	9,500.00	11,500.00
Private Pilot Licence	13,000.00	9,000.00
Commercial Pilot Licence	49,500.00	33,000.00
Airline Transport Pilot Licence	46,000.00	50,000.00
Air Traffic Controller Licence	1,500.00	-
Flight Operations Officer Licence	19,500.00	6,000.00
Aircraft Maintenance Engineer Licence	246,000.00	63,000.00
Aircraft Maintenance Licence	72,000.00	-
Any other licence/certificate not specified above	-	2,000.00

Evaluation of applications for validation of any Foreign Licence		
Foreign Commercial Pilot Licence	202,500.00	184,500.00
Foreign Airline Transport Pilot Licence	468,000.00	174,000.00
Foreign Aircraft Maintenance Engineer Licence	54,000.00	121,500.00
Evaluation of applications for endorsement –Additional type rating on Licences	94,000.00	97,000.00
Evaluation of applications for endorsement-type rating –for the purpose or upgrading	2,000.00	4,000.00
Evaluation of applications for renewal of the Licences & Ratings of		
Student Pilot Licence	17,000.00	8,000.00
Private Pilot Licence	5,250.00	6,000.00
Commercial Pilot Licence	133,500.00	142,500.00
Airline Transport Pilot Licence	282,150.00	266,000.00
Air Traffic Controller Licence	35,250.00	10,500.00
Aircraft Maintenance Engineer Licence	556,500.00	618,000.00
Any other Licence or Certificate not mentioned above	-	1,000.00
AME Validation Renewal	103,500.00	116,250.00
Endorsement of Additional Type Rating on Licences	44,000.00	35,000.00
Evaluation of Applications for Re-activation of Ratings.	10,000.00	4,000.00
Recommendations for visas (Except for students)	232,000.00	236,000.00
Verification of Licences (Except for foreign CAA)	1,000.00	1,000.00
Providing technical opinions regarding competency and eligibility of the Foreign Licences holders for recruitments.	65,000.00	62,500.00
Express Evaluation (Within 24 hours) of applications for grant /reactivation of		
Student Pilot Licence	1,000.00	1,000.00
Private Pilot Licence	-	1,250.00
Commercial Pilot Licence	-	3,000.00
Airline Transport Pilot Licence	8,000.00	10,000.00
Any other Licence/certificate not specified		2,000.00
Express Evaluation for Endorsement of Additional Type Rating on a Licences	35,000.00	52,000.00
Express Evaluation for Endorsement of Additional Type Rating on a Licences for the purpose of upgrading	2,000.00	-

Express Evaluation of applications for Renewal of Licences & Ratings of

Student Pilot Licence	500.00	1,500.00
Private Pilot Licence	500.00	3,000.00
Commercial Pilot Licence	30,000.00	30,750.00
Airline Transport Pilot Licence	171,000.00	123,000.00
Aircraft Maintenance Engineer Licence	6,000.00	21,000.00
Express Evaluations for endorsement of additional type ratings on a license	2,000.00	-
Express Evaluations for reactivation of Ratings	4,000.00	8,000.00
Express Evaluations for recommendations for visas (Except for student)	-	12,000.00

Facilitation fees for conduct of Medical Examinations for

Initial of Licences	173,000.00	166,000.00
Renewal of Licences	365,075.00	312,000.00
Facilitation fees for conduct of Medical Boards on a Licensee who's medical fitness is in question	25,000.00	50,000.00
AME Licences Issuance Charges	318,780.00	62,100.00
AML Licences Issuance Charges	99,360.00	-

Certificate of Competency for Cabin Crew Members

Evaluation of an application for initial issue of Certificate of Competency for Cabin Crew Members	206,000.00	111,000.00
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Certificate to transport Dangerous Goods by Air

Evaluation of applications for grant approval for		
Only International operations	75000.00	25,000.00
Grant of an approval for one year	30,000.00	10,000.00
Evaluation of applications for Renewal for		
Only International operations	225,000.00	210,000.00
Renewal of an approval for one year	150,000.00	140,000.00

Act as an Instructor

Evaluation of applications for Grant Approval	30,000.00	55,000.00
Grant of approvals	6,000.00	14,000.00
Evaluation of applications for Renewal	14,000.00	5,000.00

Simulator

Evaluation of applications & Inspection prior to use simulator	100,000.00	400,000.00
Grant of approvals to use a simulator	50,000.00	200,000.00
Evaluation of applications for Renewal	165,000.00	105,000.00
Renewal of approvals to use a simulator	110,000.00	70,000.00

Pilot Training Programme

Evaluation of applications for Grant Approval	-	30,000.00
Grant of Approvals		6,000.00

Operations Manuals

Evaluation of applications for approval or amendments excess of 50% of initial Volume - Regular Public/Charter Operations	-	100,000.00
Grant approvals - Regular Public/Charter Operations	-	50,000.00

Maintenance Control Manual

Evaluation of applications for approval or amendments excess of 50% of initial Volume	-	100,000.00
Grant Approvals	30,000.00	57,500.00
Evaluation for amendments (for each 25% of initial volume)	75,000.00	80,000.00

Maintenance Schedule

Evaluation of Applications for Approval	20,000.00	10,000.00
Evaluation of Amendments (per task)	18,450.00	9,600.00

