



CIVIL AVIATION AUTHORITY OF SRI LANKA

ANNUAL REPORT – 2006

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 2006.

Air Vice Marshal Deshmanya P.H.Mendis

Chairman

Civil Aviation Authority of Sri Lanka

28th February 2007

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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-IT	Programme Assistant- Information Technology
PA-SP	Programme Assistant – Special Project
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

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- Branch Office : Civil Aviation Authority of Sri Lanka,
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- Sub-office : Airworthiness Sub Office,
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Bandaranaike International Airport Colombo,
Katunayake.
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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 : ➤ Sri Lanka Insurance Corporation Ltd
➤ Ceylinco Insurance Company Ltd.

PROFILE

Overview

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

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

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

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

Members of the Civil Aviation Authority of Sri Lanka

Members appointed by the Hon. Minister of Ports and Aviation

1. Air Vice Marshal Deshmanya P.H.Mendis, (Chairman)
2. Mr. Norman Gunewardene, (Vice Chairman)
3. Mr. Ananda Goonatilleke, (Executive Director)
4. Mr. Nihal Jayawardene (Member)

Members ex-officio

1. Secretary, Defence
(*Mr. Gotabaya Rajapaksa- RWP RSP*)
2. Representative of the Minister of Finance
(*M Ananda Amaradewa*)
3. Director General of Civil Aviation
(*Mr. H.M.C.Nimalsiri*)

AIR VICE MARSHAL (RETD.) DESHAMANYA P. H. MENDIS

Chairman



Air Vice Marshal Deshmanya P. H. Mendis counts fifty five (55) years of service in aviation and is a well known and much respected figure in the Sri Lankan aviation field.

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

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

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

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

bestowed with the most prestigious national honours "Deshamanya" by Her Excellency the President at the National Honours Award Ceremony held in 2005 in recognition of his contribution to wellbeing of the nation.

Mr. GOTABAYA RAJAPAKSA - RWP RSP
Secretary, Ministry of Defence, Public Security, Law and Order



Mr. Gotabaya Rajapaksa RWP, RSP had his early education at Ananda College, Colombo. An alumni of Army Training Centre, Diyatalawa and was commissioned into Sri Lanka Signal Corps on 26th May 1972. Later he was transferred 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. Rajapaksa attended a number of prestigious Courses including Defence Services Staff College at Wellington, India and the Infantry Officers' Advance Course in USA.

Mr. Rajapaksa is a veteran of the Vadamarachchi Operation. He Commanded 1st Battalion of the Gajaba Regiment during the operation. He also successfully commanded the same battalion during Thrivida Balaya and 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.

For distinguished outstanding success in the field during his service carrier, he was awarded Rana Wickrama and Ranasooru Medals.

He is married to Iyoma Rajapaksa and has a son.

Mr. NORMAN GUNewardENE
Vice Chairman



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

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

1958.

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

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



Mr. Nimalsiri is the Chief Executive Officer of the Civil Aviation Authority of Sri Lanka since its inception in 2002. Prior to his appointment as the DGCA he served as the Acting Director General of Civil Aviation for a short period. Also functioned as the Assistant Director (Operations) having joined the Department of Civil Aviation in 1987 and has been a pillar of strength in the CAA. Mr. Nimalsiri is amongst a few officials who pioneered drafting the new legislative framework in Civil Aviation and introducing institutional reforms in the former Department of Civil Aviation, which led to the formation of the Civil Aviation Authority of Sri Lanka and introduction of the Civil Aviation Bill.

He has followed numerous training courses relating to air transport, aviation safety & security and navigation services and possesses an extensive knowledge and experience in Civil Aviation. He has

participated in various regional and international conferences on Civil Aviation and taken part in numerous bilateral air services negotiations with foreign States representing the CAA and the former Department of Civil Aviation .

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

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

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

Mr. ANANDA GOONATILLEKE
Executive Director



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

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

Mr. NIHAL JAYAWARDENE
Member



Mr.Nihal Jayawardene holds a Masters Degree in Public International Law from University College London specializing in the area of Air and Space Law. Having called to the Bar as an Attorney at Law of the Supreme Court of Sri Lanka in November 1983.Mr Jayawardene also enrolled himself as a Solicitor of the Supreme Court of England and Wales in November 1991.Mr Jayawardene brings along with him a wealth of experience in the field of Aviation Law, having been involved in the drafting process of the Civil Aviation Authority Act and the Civil Aviation Bill from the initial stages. As a former Senior State Council of the Attorney General's Department he has been the supervising Officer in Air Law related matters for a long time, while has given him a lot of experience in relation to different types of aviation related Legislation. Mr. Jayawardene has also participated in a number of Bilateral Air Services negotiations with various other countries in as a member of the Sri Lanka delegation.

Mr. ANANDA AMARADEWA
Representative of the Minister of Finance



Mr. Ananda Amaradeva is a member of the Sri Lanka Government Accountancy Service and he is presently attached to the Department of Public Enterprises, General Treasury as a Deputy Director. He has been in the Government Accountancy Service for more than ten years including three years in the Earnest & Young Audit Firm.

Before joining the Government Accountancy Service, he gained one year experience in the Auditor General's Department. He obtained a Degree of B.Sc. (Business Administration) from the University of Sri Jayawardenapura and completed the Postgraduate Diploma in Accounting and Financial Management from the same University. He has successfully completed the Final – 1 examination of the Institute of Chartered Accountants of Sri Lanka.

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;
- Accounting to the Minister on plans and progress towards the implementation and
- Ensuring systems of internal controls are maintained.

Structure of the Civil Aviation Authority of Sri Lanka

The Authority is composed of Members who have diverse skills and experience in business, legal and aviation industry in order to bring a wide range of thought to bear on policy issues. Once appointed, all Members are required to act in the best interest of the Civil Aviation Authority and must acknowledge that the Authority must stand unified behind its decisions and that individual Members have no separate governing role outside the Authority.

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

Committees of the Authority

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

Staff Committee

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

1. Adoption of an organizational structure and modification thereto as and when necessary;
2. Determination of salaries and cadre;
3. Staff matters pertaining to selections, recruitments, appointments, promotions, demotions, retirements/ terminations etc;
4. Staff disciplinary actions;
5. Monitoring the Annual Work Programme of the CAA;
6. Development of Administrative Rules and Procedures for CAA;
7. Development of Disciplinary Procedures for CAA Staff;
8. Development of Office Procedures for CAA;
9. Grant of scholarships for CAA Staff;
10. Development of compensation schemes for premature retirement for DCA staff and
11. Development of social and welfare schemes for CAA staff.

The Staff Committee comprises the following Members of the CAA:

1. Air Vice Marshal Deshamanya P.H.Mendis, Chairman
2. Mr. Norman Gunewardene, (Vice Chairman)
3. Mr. H.M.C.Nimalsiri, DGCA &CEO
4. Mr. Ananda Goonatilleke, Executive Director
5. Mr. Nihal Jayawardhana

Finance Committee

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

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

The Finance Committee comprises the following Members of the CAA:

1. Air Vice Marshal Deshamanya P.H.Mendis, Chairman
2. Mr. Norman Goonawardene, member
3. Mr. H.M.C.Nimalsiri, DGCA & CEO, member
4. Mr. Ananda Amaradewa, Member

Planning Committee

The Planning Committee is responsible for the following matters:

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

The Planning Committee comprises all eight Members of the Authority

Audit Committee

The Audit Committee is responsible for the following matters:

1. Determination of the responsibility of the Internal Audit Unit and review the annual audit plan;
2. Review and evaluate internal control systems for all activities of the entity
3. Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.;
4. Liaise with external auditors and follow up on Auditor General's management letters;
5. Ascertain whether statute, regulations, rules and circulars are complied with;
6. Review financial statements to ensure compliance with accounting standards;
7. Review internal audit / external audit reports, Management letters for remedial action;
8. Review implementation of recommendations/ directives of the Committee on Public Enterprises;
9. Prepare report on the findings of the Committee for inclusion in the Annual Report and
10. Report on all audit matters to the Authority as and when requested to do so by the Authority.

The Audit Committee comprises of the following members

1. Mr. Ananada Amaradeva, Chairman
2. Mr. Norman Goonawardene, Vice Chairman-CAA, member
3. Mr. Ananda Goonatileke, Executive Director, member
4. Secretary / Defence, member

Connection with Stakeholders

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

Division of responsibility between the Authority and Senior Management

A key to the efficient running of the Civil Aviation Authority is that there is a clear demarcation between the role of the Authority and the Senior Management headed by the CEO. The Authority concentrates on setting high level policies and strategies, and then monitors progress towards meeting the objectives. The Senior Management is concerned with implementing these high-level policies and strategies.

The Authority stands apart and does not have responsibility for the specific regulatory obligations of the Director-General of Civil Aviation as set out in the Air Navigation Act or Regulations made 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 its Triiiium 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. This approach is also reflected in the maintenance of a conflict of interest register for staff.

Internal Audit

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of organizational control remains with the Authority. Internal controls include the policy systems and procedures established to 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. Internal Audit operates independently of the senior management and reports its findings directly 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 all staff are 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 organizations to the Authority 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 corporate governance. Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions, internal audit reports, or any reports or indications that show non-conformance with the principles espoused in the code of ethics. Good corporate citizenship involves 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 wellbeing 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;
- Informed identification and implementation of solutions to significant aviation problems;
- Introduction of specific culture change initiatives;
- Working in co-operation and partnership with the aviation industry;
- 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 obligation;
- 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.

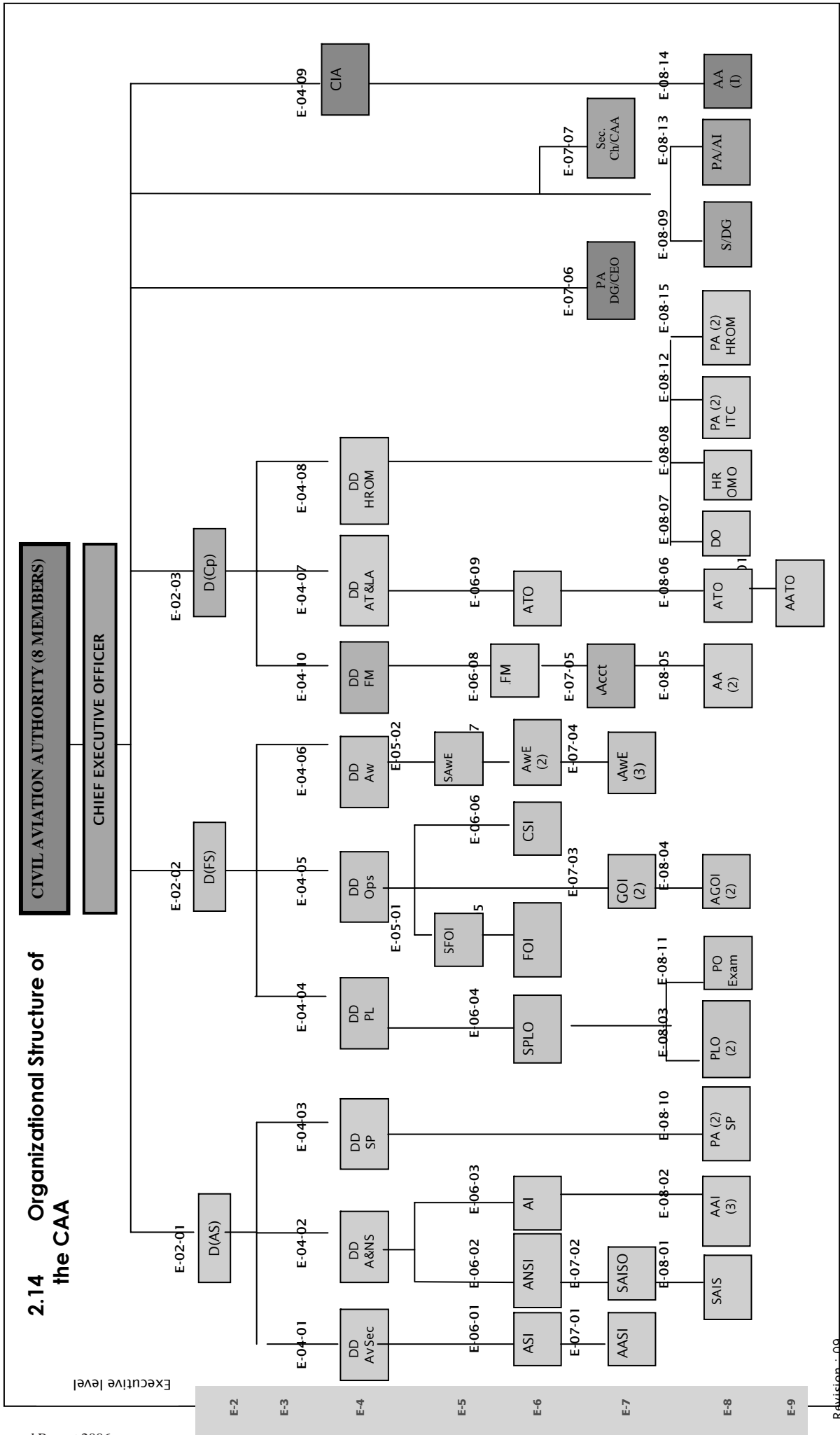
Outcome

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

2.14 Organizational Structure of the CAA



CHAIRMAN'S REVIEW

The CAA has now completed four years of successful operations. The Board remained unchanged throughout the year with A V M Deshamanya P H Mendis as Chairman with Mr. Norman Gunewardene, Vice Chairman, Mr Ananda Goonatileke, Executive Director and Mr Nihal Jayawardena, Member. The ex-officio members of the Authority were Mr. H M C Nimalsiri, Director General of Civil Aviation and Chief Executive Officer of CAA, Mr Gotabaya Rajapakse, Secretary Defence, and Mr Ananda Amaradewa, Representative of the Ministry of Finance. Accordingly, the Committees of the CAA functioned without any changes.