Security Manual

Evaluation requests for approval or amendments(for each 25% of initial volume)	-	7,500.00
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Air Transport Statistics

For more than one year & less than five years	58,000.00	64,000.00
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Nominated Post Holders of Air Operators

Evaluation of qualifications for approval (per person)	20,000.00	-
Grant of approvals	24,000.00	-

Use of Technical Library

Photocopy /Scanning documents.	128,725.50	59,090.00
Electronic Copies of documents	-	300.00
Current Copies of ICAO Documents	1,260.00	10,100.00
CAA Manuals, Hand Books, Broachers, or any other publications	101,700.00	60,795.00

Air Transport Providers Licence

Evaluation of applications for the Initial Issuance	42,500.00	42,500.00
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International Flight Schedule

Evaluation and Grant Approvals of International Flight Schedules for Foreign Airlines for each IATA Season	-	65,000.00
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Foreign Air Operator Certification

Initial Issue – International Airline Licences	400,000.00	400,000.00
Initial Issue – Charter Licences	-	75,558.62
Renewal of International Airlines Licences	1,125,000.00	1,350,000.00
Renewal of Charter Licences	100,000.00	150,000.00

Ferry Flight/Test Flight Permit

Evaluation of Applications for Grant permit	150,000.00	70,000.00
Grant Permits	15,000.00	7,000.00

Permissions to operate Foreign Registered Aircrafts on Wet Lease/ Dry Lease/Charter by an AOC Holder-

Evaluation of applications to operate on Wet Lease	500,000.00	-
Grant approvals to operate on Wet Lease	125,000.00	-

Approval for Maintenance Activities

Evaluation of applications to Grant one time approval for specialized Maintenance Activities	30,000.00	90,000.00
Evaluation of applications to Grant validations to Foreign Licence holders for a specific task or a Special Maintenance on Sri Lankan registered aircraft	140,000.00	22,500.00
Grant one time Approvals for specialized Maintenance Activities	42,500.00	-

Special Flight Authorization to Operations Specifications of an AOC

Evaluation of applications to Grant approval	72,500.00	89,000.00
Grant Approvals	45,000.00	48,000.00

Special Operations

Evaluation of applications for approval of any special operation	55,000.00	25,000.00
Grant of Approvals (per activity)	27,500.00	12,500.00

Engineering Workshop Capability Level

Evaluation of applications for approval	110,000.00	45,000.00
Grant Approvals	62,500.00	32,500.00
Evaluation of applications to Grant approval for modifications of an aircraft		
Major modifications		200,000.00
Minor modifications	15,000.00	-

Third Party work per Airline for one year

Aircraft Engineering & Maintenance	600,000.00	900,000.00
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Training Programmes

Evaluation of applications for approval	10,000.00	10,000.00
Grant Approval	15,000.00	7,500.00

Renewal of Lapsed Licences/Certificates (Except Personnel/Airline Licences)

Less than six months	55,875.00	3,950.00
Between 06-24 months	11,250.00	-
Beyond 24 months	23,750.00	-

Grant of No Objection Letters	32,000.00	46,000.00
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Grant of Certified Copies of Any Licence / Certificate/ Authorization issued by DGCA	75,000.00	46,000.00
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Making available to an air operator or potential Air Operator CAA Inspectors to visit overseas for inspections.	715,000.00	445,000.00
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Export Certificate of Airworthiness

Evaluation of applications to grant approval

Aircrafts above 5700Kgs - 25,000.00

Aircrafts below 5700Kgs 10,000.00 -

Issue of Approvals 4,000.00 2,000.00

Flight Check En-Route Surveillance – Revision of Manuals 11,600.00 56,000.00**OTHER INCOME 11,760,636.75 7,729,125.35**

Other Sources 11,130,537.00 6,159,281.00

Late Submission Fees 94,000.00 256,750.00

Rental Income (Official Quarters) 35,836.75 27,555.00

Miscellaneous Income 140,500.00 1,122,189.35

CAATA Income 359,763.00 580,560.00

INTEREST INCOME 37,027,660.26 29,049,864.05

Interest from Staff Loans 1,462,598.56 542,142.54

Treasury Bills 32,094,748.90 26,397,011.20

Fixed Deposits - 52,320.19

Call Deposits 3,470,312.80 2,058,390.12

02 STAFF EXPENSES 59,950,329.20 52,605,118.10

Salaries & Wages 32,826,398.32 30,465,586.14

Other Allowances 14,304,104.86 12,420,080.32

Employee's Provident Fund 6,403,540.12 5,565,727.29

Employee's Trust Fund 1,280,708.22 1,113,145.40

PAYE Tax 1,093,831.78 666,222.68

Bonus 803,051.02 853,898.75

Gratuity 1,296,432.50 -

Welfare Expenses 1,942,262.38 1,520,457.52

03	MEETINGS,SEMINARS & WORKSHOPS	6,493,650.61	5,127,727.89
	Local	1,451,177.62	1,172,074.68
	Foreign	5,042,472.99	3,955,653.21
04.	TRAINING	2,231,006.12	2,420,110.61
	Local	855,327.69	741,230.00
	Foreign	1,375,678.43	1,678,880.61
05.	GENERAL OPERATING EXPENSES	18,784,246.63	11,922,438.72
	Overtime & Holiday Pay	2,429,277.40	1,603,226.34
	Traveling Expenses - Local	13,360.38	12,520.50
	Stationery/Consumables	2,051,783.34	1,762,568.89
	Other Supplies	55,802.99	161,281.30
	Board Payments	61,000.00	50,000.00
	Telecommunication	2,566,723.65	2,317,857.61
	Postal charges	112,657.66	99,428.93
	Subscriptions / Publications / Newspapers	10,317,042.38	4,349,723.72
	Examination (Payment to Examiners)	-	7,000.00
	Printing Expenses	399,108.00	507,835.25
	Civil Aviation Authority Training Academy	777,490.83	1,050,996.18
06	MICELLANEOUS AND OTHER EXPENSES	2,628,897.74	3,946,957.71
	Miscellaneous Expenses	2,163,764.86	2,367,821.59
	Maintenance of Plant, Machinery & Equipments	465,132.88	592,050.72
	DGCA's Conference Expenses	-	162,980.88
	COSCAP Committee Meeting Expenses	-	824,104.52
07	COMMON EXPENSES	24,229,188.45	23,482,355.04
	Rent & Hire Charges	798,912.00	798,912.00
	Fuel & Lubricants	2,752,995.20	2,678,851.90
	Maintenance of Office Building & Quarters	18,752,761.51	18,451,927.31

Rent of the Building	12,688,038.40	12,491,285.00
Electricity	4,204,453.24	3,867,387.08
Water	286,791.71	366,759.76
Security	795,340.80	672,957.25
Janitorial	453,635.92	360,233.45
Other	324,501.44	693,304.77
Maintenance of Vehicles	1,924,519.74	1,552,663.83

08 DEPRECIATION	3,566,180.95	6,339,484.20
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Buildings	7,904.00	613,958.00
Vehicles	-	826,875.00
Plant, Machinery and Equipment	2,304,742.69	3,621,894.02
Furniture and Fittings	1,253,534.26	1,202,341.68
Other Fixed Assets	-	74,415.50

NOTE NO. 09**PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Vehicles	Plant, Machinery & Equipment	Furniture and Fittings	Other Fixed Assets	Total
Cost / Valuation							
Balance as at 01.01.2006	5,359,200.00	9,209,360.00	3,675,000.00	13,248,834.91	4,886,209.01	1,004,389.00	37,382,992.92
Additions during the year 2006	-	-	-	1,598,110.45	1,037,034.04	-	2,635,144.49
Disposal/transfers			(500,000.00)		(38,397.00)	(5,310.00)	(543,707.00)
Additions during the year 2007		118,085.05	6,083,334.00	1,591,282.40	421,923.62	-	8,214,625.07
As at 31.12.2007	5,359,200.00	9,327,445.05	9,258,334.00	16,438,227.76	6,306,769.67	999,079.00	47,689,055.48
Depreciation							
As at 01.01.2006	-	1,831,480.00	2,756,250.00	7,458,646.37	1,693,112.20	879,665.00	14,619,153.57
Charges for the year 2006	-	613,958.00	826,875.00	3,621,894.02	1,202,341.68	74,415.50	6,339,484.20
Disposals/Transfers - 2006	-	-	(487,500.00)	-	(37,472.65)	(5,044.50)	(530,017.15)
Charges for the year 2007	-	613,958.00	-	2,304,742.69	1,253,534.26	-	4,172,234.95
Net book value as at 31.12.2007	5,359,200.00	6,268,049.05	6,162,709.00	3,052,944.68	2,195,254.18	50,043.00	23,088,199.91

10	CURRENT ASSETS	365,272,480.88	348,983,174.08
	Staff Welfare and Social Security Fund	675,950.00	245,465.00
	Accident Investigation Fund	20,000,000.00	20,000,000.00
	Investments – Treasury Bills	103,148,374.71	126,356,690.92
	Consumable Stores	995,142.88	1,077,781.07
	Debtors (a + b + c)	31,476,260.94	13,896,050.58
	Loans - (a)	24,113,829.90	12,800,487.50
	Staff Loans (Existing Staff)	24,024,686.40	12,657,493.40
	Staff Loans (Transferred Officials)	89,143.50	142,994.10
	Advances - (b)	202,049.50	696,065.10
	Staff - for operating activities	102,049.50	596,065.10
	JHS Enterprises (Fuel)	100,000.00	100,000.00
	Other Debtors -(c)	7,160,381.54	399,497.98
	COSCAP Project	144,098.75	248,693.47
	Ministry of Tourism	-	145,302.50
	Dept. of Inland Revenue	6,897,212.00	-
	Other Payments	28,890.53	3,628.01
	Foreign Traveling	-	1,874.00
	Mihin Lanka (Pvt) Ltd.	90,186.26	
	Receivables	18,304,764.60	19,002,454.33
	Value Added Tax	4,123,682.50	2,353,554.17
	Interest Income	12,905,019.74	10,890,047.38
	PTA & Regulatory Services income	1,263,016.78	5,758,852.78
	Interest -EL	13,045.58	