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 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.

Aviation Policy

The comprehensive Aviation Policy drawn up by the CAA and submitted to the line Ministry in 2004 has still not been published as the Nation's 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 licensing process.

Development of Aviation

Late 2006 saw the implementation of two vitally important segments of the Aviation Industry. The construction of the island's second International Airport at Weerawila, was inaugurated with HE the President laying the foundation stone. This airport is expected to be completed in 2008 and will be of great benefit to the development of the South in conjunction with the Hambantota Port Project and the Industrial Zone. It will also benefit the tourist industry as tourist charters could use Weerawila which is closer to the tourist centres in the South and will reduce congestion at BIA.

The long awaited Ruhunu Open Skies was inaugurated with highest academically performed school children at the G.C.E. (A.L.) in Hambantota District being given air experience flights by SriLankan Airlines aboard the floatplane and Deccan Aviation aboard the helicopter. Unfortunately due to bad weather balloon operations were not possible but model aircraft were flown from the Debarawewa Maha Vidyalaya. The interest kindled among the school children was most heart warming.

Year 2006 also saw the formation of the second National Airline called Mihin Lanka Limited.

The domestic aviation sector saw some charter services to Trincomalee in addition to the scheduled services to Jaffna. With the development of the Trincomalee special economic zone with its planned industrial and tourist areas and the construction of the Coal Power Plant in Sampur, it is expected that Trincomalee will become an important domestic airport. Accordingly, a new terminal building will be constructed on the Northern side of the SLAF Base, China Bay to accommodate civil aircraft.

Training

Great importance is being laid on training for CAA staff and two workshops were held in 2006, one of which was devoted to training on aircraft accident investigations and prevention.

The Civil Aviation Authority Training Academy (CAATA) also conducted several courses for CAA and Industry staff.

Civil Military Relationship

The Civil Military Coordinating Committee continues with its work but with the deteriorating security situation new pressures are being exerted on civil aviation activities. Standard Operating Procedures are being drawn up for the Ruhunu Open Skies Programme.

Finance

The CAA continues to be self-financing with no Government funding. However, with the reduction of PTA income it has become necessary to find alternate funding and it is hoped that with the small security services levy of Rs.50/- on each passenger, which has now been approved, this shortfall will be met. If not, Government funding will have to be resorted to.

Conclusion

2006 has been a successful year for aviation in Sri Lanka. The next year should see the consolidation of the steps taken to develop aviation, with particular reference to the construction of the Weerawila Airport and the implementation of the Ruhunu Open Skies Project and the operation of the second national carrier, Mihin Lanka Limited.

The expansion of the BIA with the construction of the new piers and the renovation to the terminal building has been very successful and we look forward to further improvement at BIA.

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 having carried out their duties so efficiently while having had to work understaffed. I am also grateful to the Director General of Civil Aviation who has assisted me and the Members of the Authority, with his knowledge and co-operation. He has been a source of strength and direction to the staff and has shown remarkable qualities of good leadership.



Air Vice Marshal Deshmanya P.H.Mendis
Chairman

30th January 2007

PROGRESS REVIEW –2006

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. Whilst Sri Lanka managed to maintain zero aircraft accidents in year 2006, the overall global airline accident rate in 2006 was just 0.65 hull losses per million flights which is the lowest ever recorded. The year 2006 recorded 24 fatal accidents worldwide involving 880 fatalities in the process of transporting nearly 2.3 billion passengers. 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, indefatigable and committed work of all industry partners including the 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 airline industry is increasingly global, so it is impossible to look at safety issues as if they have borders around them. In order to ensure enhanced level of safety in aviation, it is imperative to have among other things a strong safety oversight regulatory authority which is supported by effective laws and persistent political will to enforce them. This will certainly raise the safety bar for operators as well as the infrastructure providers achieving a wider public perception and confidence, which is vital for the unimpeded growth of civil aviation sector. The era which considered "safety costs money" is now being faded with "safety" taking shape more of a business tool in the highly competitive aviation environment attracting public attention.

During the past four years including the year under review since the establishment, the CAA focused its primary attention on setting up of enabling legal framework and development of an effective management structure to support accomplishment of the CAA's mission as enunciated in the Civil Aviation Authority of Sri Lanka Act No.34 of 2002. This concentrated in the main on the replacement of the outdated Air Navigation Act of 1950 with a new Civil Aviation Act, employment of appropriately skilled technical staff, acquisition of necessary know-how, sustaining the financial health and development of written guidance material to help CAA perform its duties and functions effectively whilst attaining wider credibility and recognition from the industry which it regulates. Improved and consistent implementation of the CAA's statutory role and functions to fulfill its social obligations in conformity with the State's compelling obligations cast in terms of the Convention on International Civil Aviation requires a clear understanding and positive commitment not only of CAA Staff but also of the government and industry partners. During the period under review the CAA continued its efforts for closer identification and implementation of solutions to significant aviation problems and for introduction of specific culture change initiatives in co-operation and partnership with the aviation industry. In order to augment the CAA's ability to plan and execute its functions, a dynamic Business Plan for triennium was prepared for implementation effective 2007. It is vital that the Civil Aviation Bill be enacted without further delay if the desired objectives in the Business Plan are to be realized. It also becomes important as the CAA is scheduled to be audited by ICAO in the fourth quarter of 2008 under its Universal Safety Oversight Audit Programme which aims at ascertaining the State's compliance with the local implementation of the International Standards and Recommended Practices. Delay in the enactment of the Civil Aviation Bill will have multi-fold adverse ramifications on the country's civil aviation industry.

Although the Department of Civil Aviation (DCA) was abolished with the establishment of the CAA and wider powers relating to administrative and financial matters have been given to it by the CAA Act, it was observed with concern that the same rules and yardsticks that applied to the conventional government departments were continued to be applied to the CAA in the process of evaluation and auditing of its performance. This hampered seriously the CAA's ability of making most righteous decisions independently to support the CAA's role, functions and core business. The CAA therefore had to have a special meeting with the Secretary to the General Treasury to explain the CAA's role and have a ruling that depending on the peculiarity of the nature and scope of duties, a public enterprise such as the CAA need to be exempt from the application of general circulars issued by the Government. The CAA has already developed a series of Manuals setting out the mode and manner of its operations & management and implemented same in the form of CAA rules as per the provisions in the Act. However, the Auditor-General's Department continued to carry out its audit on the performance of the CAA based on the procedures in the Establishment Code and other general circulars regardless of the CAA internal administrative mechanism which is approved by the Minister of Ports and Aviation and implemented as per the legal provisions in the Act. This has been a

matter of concern as the CAA cannot fulfill its mission in conformity with the International Standards and Recommend Practices to satisfy the expectation of the legislature which is reflected in the Act, if it was to follow the same rules that applied to the DCA, without variation. It nullifies the very purpose of establishment of a CAA with a wider autonomy replacing the DCA which was assessed to be ineffective and incapable to fulfilling the State's international obligations by ICAO in 1997. When a clarification is sought, the Attorney General has advised the CAA that it does not require additional approvals from Cabinet of Ministers to perform the tasks and functions which are specifically assigned to the CAA in the Act.

The CAA, in addition to discharging its obligations as a safety regulator, assists the Government to collect revenue in terms of the Embarkation Levy from on-line carriers. Sizable resources and time of the CAA are invested for this purpose. Nevertheless, the CAA's request for retention of 2 % of this collection to cover its costs were turned down by the Treasury. The ability of CAA to remain as a self-financing organization is being diminished with the CAA having to provide free services to other public enterprises which are profit making. It is necessary to recognize the silent but salient role played by the CAA in the promotion of flight safety and development of civil aviation sector in the country as a whole and grant it necessary freedom to generate sufficient revenue to engage in regular programme of work and sustenance thereof..

In the backdrop of the foregoing, the major achievements and areas of focus of the Civil Aviation Authority of Sri Lanka during the year 2006 which is the 4th year since establishment, is outlined in the succeeding pages.

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, Members of the Civil Aviation Authority of Sri Lanka including the Chairman, and 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.



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

15th January 2007

1. Direction and management



1.1 THE CAA AND IT'S COMMITTEES

Board of Members:

The 3rd Board of the Civil Aviation Authority was appointed on 05th December 2005 consequent to the change of Cabinet of Ministers with the election of the new President, His Excellency Mahinda Rajapaksa. It consists of the following Members, appointed by the Hon. Minister of Ports and Aviation.

Air Vice Marshal Deshmanya P.H.Mendis, (Chairman)
 Mr. Norman Gunewardene, (Vice Chairman)
 Mr.Ananda Goonatileke, (Executive Director)
 Mr.Nihal Jayawardene (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 forty-eight 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 seven (07) and three (03) times respectively during the period under review.

Representation & Participation

DGCA & CEO together with the Executive Director, Director (Flight Safety) of the CAA attended the 43rd Conference of the Directors General of Civil Aviation (Asia and Pacific) Regions, held in Bali, Indonesia from 04th to 8th December 2006. The 43rd Conference of the Directors General of Civil Aviation was scheduled to be held in Colombo, Sri Lanka, it was abandoned due to unavoidable circumstances. In addition DGCA &CEO attended the World Civil Aviation Chief Executives Forum from 10th to 12th December 2007 held in Singapore.

4th Anniversary of the CAA

CAA commemorated its 4th anniversary on 27th December 2006 at the Auditorium, Sri Lanka Institute of Tourism and Hotel Management by conducting a general meeting with the CAA employees where the progress achieved by the CAA during the year past were reviewed in brief using an Audio Visual Presentation. This event was followed by a special musical programme called "Sudu Weli Kathare Pipuna Mala Wage....." orchestrated by Vocalist Victor Rathnayake, who endowed the audience with a few of his popular art songs with the history behind of their creations.

Teaching Aviation subjects at Universities

Aviation is a specialized subject and personnel engaged in aviation shall possess specific training to engage in the assigned tasks. However, there are no opportunities available in the country for people to gain specialized and systematic knowledge or skill in aviation subjects as per their choice. Presently the agencies involved in aviation activities train their staff only in the respective sphere of action by providing both in-house and overseas training courses.

Introduction of aviation related subjects into the curriculums of tertiary education centers was one of the long felt needs of the country to cater to the skilled manpower requirements in the aviation sector. At the recommendation of the CAA, the Hon. Minister of Ports and Aviation obtained approval of the Cabinet of Ministers to appoint a committee to study and report on teaching of aviation subjects in Universities. Consequently, with the support of the University Grant Commission, University of Moratuwa has introduced

a four year honours degree programme for Transport and Logistics Management, with aviation as one of the possible streams for specialization. This course conducted in English medium will provide undergraduates with the opportunity of studying in detail aviation subjects in the 3rd and 4th year of study. The course also includes a six months full time in-plant training in close collaboration with the industry. It is expected that this degree course will help solve the country's aviation manpower requirements at management levels in the future, to some extent.

Operation of scheduled international passenger services by local airlines

With the global trend for liberalization of market accessibility and increased competition, the Government of Sri Lanka decided to grant permission for a few local private airlines to engage in scheduled international commercial passenger air service operations making use of the market access rights available to the country under the existing Bilateral Air Services Agreements with foreign States which are either not utilized at all or underutilized by SriLankan Airlines. The Cabinet of Ministers appointed a Permanent Committee comprising the representatives from Ministry of Ports and Aviation, Ministry of Tourism, Ministry of Foreign Affairs, Attorney General's Department, Civil Aviation Authority and SriLankan Airlines to evaluate expressions of interests of local private airlines and make recommendations to the Hon. Minister of Ports and Aviation on prospective airlines which are capable of operating such services to be designated under the relevant Bilateral Air Services Agreements. The Secretary to the line Ministry acted as the Chairman of this Committee whereas the Director General of Civil Aviation served the Committee as the Secretary.

The Committee after a series of deliberations recommended to the Hon. Minister of Ports and Aviation, airlines which could be considered for provisional designations as they were yet to conform to the applicable standards and other regulatory and operational requirements relating to safety, security, efficiency and regularity published by the Director General of Civil Aviation for operation of air services. Accordingly, Deccan Aviation (Lanka) Pvt Ltd., Expo Aviation Ltd., and HolidayAir Airways Pvt Ltd have been designated by the Hon. Minister of Ports and Aviation provisionally for operation of scheduled international commercial passengers air services initially between points in Sri Lanka and India. The three airlines have accordingly been given six (06) months time period since the beginning of month of December 2005 in order to satisfy the applicable requirements to qualify for formal designation by the Minister for commencement of the proposed operations. No progress has been shown during 2006.

1.2 SENIOR MANAGEMENT AND SECRETARIAT OF THE DGCA & CEO

Development Planning & Implementation Group (DPIG)

Development Planning & Implementation Group which comprises of all Executive and Senior Executives of the CAA met twenty two (13 times with all executives and 09 times with only Head of Sections) times in its 2nd Session in the year under review and closely monitored the progress of implementation of the work undertaken by the CAA under its Programme Budget and Annual Work Plan -2006. The three sub committees established viz. Sub Committee on Staff Welfare and Social Services (SWASS), Sub Committee on Information Technology and Office Automation (ITOA) and Sub Committee on Office Procedures & Quality Management (OPAQM) had submitted several proposals to the DPIG in respect of the staff matters and solved then and there..

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 will continue to maintain initial certification requirements in strict compliance with the applicable regulatory requirements and international standards and recommended practices relating to safety, security, efficiency and regularity in air transport.