	Prepayments	2,119,563.39	2,119,805.74
	Building Rent	2,114,673.40	2,114,673.40
	General operating Expenses	4,889.99	5,132.34
	Treasury Current Account	176,061,016.28	157,134,148.14
	Cash	45,196,563.30	20,489,463.89
	Deposit – Savings Account	500.00	500.00
	Investments	130,863,952.98	136,644,184.25
	Cash and Cash Equivalent	12,491,408.08	9,150,778.30
12	GOVERNMENT GRANTS	12,141,624.67	22,715,622.57
	Land	5,359,200.00	5,359,200.00
	Buildings	6,060,532.00	9,090,800.00
	Vehicles	91,875.00	3,675,000.00
	Other Fixed Assets	188,694.10	4,149,299.00
	Consumable stores	441,323.57	441,323.57
13	NON-CURRENT LIABILITIES	6,523,035.00	2,593,865.00
	Deposits - Bank Guarantee	2,142,000.00	2,142,000.00
	Insurance Fund	275,500.00	206,400.00
	Provision for Gratuity	3,429,585.00	-
	Staff Welfare and Social Security Fund (Pension Fund)	675,950.00	245,465.00
14	CURRENT LIABILITIES	209,654,138.12	191,409,195.89
	Accrued Expenses (d + e + f + g)	5,237,235.74	12,724,703.23
	Staff Expenses (d)	2,973,953.82	4,269,888.70
	Salaries	-	1,936,410.10
	Pay As You Earn Tax	275,655.36	109,051.59
	Transport Allowance	399,000.00	-
	Employee Provident Fund	32,748.53	308,725.50
	Employee Trust Fund	506.43	56,911.48

Leave Encashment	2,265,443.50	1,858,291.03
Welfare	600.00	499.00
Meetings Workshops & Seminars (e)		388,775.23
Foreign		388,775.23
Training (f)	120,108.69	
Training - Local	120,108.69	
Miscellaneous and Other Expenses (g)	34,759.49	115,411.53
Miscellaneous Expenses	33,890.74	101,948.96
Maintenance of Plant Machinery & Equipment	868.75	13,462.57
General Operating Expenses (h)	1,752,516.69	1,067,042.65
Overtime & Holiday Pay	263,062.53	23,602.45
Telecommunication	298,689.36	207,790.20
Subscriptions./Publications./Newspapers	-	32,060.00
Printing Expenses	89,200.00	11,940.00
Audit Fees	590,139.00	390,139.00
Training Academy Expenses	489,560.80	381,836.00
Stamp Duty	21,865.00	19,675.00
Common Expenses (i)	355,897.05	6,883,585.12
Fuel & Lubricants	47,255.00	-
Rent & Hire Charges	33,288.00	33,288.00
Income Tax -ESC	161,509.00	6,790,334.00
Building Maintenance		
Electricity	1,165.68	-
Water	3,165.20	457.60
Security	72,066.84	56,295.52
Janitorial	37,447.33	
Other	-	3,210.00

Accident Investigation Fund	20,000,000.00	20,000,000.00
Creditors	184,416,902.38	158,684,492.66
Deposit – Inspection Charges -	593,805.18	297,542.98
Expo Aviation (Pvt) Ltd.	385,478.92	119,847.97
Asian Aviation Center	318.00	-
SriLankan Airlines Ltd.	17,753.50	--
Aero Lanka (Pvt) Ltd.	36,655.40	36,655.40
K.L.M. Royal Dutch Air	29,317.00	29,317.00
Decan Aviation (Pvt) Ltd	4,792.01	-
Gulf Air	14,596.40	43,346.40
Emirates	23,903.78	-
SIA Engineering Co.	12,613.96	-
MTU Maintenance Organization	68,376.21	68,376.21
Deposit – Operations	401,218.13	458,895.50
Sri Lankan Airlines	71,572.00	446,697.50
Expo Aviation (Pvt) Ltd.	305,860.00	12,198.00
Mihin Lanka (Pvt) Ltd.	23,786.13	
Associated Motorways Ltd	6,083,334.00	-
Sri Lanka Telecom	13,044.00	-
Deposit – WHT (Inland Revenue Dept.)	20,622.85	-
Deposit - Medical (For Doctors)	216,989.44	41,190.54
Deposit - Pension	51,166.00	2,472.00
Deposit - Other	5,843.00	-
Deposit - Common	534,759.92	454,671.00
Deposit - Insurance	1,188.62	-
Deposit – Exam Fees	420,869.38	295,572.50
Treasury Current Account	176,074,061.86	157,134,148.14
Airport & Aviation Services (Pvt) Ltd.	117,382,707.91	104,756,098.76
General Treasury	-	52,378,049.38
Sri Lanka Tourism Development Authority	58,691,353.95	

15	DECREASE IN INVENTORIES	(82,638.19)
	Consumable Stores	(82,638.19)
16	INCREASE IN RECEIVABLES	7,970,093.92
	Staff Loans	11,313,342.40
	Advances	(494,015.60)
	VAT	1,770,128.33
	Prepayments	(242.35)
	Other Debtors	(136,328.44)
	Airlines (PTA)	(4,482,790.42)
17	INCREASE IN PAYABLES	24,873,767.23
	Treasury Current Account	18,939,913.72
	Creditors	6,792,496.00
	Accrued Expenses	(858,642.49)
18	PURCHASE OF PROPERTY, PLANT & EQUIPMENTS	8,214,625.07
	Land & building	118,085.05
	Vehicles	6,083,334.00
	Plant, Machinery & Equipments	1,591,282.40
	Furniture & Fittings	421,923.62
19	DECREASE IN INVESTMENTS	(29,988,547.48)
	Treasury Bills - CAA	(25,948,972.81)
	Treasury Bills – E.L.	(3,039,574.67)
20	CASH & CASH EQUIVALENT AT THE END OF THE YEAR	57,688,471.38
	Current Account - Authority	3,491,408.08
	Current Account – E.L.	45,197,063.30
	Call Deposits	9,000,000.00

ACCOUNTING POLICIES

1. General Policies

1.1 Statement of Compliance.

The Financial Statements are prepared under the historical cost convention in conformity with generally accepted accounting principles, and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. It also provides the information as required by the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.

1.2 Responsibility for Financial Statements.

The members of Civil Aviation Authority of Sri Lanka are responsible for the preparation and presentation of the financial statements.

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 affected 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 %

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 book values.

5. Liabilities and Provisions

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

5.2 Gratuity

Provision has been made for gratuity for employees who have completed one year of service in terms of Payment of Gratuity Act No. 12 of 1983.

a. Accident Investigation Fund

The States obligation of accident investigation and search and rescue vests with the Civil Aviation Authority. Rs. 20 Mn provision has been made in year 2006 accounts as a fund to be utilized to setoff expenses likely to be incurred to meet these obligations.

b. Staff Welfare & Social Security Fund

The Staff Welfare & Social Security Fund has been created in terms of section 20(5) of the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002, in respect of the public officers, who have retired from the public service. The amount lying in the name of each retired officer will be released at the time of retirement from the Civil Aviation Authority of Sri Lanka.

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 and call deposits.

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. 117,382,707.91
Tourism Development Fund	- Rs. 58,691,353.95

10. Post Balance Sheet Events

No circumstance have arisen since the Balance Sheet date, which requires adjustments to, or disclosure in the final accounts other than the following.

The Department of Public Enterprises has approved to purchase two cars to this Authority using year 2007 budgetary allocations. A purchase order has been placed to the supplier in the year 2007 and payments has been made in March 2008. Liability has been disclosed in year 2007 accounts.

11. Prior Year Adjustments

Following adjustments have been made to the Income Statement in respect of the prior year (2006) transactions.

	Debit (Rs.)	Credit (Rs.)
Gratuity	2,133,152.50	
Interest	904,093.97	647,664.00
Income - Licenses	2,003.00	
Income Tax	332,140.00	
Overtime & Holiday Pay	185,282.34	
Paye Tax	54,118.22	
Salaries	22,007.50	
Maintenance of Plant, Machinery & Equipment		15,481.96
Welfare		14,875.00
Professional Allowances	6,000.00	
Subscriptions/Publications/Newspapers	3,868.80	
Building Maintenance – water	3,300.00	
Telecommunication	1,978.60	11,661.59
Miscellaneous	4,321.01	1,201.80
ETF	523.80	
Government Grant		9,967,943.90

12 Reporting Format

The reporting format has not been changed in the financial year under review.

TH/C/CAA/FA/2007

11

The Chairman
Civil Aviation Authority of Sri Lanka
September 05

Report of the Auditor General on the Financial Statements of the Civil Aviation Authority of Sri Lanka for the year ended 31 December 2007 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of Financial Statements of the Civil Aviation Authority of Sri Lanka for the year ended 31 December 2007 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 14(4) of the Civil Aviation Authority of Sri Lanka Act, No.34 of 2002. My comments and observations which I consider should be published with the annual report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. The detailed report in terms of Section 13(7)(a) of the Finance Act was issued on 06 June 2008 in addition to this report.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

1.3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

2. Financial Statements

2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Civil Aviation Authority of Sri Lanka had maintained proper accounting records for the year ended 31 December 2007 and except for the effects on the financial statements of the matters referred to in paragraph 2:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Civil Aviation Authority of Sri Lanka as at 31 December 2007 and the financial results of its operations and cash flows for the year then ended.

2:2 Comments on Financial Statements

2:2:1 Sri Lanka Accounting Standards

Non-compliances with the following Standards were observed.

Fully depreciated assets costing Rs.8,723,245 which are being used continuously had not been revalued and brought to account in terms of provisions of Standard 18.

- (a) Even though consumable articles valued at Rs.441,324 received under Government grants had been fully utilized those had been shown in the balance sheet as at the end of the year under review due to the failure to account for them in terms of Standard 24.

2:2:2 Accounting Policies

The policy of retaining 10 per cent of the cost of fixed assets at the end of the process of depreciation of fixed assets had not been adopted to cover all the assets. Apart from that, the percentage of depreciation in respect of the other assets shown in the balance sheet had not been disclosed.

2:2:3 Accounting Deficiencies

Even though the accounting deficiencies relating to the asserts acquired under Government grants had been rectified in the year under review, the effect of the rectification on the profit for the year under review and the preceding years had not been disclosed with the financial statements.

2:2:4 Accounts Receivable and Payable

Sums of Rs.11,780,390, Rs.174,000 and Rs.23,939,830 relating to the accounts receivable had been outstanding for over 03 months, 09 to 12 months and over one year respectively as at end of the year of accounts.

2:2:5 Lack of Evidence for Audit

Confirmation of balances relating to Rs.4,467,875 out of the accounts receivable, confirmation of balance relating to Rs.9,060,413 of 97 accounts payable and the agreements, verification reports, monthly summaries and confirmation of balances relating to 04 items valued at Rs.42,602,571 shown in the financial statements had not been made available to audit and as such those could not be satisfactorily vouched.