The CAA requires well qualified and experienced staff 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 confidently. 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 and 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 two Regional Programmes viz. COSCAP-South Asia, (sponsored by ICAO) and EU-South Asia, (sponsored by the European Union), which are focusing primarily on the development of Human Resources in the civil aviation sector in the region on a cooperative arrangement. The CAA made an annual subscription of USD 50,000/= to the COSCAP-SA to be a member whereas participation of the EU-SA has been arranged through the Technical Assistance Programme of the European Union. The CAA has also persuaded both Programmes to establish their Regional Headquarters in Colombo with a view to accruing the optimum benefits to the country. These two Programmes offer wide range of training in the field of civil aviation keeping pace with the advancement of science and technologies and also the rapid changes taking place in the international requirements in pursuit of safety improvements. Majority of these courses are held in Colombo whilst some are conducted overseas for fair and equal distribution of opportunities and depending on the course requirements. Since the latter part of the 2006 the EU-SA office has been withdrawn from Colombo due to the fact that the agreement has been fulfilled.

The CAA has also prepared a comprehensive Staff Training Plan for each of the Executive and Senior Executive Post 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, which is already issued. The CAA's Annual Training Programme is prepared based on the training requirements identified in the Staff Training Plan. However, there are occasions when the CAA has to send its officials to take part at overseas activities outside the Annual Training Programme due to short notice of training opportunities or considering the impact of the subject matter on either safety or security.

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 can well be more than three depending on the importance & relevance.

Also the CAA has adopted a stringent bonding arrangement where an officer is bonded to the CAA for a specific period for any overseas training of five days or more which is well beyond the requirements in the Government Established Code.

Despite the foregoing, there have been occasions when the CAA's efforts to train its staff to the required level of competence utilizing scarce resources which have been organized with an extra efforts in one-to one discussions with the resource centre and at the minimum cost to the CAA were not fully supported or appreciated by agencies external to the CAA, on various grounds which did not take into account or heed to the peculiar situation that the CAA is in. It is necessary to bear in mind that the competency of the CAA's technical staff is vital for the effective discharge of its duties and functions and it is also one of the key areas focused by ICAO during its Universal Safety Oversight Audit conducted on each Member States on regular basis.

Universal Safety Oversight Audit by ICAO

The Universal Safety Oversight Audit Programme commenced by ICAO in 1998 with a limited scope to ascertain 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 the 18 Annexes to the Convention except for the Annex-9 which is on Facilitation. Accordingly, each Contracting State is compelled 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 by the Council.

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. Also 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 government and hence 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

CAA formulated a Panel of Aircraft Accident Investigators consisting qualified and experienced professionals in the related specific areas to assist the Director General of Civil Aviation for the conduct of investigation into aircraft accidents or serious incidents occurring in Sri Lanka or of Sri Lanka registered aircraft occurring outside Sri Lanka. The Panel is expected to assist and augment the CAA's capacity to investigate into aircraft accidents with the sole view to finding the causes to prevent future accidents.

The CAA released the final report of the accident involving a Jeddah bound Saudi Arabian Airlines flight SV 781, B 747 aircraft on 8th September 2005 at Bandaranaike International Airport and the copies were distributed to relevant local and foreign organizations. Compilation of the final report of the accident of the SriLankan Airlines flight UL 316, A330 aircraft, which occurred on 16th October 2005 at Bandaranaike International Airport is nearing completion.

There were no passenger fatalities recorded in the year 2006.

A total of fifty four (54) incidents were reported to the CAA during the year under review of which two were considered serious incidents. The serious incidents of a SriLankan Airlines floatplane DHC-3T occurred at Colombo Airport, Ratmalana on 25th June 2006 and the Aero Lanka (Pvt) Ltd, HS 748 series 2B aircraft occurred at Colombo Airport Ratmalana on 02nd December 2006 are being investigated into and completion of the final reports are in progress. There were no reported ATC related incidents within Sri Lanka during the year review.

The sole purpose of accident/incident investigation by the DGCA is to find cause for such accidents/incidents with a view to preventing recurrence rather than apportioning blame. But it is equally important that those parties who are found responsible for an accident are brought to book under the prevailing laws of the country. This area remained deficient as such the CAA is working out a system whereby the police would take over the task of investigating aircraft accidents under the common law of the country.

The focus of the Annual Executive Outdoor Workshop held in October 2006 was on Aircraft Accident and Incident Investigation where the entire executive staff attended to one and a half days of classroom and outdoor training activities. These included power-point presentations on selected topics on the aircraft accident investigation process, the structure and functionality of the CAA's Accident Investigation Unit and Role Play on a created aircraft accident scenario rehearsed with indoor and outdoor activities. The members of the Panel of Accident Investigators and a contingent CAA Inspectors will be offered to participate in an Accident Incident Workshop of two week duration, which is planned to be held in Colombo in March 2007 as technical assistance coming under COSCAP-SA.

1.4 INTERNAL AUDIT UNIT.

A committed attempt was made to absorb the knowledge of ISO 9001 by participating in a training programme which was conducted by the SLSI to increase the quality of the services of the CAA.

An endeavor was made to develop a comprehensive Internal Audit Programme (SLCAP 9500 Part ii), which is close to completion. This Programme will cover the entire activities of the Technical and Operational activities of the CAA. An awareness-training programme was also conducted to educate the staff of the CAA with regard to the statutory obligation of the CAA to the government.

Twenty two (22) Quality Assurance Audits were carried out on the existing systems and internal controls of the CAA during the year 2006 and improvements were recommended based on the findings of the twenty two audits, sixteen (16) were on the Corporate Division while 3 each were conducted on Aeronautical Services and Flight Safety Divisions.

2. AERONAUTICAL SERVICES DIVISION



AERONAUTICAL SERVICES TEAM

2.1 AVIATION SECURITY

Aviation Security Assessment

The ICAO launched in June 2002 Universal Security Audit Programme (USAP) as an initiative for strengthening aviation security worldwide and for attaining commitment from States in a collaborative effort to establish a global aviation security system. This Programme provides for the conduct of universal, mandatory and regular audits of the aviation security systems in all ICAO member States. The objective of the USAP is to promote global aviation security through the auditing of States on a regular basis and to assist States in their efforts to fulfill the States' aviation security responsibilities. The audits identify deficiencies in each State's aviation security system, and provide recommendations for their mitigation or resolution.

In preparation for the aforementioned ICAO Security Audit on Sri Lanka which was scheduled for the 2nd quarter of the year under review, the CAA sought assistance from the ICAO Civil Aviation Security Programme – Asia Pacific (CASP-AP) project to conduct an aviation security assessment at National and Airport level to ascertain the level of compliance with Annex 17 – 7th edition to the Convention on International Civil Aviation and to recommend corrective and preventive measures. Accordingly two experts were mobilized to carry out an assessment in January 2006. The Mission also assisted in developing the Second Edition of the National Civil Aviation Security Programme.

ICAO Universal Security Audit of Sri Lanka

The ICAO Security Audit under USAP commenced on 22nd May 2006 and concluded on 31st May 2006. As a pace setter for final preparation for the audit CAA, on 16th May 2006 briefed representatives of all agencies that would be audited emphasizing on historical background to the audit, State obligations, relevant obligations of the airport operators and airline operators through their respective security programmes, obligations of other State and Private organizations who would come under scrutiny. The compliance requirements with regard to “Bench Mark” document Annex 17 to the Convention through the State document NCASP and its attachments such as NCASQP and NCASTP were highlighted to the concerned parties.

This being the first security audit faced by all organizations the concept, standardized ICAO audit methodology, the ethics observed and practiced which are somewhat unique to ICAO audits were extensively explained. The National briefing was conducted at the Ministry of Defence with the Secretary, Ministry of Defence chairing in his capacity as the Chairman, National Civil Aviation Security Committee with the presence of the Secretary, Ministry of Ports and Aviation, CAA officials and representatives of all agencies coming under scrutiny during the audit.

An Interim report was submitted at the debrief to the Secretary, Ministry of Defence on 1st June 2006, followed by the final report received in August with recommendations for corrective action. The corrective action plan was submitted in early October 2006 and the feed back on the corrective action was received in mid December from the ICAO Aviation Security division. The Corrective action process is to commence by February 2007 with a target date for completion by June 2008.

National Civil Aviation Security Programme (NCASP)

A revision of the NCASP was necessitated to comply with new Standards and change to definitions brought forth by the 8th Edition of the Annex 17 to the Convention which became effective on 1st July 2006 as well as to address certain recommendations made by the ICAO USAP audit. The revised National Civil Aviation Security Programme 2nd Edition was approved by the Hon. Minister of Ports and Aviation on 13th October 2006.

National Civil Aviation Security Training Programme (NCASTP) and National Civil Aviation Security Quality Control Programme (NCASQCP)

The Aviation Security Section of the CAA was observed to be making good use of the training acquired under the auspices of ICAO at various Aviation Security training programmes. The exposure given to them stood in good stead in developing the first draft of the NCASTP and the NCASQCP which were later subjected to the audit of the ICAO Universal Security Audit Programme. The final version of the two documents which are attachments to the NCASP are expected to be made effective in year 2007.

National Standards for Screener Certification and Screening Equipment

The process to develop National Standards for certification of Screeners and aviation security screening equipment to ensure compliance with Standards of Annex 17- 8th edition to the Convention, commenced. These standards are expected to be published as an attachment to the NCASP during year 2007.

Review of AASL Aviation Security Training Programme

The Aviation Security training programme of AASL was reviewed. Guidance and recommendations including necessary support documents were provided to update and upgrade the existing training curriculum to be consistent and compliant with the Annex 17 – 8th edition Standards and Recommended Practices and also with guidance material contained in Doc. 8973 (6th edition) – “Security Manual for Safeguarding Civil Aviation Against Acts of Unlawful Interference”.

Airport Internal Quality Control Workshop

A workshop was conducted by the CAA Security Section commencing 10th March extending to 10th May on internal quality control measures and procedures. It was attended by sixty aviation security staff nominated by the Airport Operator, Airport and Aviation Services (Sri Lanka) Ltd.

The workshop provided the necessary knowledge and practical quality assurance experience to the Aviation Security Department of AASL enabling establishment of an Internal Quality Control Unit comprising work improvement teams, and security action teams to enhance the performance levels and implement necessary corrective action and preventive measures in the provision of aviation security. It also helped AASL to confidently undergo the ICAO USAP audit, which took place in May 2006.

Airport Security Programme – Bandaranaike International Airport (BIA)

The Airport Security Programme for BIA (2nd edition) was approved in May 2006, after evaluation of three draft documents through 2005 to 2006.

Airline Security Programme – Sri Lankan Airlines

The Airline Security Programme (1st edition) of the Sri Lankan Airlines Limited, was approved in May 2006, after evaluation of seven draft documents through 2004 to 2006.

Certification of New International Airlines

Aviation Security Inspectors involved in providing advice, guidance and in certain cases evaluating security programmes in the certification process of four aviation companies aspiring to obtain certification for international passenger service operations.

Staff Aviation Security Training

During the year 2006, the Aviation Security Inspectors were provided with the opportunity of participating in a thirty day Aviation Security Seminar in Japan sponsored by Japan International Corporation Agency (JICA) and also a Screener Certification Workshop conducted under the auspices of ICAO in Malaysia.

Aviation Security Reference Document Cell

The development of the Aviation Security reference document cell which was established in year 2005 to facilitate access to Aviation Security documents of restricted nature or of higher classification was continued through year 2006. At present the cell is in possession of a reasonable collection of material for the reference by the industry.

Approvals for carriage of Weapons

Responsibility for granting approval for Carriage of munitions within the airspace of Sri Lanka and to/from airports within Sri Lanka being vested with the DGCA. Frequent requests are made by the State and private organizations and individuals for carriage of munitions on board aircraft for purposes such as VIP security,

participating in United Nation Peace Keeping Force activities, acquisitions by the Military and the Police forces, participation at International Sports Tournaments/ competitions.

All exports and imports on being approved by the Ministry of Defence, approval for carriage through the air space is granted with strict compliance with the Air Navigation Regulations and specifications laid down by ICAO and IATA with a view to preventing unlawful interference with civil aviation.

Seventy two (72) such approvals were granted on evaluation for carriage of munitions in the cargo hold and fourteen (14) approvals for carriage on board concerning VVIP/VIP foreign travel during year 2006.

Development of Domestic Aviation

The Dream project “Ruhunu Open Skies” which was first presented in late 2004, proposing freedom of operation to a variety of commercial, recreational, educational and hobby related aviation activities in the airspace of Southern Sri Lanka was launched on 19th November 2006 under the auspices of His Excellency the President of Sri Lanka coinciding with the foundation stone laying ceremony of the 2nd International Airport. The H.E the President declared that the Ruhunu Openskies is to be freed for all civil aviation activities without let or hindrance for educational, recreational and commercial purposes.

Activities comprise of setting up of flying schools, general aviation activities, hang gliding and powered hang gliding, para gliding and powered para gliding, para jumping and powered para jumping, sky diving, sail para flying, hot air ballooning, float plane operations, micro light and ultra light aircraft flying, model aircraft (radio controlled) flying, kite operations, all being recreational, educational and hobby oriented while shipping lane operations would be a major commercial activity.

The development plan provides a primary framework to develop aviation in the Southern Region of Sri Lanka and the project provides limitless opportunities to engage in a wide range of aerial activity of their choice. The CAA will issue a license for each aircraft in the CAA so that the owners can operate such aircraft at



2.2 SPECIAL PROJECTS

CAA Branch Office & Regional Training Centre

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. Several field visits were conducted with the help of the Divisional Secretariats of Lunugamvehera and Tissamaharamaya and two plots of land with an extent of half an acre and five acres were identified for the respective purposes. Action is being taken to take possession of these lands through the District Secretary, Hambantota.