2:2:6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, etc, were observed.

	<u>Reference to Laws, Rules, etc.</u>	<u>Non-compliance</u>
(a)	Value Added Tax (Amendment) Act, No.14 of 2007 paid with effect from 01 January	Even though 1/3 of the Value Added Tax 2007 to suppliers of goods and services for considerations exceeding Rs.500,000 should be recovered and remitted to the Department of Inland Revenue, a sum of Rs.222,681 had not been so remitted.
(b)	Finance Act, No.38 f 1971 Rs.103,148,374 had been Section 11 invested in Treasury Bills without	A sum of obtaining the approval of the Treasury.

(c) Finance Act No.25 of 2003 Even though air travel operators
Section 17(b) collecting the Embarkation Levy

should give a deposit to the Competent Authority by way of a bank guarantee, action had not been taken to obtain bank guarantees amounting to Rs.248,021,000 approximately from 07 companies.

(d) Paragraph 03 of the Notification Embarkation Levy receivable from
Published in the Government the Mihin Lanka Airlines had not
Gazette Extraordinary No. been recovered while
information
1303/22 dated 29 August 2003 and records relating thereto had not been made available.

(e) Civil Aviation Circular No.
AC/97/1 dated 16 June 1997

(i) Sub-sections (1) and (11) The monthly returns on Pre paid
of 2(c) Tickets to be
furnished by all airline

companies should be forwarded before in 15th day of the month following. Any delays beyond that date is subject to a penalty of 15 per cent per day from 01 to 30 days and any delays over that should be subject to additional penalties ranging from 5 per cent to 50 per cent. Nevertheless, the Authority had not recovered penalties amounting to Rs.17,736.

(ii) Sub-section 2(d) A Nil Return should
be forwarded

in respect of months in which prepaid tickets are not issued. A sum of Rs.1,000 should be recovered for delays of one month in sending the returns. Nevertheless, a test check revealed that a sum of Rs.278,000 recoverable from 60 airline companies which had not sent such returns had not been recovered.

3. Financial and Operating Review

3:1 Financial Review

According to the financial statements presented, the operations for the year under review had resulted in a profit of Rs.2,669,055 as compared with the corresponding profit of Rs.50,070,162 for the preceding year, thus indicating a deterioration of Rs.47,401,107 in the financial results. The deterioration had been due to the decrease in the operating income resulting from the improvements to the technology adopted for the issue of airline tickets and the increase in the other operating expenses.

3:1:1 Analytical Financial Review

As compared with the preceding year, the income for the year under review had decreased by 23 per cent while the recurrent expenditure had increased by 12 per cent. The pre-tax profit from operations for the year under review had deteriorated by 95 per cent.

3:2 Operating Review

3:2:1 Performance

According to the following performance indices, the performance for the year 2007 as compared with the two preceding years, indicated a decrease.

	<u>Item</u>	<u>Particulars</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
(a)	Air line Movements	(i) By Charter Flights	3,375	3,218	1,951
		(II) Total number of Revenue Flights	33,122	33,930	33,395
(b)	Investigations conducted on Accidents/ Incidents	Non-Air Traffic control related incidents	02	09	03
(c)	Foreign Air lines operated	Air Licenses	04	04	03
(d)	Personal Licenses issued	Validation of Foreign Licenses	84	62	38
(e)	Air Transport providers Licenses issued	Travel Agents Group A	235	210	200
(f)	Safety, and Security Oversight Duties and Functions carried out	(i) Ramp Inspections - (Operations)	35	18	07
		(ii) Ramp Inspections (Combined)	00	01	00
		(iii) Airline audits – air worthiness	00	01	00

3:2:2 Build up of a Fund for Employees' Gratuity

Even though an investment equal to the provision for employees' Gratuity should be made in terms of Sri Lanka Accounting Standard No.16, such action had not been taken in connection with the provision for gratuity amounting to Rs.3,429,585 as at the balance sheet date.

3:2:3 Personnel Cost

A sum of Rs.43,717,574 had been spent in the year under review as personnel cost inclusive of all allowances and represented 36 per cent of the income. The corresponding personal cost for the year 2006 amounted to Rs.47,769,439 representing 31 per cent of the income.


3:2:4 Budgetary Control

Variances ranging from 100 per cent to 209 per cent between the budget estimates and the actual income and expenditure for the year under review were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Collection of Income
- (b) Recovery of Penalty of Prepaid Tickets



S. Swarnajothi
Auditor General

FB/12/14

Auditor General,
Auditor Generals Department,
Colombo 07.

Report of the Auditor General pursuant to section 14(2)(C) of the Finance Act No. 38 of 1971 on the financial statements of The Civil Aviation Authority of Sri Lanka for the year ended 31st December 2008.

Reference your report no TH/C/CAA/ /2007 dated 2008-07.18 on the above subject.

My views regarding your observations contained in the report referred to are given below.

2.2 Comments on the Financial Statements.

2.2.1 Sri Lanka Accounting Standards.

(A) Sri Lanka Accounting Standards No. 18

If was during the year 2007 that most of the assets owned by this institution have been depreciated fully. As time and cost could be utilized more economically and effectively by the revaluation of a larger number of assets when they are fully depreciated in a single exercise than by the revaluation of depreciated assets time and again on a case by case basis it has been planned to undertake the revaluation exercise during the year 2008. Hence I shall be thank full if this clause in removed from your report.

(B) Sri Lanka Accounting Standards No. 24

I shall be thankful if an opportunity in given to make the necessary disclosures and amend the final accounts.

2.2.2 Accounting Principles

(A) No change whatsoever has been effected to the principle of depreciation by this authority during the current year. Hence if is kindly requested that the clause be removed.

(B) I shall be thankful if an opportunity is given to make the necessary disclosures and amend the final accounts.

2.2.3 Comments on the Accounts

2.1 Accounting deficiencies

When inquiries were made from the Foreign Airlines concerned over the telephone regarding this matter they have informed that the total amount has been taken into their accounts. Hence this amount was treated as a revenue to the Authority. In this regard the material value of this amount of Rs. 20,509/- was considered insignificant in comparison to the amount of money the Airlines have paid and to the revenue of the Authority. Therefore it is requested that this clause be removed.

2.2.4 Receivables and Payables Account

I would like to inform you that action will be taken to have the balances involving third parties confirmed in future.

2.2.5 Non Availability of Evidence for Audit

Building Rent

While the agreement for the year 2007 has been signed the owner of the building has taken it away for the purpose of registration and has not returned it so far. He has promised to give it back. The agreement for the year 2008 has already been signed. Hence I shall be thankful if this clause is removed.

Fixed Assets – Verification Reports

As the annual verification of stores was still in progress and not completed at the time of the Audit Inspection the verification reports could not be produced. The annual verification has since been completed and the required reports can now be made available. It is kindly requested that this clause be removed.

2.2.6 Non compliance with Rules, Regulation and Management Decisions

- * Section 9-14-2 of the Public Enterprise Circular No PED 12 of 2003-06-02
Miscellaneous payments to the staff.
- * Public Administration Circular No. 8/96 of 1996-03-15 payment of Distress Loans and Vehicle Loans.
- * Section 10(1) – chapter XXIV of the Establishment code – payment of Distress Loans.
- * Sections 3.7 and 7.4 of chapter XXIV of the Establishment Code – Payment of Vehicle Loans.
- * Section 9-14 -1 and 9-14-2 of the Manual of Instructions for Public Enterprises No PED/2 of 2003-06-02.

Payment of Allowances with out approval.

- * Section 3 of chapter V of the Establishment code Resignation and Reinstatement in service.
- * Section 14 of chapter ii and section 6 of chapter vii of the Establishment code.

Resignation and Reinstatement in service.

All the above mentioned payments and Administrative functions stated by you have been effected in accordance with the provisions contained in the Staff Rules and Administrative Procedures Manual (SLCAP 5000) Which has been developed by the Civil Aviation Authority and approved by the cabinet of ministers. The committee on Public Enterprises (COPE) convened a meeting on 2007-06-06 to study the performance of this authority. Amongst other matters the validity of functions performed by the authority in accordance with the provisions of the staff rules and administrative procedures manual (SLCAP 5000) also came under discussion. When the Authority informed the committee that the Staff Rules and Administrative Procedures Manual (SLCAP 5000) has been submitted to the Department of Public Enterprises for its approval the COPE chairman advised that the approval of the cabinet of ministers should be obtained for the manual. Responsible officials including the Auditor General, Deputy Auditor General, Officers who audited the Authority and officers of the Department of Public Enterprises were present at the meeting.

Furthermore when queries were raised in relation to this Staff Rules and Administrative Procedures Manual (SLCAP 5000) in the Audit Report of 2007 a meeting was held with the Deputy Auditor General and the officials who conducted the Audit inspection on 2007-12-11 at the Auditor Generals Department and the

Chairman of The Civil Aviation Authority had explained to them the then prevailing position regarding the SLCAP 5000. The chairman had also stated that action was taken to submit the manual to the cabinet of ministers for approval and this position had been noted in the Audit Report of the Civil Aviation Authority for the year 2007 as well. It is with the intention of regularizing the functions being performed under the provisions of the manual that the COPE chairman advised the Civil Aviation Authority to have it approved by the cabinet of ministers. He never advised the authority to discontinue with such functions.

Accordingly the Cabinet of Ministers approved the Staff Rules and Administrative Procedures Manual (SLCAP 5000) on 2007-02-06. This approval has been granted to continue with the functions performed in accordance with the provisions of the SLCAP 5000. (Approval was granted for the Staff Rules and Administrative Procedures Manual of the Civil Aviation Authority of Sri Lanka (SLCAP 5000) for continuation of the use of the provisions of the documents) As the Civil Aviation Authority is performing all its management functions according to SLCAP 5000 it is kindly request that this clause be removed from your report.

Civil Aviation Circular No AC/97/1 of 1997-06-16

(A) 2(C)(I) and (II)

(B) 2 (D)

Prepaid Travel Advices (P.T.A.)