Renovation of the CAA Branch Office at Katunayake

A programme was undertaken to give a facelift to the branch office at Katunayake prior to the Aviation Security Audit conducted in May 2006, with the expectation of it being used as the audit office.

COSCAP-SA

CAA continued to host the COSCAP-SA Programme, which was relocated from Katmandu, Nepal to Colombo in September 2005. Sri Lanka's contribution to the Programme in year 2006 has been US \$ 35,000 bringing the grand total up to US \$ 352,018. 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 Programmes to strengthen and augment the safety oversight capability of the CAA. In all seven (07) training courses were conducted in Sri Lanka in 2006 which offered training opportunities to twenty six (26) CAA inspectors and forty two (42) industry personnel, clearly outweighing the cost incurred as against return benefits.

The 16th Steering Committee Meeting of the Programme was successfully held from 07th to 09th February 2006 at Earls Regency Hotel, Kandy. It was attended well by all participating States but India, Aerodrome and Air Operators from the SA region, several world leading safety organizations such as ICAO, EASA, FAA and donor agencies. The CAA also attended the 17th Steering Committee Meeting held in Katmandu, Nepal in November 2006 where the participating States pledged their support to continue COSCAP-SA beyond 2007, a key decision for future. SriLankan Airlines maintained their record as the largest contributor of gratis air passage to expert employed by COSCAP-SA by providing 104 air tickets worth US \$ 11,545, thereby bringing their total contribution to US \$ 43,459 since the inception of the Programme.

EU- South Asia Civil Aviation Project

The EU-SA Civil Aviation Project executed by the Association of European Aerospace and Defence Industries (ASD) and financed by the European Commission completed its project span of three years at the end August 2006. The main objectives of the Project were to foster business relationship and promote co-operation between SA States and EU States, to fulfill the specialized training needs of civil aviation administrations and industry in the South Asian countries to enhance civil aviation safety in South Asia.

A total of one hundred and five (105) training activities were conducted during the three year period in Airworthiness & Operational Safety, Air Traffic Management, Airline & Air Transport Management, Airport Management and Maintenance & Support to enhance the know-how of the Regulator to effectively undertake their safety oversight obligations. It also help industry to appreciate such obligations of the State and maintain required levels of safety in their respective systems. CAA Sri Lanka, while being the host to the Project by providing the office space and other basic amenities on complimentary basis to the Project Headquarters located in Colombo, also facilitated conduct of five (05)- training programmes in Colombo in 2006 bring up the total training courses conducted in Sri Lanka to thirty five (35). In 2006, twenty (20) CAA inspectors and fifty two (52) local industry personnel received training bringing up the grand total to one hundred and thirty three (133) and two hundred and seventy four (274) respectively.

Sri Lanka hosted the 3rd Bi-lateral Meeting of the Project in Colombo on 6th February 2006 and also participated in the Final Bi-lateral Meeting held on 15th August 2006 in Kuala Lumpur, where it was decided to launch a Bridging Aviation Project with the support Airbus Industries until such time a new project is commenced to carry forward the achievements under the closed project.

EU- South Asia Future Project

Sri Lanka participated in the 2nd Regional Initiatives Seminar held in Cologne, Germany in April where the partner countries of the former EU – SA Project reiterated their interest in a standardization process in SA, underlining the benefits gained in terms of safety, business exchanges and creating a regional voice in SA region. As a first step, it was decided to form a working group known as South Asia Regional Initiatives (SARI) consisting of the Directors General of any of the SA countries who desires to participate. The Director General of Sri Lanka was preferred by the meeting to act as the coordinator for implementation of the regional mechanism. The move was further elaborated to the SA DGCAs at the Final Bi-lateral meeting held in Kuala Lumpur in August, where the sessions of SA countries meeting were chaired by the DGCA- Sri Lanka.

The framework of SARI closely reviewed at a meeting hosted by the CAA on 29th September where Airbus, representing the ASD community, explained that given the fact that the new project financed by the EC will not be launched before the end of 2007 the European Aerospace Industry would fund the 'Bridging Aviation Project' (BAP), in order to maintain the cooperation that was initiated through the EU-SA Civil Aviation Project. However it will not operate with a budget scale similar to the previous EC co-funded project. The

European partners expect the SA countries to take full ownership of the SARI and to continue towards harmonization / standardization irrespective of the cooperation projects. The TORs for the SARI SA and EU Coordinators have been drafted and expected to be finalized at the inaugural meeting of the SARI which is scheduled to be held in New Delhi in January 2007.

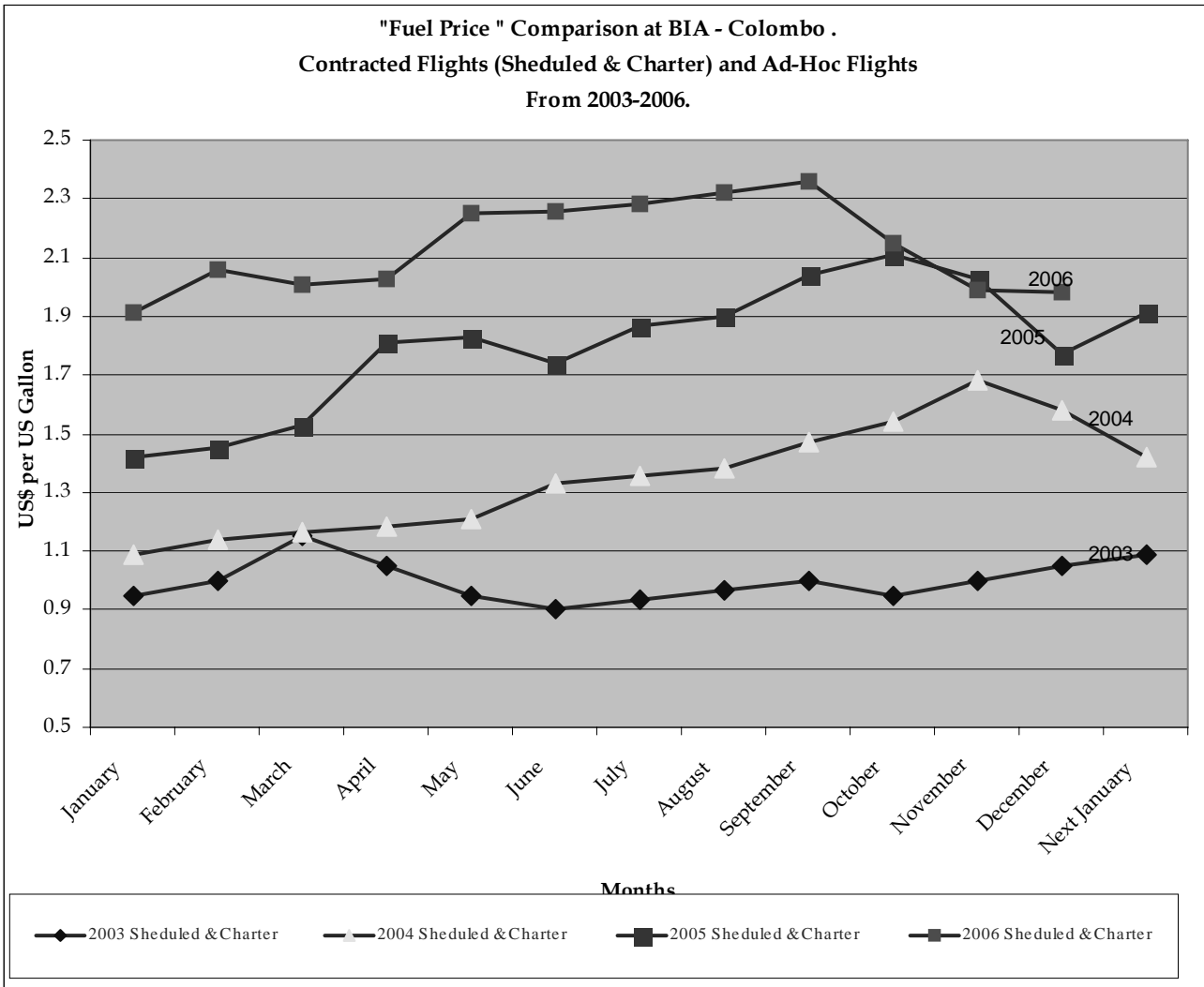
National Environmental Week – Tree Plantation Campaign



A Tree Plantation Campaign was organized to commemorate the Environment Week at the CAA Sub Office at Katunayake. Every employee was given the opportunity to plant a tree along the perimeter fence of the premises where one hundred and twenty (120) in all were planted. CAA wishes to acknowledge the kind assistance and co-operation extended to this effort by the Airport & Aviation Services (Sri Lanka) Limited who provided machinery and man power for earth work gratis.

Surveys on Civil Aviation

Ever escalating aviation fuel prices have adversely affected on the economies of airline operations. Also 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 fuel prices For analyzing and making comparisons.



Source: Ceypetco

Training Programmes

An in-house training programme on ‘Time Management’ was organized for the benefit of the Executive grade staff of the CAA with the view to improving productivity and efficiency. Twenty eight (28) participated at the training programme which was conducted at CAATA.

CAATA

CAATA, the training arm of the CAA continued to provide the essential logistical and training support to conduct training programmes and other group activities. There were five (5) training courses conducted by the EU – SA project and seven (7) by the COSCAP-SA. It further facilitated fourteen (14) examinations conducted by the CAA which includes PPL, CPL, ATPL, AME and FOO personnel licensing examinations and two (2) Efficiency Bar examinations. The CAATA accommodated twenty eight (28) CAASL staff training programmes and thirty eight (38) meetings/presentations/seminars. The CAATA facilities were hired to outside parties on forty two (42) days bringing in additional revenue to the CAA.

2.3 AERODROMES & NAVIGATION SERVICES

Kelani River and Tissa Wewa in Tissamaharamaya were inspected and provisional approval as destinations for SriLankan Airlines floatplane operations was granted. The operation to Kelani River water aerodrome was established in order to facilitate water aerodrome in close proximity to the Colombo



City limits, mainly to promote more and more tourists to patronize the service,

The inaugural floatplane operation at Tissa Wewa was conducted on 19th November 2006 to commemorate the ceremonial launching of the ‘Ruhunu Open Skies’, the dream project of the CAA by H.E the President.

CAA played necessary coordination role to take away the embargo imposed on floatplane operations by the owner of the Polgolla water aerodrome. Action was initiated to survey Bolgoda Lake and Castlereagh Reservoirs in order to establish floatplane operations by January 2007. There are six (6) approved water aerodromes in operation as of end 2006 and all these water aerodromes have been certified for the exclusive use of SriLankan Airlines.

Aerodrome Certification of BIA

A partial audit of Bandaranaike International Airport was conducted with the assistance of COSCAP-SA to verify the corrective measures taken by the Airport & Aviation Services (S.L) Ltd. To rectify the deficiencies highlighted by the initial Aerodrome Certification Audit conducted in December 2004. Final certification of the BIA aerodrome carried forward over to year 2007 as the aerodrome operator was unable to complete fully the certification compliance criteria.

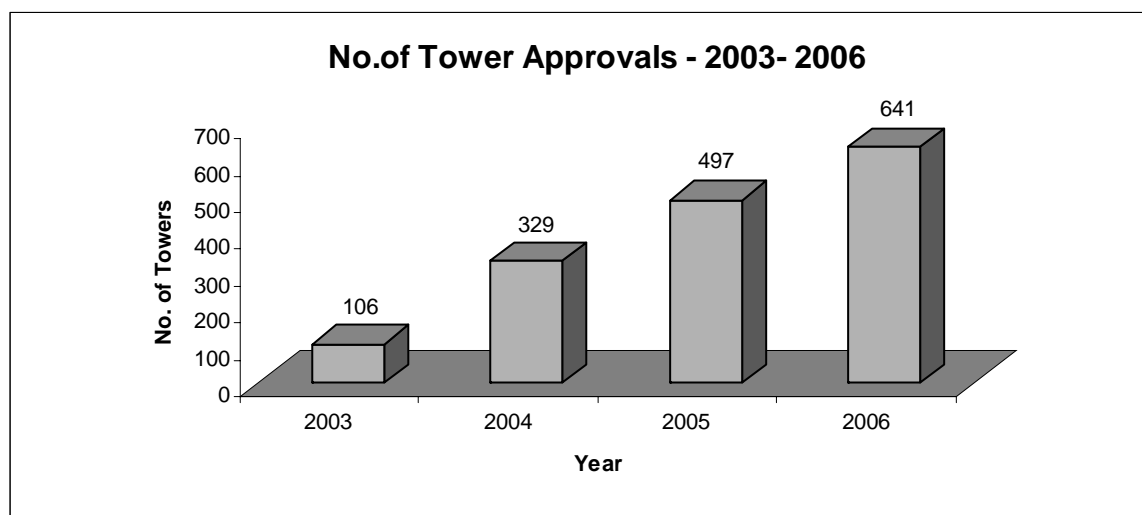
Overlaying of the Runway at BIA

The proposed runway resurfacing project at Bandaranaike International Airport scheduled to commence in January 2007 was postponed as a result of the revised project planning of the airport operator. The CAA who pointed out the urgency of the overlay, carried out necessary coordination with AASL and the other relevant organizations with regard to this project. In addition CAA, with the help of Sri Lankan Airlines arranged a meeting between the officials of the Airports Authority of India and the officials of the AASL & SriLankan Airlines to share the Indian experience on runway overlay at Chennai Airport. The present proposed date of commencement of BIA runway overlay is fixed for January 2008.

Construction of High Rise Structures

The construction of high rise structures such as telecommunication towers in Sri Lanka has shown a vast increase in the years 2004, 2005 & 2006. The popular use of cellular communication and the steady growing demand for mobile phone communication have prompted telecommunication operators to expand their networks.

The following table shows the tower population in Sri Lanka from year 2003 – 2006.



All tower approvals were granted to the operators on the understanding that all requirements are fulfilled in respect of the CAA circular no OC/01/1998 to regulate high rise constructions. Upon random inspection carried out by the CAA, it was noted that some of the tower operators had not complied with the CAA requirement of lighting and placing identification boards on towers, which were made mandatory to identify towers which are not in compliance with the requirements. Therefore, the CAA temporally withheld issue of

new tower approvals for an approximate period of two months until all telecommunication operators comply with the stipulated conditions, which helped achieve satisfactory level of compliance from all operators but one.

Aviation Safety Programme

Having recognized the importance of implementing an Aviation Safety Programme in Sri Lanka, in accordance with the ICAO requirements, the CAA included establishment of an Aviation Safety Programme in its three year's Business Plan. The CAA's Safety Policy was produced in draft form and the Regulatory Safety Requirements for Air Navigation Service Providers and Aerodrome Operators have also been prepared. In addition several workshops with the technical assistance of COSCAP-SA were conducted to improve the awareness of the employees of the AASL in Aviation Safety Management.

Aeronautical Information Services Package

During the year 2006, the CAA issued an amendment to the Aeronautical Information Publication-Sri Lanka which contains aeronautical information/facilities essential to air navigation in the Colombo Flight Information Region (FIR). In addition, the CAA issued Four (04) Aeronautical Information Circulars, Sixty Five (65) Notams and Fifteen (15) Aviation Safety Notices during the year under review.

Permission for flying over Sri Lankan territory and Landing at BIA

The CAA issued 658 permissions for international airlines to over fly Sri Lankan territory and 550 permissions for non-scheduled flights to land at BIA. This figure does not reflect the overall overflying of Sri Lanka, as AASL also grants approvals for such requests during off-duty or non-working days of the CAA.

Search & Rescue(SAR)

The CAA was active in coordinating several Search and Rescue Missions within the Sri Lankan Search & Rescue Region. One such occasion was the rescue of the MV Glory Moon, a Panama registered vessel which lost all power and contact, except it's 406 MHz Locator Beacon, at the Eastern Edge of the Sri Lankan FIR. The relevant CAA officials have been imparted with requisite training for this purpose and entrusted the task of development of a proper SAR organization in Sri Lanka

3. FLIGHT SAFETY DIVISION



FLIGHT SAFETY TEAM

3.1 PERSONNEL LICENSING

Issuance of Personnel Licences in the new format

In the past 50 years, Personnel Licences were issued in a format and cover introduced at the very inception of personnel licensing. With effect from 01st July 2006, the CAA commenced issue of licences in computerized format and cover with pouches. The colours of the new covers are designed in compliance with the Standards specified by ICAO.

In the old system, the details were typed on the pages and filed in the ordinary hard paper cover. Under the new system the details are computer generated and printed pages are inserted in to the pouch.

The pages could be easily replaced at the time of renewal of the licence. With the implementation of the new system, the Personnel Licences issued by the CAA have become compatible with the international standards.



English Language Proficiency Check

According to ICAO Standards, as of March 2008 all Aeroplane & Helicopter Pilots, Flight Navigators & Air Traffic Controllers should demonstrate the ability to speak and understand the language used for Radio Telephony communication, which in the case of Sri Lanka is English.

Accordingly, CAA took necessary steps to formulate the necessary procedures to evaluate the personnel of such job categories. An Aeronautical Information Circular was issued in this regard. A Panel of Examiners termed as 'interlocutors' comprising ten professional from the industry was appointed. Two meetings were held to brief the Panel of Examiners on the Requirement and the associated Procedure for testing and three training sessions were conducted to provide further elaboration.

Meeting with Flight Test Examiners

At present, there are five Flight Test Examiners who serve in the panel of the DGCA Approved Flight Test Examiners who undertake to conduct the mandatory flight test of an applicant for issue/renewal of a pilot licence and/or a rating. A meeting of the Panel of Flight Test Examiners with the DGCA and Regional Personnel Licensing Expert of COSCAP - SA took place to discuss introduction of new methods to revise and improve the current procedures of flight testing.

Issuance of Ground Instructor Licence

An inspection was carried out for approval of a Ground Training Organization and follow up is in progress. The instructor of this organization possesses a Ground Instructor Licence with privileges to deliver instructions to PPL/CPL and ATPL standards. A Ground Instructor Licences for instructing to ATPL students was issued after a long lapse.

Inspection of Military Flying Training Organization

In the year 2006, the CAA, with the assistance of two COSCAP-SA experts carried out three inspections on Sri Lanka Air Force Flying Training Wings in Anuradhapura, Katunayake & Ratmalana with a view to assess and recognize the training standards of SLAF pilots and also evaluate course material in respect of all technical subjects towards granting credit for the issuance of Civil Pilot Licences based on Military Qualifications.

Further, the qualifications of SLAF pilots to issue Flight Instructor Ratings were also evaluated and four Type Rating Instructor Certificates to SLAF Pilots were issued.

Approval for Flying Training Organizations

Sky Line Aviation Ltd was granted approval to function as a Flying Training Organization with an initial authorization to conduct training courses Private Pilot Licence. This Flying School has indicated its plan to establish branches in Weerawila & Koggala to cater to the needs of southern province under the 'Ruhunu Open Skies' programme. The school has plans to attract foreign students for flying training in Sri Lanka.

Asian Academy of Aeronautics was also granted provisional approval to operate as a Flying Training Organization, pending final approval on satisfactory completion of all the requirements.

3.2 OPERATIONS

International Airline License

In pursuant to Air Navigation Regulations 251, issue of an International Airline Licence commenced in 2004. So far, a total of 24 Licenses have been issued. A meeting to refresh the international air operators of the requirement to obtain the licence, renewal procedure and also to exchange views of mutual interest in order to ensure smoothness of the process was held in December 2006, where the response of the airlines was very encouraging.

Simulator Approval for Expo Air

In compliance with the requirement for the approval of all Synthetic Training Devices used by air operators for training of Pilots by the DGCA, the Simulator of the type DC – 8 located was inspected and approved for use of the Expo Air to train DC-8 flight crew.

Inspection of Air Sofia facilities for approval of AN – 12 operation

Safety oversight functions of the wet lease operation of the AN – 12 aircraft belongs to Air Sofia and operated by SriLankan Airlines since year 2004 has to be in agreement with both States as recommended by ICAO through a process, which requires development of an agreement known as Article 83 bis between the two States. Necessary action was initiated to accomplish this task by completing an facility inspection in Sofia, Bulgaria conducted by two Inspectors from the CAA Flight Safety Division leading to the preparation of modalities for signing up the Article 83 bis agreement. It is planned to accomplish the task during the first quarter, year 2007.

Manuals related to Operations Section

A comprehensive manual titled 'Air Operator Certification Manual' - SLCAP 4100 was compiled for issuance of Air Operator Certificates. Updating of Manuals was completed with the second Edition of 'Cabin Crewmember Manual Standard' – SLCAP 4300 and third edition of Manual of 'Carriage of Dangerous Goods' – SLCAP 4400. An update of the Manual on 'Flight Data Analysis' – SLCAP 4220 was also completed.

Cabin Crewmember Certificates

A total of 180 certificates were issued to Cabin crewmembers employed by the holders of the AOCs issued by the DGCA on successful completion of the training requirements stipulated in Aviation Safety Notice 081.

Aviation Safety Notices

Aviation Safety Notices pertaining to BRNAV, RVSM, and implementation of the recommendations of the South Asian Regional Aviation Safety Team (SARAST) were issued. The SARPS related to 29th Amendment of Operation of Aircraft - Annex 6 were implemented locally through the issue of an ASN.

The civil helicopter industry continued to lack the expected growth due to the escalating internal security situation. As such, Deccan Aviation (Lanka) Pvt Ltd remained the only helicopter operator. The company operates a Bell Model 206 B Jet Ranger III helicopter engaging in commercial non scheduled passenger charter and aerial work operations. It conducted 128 flights, accumulating 258 hrs, carrying 589 Passengers. A Growth of 21% is indicated in the number of flights compared with that of year 2005, however no significant increase is indicated in the number of flying hours which stands at a 5% increase, compared with year 2005, indicating that the company had carried out a higher number of short range, short duration flights as the number of passengers carried have increased by 63%.

Balloon flight operations

Hot air balloon operations continued to its 3rd season from October 2005 to May 2006. The extremely poor weather conditions prevailed, accompanied by strong winds affected the operations. Reduction of tourist influx to the Sigiriya, Dambulla and Kandalama areas due to escalation of domestic hostilities had a negative effect on the balloon operations, which was otherwise gathering momentum from year 2003. The single commercial hot air balloon with a basket capacity of 16 to 20 persons carried out 44 flights, accumulating 43 hrs carrying 172 passengers during the season.

The number of flights for the 2005-2006 season indicates a 33% increase in the number of flights but a 27% reduction of passenger travel, even though a 27% increase is indicated in the number of flying hours as well. These statistics indicate a drop in tourist in the inland resorts, which has caused leisure sight-seeing flights carrying a passenger compliment well below the basket capacity.

Floatplane Operations

The floatplane operation by the SriLankan Airlines continued to attract focus amongst tourists and recorded steady growth. Compared to the six hundred and seventy three (673) flights carrying four thousand eight hundred and ninety one (4891) passengers while accumulating one thousand four hundred and eighty (1480) hours in 2005, carrying six thousand nine hundred and thirty eight (6938) passengers while accumulating one thousand seven hundred and fifty three (1753) hours were recorded in 2006.

Aerial Work Operations

Helicopters and floatplanes engaged in aerial work operations involving photography, video filming, aerial surveys of electronic imaging, flower drops and leaflet drops for advertising purposes of corporate establishments. Twenty-two approvals were granted during year 2006.

3.3 AIRWORTHINESS

Civil Aircraft Registry

CAA completed a new aircraft register containing a wide range of data in respect of each Sri Lanka registered aircraft including pictures of the aircraft taken from three different directions.

Model Plane Registration

CAA took an effort to revive the Model Aeroplane flying along with the launch of the 'Ruhunu Open Skies' programme. In order to regulate what is normally considered a harmless leisure activity but required some control in the sensitive national security environment, a process to register the model planes at the CAA was initiated followed by issue of a Certificate of Registration in respect of each model plane registered. Currently there are 54 numbers of model planes on the Sri Lanka Model Plane Register. With the participation of the model plane flying enthusiasts, a display took place on 20th November 2006 at the Debarawewa School Playground in Hambantota and a brief display at the Weerawila Air Force Base. Necessary action has been taken to promote this activity uninterrupted in the southern free skies.

Amendment of AMS/MCM

The CAA took action to review and amend the 192 tasks of Aircraft Maintenance Schedules and granted approvals to one (01) Maintenance Control Manual and five (05) major amendments of Maintenance Control Manuals in accordance with current changes introduced by manufacturers and operators respectively.

C of A and C of R

Two (2) new Certificates of Airworthiness were granted in 2006 and a further twenty two (22) Certificates of Airworthiness were renewed. One (1) new aircraft was entered in the civil aircraft registry while one (1) was deregistered due to owner's request. Twenty Eight (28) Certificates of Registration were renewed. Also one Export Certificate of Airworthiness was. For the issuance and renewal of C of A and C of R, the CAA Airworthiness Inspectors engaged in the required regulatory inspections of documents and aircraft.

Aviation Safety Notices

CAA published new Aviation Safety Notices regarding the 'Requirements for the establishment of facilities for maintenance of registered aircraft in Sri Lanka' as well as the 'Requirements for the establishment of an Approved Maintenance Organization (145 Approval)', and the Requirements for the issue of AME Licences by the CAA and administrative procedures for the conduct of Aircraft Maintenance Licence examinations and conversion of Aircraft Maintenance Engineer Basic Licence.

Type Examination

CAA conducted the type rating examinations for Cessna 152 and Fokker 27 aircraft. Three candidates applied for the examination and all were successful. Skill test is to be completed as the regulations prior to grant of the type rating.

Aircraft Maintenance Engineers Validation

CAA validated eight (8) foreign AME licenses and issued twenty two (22) renewals in respect of the Aircraft Maintenance Engineers who hold foreign licenses and are employed locally for the purpose of certification work of Sri Lanka registered aircraft at the requests of the Operators.

Aircraft Maintenance Organization

In compliance with the regulatory requirements, CAA granted approval for four (04) new line maintenance organizations and renewed thirty five (35) such organizations which are now authorized to carry out line maintenance on Sri Lanka registered aircraft. After a process of careful review of procedures, CAA carried out three (03) inspections both local and foreign maintenance organizations inclusive of an engine overhaul facility during the under review.

Safety oversight and Monitoring of Continuing Airworthiness

CAA Airworthiness Engineers carried out ramp inspections on thirty (30) commercial aircraft at BIA and other domestic airports with follow up regulatory enforcement measures, where necessary.

Recommendation of Visa

During 2006 The 1.1 CAA issued Twenty One (21) letters recommending grant of landing endorsements and residence visas to foreign national who are employed locally as Ground Engineers

4. CORPORATE DIVISION



CORPORATE TEAM

4.1 AIR TRANSPORT & LEGAL AFFAIRS

Foreign Airline Operations

During the period under review, Blue Panorama Airlines was the only new Scheduled Airline to commence operations to Sri Lanka. In addition, 'First Choice', a well known Charter Operator from the United Kingdom commenced operations as well.

Air Sahara commenced operating on the sectors Bangalore/Colombo/Male v.v. during the latter part of the year.