During the year 2006 and during the early part of the year 2007 the Air Lines have made a significant change in the issue of air tickets and by doing so they have introduced electronic tickets in place of normal paper tickets. As a result there had been difficulties in identifying the P.T.A. tickets and consequently a considerable decrease of revenue to the Authority. On account of the difficulties experienced in identifying the P.T.A. tickets it had not been possible to implement these regulation 100%. This problem came under a detailed study and it was found that the existing regulations need revision inconformity with the practical situation. Accordingly new regulations have been issued. The regulations prevailed during the year 2008 and it is expected that this problem would not arise in future. In spite of the difficulties experienced by the Air Lines in identifying the P.T.A. tickets they have made every effort to remit the P.T.A. revenue to this authority and your officers were fully appraised & this position. Under the circumstances it is not reasonable to impose any penalties on such Air Lines. Any such enforcement of penalties would have resulted in creating a negative impact on the aviation industry as a whole. Also there could have been a vast decrease of revenue to the Authority as well as to the government. Hence I would be thankful if this clause is removed from your report.

Treasury Circular No. IAI/2002/02 dated 2002-11-28

In accordance with the delegation of Authority and the nature of the functions performed various types of forms and documents inclusive of payment / receipt vouchers are being maintained independently by this institution. Accordingly computer and software registers are also being maintained by the information and technology unit of this authority in a format specially designed for the needs of the institution. All information pertaining to computers and software of the institution could be obtained by these registers. It is kindly requested that this clause be removed.

Circular No. 842 & 1978-12-19

Fixed Assets

As difficulties are experienced in maintaining the fixed assets register referred to in this circular this register to in being maintained in a format suitable for this authority. I shall be thankful if this clause in removed.

Public Administration Circular No. 26/92 & 1992-08-19

State Emblem – Non – Usage

Taking into consideration the prevailing security situation of the country and the practical difficulties encountered in conducting surprise checks and audits on Air Lines and Airports the state emblem has non been exhibited on the vehicles belonging to this authority. Hence if is requested that this clause be removed.

Value Added Tax Amendment Act No. 14 of 2007

Value Added Tax

Withholding Tax (WHT) calculated at 5% or at the percentages for which the relevant institutions have obtained approval has been recovered on agreements exceeding lump sum payments of Rs. 500000/- per year and duly remitted to the Department of Inland Revenue in accordance with the circulars of the Department of Inland Revenue. In the case of payments for goods and services whenever the payments exceed Rs. 100,000/- 1/3 of the value Added Tax (Input Tax) had been remitted direct to the Department of Inland Revenue.

Accordingly this institution has duly remitted the relevant taxes and therefore 5 would like to inform you that your query in this regard in not clear.

Finance Act No. 38 of 1971 – Section 11

Investments

In accordance with section 16 of the Civil Aviation Authority of Sri Lanka Act approval of the Minister of Finance has been obtained with the concurrence of the concurrence of the line Minister to invest the excess amounts of money whenever the cash balance of the institution exceeds Rs. 5 million and the investments referred to in your query have been made under this approval. Due to the delays that may occur in obtaining separate approvals for each and every investment when unused excess money is lying idle in the authority the authority loses a considerable amount of revenue that would have accrued as interest if the investments were made without delay. This black approval was obtained in order to would such delays and to enable the authority to make timely and effective investments. This identical query appeared in the Audit Reports of 2005 and 2006 as well and when the position was explained the relevant clauses were removed. Therefore I shall be thankful if this clause in also removed.

Section 17(B) of the Finance Act No. 25 of 2003

Bank Guarantees

There are only 07 Air Lines who have failed to place the required deposits. Out of these two (02) Air Lines are not operating during he current year. Although repeated written requests and reminders have been made to the Air Lines concerned to place their deposits so for they have not made any favourable response. While the National Air Service is one of these Air Lines it has not been practically possible to obtain form them a deposit of approximately Rs. 240 Million. However these Air Lines have been summoned for a discussion to deal with your query. Here I would like to note than the enforcement of rules and regulations of this nature on Air Lines would adversely affect the Aviation Industry of Sri Lanka. Although attempts were made to obtain instructions from the Deputy Secretary to the Treasure in this regard they proved futile. By

revelation of this position in your report it is very likely that the Air Lines who have placed their deposits would respond negatively. I am requesting you to consider this situation and remove the relevant clause from your report. This will have no bearing on the financial statements of the institution.

Paragraph 03 of the notification published in gazette – Extra Order No. 1303/22 of 2003-08-29

Embarkation Tax

Although several letters and reminders have been sent to the relevant Air Lines requesting them to remit the tax there had been no satisfactory response the line ministry too has been apprised of the position. As this would not affect the financial statements of this institution it is kindly requested that this clause be removed.

3-2-4 Internal Audit

Audit programme and reports have been forwarded as follows :-

(1) Audit Programmes 2007 and 2008

Audit Programme 2007 – forwarded to the Auditor General on 2007-09-27

Audit Programme 2008 – forwarded to the Auditor General on 2007-12-03

(2) Audit Reports - 2007

Relevant reports along with the reply letters have been forwarded to the Auditor General on the following dates.

2007-07-13	-	4 Reports
2007-08-30	-	4 Reports
2007-12-03	-	2 Reports

Accordingly it is requested that this clause be removed.

As the annual reports of this institution are made available to the local institutions as well as international organization engaged in the Aviation Industry I am of the opinion that certain matters included in your draft audit paragraphs would damage the image of this institution. I shall therefore be thankful if you will please refrain from including matters causing damage to the image of this institution and to the Aviation Industry while also drawing your attention to the clauses quoted above which need removal.



Parakrama Dissanayaka
Acting Director General of Civil Aviation
And Chief Executive Officer