There are twenty three (23) Scheduled Operators who have obtained approval to operate during the Winter season 2006/07, as well as (04) Charter Operators and three (03) Foreign Freighter Operators.

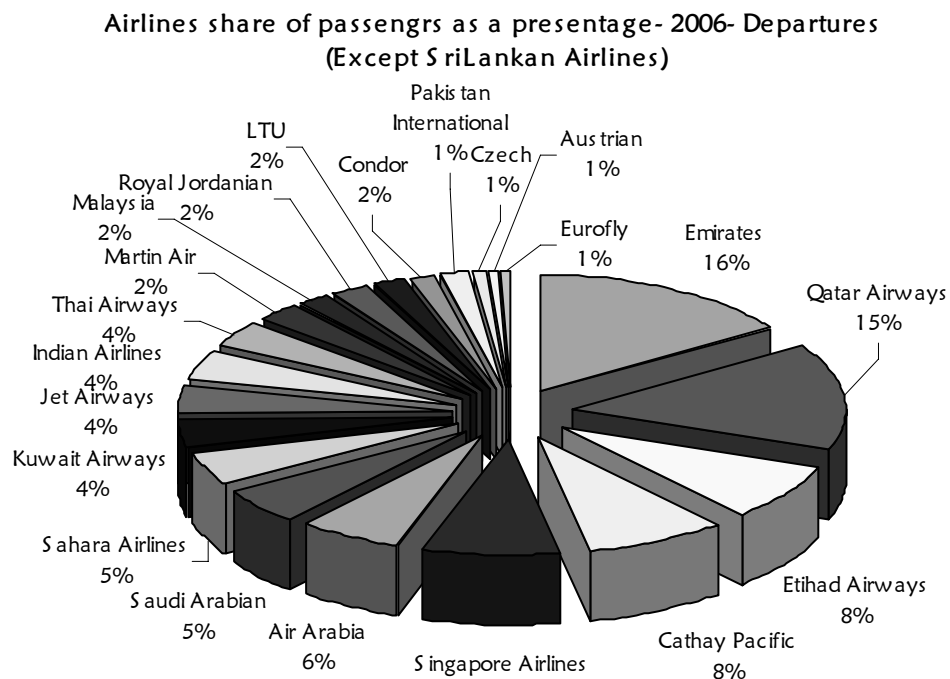
Passenger and Cargo Movements

	Passengers			Cargo (metric tons)		
	Uplifted	Discharged	Total	Uplifted	Discharged	Total
2005	2,200,590	2,105,748	4,306,338	84,849	57,708	142,557
2006	2,310,264	2,275,516	4,585,780	96,218	57,914	154,132
2007 (forecast)	2,483,534	2,445,767	4,929,301	1,034,34	62,104	165,538

Performance of Airlines

Departures

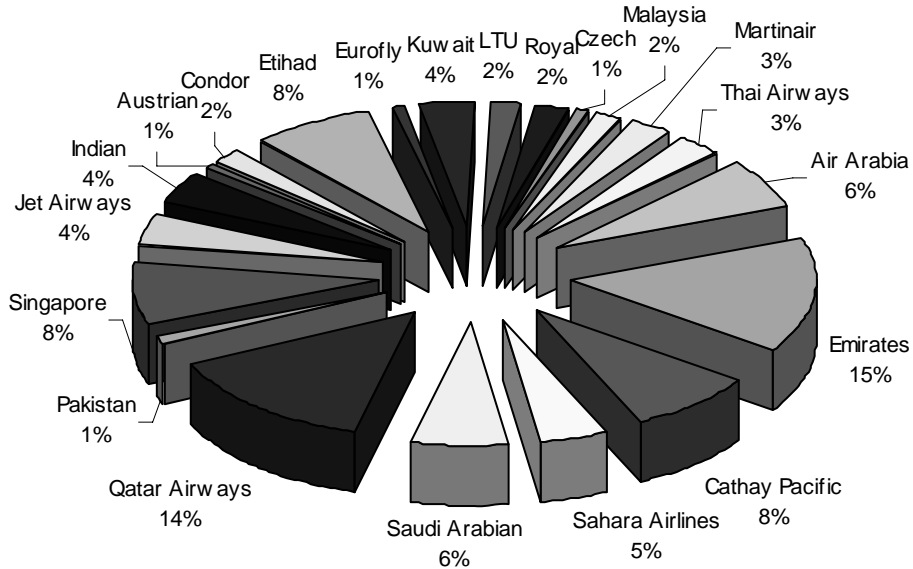
Out of the total of 2,310,264 passengers departed BIA in 2006, SriLankan Airlines uplifted 1,441,239 passengers claiming sixty two percent (62%) of departing passenger traffic.



Arrivals

Out of the total of 2,275,516 passengers arrived in BIA in 2006, SriLankan Airlines carried 1,453,352 passenger claiming sixty three percent (63%) of arriving passenger traffic.

**Airlines share of passengers as a presentage-2006-Arrivals
(Except SriLankan Airlines)**

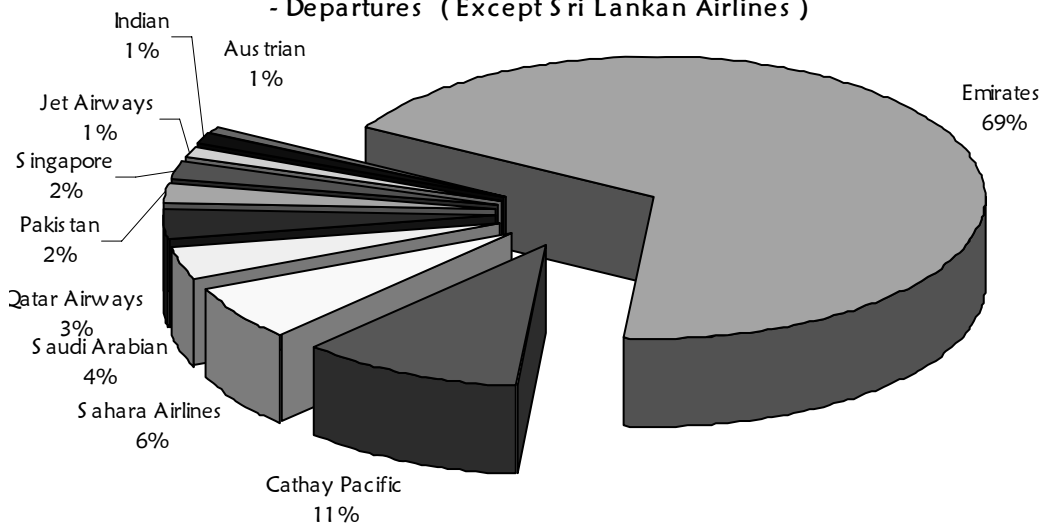


Transit Passengers

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.

Out of 931,107 transit passengers, 894,963 which forms 90% of the total transit passengers were carried by the National Carrier, SriLankan Airlines. The airline share of the transit passengers except Sri Lankan Airlines is as follows,

**Airlines share of Transit passengers as a presentage - 2006
- Departures (Except Sri Lankan Airlines)**



Domestic Aviation

The fixed wing aircraft were engaged mainly in the operation of passenger flights between Ratmalana and Jaffna airports and a few flights have been operated to Trincomalee as well. Performance of local airlines in the domestic air transport market in the year under review is as follows.

Sector	2005		2006	
	No .of Pax	Pax km flown	No. of Pax	Pax km flown
Ratmalana – Jaffna	31,600	10,522,800	14,257	5,531,716
Jaffna – Ratmalana	32,073	10,680,309	14,797	5,741,236
Ratmalana- Trincomalee	101	33,633	NIL	NIL

Aircraft Type	Total number of flights		Total number of flying hours		Number of passengers transported	
	2005	2006	2005	2006	2005	2006
	Floatplane	1,200	1,542	1,161	1,314	5,439
Helicopter	105	128	245	258	361	589
Balloon	None	None	None	None	None	None

New local airlines of international commercial passenger operations

None of the new airlines that were granted provisional approval to commence operations have been able to commence their operations and therefore SriLankan Airlines presently remains to be the only Sri Lanka designated Airline operating scheduled passenger services originating from Colombo.

Aviation Statistics

As in the previous years, the statistics relating to the civil aviation industry was collected by the senior Statistician employed by the Department of Census and Statistics of the Central Government. The statistics collected under different categories was provided to different parties, including ICAO, Central Bank for the annual report and on request, to airlines and other research parties.

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

Slot Co-ordination

CAA chaired one (01) meeting during the period under review for the determination of slots for airlines operating into and out of BIA. The members of the Slot Committee were from the Airport Operator, Air Traffic Services, Ground Handler, Air Operators' Committee and CAA's internal staff members from the relevant Sections.

Aviation Fuel Prices

The Air Transport industry continued to be seriously affected by the escalation of world oil prices. The Jet A1 fuel prices that prevailed in the past two years (2005 and 2006) are as follows.

Draft Civil Aviation Bill

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

USD Fares

During the year the CAA organized a couple of (insert the exact number) meetings with the participation of the main Industry Associations to ascertain the feasibility and viability of the proposal made by the Board of Airline Representatives to quote all air fares originating from Sri Lanka in US Dollar figures but payable in Sri Lanka rupees.

The participant Industry Associations were the Board of Airline Representatives, Sri Lanka Association of Airline Representatives, IATA Agents Association, Travel Agents Association of Sri Lanka and IATA Sri Lanka.

Based on the representations made at the above meeting, the CAA conveyed its disagreement and objection to the Central Bank of Sri Lanka regarding the proposed Change in the quotation of Air fares in US dollars as the disadvantages the change would bring about on the industry and the country would be quite damaging. Accordingly, the Change as envisaged by the Board of Airline Representatives did not materialize and thereby averted any disadvantage that would have accrued to the industry and the country.

4.2 HUMAN RESOURCES & OFFICE MANAGEMENT

Staffing

The CAA had hundred and thirty three (133) positions at the beginning of the year 2006 in the approved cadre which comprised of one (01) Chief Executive Officer, twenty four (24) Senior Executives, thirty three (33) Executives, forty seven (47) Action Officers and twenty eight (28) Support Staff. A total of one hundred and nine (109) occupied the cadre during the year.

Staff Welfare

CAA continued with its Medical Insurance Scheme with additional benefits as welfare amenity offered to the employees and their immediate family members. Outdoor Medical Expenses were increased up to a limit of Rs.6, 000/= and children of employees were enrolled with effect from the date of birth. Health Plus Medicare card system was introduced which can be used for hospitalization without paying an admission fee or any other payment. A total of 89 employees enjoyed the medical insurance facility during the year. The Accident Insurance Policy continued in the year under review.

Outdoor Workshop



Reasserting the firm commitment for development of human resources for effective and efficient delivery of service, the Annual Staff Outdoor Workshop was conducted for the consecutive 9th occasion in 2006 at the Centauria Tourist Hotel, Embilipitiya, attended by all members of the staff, including the Chairman, DGCA & CEO and Executive Director.

The theme of the workshop was 'Discovering Ourselves', which aimed at progress review of the 1st half of the year 2006. The evening programme 'Prathibha Prabha' brought to light, the hidden talents and creativity of the staff and provided the opportunity for personality development, furthering development of hidden talents and promoting interaction between staff members.

Executive Staff Outdoor Workshop

The Annual Outdoor Workshop for the Executives was conducted in October at the Hotel Amaya Lake in Dambulla for officers of the Executive grades. The main activity undertaken this year was the presentation made by the DGCA on Aircraft Accident Investigation. The highlight of the workshop was the actual re-enactment of an accident investigation where the staff members were assigned role play to ascertain the preparedness of the CAA to handle such a situation. The workshop was attended by the Chairman, Executive Director and all members of the CAA Executive staff. It was conducted in a relaxed atmosphere, with a view to easing the monotony of stressful routine office work.



Training

Training requirements, as identified in the Programme Budget 2006 were facilitated within the annual budgetary allocation. A comprehensive Training Plan was developed based on both job oriented and personality development requirements to enhance career development of the staff. In all twelve (12) foreign training opportunities were offered to Executives; whilst forty two (42), thirty five (35) and ten (10) local training opportunities were offered to Executives, Action Officers and Support Staff respectively. Accordingly, a total of 99 training opportunities were offered in the year, which is a 9 % increase compared to 2005.

Technical Library

Patronage of the Technical Library saw a rapid increase throughout the year by 27%. It served as a resource and knowledge centre not only for the staff of the CAA but also the aviation industry personnel as well. A sum of Rs. 152,981/= was spent on the purchase of new publications to the library collection.

CAA Website

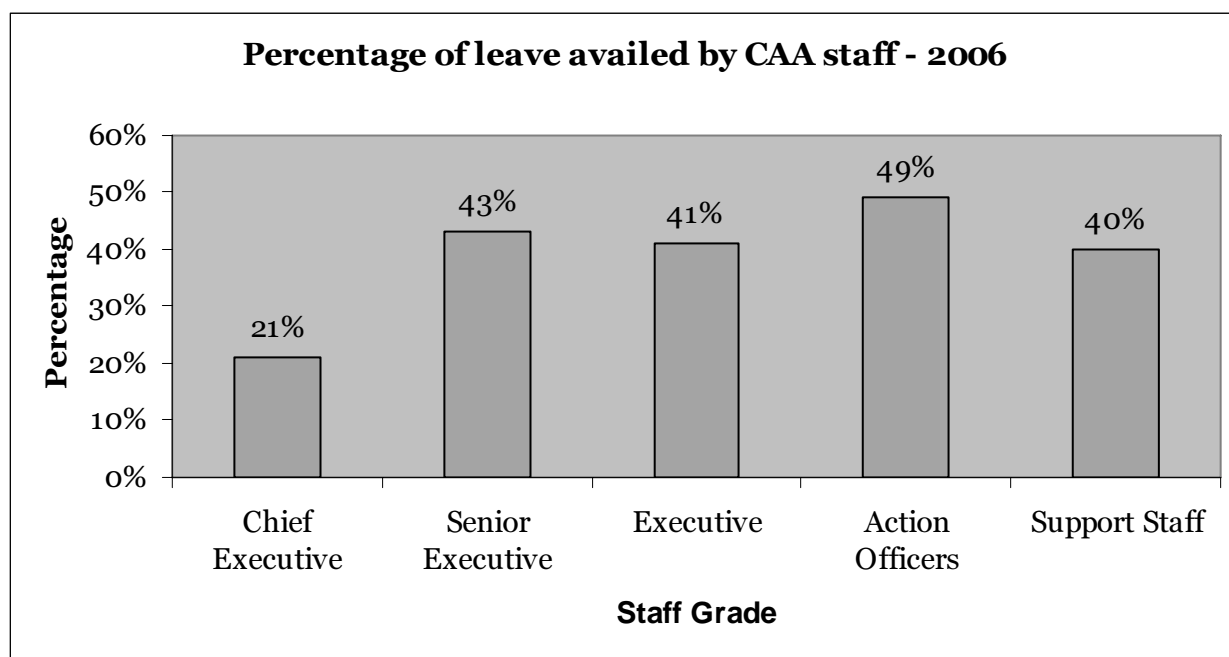
Many improvements were brought in to the CAA website, www.caa.lk. The presentation of the Website was reformatted to include a new template for web pages, popup menus for easy access to web pages, a link for downloads, a News in Brief feature and access to press releases. Duties & functions of the CAA, important data and information about the CAA and all current activities are published in the website and updated periodically.

CAA Business Plan

CAA Business Plan was introduced during the year 2006, to guide the CAA's activities in the 3 years 2007-2009 in planning out its future activities with specific targets.

Leave availed by the CAA employees

Leave obtained has shown a considerable decrease during the year. Close monitoring of late attendance records and short leave records have discouraged the employees from obtaining leave. On the other hand, 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 for the year 2007, which set 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. 48 Million as against the estimated expenditure which is Rs.228 Million reflecting a deficit of Rs. 180 Million. The General Treasury consented to cover up the gap with the funds allocated by the Appropriation Act. The estimated expenditure have been increased 46% when compared with the last year whereas the forecast revenue has been decreased by 64% when compared to the forecasted revenue in year 2005.

Collection of Embarkation Levy

Beneficiary	2004 (Rs.Mn.)	2005 (Rs. Mn.)	2006 (Rs. Mn.)
General Treasury	1,065	650	1,077
AASL.	759	718	776
Ceylon Tourist Board w.e.f. 01 st June 2004	345	684	243
CAA	Nil	Nil	Nil

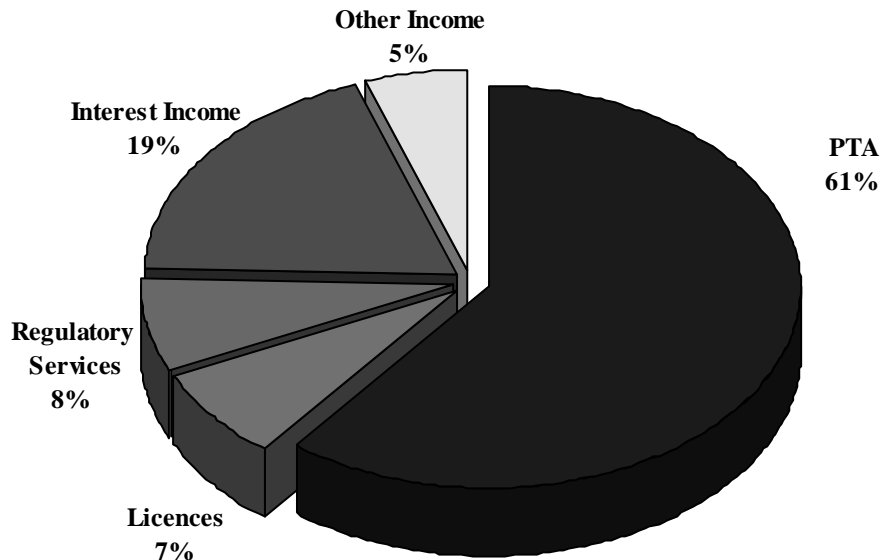
CAA Revenue

Being a self-financing organization the CAA has not been provided with any allocations under the government Appropriation Act. And also sizeable drop of revenue collected from PTA would occur due to

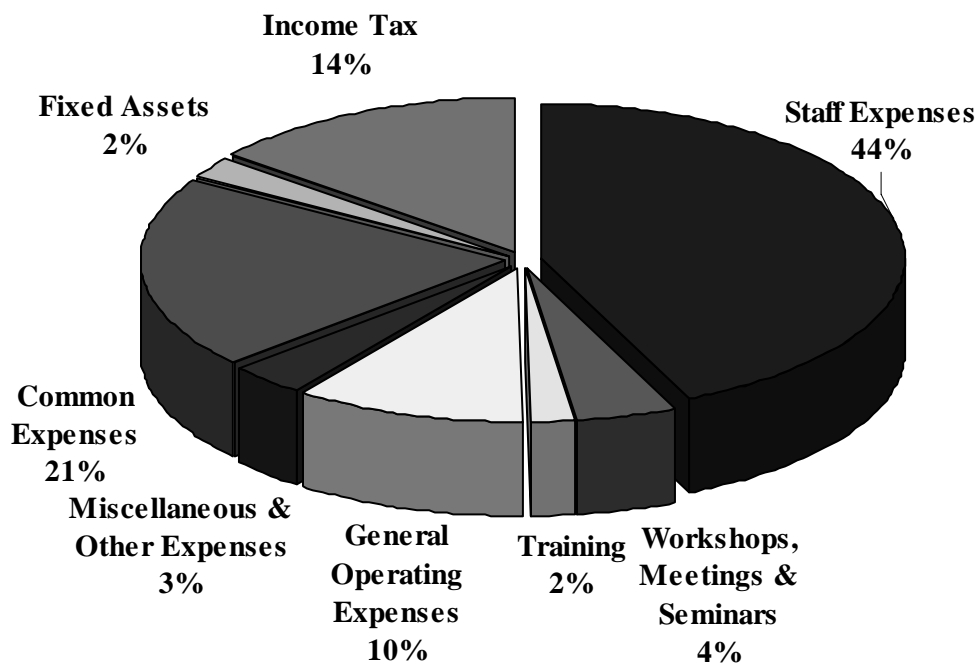
implementation of e-ticketing. Hence, it is imperative that the CAA identifies new avenues of revenues to support its activities and functions by levying reasonable fees to its customers for the services provided. In fact the CAA has, since the beginning of collection of Embarkation Levy (EL) made a fair demand of 2% of the total collection of the embarkation levy from the Deputy Secretary to the Treasury as a service charge to defray its actual operational costs and likely cost to be incurred for lengthy process of recovery of the dues from defaulting airlines and also the responsibility being held by the Director General of Civil Aviation in this regard. No favorable response so far has been received.

Financial Performance – 2006

INCOME ANALYSIS - 2006



EXPENDITURE ANALYSIS - 2006



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

A handwritten signature in black ink, reading 'H.M.C. Nimalsiri', with a horizontal line underneath and three dots below the line.

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

15th February 2007

Performance Indicators

Item	Description	2004	2005	2006
Traffic Growth	Passenger Movements (international)	4,071,725	4,239,161	4,606,332
	Transit passengers (international)	585,449	823,899	931,107
	Cargo Movement (international) – metric tons	155,571	142,557	139,206
	Passenger Movements (domestic)(all categories)	61,373	63,954	29,054
Airline Movements	By On-line carriers	29145	29,387	30,715
	By Charter flights	1,784	3,735	3,215
	Total number of revenue flights	36,980	33,122	33,930
	Domestic flights movements (between CMB & KKS)	1,613	1,619	726
	Domestic flights movements (between CMB & CBY)	153	58	00
Investigations conducted on accidents/ incidents	Aircraft accidents	02	02	00
	ATC related incidents	03	10	00
	Non-ATC related incidents	10	02	09
Foreign Airlines operated	Scheduled Passenger airlines	24	23	23
	Charter Passenger airlines	05	07	04
	Cargo Airlines	03	04	04
Total number of Local Operators	Air Operators holding Airline Licences	06	01	05
	Approved Flying Schools	01	01	03
	Approved Maintenance Organizations	04	05	04
Personnel Licences issued	Private Pilot Licences	42	38	35
	Commercial Pilot Licences	200	219	120
	Air Transport Pilot Licences	308	303	349
	Air Traffic Controllers Licences	128	099	91
	Aircraft Maintenance Engineers Licences	709	384	409
	Flight Operations Office Licences	26	00	03
	Validation of Foreign Licences	106	84	62
	Cabin Crew Authorizations	215	131	96
Total number of aircraft in the Civil Registry	Student Pilot Licences	81	68	90
	Aircraft exceeding weight 22,000 lbs	20	20	19
	Aircraft weight less than 22,000 lbs	08	09	06
	Balloons	02	01	02
	Gliders	00	00	00
Airworthiness of aircraft	Others	00	00	00
	Initial issue of Certificate of Airworthiness	04	08	02
	Renewal of Certificate of Airworthiness	18	24	25
	Approved Maintenance Organizations	30	35	38
	Workshop Approvals	18	25	09
Technical Examinations held	Ramp Inspections	97	61	30
	Air Transport Pilot Licence	00	00	02
	Private Pilot Licence	06	06	06
	Commercial Pilot Licence	01	01	01

Item	Description	2004	2005	2006
	Flight Operations Officer Examination	01	00	02
	Special Air Law Examination	32	20	34
Air Transport Providers Licences issued	Airlines	05	20	48
	General Sales Agents	02	00	00
	Travel Agents – Group A	25	235	210
	Travel Agent – Group B	00	06	06
Safety and security Oversight duties & functions carried out	New entry certifications – Airlines	01	00	00
	Ramp Inspections – Airworthiness	97	61	30
	Ramp Inspections – Operations	26	35	18
	Ramp Inspections Combined	00	00	01
	En-route flight inspection	09	02	00
	Airline Audits - Airworthiness	05	02	01
	Airline Audits - Operations	00	00	01
	Airline Audits - Combined	03	00	00
	Flight Operations Manual (initial/revision)	04	10	01
	Maintenance Control Manual (initial/revision)	10	04	00
	Flight Crew Training Programmes (initial/rev)	02	18	00
	Maintenance Schedules (initial/revision)	11	20	192
	Flight tests/ proving flights	02	02	00
	Flying School Inspections	03	01	09
Approvals granted for use of Airspace	Approval to carry weapons on board	128	45	82
	Over-flight permissions	465	711	658
	Technical Landing permissions	465	1022	550
	Airline Schedule Approval			
	- Summer	30	30	30
	- Winter	25	26	26
Construction of high rise structures	340	532	729	
Staff Training and Meetings held	Individual Specialized Training Courses	23	28	84
	Group Training Courses	03	14	18
	General Workshops for entire staff	01	02	01
	Total training time in man-days	444	390	450
	Staff Meetings – Senior level (DPIG)	27	22	09
	General Staff Meetings	01	04	08
	Authority meetings	10	10	10
	Staff Committee meetings	10	07	06
	Finance Committee meetings	02	00	00
	Audit Committee meetings	06	03	03
	Outside meetings attended by DGCA	138	145	102
	Outside meetings attended by Senior Staff	34	35	19

Correspondence	Total number of Letters received			
	➤ Line ministry	539	539	536
	➤ Other Government Agencies	930	575	532
	➤ Airport & Aviation Service Ltd	286	278	240
	➤ Aircraft Operators	2776	2652	2,319
	➤ Private Sector	2559	1955	2,092
	➤ Members of the public	1368	250	225
	➤ ICAO	327	375	230
	- International bodies other than ICAO	164	451	331
	Communication by AFTN			
➤ Sent	2163	2971	2,095	
➤ Received	11379	12464	12,075	
NOTAMS issued	80	63	65	
Aeronautical Information Circulars issued	04	11	04	
Aviation Safety Notices issued	24	32	15	

Item	Description	2004	2005	2006
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FINANCIAL REPORT

BALANCE SHEET AS AT 31ST DECEMBER 2006

	Note	2006 (Rs)	2005 (Rs.)
TOTAL ASSETS		368,028,983.87	346,661,168.43
Non-Current Assets		145,402,500.71	144,239,184.57
Property, Plant and Equipment	09	19,045,809.79	22,763,839.35
Investments	10	126,356,690.92	121,475,345.22
Current Assets	11	222,626,483.16	202,421,983.86
EQUITY & LIABILITIES, CAPITAL & RESERVES		368,028,983.87	346,661,168.43
Equity		174,025,922.98	162,569,116.53
Government Grants	12	22,715,622.57	22,715,622.57
Profit & Loss Account		151,310,300.41	139,853,493.96
LIABILITIES		194,003,060.89	184,092,051.90
Non-Current Liabilities	13	2,593,865.00	2,610,239.00
Current Liabilities	14	191,409,195.89	181,481,812.90

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,



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

15th February 2007



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

**INCOME STATEMENT
FOR THE YEAR ENDING 31ST DECEMBER 2006**

	Note	2006 (Rs)	2005 (Rs)
INCOME	01	156,331,563.89	159,893,770.93
EXPENDITURE		106,261,402.27	88,638,488.74
Staff Expenses	02	52,605,118.10	42,327,134.87
Meetings, Seminars & Workshops	03	5,127,727.89	5,097,816.41
Training	04	2,420,110.61	3,820,389.06
General Operating Expenses	05	12,339,648.72	9,701,641.63
Miscellaneous & Other Expenses	06	3,946,957.71	2,464,937.21
Common Expenses	07	23,482,355.04	19,814,604.30
Depreciation	08	6,339,484.20	5,411,965.26

Certificate of Airworthiness - Initial issue	-	369,150.00
Certificate of Airworthiness - Renewal	6,289,350.00	6,329,163.00
Certificate of Registration (Aircraft) - Initial issue	-	27,600.00
Certificate of Registration (Aircraft) - Renewal	234,255.00	186,304.00
Organizational Approval	593,400.20	593,400.00
Change of Ownership	27,600.00	-
AMENDMENTS TO AIRLINE LICENCE	4,140.00	2,070.00
Air Transport Provider Licence	4,140.00	2,070.00
MEDICAL EXAMINATION FEES	152,708.85	105,346.00
Initial	64,740.10	35,122.50
Renewal	87,968.75	70,223.50
EXAMINATIONS	307,149.00	755,916.75
Private Pilot Licences (Airplanes)- PPL	85,284.00	55,752.00
Commercial Pilot Licence (Aeroplanes)- CPL	8,280.00	18,204.95
Air Transport Provider Licence - ATPL	6,000.00	10,244.80
Special Air Law Examination	52,785.00	58,995.00
Grant of AME Licence	-	576,150.00
Extension of AME Ratings	4,140.00	1,380.00
Flight Operation Officer	110,400.00	3,450.00
Issue of Additional AME Ratings	37,260.00	31,740.00
English Language Proficiency Test	3,000.00	
REGULATORY SERVICES	11,442,173.47	18,254,512.67

Recommendation for visas (Except for students)	236,000.00	170,000.00
Verification of Licence (Except for foreign CAA)	1000.00	5,000.00
Providing technical opinion regarding competency and eligibility of the Foreign Licences holders for recruitment	62,500.00	85,000.00
Express Evaluation of application grant /reactivation Within 24 hours		
Student Pilot Licence	1,000.00	1,000.00
Private Pilot Licence	1,250.00	1,000.00
Commercial Pilot Licence	3,000.00	2,250.00
Airline Transport Pilot Licence	10,000.00	10,000.00
Aircraft Maintenance Engineer Licence	-	12,000.00
Any other Licence/certificate not specified	2,000.00	5,000.00
Express Evaluation for Endorsement of Additional Type Rating on a Licence	52,000.00	12,000.00
Express Evaluation for Endorsement of Additional Type Rating on a Licence for the purpose of upgrading	-	4,000.00
Express Evaluation for Renewal of Licence & Ratings of		
Student Pilot Licence	1,500.00	500.00
Private Pilot Licence	3,000.00	-
Commercial Pilot Licence	30,750.00	21,750.00
Airline Transport Pilot Licence	123,000.00	125,000.00
Aircraft Maintenance Engineer Licence	21,000.00	-
Any other licence/certificate not specified	-	1,000.00
Reactivation of Ratings	8,000.00	-

Current Copies of ICAO Documents	10,100.00	7,400.00
Old Edition of ICAO Documents		3,570.00
CAA Manual, Hand Book, Broacher, or any other publication	60,795.00	102,430.00
Evaluation of an application for the Initial Issuance of Air Transport Provider Licence	42,500.00	80,000.00
Flight Schedule for Sri Lankan AOC Holders (International Operations)	-	
Evaluation for grant approval-Passenger		4,000.00
Evaluation for grant approval-Cargo	-	6,000.00
Evaluation and Grant Approval of International Flight Schedule for Foreign Airlines for each IATA Season	65,000.00	230,000.00
Initial issue of an International Airlines Licence for Foreign Scheduled Airlines	400,000.00	1,485,912.44
Foreign Charter Operators	75,558.62	150,000.00
Renewal of an International Airlines Licence for Foreign Scheduled Airlines	1,350,000.00	600,000.00
Foreign Charter Operators	150,000.00	100,000.00
Ferry Flight/Test Flight Permit	70,000.00	
Evaluation an Application for Grant permit		100,000.00
Gant Permit	7,000.00	10,000.00
Permission to operate a foreign registered aircraft on Wet Lease/Dry Lease/charter by an AOC Holder-		
Evaluation an application – Grant approval to operate on Wet Lease	61	500,000.00
Grant approval to operate on Wet Lease		125,000.00

05. GENERAL EXPENSES	12,339,648.72	9,701,641.63
Overtime & Holiday Pay	1,603,226.34	1,518,783.85
Traveling Expenses - Local	12,520.50	33,955.00
Stationery/Consumables	1,762,568.89	1,974,601.68
Other Supplies	161,281.30	367,986.28
Board Payments	50,000.00	66,500.00
Telecommunication	2,317,857.61	2,092,558.57
Postal charges	99,428.93	174,873.95
Subscriptions / Publications / Newspapers	4,349,723.72	577,954.55
Examination (Payment to Examiners)	7,000.00	-
Printing Expenses	507,835.25	1,069,325.00
Civil Aviation Authority Training Academy	1,468,206.18	1,825,102.75
06. MICELLANEOUS AND OTHER EXPENSES	3,946,957.71	2,464,937.21
Miscellaneous Expenses	2,367,821.59	1,413,341.48
Maintenance of Plant, Machinery & Equipments	592,050.72	1,051,595.73
DGCA's Conference Expenses	162,980.88	-
COSCAP Committee Meeting Expenses	824,104.52	-
07. COMMON EXPENSES	23,482,355.04	19,814,604.30
Rent & Hire Charges	798,912.00	798,911.66
Fuel & Lubricants	2,678,851.90	2,055,480.80
Maintenance of Office Building & Quarters	18,456,927.31	15,603,898.51
Rent of the Building	18,401,085.00	15,585,080.00

12	GOVERNMENT GRANTS	22,715,622.57	22,715,622.57
	Land	5,359,200.00	5,359,200.00
	Buildings	9,090,800.00	9,090,800.00
	Vehicles	3,675,000.00	3,675,000.00
	Other Fixed Assets	4,149,299.00	4,149,299.00
	Consumable stores	441,323.57	441,323.57
13	NON-CURRENT LIABILITIES	2,593,865.00	2,334,634.00
	Deposits - Bank Guarantee	2,142,000.00	2,142,000.00
	Insurance Fund	206,400.00	138,600.00
	Staff Welfare and Social Security Fund (Pension Fund)	245,465.00	54,034.00
14	CURRENT LIABILITIES	191,409,195.89	181,481,512.50
	Accrued Expenses (d + e + f + g)	12,724,703.23	8,431,537.21
	Staff Expenses (d)	4,269,888.70	52,758.18
	Salaries	1,936,410.10	-
	Pay As You Earn Tax	109,051.59	14,867.09
	Employee Provident Fund	308,725.50	4,492.59
	Employee Trust Fund	56,911.48	898.50
	Leave Encashment	1,858,291.03	-
	Welfare	65,499.00	32,500.00
	Meetings, Workshops & Seminars (e)	388,775.23	-

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

	Land	Buildings	Vehicles	PLANT, MACHIENARY & Equipment	FURNITURE AND FITTINGS	OTHER FIXED ASSETS	TOTAL
Cost / Valuation							
Balance as at 01.01.2005	5,359,200.00	9,190,700.00	3,675,000.00	9,890,259.07	3,579,558.387	1,004,389.00	32,6
Additions during the year 2005	-	-	-	3,358,575.84	1,306,650.14	-	4,6
Additions during the year 2006		18,660.00		1,598,110.45	1,037,034.04	-	2,0
Disposal/transfers			(500,000.00)		(38,397.00)	(5,310.00)	(54
As at 31.12.2006	5,359,200.00	9,209,360.00	3,175,000.00	14,846,945.36	5,884,846.05	999,079.00	39,4
Depreciation							
As at 01.01.2005	-	1,219,376.09	1,837,500.00	4,727,883.42	797,935.80	624,493.00	9,5
Charges for the year 2005	-	612,103.91	918,750.00	2,730,762.95	895,176.40	255,172.00	5,
Charges for the year 2006	-	613,958.00	826,875.00	3,621,894.02	1,202,341.68	74,415.50	6,3
Disposals / Transfers	-	-	(487,500.00)	-	(37,472.65)	(5,044.50)	(5
As at 31.12.2006		2,445,438.00	3,095,625.00	11,080,540.39	2,857,981.23	949,036.00	20,4
Annual Report 2006			67				
Net book value as at 31.12.2006	5,359,200.00	6,763,922.00	79,375.00	3,766,404.97	3,026,864.82	50,043.00	19,0

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Note No	Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Taxation		50,070,161.62
Adjustments for		
Depreciation	15	6,339,484.20
Interest Income		(29,049,864.05)
Operating Profit Before Working Capital Changes		27,359,781.77
Increase in Inventories	16	(365,450.31)
Increase in Receivables	17	(12,686,874.17)
Decrease in Payables	18	(12,351,787.58)
Cash Generating from Operations		1,955,69.71
Income Tax Paid		(16,350,558.60)
Net Cash Flows from Operating Activities		(14,394,888.89)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	19	(2,635,144.49)
Increase in Investments	20	(22,377,533.07)
Interest Received		26,989,147.61
Net Cash used in Investing Activities		1,976,470.05
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash used in Financing Activities		NIL
Net Increase/(Decrease) In Cash and Cash Equivalent		(12,418,418.84)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		42,059,161.03
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	29,640,742.19

NOTES TO THE CASH FLOW STATEMENT

13	DEPRECIATION	6,339,484.20
	Buildings	613,958.00
	Vehicles	826,875.00
	Plant, Machinery & Equipment	3,621,894.02
	Furniture & Fittings	1,202,341.68
	Other Fixed Assets	74,415.50
14	INCREASE IN CONSUMABLE STORES	365,450.31
	Consumable Stores	365,450.31
15	INCREASE IN RECEIVABLES	12,686,874.17
	Staff Loans	3,784,055.48
	Advances	500,671.10
	Other Debtors	9,202.06
	VAT	1,987,587.01
	Prepayment	646,505.74
	PTA	5,758,852.78
16	DECREASE IN PAYABLES	(12,351,787.58)
	Treasury Current Account	(14,221,242.11)
		(144,540.92)
	Creditors	
	Prior Year Payments	(1,560,704.17)
	Accrued Expenses	3,591,073.62
	Non-current Liabilities	(16,374.00)
17	PURCHASE OF PROPERTY, PLANT & EQUIPMENTS	2,635,144.49
	Plant, Machinery & Equipment	1,598,110.45
	Furniture	1,037,034.04
	Other Fixed Assets	-
18	INCREASE IN INVESTMENTS	22,377,533.07
	Treasury Bills - Authority Funds	34,881,345.70
	Treasury Bills - E.L	(2,749,277.63)
	Fixed Deposits - Authority Funds	(4,754,535.00)
	Fixed Deposits - E.L	-
	Call Deposits - Authority Funds	(5,000,000.00)
19	CASH AND CASH EQUIVIVELT AT THE END OF THE YEAR	
	29,640,742.19	

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 31ST DECEMBER 2006**

	Government Grant	Accumulated Profit	Total
	Rs.	Rs.	Rs.
Balance as at 31st December 2005	22,715,622.57	138,292,789.79	161,008,412.36
Net Profit for the Year 2006	-	13,017,510.62	13,017,510.62
Balance as at 31st December 2006	22,715,622.57	151,310,300.41	174,025,922.98

ACCOUNTING POLICIES

1. General Policies

- 1.1** The Financial Statements are prepared under the historical cost convention in conformity with generally accepted accounting principles, and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. It also provides the information as required by the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.
- 1.2** The states obligation of accident investigation and search & rescue vests with the Civil Aviation Authority. Rs. 20 Mn. Provision has been made as a fund to be utilized to setoff expenses likely to be incurred to meet obligations castled upon CAA by the state with regard to search & rescue and aircraft accident investigation or simpler contingency.
- 1.3** The policy adopted for accounting of the income from Prepaid Travel Advice Levy, and the expenditure for Leave Encashment have been changed in the current financial year from cash accounting basis to accrual accounting basis. Hence, the month of December figures adjusted accordingly. As a result 13 months figures are shown in the final accounts under each category.

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.

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

Following assets were disposed within the year 2006.

Details	Valuation (Rs.)
Vehicles	500,000.00
Furniture	38,397.00
Other Fixed Assets	5,310.00

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,

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 value.

5. Liabilities and Provisions

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

6. Income Tax

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

7. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as the balance of Cash Book.

8. Government Grants

Assets transferred from Department of Civil Aviation at the time of formation of the Authority.

9. Treasury Current Account

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

Airport and Aviation Services (Sri Lanka) Ltd.	- Rs. 104,756,098.76
General Treasury	
- Rs.	52,378,049.38

10. Post Balance Sheet Events

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

11. Prior Year Adjustments

Following adjustments have been made to the Income Statement in respect of the prior year (2005) transactions.

	Debit (Rs.)	Credit (Rs.)
EPF Areas		
Salary Areas	40,640.25	
	450,705.00	
ETF Areas	28,762.84	

Board Payments	8,000.00	
Telecommunication	72,186.58	99,771.11
Income Tax	898,712.40	
Building Maintenance – water	2,062.10	
Income	278,800.00	37,174.00
Training – Foreign		39,400.00
Training – Local		500.00
Refunds		23,562.39
Local Traveling		805.00
Miscellaneous	382.10	
Overtime	9,682.65	
Over Provision for Audit Fees		26,979.00
Subscriptions/Publications/Newspapers		1,038.25

12 Reporting Format

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

AUDITOR GENERAL'S' REPORT

